

Strategic Plan – Summary

30 June 2014

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Introduction

Historically the Trust has maintained a robust financial performance that has resulted in a consistent Continuity of Services Risk Rating (CoSRR) of at least 3.

The five year forecast, provided in this report, indicates that the Trust maintains a viable financial position throughout 2014/15 and 2015/16 but becomes financially unviable from 2016/17, with the financial position forecast to worsen year on year. This follows the outcome of a voluntary turnaround process that the Trust embarked upon in late 2013.

In addition to these financial challenges, the Trust also has to address some fundamental issues in relation to clinical configuration and address warning notices received in a recent CQC inspection.

In light of this, the Trust has commenced a process to understand and evaluate the potential options for clinical services and organisational form in order to secure sustainable clinical services for the Trust's current and future patients through an alignment with Liverpool CCG's Healthy Liverpool Programme.

Context and Market Analysis

The Trust's strategy is influenced by various local and national policy drivers and also the need to transform the health economy to meet increased demand for services in an ever challenging financial envelope.

National Policies

Specialised services review

Specialised services are being delivered out of too many sites, with too much variation in quality and, on occasion, at too high a cost. The transformation of services will see not only a reduction in sites but also a standardisation of care and expected outcomes across the remaining sites.

All designated centres of excellence will need to work closely with Academic Health Science Networks and local Universities to maximise synergies from research and learning. However, the outcome of the three month consultation into the specifications for specialised services is not yet known and any impact on the Trust cannot be understood or quantified.

NHS England Clinical Reference Group (CRG) – Maternity Services

A key campaign of the CRG, which will have a substantial impact on the Trust, is that complex cases should only be treated at sites that are co-located with other adult services to ensure patients with co-morbidities and other long term conditions are treated at a single location.

Safer Childbirth and Birthrate Plus

The Safer Childbirth report established that a ratio of 1:28 midwife-to-patient ratio is the minimum for a safe level of service. However, for those maternity units with a more complex case mix, although to be determined locally, a lower ratio of 1:25 may be more appropriate.

Given the acuity of care provided by the Trust, a Liverpool Women specific Birthrate Plus report was commissioned. The report recommended a ratio of 1:26. The Trust currently operates a midwife-to-woman ratio of 1:31 and therefore, needs to invest in and recruit more midwives.

National Audit Office (NAO) Report

In November 2013 the NAO published its report into Maternity Services in England and how the Department of Health's 2007 strategy *Maternity Matters* had been implemented.

The three substantive conclusions of the report, that have the greatest potential impact on the Trust, are as follows:

1. the NHS has not achieved value for money for its spending on maternity services with the Department of Health's objectives in the original strategy being too broad and difficult to measure;
2. NHS England and Monitor should review the pathway tariff to check they are set at the correct level and are working as intended; and
3. Clinical negligence costs for maternity are too high.

Recently published HM Treasury minutes (April 2014) stated the Government's response to the NAO report and its agreement with the conclusions. However, the Government agreed with has decided to continue with Monitor's pricing strategy for 2014/15 In relation to pathway tariffs. Local flexibility will continue and oversight of the system will continue through a joint review board comprising Monitor and NHS England.

Local Policies

Strategic Clinical Networks

The Trust is an active member of two key local Strategic Clinical Networks for maternity and neonatology whose immediate priorities are to review and understand the current provision across the Merseyside and Cheshire region and make recommendations for change to ensure services are improved and capacity meets demand.

Healthy Liverpool Programme

Liverpool CCG has introduced The Healthy Liverpool Programme (HLP) which is focussed on driving change across the region to address the future challenges of ageing population, increases in long term conditions and improving the health of residents. The CCG have already commenced the HLP and are currently undertaking a detailed examination of the local health economy.

The objective is to build upon the benefits and address the challenges of the local health economy.

The evaluation of current provision will focus on the "setting" of care by asking the following questions:

1. Where does care currently take place (from self-care through to major hospitals)?
2. In five years' time, what services will patients need?
3. What is the most appropriate setting to receive these services?

The CCG is aiming to have considered these questions by autumn 2014 and will then consult on its proposals for improving the NHS across Liverpool. The Trust will play an integral part in developing

plans for Women's services across the city and is aligning its own strategic thinking with the timetable and objectives of HLP.

Demographics

Liverpool city has a large population of 470,000, an increase of 6% over the last decade. The wider Liverpool City Region has a population of over 1.5m which is forecast to remain fairly stable to 2020.

Liverpool Metropolitan City District (MCD) is ranked as the most deprived ward in the country¹ with neighbouring Knowsley MCD ranked fifth.

This socio economic factor alone provides a helpful indicator of the scale of complexity that the Trust's patients bring. Some key demographic factors impacting women's services are as follows:

- Female life expectancy rates in Liverpool are lower than the national average;
- Prevalence of diabetes is forecast to rise to 8.3% by 2020;
- 30% more women die from Coronary Heart Disease (CHD) in Liverpool than elsewhere in the country;
- The prevalence of people smoking in Liverpool and Knowsley is higher than the average at 25.2% and 31% respectively, against a national average of 20%; and
- Merseyside's outcomes for low birth weights and stillbirths are better than the English average.

Market Share

The Trust's position as the maternity provider of choice across Liverpool is evident in its market share. The Trust currently attracts 93.4% of Liverpool CCG's referrals for obstetrics and 81.0% from NHS South Sefton. Given, the unlikelihood of most women travelling for maternity services, this localisation of obstetric market share is a common theme across all maternity provision.

For gynaecology, the Trust's market share increases for some neighbouring CCGs when compared to obstetrics (Liverpool 95.2%, South Sefton 85.6% and Knowsley 60.7%). This is due to the specialist consultants based at the Trust who are able to complete more complex cases than at neighbouring Trusts. The Trust is also able to draw in more complex patients from a wider geography for gynaecology.

Whilst neonatal cots are under review by the Strategic Clinical Network the Trust dominates the market share across Liverpool and surrounding areas. Given the quality of service the Trust is able to draw activity from across Lancashire and Greater Manchester.

Context and Market Analysis Conclusions

National and regional policy drivers, such as increased midwifery ratios and colocation of services, will have an impact on both the financial and clinical sustainability of the Trust.

¹ Indices of deprivation 2010 (Local Authority, Primary Care Organisations and County Summaries)

Increasing staffing ratios cannot be ignored given quality standards and safety but the maternity tariff needs to be reviewed to ensure such requirements can be funded through tariff. The Trust maintains that tariff is insufficient to meet the acuity of care delivered at Liverpool Women's.

The HLP presents an opportunity for the local health economy to address the clear health inequalities in the region and make transformational change to the way care is delivered across Liverpool.

The Trust has a large role to play in the configuration of women's services through the HLP, particularly given the compelling local market share for obstetrics, gynaecology and neonatal care.

Risk to Sustainability

Over the previous four financial years the Trust has delivered its financial targets and maintained a Financial Risk Rating of 3 or above. The position for 2013/14 continues this strong performance although the size of the Trust's surplus has declined significantly and the Trust is almost in a break-even position.

The Financial Challenge

The Trust's ability to maintain a viable position has recently been challenged by a combination of the following internal and external factors which are outlined in greater detail below:

- Continuation of Cost Improvement Programme (CIP) savings at 4% per annum;
- Changes in minimum staffing requirements and scale of recruitment requirement; and
- Exceptional increases in clinical negligence insurance premiums.

The Cost Improvement Programme (CIP) Challenge

To date the turnaround team has identified CIP schemes of £11m of which £5.4m will be delivered in 2014/15 and a further £5.6m in 2015/16. This is in addition to the £22m already delivered.

An annual £1m CIP target has been assumed from 2015/16 onwards. This is not only reflective of the ongoing financial challenge of the Trust but also Monitor planning guidance which references external evidence of real annual productivity improvement across the NHS of between 0.4% and 1.4%.

Staffing levels and the Maternity Tariff

The Trust maintains the view that the maternity tariff does not adequately cover the costs of providing maternity services that are based on recommended staffing levels.

The cost of implementing the Trust's own Birthrate Plus report conclusions to the recommended ratio of 1:26 is estimated to cost £2.5m per annum.

Clinical Negligence Scheme for Trusts (CNST)

The premium received by the Trust in January for 2014/15 amounts to £6.7m. The annual premium is forecast to reach £16.7m by 2018-19 with CNST total costs projected to be £53m over the next five years. For reference, the 2013/14 premium was £5.9m

Five year forecast

Utilising the assumption driven by the areas outlined above, the following table summarises the Trust's five year forecast from 2014/15.

Post 2015/16 the Trust is financially unviable.

£m	2014/15	2015/16	2016/17	2017/18	2018/19
Income	94.5	93.3	92.0	90.8	89.6
Operating profit	3.9	3.0	(3.2)	(10.5)	(17.8)
Surplus/(Deficit)	(1.2)	(2.3)	(8.9)	(15.8)	(22.4)
Cashflow Closing Balance	4.5	2.0	(11.0)	(26.2)	(49.4)
Monitor	3	2	1	1	1
CoSR Rating					

The Trust is no longer viable post 2015/16. The forecast negative cash position is 2016/17 (£11.0) presents the greatest concern.

Clinical viability

Whilst the financial viability of the Trust presents the most immediate and significant challenge, there are some impending necessary alterations to configuration of clinical services that will occur, regardless of the Trust's strategy for future services that need to be considered.

Co-location

To order to maintain and improve skills and associated accreditation, it is accepted that the Trust's oncologists should be co-located with the new Cancer Centre. The dependency of complex gynaecology services on oncology consultants and surgeons means that the two cannot be separated.

To improve the genetics service for the people of Liverpool and develop a Liverpool as a genetic hub for the region, the genetics team need to co-locate with the most technically advanced equipment that will be hosted by Liverpool Clinical Laboratories.

As stated previously, the HLP vision is also a driver for co-location of some services with the review being focussed on the most appropriate site to ensure integrated pathways and improved outcomes.

Complexity of patients

The Trust is seeing an increasing number of complex patients and this is evidenced through the forecast increase in obesity levels, diabetes and long term conditions such as CHD. The complexity of patients results in greater input from other adult services.

Viability Conclusion

The Trust's financial performance shows that after significant savings are delivered, the position is still one of substantial deficit.

The expected amendments to clinical configuration, for some services, and the increasing reliance upon other specialties due to patient complexity are also a driver for change.

The scale of the challenge is significant post 2014/15 and worsens substantially year on year.

The Trust has therefore, developed a strategic approach to quality, innovation productivity and efficiency through transformational change. This strategy will review the optimal clinical configuration and subsequent alternative operating for securing sustainable clinical services.

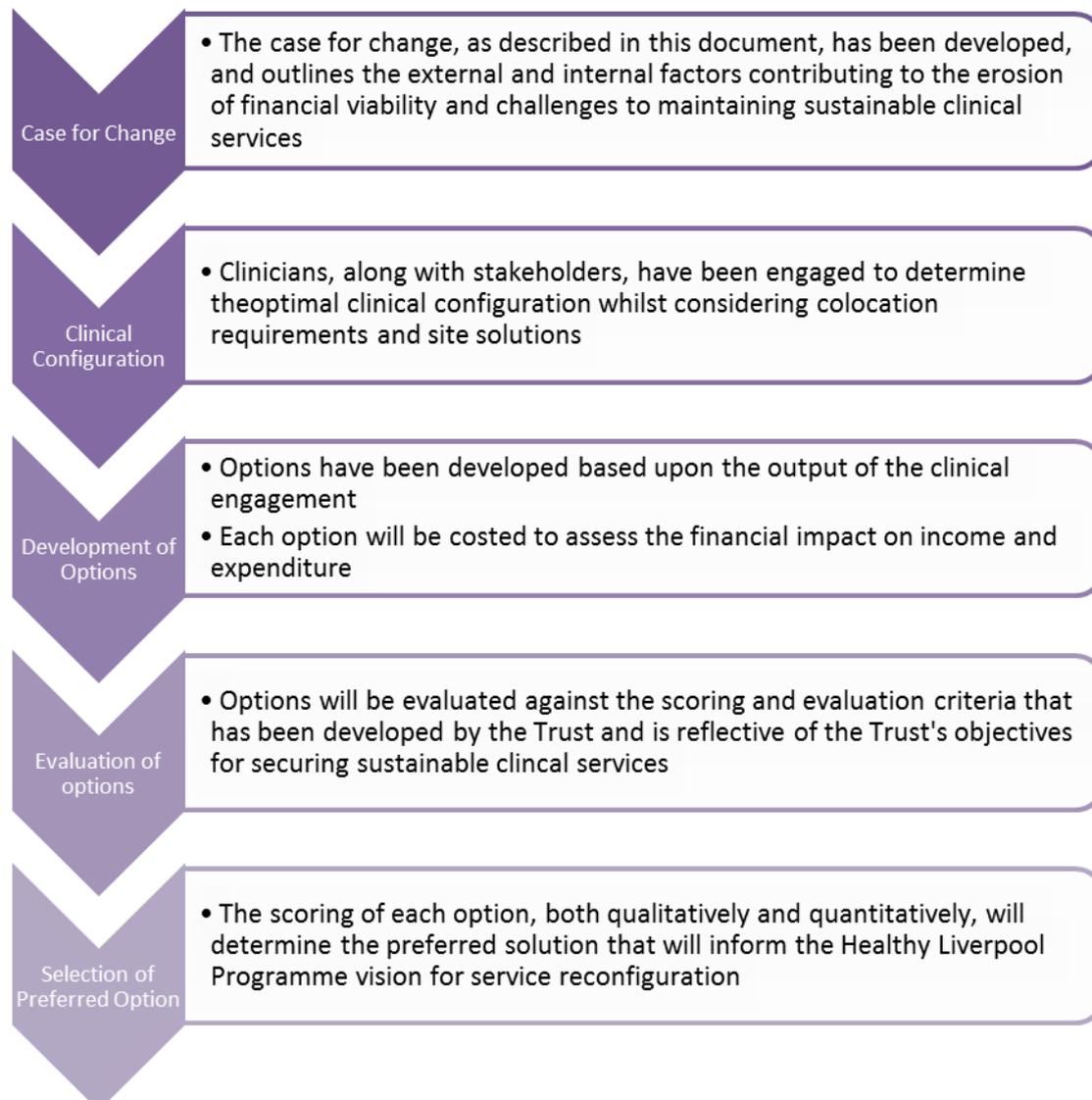
Strategic Options

This section outlines the process that the Trust is currently undertaking to evaluate the strategic options in light of the challenges to clinical and financial viability, with the objective of securing sustainable clinical services.

The process

The robust process has been designed to ensure that the clinical model is at the heart of any reconfiguration and that stakeholders remain involved and informed throughout.

The following diagram outlines each stage of the process.



Clinical Engagement and Service Configuration

The review of Trust's strategic options, in light of the challenge to financial viability, provides the opportunity to review the Trust's current delivery of clinical services and identify areas which could be improved via transformational change, such as; co-location with other Trusts, divestment or merger.

In line with the focus of the HLP and the increasing requirement to collocate with other specialties, clinicians were asked to consider the optimal setting of care for improving services and outcomes.

Healthy Liverpool and Stakeholder Engagement

On the 2nd May 2014, the Trust hosted an event at the LACE conference centre in Liverpool to outline the strategic options process and its intention to secure clinical services in light of the challenged future financial position.

The event was attended by:

- Trust clinicians;
- Liverpool CCG Chair and CEO;
- Trust Board;
- Trust executive and management representatives;
- Governors; and
- Specialised Commissioning - NHS England.

At the event the CCG provided an overview of its Healthy Liverpool Programme and its vision for integrating services and improving outcomes across Liverpool.

The CCG welcomed the Trust's strategic options process and stated its desire for it to align with the CCG's vision for its Healthy Liverpool programme.

One to One Consultant Interviews

The Trust has a progressive and open consultant body which has meant that fourteen of the Trust's senior consultants were engaged in one to one interviews from across all specialties. The interviews were conducted by PwC.

The focus of the interviews was to understand the views of each clinician and how they would seek to improve services through radical, but realistic, changes whilst considering some impending service modifications within the health economy and interdependencies between services.

A significant amount of consensus was drawn from both the May 2nd event and the one to one interviews with Clinicians. However, there are also differences of opinion which has driven the development of range of options for consideration.

Options for evaluation

The output of the stakeholder and clinical engagement has resulted in the following short list of options for appraisal.

All options have been based upon the review of clinical pathways and dependencies as outlined above.

Option
1 -Do nothing
2 - Do nothing but with expansion
3a – Relocate to another Trust site (separate entity)
3b - Relocate to another Trust site (merger)

Objectives & evaluation criteria

The options outlined above will be evaluated by the Trust’s Service and Sustainability Board, representatives from the Trust’s Governing Body and Trust Board.

Each option will be assessed against the following categories.

Category	Category Weighting
Clinical and Corporate Governance and Control	20.0%
Service Quality	20.0%
Patient Experience	20.0%
Deliverability	10.0%
Strategic Fit	10.0%
Financial Sustainability	20.0%

Project Governance

The project team meets on a weekly basis to discuss progress against the project plan, stakeholder engagement and next steps.

On a monthly basis the project team reports to the following groups:

- Service and Sustainability Board (SSB) which comprises Trust Executive Team, Heads of Service and Clinical Directors;
- Finance, Planning and Business Development (FPBD) Board subcommittee; and
- The Trust Board of Directors.

The Trust Board are the ultimate owner for the programme and will be responsible for reviewing and approving all major milestones throughout.

Stakeholder Engagement

The Project team have developed a stakeholder engagement and communication plan which has identified all relevant internal and external stakeholders and a bespoke plan for ensuring they are fully engaged with the process at the relevant stages.

All stakeholders have been categorised as local, regional and national and a member of the Trust Executive Team or Clinical Leadership team have been assigned to each stakeholder to manage communications and engagement.

Next Steps and conclusions

The Trust will have concluded its options appraisal in line with the timetable of the HLP, which is expected in the autumn.

As outlined in this report the Trust's financial position is unsustainable by 2015/16 and therefore, the Trust is taking action in reviewing its strategic options with a view to securing sustainable clinical services for its patients.

Whilst conclusions have not yet been drawn, the Trust is confident that the process is robust and, through appropriate engagement and communication, will achieve a preferred solution that not only aligns with the vision of the Local Health Economy but has the buy in of all relevant internal and external stakeholders.