# West Hertfordshire Hospitals NHS

## NHS Trust

**Public Board Meeting, 17 December 2008**

**Service Line Management -** Further to the request at the June Trust board meeting, the purpose of this report is to inform the Board of progress to date regarding the implementation of Service Line Reporting and to recommend for consideration a process for enabling transition to Service Line Management as defined by Monitor – the Foundation Trust regulator

**Presented by: Russell Harrison, Director of Delivery**

## 1. Purpose

1.1 To update the board on the progress made with regard to Service Line Reporting

**1.2** To address the requirements of operating under a Service Line Management culture

## 2 Background

### 2.1 Service Line Management

Monitor anticipates that Foundation Trusts (existing or in application) will be able to demonstrate a Service Line Management capability or, as a minimum, a route to implementation post September 2008.

Monitor defines Service Line Management as;
"*Managing the organisation's portfolio of services at the front line - where the capabilities, information, and patient relationships reside. This supports the Trust in fulfilling its overall objectives.*"

Successful Service Line Management requires joined-up ownership of clinical, operational and financial objectives and outcomes.

## 3 Service Line Management and West Hertfordshire Hospitals NHS Trust

3.1 WHHT aspires to be an organisation that is capable and confident to run with autonomous Strategic Business Units. Building with firm foundations of clinical quality and maximising operational effectiveness without compromising the Trust's financial position.

This aspiration underpins the Trusts current Foundation status application and the route to full and effective Service Line Management

is based on sound business sense utilised in the commercial world as a given.

In order that the transition to autonomy at a service level is carried out in a structured and controlled manner the route we are proposing strongly reflects the process a Trust follows to achieve its autonomy and Foundation status.

The process is commonly referred to as "Earned Autonomy".  In the same way as the Trust will have to demonstrate it's capability to operate as a Foundation Trust, a Service Line will also need to demonstrate competency to achieve and, as importantly, sustain Strategic Business Unit Status.

Strategic Business Units are still part of the Trust and therefore have to meld with the overall Trust Integrated Business Plan.  In recognising this requirement we have made sure the full application process operates in support of the Integrated Business Plan.

The Units can be at a Specialty or Group of Specialties possibly even at a Divisional Level; they can be predominantly offering a Frontline Patient Service such as Orthopaedic Surgery or an Internal Service such as some of our Clinical Support units or directly offering. They can be for a group of Service Lines. It is unlikely at this stage that a Business Unit would operate across current Divisional Lines.

## 4    Current Position

4.1    The Trust is engaged in building an Information Suite that will support the move to a Service Line Management culture.

We have taken a staged approach to ensure we follow the principle of building on firm foundations. Service Line Reporting (SLR) with a multi-faceted drill down capability is on target to go live 1 April 2009.  As a base level we will be providing the Monitor defined SLR dashboards and in addition elements of linked performance reporting.  This will also deliver a key component of the Foundation Trust capability requirements.

At this stage the limitations on our reporting capability are the reporting modules we have purchased and the data that is being imported both in terms of availability and quality.

One of the key foundation blocks for SLR to enable drill down to Patient Level and support decision making at all levels is a Patient Level Costing model which links Expenditure to Resources and through them to Activities and thus to Patients. This is an extremely complex task which largely reflects the complexity of our organisations. It requires us to gather considerable amounts of information about the who, how and where we deliver services to our patients.  The changing nature of our service delivery model in these times adds a further

complication quotient.  We have therefore recognised that this is a developing process and it will only be by interrogating and using of the reporting output that we will identify areas that need refinement.  To put this in some context for the Trust Board it is generally considered that a time span of 2 years is necessary to fully develop a Patient Level Costing Model. This is not to say that what we produce in the interim is of no value but the value and usefulness increases as our ability to break down and attribute cost more accurately.  As an example at this stage we will only break Ward Stays down to a Nursing Cost per bed day but in the future we would look to reflect the complexity of nursing required by a patient during the stay.

Where we are either not recording activity or resource at a sufficiently low level or in a medium we can use this has a direct impact on how we are able break out the costs.

In the light of these issues we are looking to flag the integrity level of the data supporting the output such that when individuals review reports they are able to see how robust the output is.  This shoud guide people as to whether they need to investigate further before responding to what may be a positive or negative report outside of the norm.

## 5    Proposed Process

5.1    Earned Autonomy  - an Overview

Earned Autonomy is defined as: The devolving of decision making and responsibility from the Board to a Business Unit

This action requires a strong governance process to support it.  Other Foundation Trusts have taken the route of "Earned Autonomy" where a Business Unit applies for Strategic Business Unit status through a rigorous process akin to that experienced by a Trust in applying for Foundation status.

This cannot be just a simple roll out of a procedure or another method of reporting.  It involves the active recognition of a Business unit with its own structure, business plan, resources and ongoing capability to operate autonomously.  This rigour ensures that a business unit is fit for purpose and able to operate autonomously and are sustainable.

The Trust should not underestimate the impact of taking this step. It is a fundamental change in how we manage the Organisation and Operational delivery.  Structurally and Operationally, we are a heavily centralised organisation reflecting our only recent emergence from being a Trust financially in deficit.  Serious consideration needs to be given to how much autonomy is appropriate.

The appendices attached to this document detail the process we are recommending. The Board should be aware that we have not

developed this process in isolation and other Trusts have taken this forward ahead of us. Monitor is supportive of the process and recognises its strengths in offering a controlled transition to a Service Line Management Operational Model.

5.2     The Process

Appendix (I) is in the form of a presentation and offers a guide through the proposed process and the governance controls and ongoing performance management that would be applied.

There will be a resonance throughout that reflects the Foundation Trust application process.

5.3     I would draw your attention to the following key slides:

5.3.1   Slide 3 – The Process

This slide details the stages that a prospective SBU has to go through before achieving Autonomy.

The Key Stages are supported by documentary requirements:

- The Invitation

  The Invitation will be triggered when it is clear from existing Trust Performance that a Unit is already demonstrating its capability.  KPI's such as a consistent ability to meet all relevant National Targets will drive the choice initially however it is considered that a reflection of the Trust operating successful will be the number of Business Units that are able to start and complete the application process. NOTE Profitability although an indicator will not necessarily be a driver since in some areas we are cognisant of the fact that we contractually have to deliver services at a cost that is not accurately reflected in the current tariff.

- The Pre Submission  ( Appendix II)

  Completion and submission of this document confirms the readiness of a Unit to go through the application process. Review can be an iterative process between the central review team and the unit.  At this stage key dependencies in order to move to the Full submission stage will include elements such as:
  - Data Quality - Timely and Accurate Recording.  Activity capture
  - Delivery to Plan ( or exceeding where appropriate)
  - Meeting National Targets

- The Full Application ( Appendix III)

  This is a substantial document and will require considerable work and application. However, much of planning element is already covered by the Trusts' new IBP process and wherever possible we are not asking units to duplicate effort.  In reality the requirements of this document can be viewed as a summary which demonstrates:
  - A strong business management capability within the unit.
  - A clear understanding of their "Business" from all perspectives both currently and for the Future
  - A vision and a practical route to achieving it

5.3.2   Slide 4 The Benefits

Essentially this slide talks about what a Service Line gets out of becoming an SBU.

Key points for the Boards consideration are:

- The level of sharing an individual unit should be allowed to retain of any Over Performance against plan.
- Management of Capital Spend and Direct assignment of Depreciation
- What does this mean for the scheme of delegation in practice? At what level do you allow commitment to be made that has far reaching consequences financially, e.g. appointment of a new consultant

5.3.3   Slide 6 Key Dependencies

- Full Board and Executive support and commitment to this concepts and making them a reality is vital.
- On an ongoing basis the success or failure of the Trust is dependant on the quality of its data capture and use of resultant information
- People the single most important resource within the Trust. Having the right people in the right place at the right time is essential to support the Trust moving forward. Ensuring that the key individuals within the business units have the knowledge and capability to respond to the demands of operating as Strategic Business Units is a significant challenge for the organisation.

5.3.4   Slide 12 Ongoing Performance Management

As with the application process the ongoing performance management regime reflects that of Monitors relationship with current Foundation Trusts.  Slide 12 demonstrates the robust performance management regime required which would replace current macro management for the Service Areas which make the successful transition to Strategic

Business Unit Status. As with the current Monitor relationship with Foundation Trusts any Business unit found to be failing would in effect be taken back into "administration"

## 6   Next Steps

6.1    As discussed in the previous Board Paper on Service Line Management the Trust is using the Paediatrics service to trial the process. They have been issued a formal invitation, in this case from the Director of Delivery in lieu of the Performance Committee being set up and authorised to run this process. The Clinical Director has responded in the affirmative and we anticipate a Pre-submission document being submitted by the end of December, early January.

## 7   Recommendations

The Board is asked to:

7.1    Approve the concept of Earned Autonomy and Strategic Business Units as an approach to delivering Service Line Management

7.2    Agree the Process or Journey that a Service takes to achieving Strategic Business Unit status and the accompanying Documentation

- Invitation
- Pre-submission
- Full Application
- The Performance Management regime as defines in slide 12 of appendix I

7.3    Give Consideration as part of the above recommendation to the Benefits and Governance Issues

- What percentage of over performance can be retained by the SBU ?
- How Capital Spending decision making is transferred to the SBU?
- How the existing Scheme of Delegation needs to change?

In the light of the Trusts Foundation Trust Application time scales we request that the Board make decision about the elements in 7.3 by the end of March 2009. It is suggested that the Board may wish to consider a seminar to discuss the subject in detail to ensure the ramifications are completely understood prior to making a decision.

**Russell Harrison**
Director of Delivery
December 2008