

Network purchasing of pathology managed services contract

South 3: West of England Pathology Network

In September 2017, NHS Improvement (now NHS England and NHS Improvement) wrote to trusts asking them to establish network pathology services in a hub-and-spoke model to provide a more responsive, high quality and efficient system.

One of the key ways to improve efficiency is by purchasing services as part of a wider network. As part of delivering improved network efficiency, the West of England Pathology Network (South 3) comprising Gloucestershire Hospitals NHS Foundation Trust, North Bristol NHS Trust, Royal United Hospitals Bath NHS Foundation Trust, University Hospitals Bristol NHS Foundation Trust and Weston Area Health NHS Trust, sought a combined managed service contract (MSC).

MSCs are a flexible and often bespoke contract with a service provider that facilitate access to new technology, innovation, supply chain management, continuous improvement expertise and related services based on risk transfer and backed by contractual key performance indicators. Trusts use them to ensure their services benefit from up-to-date equipment and innovation and support establishment of a hub and spoke model. They have the potential to deliver significant efficiency savings without the requirement for capital expenditure to purchase and replace high value assets.

What was the problem?

The five trusts in South 3 were already using MSCs: four were collaborating while one had negotiated independently. The four collaborating trusts had started re-procurement of their MSC before the development of [NHS Improvement Pathology networks](#), but the new network acknowledged that the group purchasing of this service would potentially achieve further efficiencies for the following reasons:

- The combined MSC for a typical network would be worth around £200-300 million, capturing a significant section of the market. Service providers are more likely to compete aggressively for such contracts as the marketplace shrinks with the advent of networks.



- Joint MSCs should lead to the standardisation of equipment and enable the development of standardised operating procedures across the trusts.
- A full network tender was timely and more appealing for the members of the network whose current MSC was due to come to an end in 2020/21.

The trusts needed to reach agreement to expand the procurement across the network promptly so that existing contract arrangements could be properly aligned, and unnecessary risks and costs mitigated.

What was the solution?

The West of England Pathology Network moved rapidly to optimise the alignment of the new tender with existing MSC contracts.

The leaders determined the detailed specifications of the proposed network-wide procurement and MSC, taking into account the need to ensure the procurement process would meet the need of the evolving structure of the network and not inhibit change.

Once all parties agreed the scope and specifications of the procurement, they drafted an outline business case proposing a joint MSC and submitted it to the various trusts' boards and NHS England and NHS Improvement.

Following confirmation NHS Improvement and the Department of Health and Social Care (DHSC) would not need further oversight of the business case, the tender documentation for the proposed network-wide MSC went out to tender via the Official Journal of the European Union in February 2019.

What help did NHS England and NHS Improvement provide?

The Pathology Services Consolidation Team's support was key to the success of this initiative. They advised the network on the benefits of all the trusts being involved with the contracting process from the beginning, including the building of stronger relationships within the network. They:

- supported the network leaders to make the case for change
- liaised with DHSC to maintain pace
- facilitated discussions to bring the network partners together.

When it was identified that the proposed business case might require sign off by NHS England and NHS Improvement and DHSC, the Pathology Services Consolidation Team highlighted that while the costs of the proposed contract would normally qualify this business

case for additional oversight, this was mitigated by the fact that there was no capital finance involved and that extended delay would be operationally and contractually risky and cost prohibitive. In December 2018, it was agreed that neither NHS England and NHS Improvement nor DHSC would need further oversight of this or any future business cases regarding this network's Managed Service contracting.

The team worked with all the trusts in the South 3 network and was able to assure Gloucestershire Hospitals NHS Foundation Trust about entering the new MSC. Gloucestershire's procurement cycle was not aligned with the rest of network and it was concerned that the costs of breaking the existing contract and engaging in short-term tenders would be prohibitive. Improved alignment of the dates for the new contracts reduced the delay between contracts and enabled Gloucestershire's board to make an informed decision to be included in the current group purchasing proposal with reduced financial risk.

What were the results?

The West of England Network's move toward joint contracting for MSC is a significant step towards providing a cohesive pathology service and realising the £8.4 million target savings for the network year on year. This standardisation of equipment across the trusts will contribute to the development of standardised operating procedures and the evolution of a coherent and functional network.

Starting in the financial year 2017/18 Gloucestershire saved £15,600, rising to £46,800 for 2019/20, by aligning its MSC management fee with that paid by the other trusts in the network using the same service provider. Gloucestershire's involvement in the group purchasing developed improved relations across the pathology network, signalling the trusts' commitment to further collaborative working and leading to the network negotiating common priced contracts with a supplier for a range of send-away tests.

It is anticipated that this work will also deliver other significant benefits outlined below.

Financial benefits:

- minimum network savings of an estimated £18 million over 15 years starting in 2021
- enhanced overall efficiency due to increased economy of scale and opportunities to tackle duplication
- the agreement by DHSC that the network's MSC business case oversight could remain at trust level has allowed the trusts to lock down their procurement timeline and plan transition between existing and new contracts, avoiding the risk of future unplanned and unmanaged delay or financial exposure.

Other anticipated benefits:

- positive impact on patient safety by maximising digital potential within the system, increasing automation of basic processes such as labelling samples and removing human error. Increased standardisation of equipment and operating processes should also reduce human errors caused by variation in activity
- increased standardisation opening up opportunities for network to share workforce more readily and potentially react more flexibly to demand
- increased automation that results from MSC contracting will hopefully have a significant positive impact on cancer care pathways and waiting times as outlined in the [NHS Long Term Plan](#).

Next steps

The West of England Pathology Network is currently out to market for the joint MSC and will submit a full business case to be considered at trust level in October 2020.

Its next step will be to develop a standard operating procedure to fully capitalise on the consistency of their equipment.

Want to know more:

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NHS Improvement publication code: 001590