

### East Sussex Healthcare NHS Trust

#### **The Clinical Strategy: the financial case for change**

##### **1. The financial plan: 2012/13 – 2016/17**

The purpose of the Trust's five year financial plan is to underpin the delivery of the Clinical Strategy and ensure financial sustainability of the Trust. The financial plan will enable the development of the Trust within the context of the current and projected economic climate both nationally and locally.

Against this national and local backdrop, the financial requirements of the NHS governance regime mean that the Trust must generate a target surplus in order to invest in the delivery of quality services through service improvement and development; and to support it to operate as a Foundation Trust.

Therefore an important driver of the Trust's ability to achieve financial sustainability is the implementation of the Clinical Strategy as it impacts on the Trust's future quality and operational performance and the delivery of future business plans that ensure high quality service provision for local people.

From a review of its historical financial performance, it is apparent that:

- The Trust's surplus position has weakened over the last few years, moving in and out of deficit and despite commissioner support each year there is a growing underlying recurring deficit.
- With the exception of 2006/07, the Trust has reported cash releasing efficiency savings (CRES) of approximately 4% each year, although with an increasing value percentage of non-recurring and technical actions.
- The Trust's growth in operating costs has been disproportionate to the changes in activity: more specifically;
  - Staff numbers have been rising significantly in the last two years in response to quality and productivity pressures
  - The main increase has been in the consultant and clinical category, which correlates to the increase in diagnostic activity as growth in non-electives outpaces electives.
  - These increases have changed the staff to patient ratio, reflecting, in part, the built-in inefficiency of maintaining dual rotas across two sites as a result of EWTD and the consultant contract.

Details of current baseline income and costs broken down by cost category and site specific are attached in Appendix 1 – Income and Expenditure (acute site specific extract). From this appendix it is possible to determine which costs we are able to directly attribute to a service and which are not attributable i.e. overheads, depreciation and financing costs.

In addition, details of future income and costs for all preferred delivery options for both trauma and orthopaedics and general surgery are included in appendices 2 and 3, respectively.

We are unable to provide information at a site specific level for Stroke Services as this is included in the overall general medicine cost code and as a consequence any cost extractions would be based purely on cost allocation methodology and overhead apportionment.

The issue of cost allocation and appointment does also apply to Trauma and Orthopaedics and General Surgery to a much lesser extent, however the limitations of the information and the associated risks of extrapolation must be considered.

Given the wider financial context, it is clear that the Trust needs to reduce its cost base accordingly, whilst addressing the quality and access issues that mitigate against clinical sustainability. This is the aim of the financial plan.

The following table summarises the five year financial plan:

**Table 1: Summary Financial Plan; 2012/13 – 2016/17**

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	5 yr Total £m
Patient Level Income	310.0	304.3	304.8	305.4	305.8	1,530.4
External Support	26.4	18.0	0.0	0.0	0.0	44.4
Other Income	30.8	30.8	30.8	30.8	30.8	154.0
<b>Total Income</b>	<b>367.2</b>	<b>353.1</b>	<b>335.6</b>	<b>336.2</b>	<b>336.6</b>	<b>1,728.8</b>
Pay	-245.8	-234.6	-219.7	-218.2	-217.2	-
Non Pay	-102.6	-99.7	-96.3	-95.8	-96.2	1,135.5
<b>Total Expenditure</b>	<b>-348.4</b>	<b>-334.3</b>	<b>-316.0</b>	<b>-314.0</b>	<b>-313.5</b>	<b>-490.7</b>
Capital Charges	-16.0	-16.5	-17.0	-17.0	-17.0	-
<b>Surplus</b>	<b>2.8</b>	<b>2.3</b>	<b>2.6</b>	<b>5.2</b>	<b>6.1</b>	<b>1,626.2</b>
<b>TOTAL Savings Target</b>	<b>22.0</b>	<b>24.7</b>	<b>29.7</b>	<b>13.0</b>	<b>14.0</b>	<b>19.1</b>
						<b>103.4</b>

## 2. The financial impact of the clinical strategy

The financial impact of the clinical strategy has so far identified £32.0m of savings across the years 2013/14 to 2015/16. These savings are spread across reconfiguration, redesign and efficiency and productivity savings.

Additionally, the NHS across Sussex has agreed three 'audacious goals'- a minimum 15% reduction in unscheduled admissions to hospital; managing planned care demand within the current NHS infrastructure, and reducing duplication of planned care services; and reshaping our workforce in line with commissioning intentions, which will generate a further £6.7m savings in relation to 2013/14.

However, the generation of the £32m savings associated with the implementation of the Clinical Strategy is critical in facilitating the environment and change in culture in the Trust that will help in creating the balance of the required £103.4m. By changing the pathways associated with 8 primary access points (PAPs), there will be a dynamic in the cost base of the Trust which by its very nature will develop an increased focus on economy, efficiency and effectiveness.

The consultation document identifies three primary access points that require reconfiguration, and these areas will deliver £8.5m over the planning period, including £4.2m delivered from single site options (as a result of staff reductions associated with bed reductions, increased productivity and single rotas).

In summary:

### **General surgery**

Over the 5 year planning period there is expected to be an overall 9% reduction in activity across General Surgery. Audacious goals accounts for a 20% reduction to emergency activity and 13% reduction in outpatient attendances (including nurse led). The Trust is also expected to improve day case rates from the current 79% up to 82%. By achieving this, ESHT also expects to achieve best practice tariffs in laparoscopic cholecystectomy and hernia operations.

As a result of the above, and moving to 85% bed occupancy for emergency, 90% for elective patients, it is intended to reduce bed numbers by 18 in electives, 18 in emergency, but increase SAU (surgical assessment unit) beds by 6. These reductions allow us to reduce nursing staff by 50 whole time equivalent (wte) over the 5 years.

For indirect costs the savings are based on marginal savings due to the reductions in activity. Theatre sessions are based on activity levels, with elective sessions reduced by 4, and replaced with 2 day case sessions.

### **Trauma and orthopaedics**

Over the 5 year planning period, activity is expected to reduce on average by 16%, with audacious goals accounting for a 25% reduction in outpatient activity. Inpatient activity will reduce by 7%.

As a result of the above, and moving to 85% bed occupancy for emergency, 90% for elective patients, it is intended to reduce bed numbers by 20 in electives, and increase by 3 for trauma. These reductions allow us to reduce nursing staff by 35 wte. Due to retirements, consultant numbers will reduce by 2, with middle grades reducing by 3 to maintain European Working Time Directive (EWTd) compliant rotas. Skill mix however is greatly increased in both the elective and trauma wards to meet best practice and national benchmarks.

The large reduction in outpatient activity will allow clinic sessions to reduce by 20, with theatre sessions reducing by 3, which will underpin the medical staff reductions. Indirect costs are also reduced as a result of activity reductions.

### **Stroke services**

Activity in stroke services is not affected by audacious goals, and remains constant over the planning period. Income increases as best practice tariff is achieved with the new models of care.

By improving length of stay in both the acute and community settings, bed numbers can be reduced by 18 in the acute setting, with nurse staffing levels reduced by 32 wte. Community beds will be increased by 6, with nurse staffing levels increased by one and other therapy staff increased by 5.

**Table 2: Financial savings of reconfiguration: 2012/13 – 2016/17**

<b>£m</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>TOTAL</b>
General Surgery	-	£1.7	£0.9	£0.2	£0.2	£3.0
Trauma & Orthopaedics	-	£2.4	£2.2	£0.0	£0.1	£4.7
Stroke Services	-	£0.4	£0.4	£0.0	£0.0	£0.8
	-	<b>£4.5</b>	<b>£3.5</b>	<b>£0.2</b>	<b>£0.3</b>	<b>£8.5</b>

In summary, the savings from service reconfiguration come from:

- Reduced length of stay
- Increased day case rates
- Optimum levels of occupancy
- Single siting of on call rota
- Streamline emergency care
- Increased theatre productivity
- Estate rationalisation

The following table summarises the savings from reconfiguration into three categories: increased productivity; reduced demand and single siting, demonstrating that the later category will generate some £4.2m from the required £103.4m

**Table 3: Analysis of reconfiguration savings**

£m	Trauma & Orthopaedics		General Surgery		Stroke		TOTALS	
	Cum. Savings	Savings	Cum. Savings	Savings	Cum. Savings	Savings	Cum. Savings	Savings
Audacious Goals	1.6	1.6	-0.1	-0.1	0.0	0.0	1.5	1.5
Productivity	2.9	1.3	1.4	1.5	0.0	0.0	4.3	2.8
Single Site (preferred option)	4.7	1.8	2.9	1.5	0.8	0.8	8.5	4.2
		<b>4.7</b>		<b>2.9</b>		<b>0.8</b>		<b>8.5</b>

The balance of savings from the Clinical Strategy, that is £23.5m, will come from the remaining five PAPs and the expected productivity gains from support areas (theatres, diagnostics and therapies) and infrastructure costs (estates and facilities).

**Table 4: Financial savings from re-design and productivity: 2012/13 – 2016/17**

£m	2012/13	2013/14	2014/15	2015/16	2016/17	TOTAL
Remaining five PAPs	-	£5.9m	£5.7m	-	-	£11.6m
Other clinical areas savings	-	£2.2m	£4.9m	£4.8m	-	£11.9m
		<b>£8.1m</b>	<b>£10.6m</b>	<b>£4.8m</b>		<b>£23.5m</b>

Delivering the Clinical Strategy and local commissioning intentions will require the redesign of many of the services provided by the Trust so that patient pathways are seamless and fully integrated with other community, primary and social care provision. It requires the implementation of clinically effective models of care that improve quality as well as efficiency and productivity.

The Clinical Strategy assumes an investment of £10m in community services, funded by the Trust, as acute services are re-configured and re-designed.

The capital costs of implementation will differ depending on which site is identified for the single siting of services. Work is ongoing and as the potential capital investment requirement becomes more defined, the revenue consequences will also have to be included in the financial projections.

## **Conclusion**

The Trust has developed a Clinical Strategy that addresses the challenges of clinical sustainability and quality improvements. In doing so, it also support financial sustainability as demonstrated by this financial case for change.

Successful service reconfiguration, combined with service redesign and operational efficiencies will enable the additional efficiency gains and quality improvements to be realised for long term sustainable benefits.

## Income and Expenditure (extract for acute sites): 2011/12

	CONQUEST	EDGH
Income		
NHS Clinical Income	101,749,228	119,381,876
Other NHS income (Direct access, community mi)	8,054,584	9,145,080
High cost drugs & device exclusions		
Training & Research	4,064,887	4,566,613
Other Income	7,617,949	7,585,388
<b>Total Overall Income</b>	<b>121,486,648</b>	<b>140,678,957</b>
Direct Costs		
Nursing Pay	26,847,262	32,311,184
Snr Medical Pay	12,755,186	14,839,879
Jnr Medical Pay	6,793,076	7,686,900
Non Clinical Pay	4,488,403	5,503,394
Other Clinical Pay	1,792,791	1,453,288
Drugs	1,066,897	1,479,294
Supplies	4,320,909	5,381,631
Other Non Pay	1,660,835	2,971,891
<b>Total Direct Costs</b>	<b>59,725,358</b>	<b>71,627,463</b>
Indirect Costs		
Radiology	5,945,197	6,904,068
Pathology	6,368,377	7,783,703
Other Services	2,628,901	2,148,958
Pharmacy	2,990,605	3,096,589
Therapies	3,318,447	2,353,737
Theatres & ITU	19,243,142	23,133,086
<b>Total Indirect Costs</b>	<b>40,494,669</b>	<b>45,420,141</b>
<b>Total Direct + Indirect costs</b>	<b>100,220,027</b>	<b>117,047,604</b>
<b>Contribution</b>	<b>21,266,620</b>	<b>23,631,353</b>
<b>Contribution Margin (%)</b>	<b>17.5%</b>	<b>16.8%</b>
Overheads		
Commercial	11,691,025	12,634,945
Corporate Overheads	11,099,136	12,606,536
<b>Total Overheads</b>	<b>22,790,160</b>	<b>25,241,481</b>
<b>Operating Expenditure</b>	<b>123,010,188</b>	<b>142,289,085</b>
<b>EBITDA</b>	<b>- 1,523,540 -</b>	<b>1,610,128</b>
Interest, Depreciation & Amortisation		
Interest & Depreciation	6,281,401	6,247,414
<b>Total Interest, Depreciation &amp; Amortisation</b>	<b>6,281,401</b>	<b>6,247,414</b>
<b>Earnings</b>	<b>- 7,804,941 -</b>	<b>7,857,542</b>
<b>Earnings Margin (%)</b>	<b>-6.4%</b>	<b>-5.6%</b>





**Option 1**  
No change to the current configuration of service with improvements delivered through productivity and efficiency initiatives

**Option 2**  
All emergency and all elective inpatient surgery/care provided on one acute site only and day case surgery provided on both acute sites

**Option 3 (Revised Q4)**  
All emergency and all higher risk elective inpatient surgery/care provided on one acute site only and Lower risk inpatient surgery/care and day case surgery provided on both acute sites

**Option 3 (Original PCBC)**  
All emergency and all higher risk elective inpatient surgery/care provided on one acute site only and Lower risk inpatient surgery/care and day case surgery provided on both acute sites

Current T&O service based on Q4 SLR information and mth 12 FTE in post

ACTIVITY (Table A)	(5 year average)	
	activity	%
Nurse Led Clinics	9,855	-9%
Community Nurse Home Visits	390	1%
Day Cases	3,224	-1%
Day case (Bexhill & Uckfield)	1,332	4%
Elective Inpatients	2,760	-1%
Elective Excess Bed Days	344	-17%
Emergency Inpatients	2,365	-6%
Emergency Excess Bed Days	2,578	68%
Outpatient First Attendances	15,578	-24%
Outpatient Follow Ups	24,901	-23%
Outpatient Procedures	3	-60%
<b>Activity as per SLAM</b>	<b>63,331</b>	<b>-16%</b>
<b>Patient Level Income</b>	<b>£34,445</b>	<b>-10%</b>

(5 year average)	
activity	%
9,855	-9%
390	1%
3,215	-2%
1,341	5%
2,649	-5%
344	-17%
2,270	-10%
2,475	61%
15,578	-24%
24,901	-23%
3	-60%
<b>63,021</b>	<b>-17%</b>
<b>£33,614</b>	<b>-12%</b>

(5 year average)	
activity	%
9,855	-9%
390	1%
3,224	-1%
1,332	4%
2,760	-1%
344	-17%
2,270	-10%
2,475	61%
15,578	-24%
24,901	-23%
3	-60%
<b>63,132</b>	<b>-17%</b>
<b>£34,108</b>	<b>-11%</b>

(5 year average)	
activity	%
9,855	-8%
390	1%
3,224	-1%
1,332	4%
2,760	0%
344	-12%
2,270	-10%
2,475	67%
15,578	-24%
24,901	-23%
3	-60%
<b>63,132</b>	<b>-16%</b>
<b>£34,125</b>	<b>-11%</b>

Current 2011/12 baseline			
Conquest	EDGH	Contracted out (other)	Total Activity
6,821	3,707	259	10,787
384	0	0	384
1,456	1,566	247	3,269
796	485	0	1,281
1,366	1,078	339	2,782
80	333	1	414
1,073	1,254	193	2,520
633	903	0	1,536
10,778	9,557	120	20,455
17,831	14,314	100	32,245
8	0	0	8
<b>41,226</b>	<b>33,196</b>	<b>1,259</b>	<b>75,681</b>
<b>£20,099</b>	<b>£16,942</b>	<b>£1,021</b>	<b>£38,061</b>

Capacity (Table B)	as at 16/17	%
Outpatient FA clinics per week	27.20	-24%
Outpatient FU clinics per week	43.46	-23%
Theatre sessions per week - elective	35.15	-4%
Theatre sessions per week - trauma	20.00	14%
Length of stay - elective	2.34	5%
Length of stay - emergency	9.32	2%
Beds - trauma	74	23%
Beds - elective	21	-41%
Average trauma bed occupancy	85%	-21%
Average elective bed occupancy	88%	93%

as at 16/17	%
27.20	-24%
43.46	-23%
34.66	-5%
15.00	-9%
2.05	-4%
8.40	-5%
63	10%
17	-47%
85%	-22%
90%	93%

as at 16/17	% shift
27.20	-24%
43.46	-23%
35.15	-4%
15.00	-9%
2.07	-3%
8.40	-5%
63	10%
19	-45%
85%	-22%
86%	92%

as at 16/17	% shift
27.20	-24%
43.46	-23%
35.15	-4%
15.00	-9%
1.95	-9%
8.03	-13%
60	4%
17	-47%
85%	-25%
90%	89%

Conquest	EDGH	Contracted out (other)	Total Capacity
18.33	16.25		34.58
30.32	24.34		54.67
18.00	17.80		35.80
7.00	10.00		17.00
2.35	2.90		5.25
9.21	11.26		20.47
28	29		57
20	23		43
44%	37%		40%
97%	133%		115%

Workforce (Table C)	FTE as at 16/17	%
Consultants	18.00	-9%
Orthogeriatrician	3.00	150%
Middle grade	18.00	-28%
Junior	16.00	0%
Registered Nursing - elective	17.46	-43%
HCA Nursing - elective	7.06	-70%
Registered Nursing - trauma	66.16	101%
HCA Nursing - trauma	21.10	-40%
TADs Team	8.00	100%
Outpatient nursing	12.34	-21%
Therapies		
Non clinical staff	26.34	-9%
Other clinical staff	17.80	33%
<b>TOTAL FTE</b>	<b>231.26</b>	<b>-6%</b>

FTE as at 16/17	%
17.00	-14%
2.00	67%
12.00	-52%
12.00	-25%
14.33	-54%
5.71	-75%
52.63	60%
18.93	-46%
8.00	100%
12.34	-21%
0.00	
23.57	-19%
12.38	-8%
<b>190.90</b>	<b>-22%</b>

FTE as at 16/17	% reduction
17.00	-14%
2.00	67%
12.00	-52%
16.00	0%
15.90	-48%
6.38	-73%
52.63	60%
18.93	-46%
8.00	100%
12.34	-21%
23.57	-19%
12.38	-8%
<b>197.16</b>	<b>-20%</b>

FTE as at 16/17	% reduction
18.00	-14%
18.00	-15%
16.00	0%
14.33	-48%
5.71	-77%
50.28	53%
17.92	-52%
8.00	100%
13.19	-15%
22.45	-19%
10.63	-22%
<b>194.51</b>	<b>-20%</b>

Conquest	EDGH	Contracted out (other)	Total FTE
10.35	9.52		19.87
0.20	1.00		1.20
10.20	14.86		25.06
8.00	8.00		16.00
12.04	18.79		30.83
10.43	12.82		23.25
17.51	15.33		32.84
15.15	19.98		35.13
0.00	4.00		4.00
10.63	5.06		15.69
0.00	0.00		0.00
16.10	12.83		28.93
8.80	4.61		13.41
<b>119.41</b>	<b>126.80</b>		<b>246.21</b>

	Option 1		Option 2		Option 3 (Revised Q4)		Option 3 (Original PCBC)		Current T&O service based on Q4 SLR information and mth 12 FTE in post				
	No change to the current configuration of service with improvements delivered through productivity and efficiency initiatives		All emergency and all elective inpatient surgery/care provided on one acute site only and day case surgery provided on both acute sites		All emergency and all higher risk elective inpatient surgery/care provided on one acute site only and Lower risk inpatient surgery/care and day case surgery provided on both acute sites		All emergency and all higher risk elective inpatient surgery/care provided on one acute site only and Lower risk inpatient surgery/care and day case surgery provided on both acute sites		Conquest	EDGH	Contracted out (other)	Total cost	
Financial analysis (Table D) £000's	Average cost (5 years)	% saving	Average cost (5 years)	% saving	Average cost (5 years)	% saving	Average cost (5 years)	% saving					
Direct pay costs	-£11,432	-1%	-£10,195	-3%	-£10,400	-3%	-£10,535	-2%	-£5,990	-£6,002	£0	-£11,991	
Drugs	-£70	-2%	-£68	-3%	-£68	-3%	-£65	-3%	-£60	-£19	£0	-£79	
Other Non Pay (3rd party)	-£1,579	-7%	-£754	-14%	-£757	-14%	-£567	-13%	-£144	-£281	-£2,023	-£2,448	
Supplies	-£343	-1%	-£334	-2%	-£336	-2%	-£1,520	-4%	-£179	-£189	£0	-£368	
Other Services	-£52	-1%	-£51	-2%	-£52	-2%	-£455	-2%	-£30	-£26	£0	-£56	
Pathology	-£610	-1%	-£607	-1%	-£608	-1%	-£66	-1%	-£359	-£277	£0	-£636	
Pharmacy	-£482	-1%	-£479	-1%	-£480	-1%	-£619	-1%	-£274	-£221	£0	-£495	
Radiology	-£1,619	-3%	-£1,617	-3%	-£1,618	-3%	-£371	-3%	-£1,030	-£847	£0	-£1,878	
*Theatres & ITU Pay	-£6,180	0%	-£5,566	-2%	-£5,676	-1%	-£5,676	-2%	-£2,932	-£3,122	£0	-£6,054	
*Theatres & ITU Non Pay	-£7,888	0%	-£7,618	-1%	-£7,761	-1%	-£6,839	-3%	-£3,903	-£4,156	£0	-£8,059	
Therapies	-£1,464	-1%	-£1,457	-1%	-£1,459	-1%	-£1,449	-1%	-£933	-£618	£0	-£1,551	
Commercial	-£2,925	-1%	-£2,604	-3%	-£2,647	-3%	-£2,606	-3%	-£1,654	-£1,425	£0	-£3,079	
Corporate Overheads	-£3,077	-1%	-£2,817	-2%	-£2,840	-2%	-£3,222	-2%	-£1,614	-£1,591	£0	-£3,205	
<b>Total average cost (13/14 - 16/17)</b>	<b>-£37,721</b>	<b>-1%</b>	<b>-£34,168</b>	<b>-3%</b>	<b>-£34,702</b>	<b>-3%</b>	<b>-£33,991</b>	<b>-3%</b>	<b>-£19,102</b>	<b>-£18,774</b>	<b>-£2,023</b>	<b>-£39,899</b>	
Total income	£37,882	18%	£37,051	-2%	£37,545	18%	£37,540	-2%	£21,930	£18,452	£1,234	£41,616	
EBITDA 16/17	£160		£2,883		£2,843		£3,548		£2,828	-£322	-£789	£1,718	EBITDA
EBITDA	0%		8%		8%		9%		13%	-2%	-64%	4%	% EBITDA
Recurrent Cost Savings	£574		£5,591		£4,789		£4,660		-£1,024	-£784	£0	-£1,807	Interest & depreciation
% saving	-1%		-14%		-12%		-12%		£1,804	-£1,105	-£789	-£90	Surplus/deficit
Bed savings	-5		-20		-18		-23						
FTE savings	-14.95		-55.31		-49.07		-47.22						
Nurse/bed ratio	1.18		1.15		1.14		1.14						
% registered nurses	0%		73%		0%		73%						
NEL/EL activity:staff ratio	0		27		0		27						

**Option 1**  
No change to the current configuration of service with improvements delivered through productivity and efficiency initiatives

**Option 2 (Revised)**  
All emergency and higher risk elective inpatient surgery/care provided on one acute site only. Lower risk inpatient surgery/care and day case surgery provided on both acute sites

**Option 3**  
All emergency all elective inpatient surgery/care provided on one acute site. Day case surgery provided on both acute sites

**Option 2 (PCBC)**  
All emergency and higher risk elective inpatient surgery/care provided on one acute site only. Lower risk inpatient surgery/care and day case surgery provided on both acute sites

Current General Surgery service based on Q4 SLR information and mth 12 FTE in post

ACTIVITY (Table A)	(5 year average)	
	activity	%
Nurse Led Clinics	9,061	-8%
Ward Attenders	406	9%
Community Nurse Home Visits	478	1%
Day Cases	6,095	5%
Elective Inpatients	1,221	-19%
Elective Excess Bed Days	353	-33%
Emergency Inpatients	4,162	-16%
Emergency Excess Bed Days	1,366	-42%
Outpatient First Attendances	5,128	-11%
Outpatient Follow Ups	5,875	-7%
Outpatient Procedures	2,661	-8%
<b>Activity as per SLAM</b>	<b>36,806</b>	<b>-10%</b>
Patient Level Income	<b>£19,404</b>	<b>-13%</b>

current vs option 2 (5 year average)	
activity	%
9,061	-8%
406	9%
478	1%
6,095	5%
1,221	-19%
353	-33%
4,162	-16%
1,366	-42%
5,128	-11%
5,875	-7%
2,661	-8%
<b>36,806</b>	<b>-10%</b>
<b>£19,404</b>	<b>-13%</b>

current vs option 2 (5 year average)	
activity	%
9,061	-8%
406	9%
478	1%
6,095	5%
1,221	-19%
353	-33%
4,162	-16%
1,366	-42%
5,128	-11%
5,875	-7%
2,661	-8%
<b>36,806</b>	<b>-10%</b>
<b>£19,404</b>	<b>-13%</b>

current vs option 2 (5 year average)	
activity	%
9,061	-8%
406	10%
478	1%
6,095	6%
1,221	-19%
353	-32%
4,162	-16%
1,366	-36%
5,128	-11%
5,875	-7%
2,661	-8%
<b>36,806</b>	<b>-9%</b>
<b>£19,404</b>	<b>-13%</b>

Current 2011/12 baseline			
Conquest	EDGH	Contracted out (other)	Total Activity
1,031	8,853	0	9,884
136	235	0	371
338	136	0	474
2,387	2,761	647	5,795
487	1,008	16	1,511
233	298	0	531
1,996	2,957	0	4,953
1,142	1,225	0	2,367
2,246	3,521	0	5,767
3,521	2,820	0	6,341
1,273	1,610	0	2,883
<b>14,790</b>	<b>25,424</b>	<b>663</b>	<b>40,877</b>
<b>£8,871</b>	<b>£13,156</b>	<b>£276</b>	<b>£22,303</b>

Capacity (Table B)	as at 16/17	%
Outpatient FA clinics per week	13	-8%
Outpatient FU clinics per week	15	-4%
Theatre sessions - elective	12	-26%
Theatre sessions - emergency	10	0%
Theatre sessions - day surgery	10	25%
Day case conversion	84%	6%
Length of stay - elective spell	3.77	-7%
Length of stay - emergency spell	4.55	1%
Beds - SAU	30	43%
Beds - elective	14	-55%
Beds - emergency	33	-30%
Occupancy average - elective	90%	66%
Occupancy average - emergency	85%	-16%

as at 16/17	%
13	-8%
15	-4%
12	-26%
10	0%
10	25%
84%	6%
3.48	-15%
4.11	-9%
27	29%
13	-58%
29	-38%
90%	65%
86%	-14%

as at 16/17	%
13	-8%
15	-4%
12	-26%
10	0%
10	25%
84%	6%
3.29	-19%
4.11	-9%
27	29%
12	-61%
29	-38%
92%	69%
86%	-14%

as at 16/17	%
13	-8%
15	-4%
12	-26%
10	0%
10	25%
84%	6%
3.29	-15%
4.11	-19%
27	29%
12	-58%
29	-38%
92%	65%
86%	-23%

Conquest	EDGH	Contracted out (other)	Total Capacity
5	8		14
8	7		15
7	10		16
5	5		10
5	3		8
83%	73%		79%
4.87	3.75		4.07
4.93	4.25		4.53
10	11		21
16	15		31
28	19		47
41%	69%		54%
64%	104%		101%

Workforce (Table C)	FTE as at 16/17	%
Consultants	12.00	19%
Middle grade	20.00	-18%
Junior	12.00	-8%
Qualified nursing - SAU	35.69	2%
Unqualified nursing - SAU	13.55	-1%

FTE	%
10.00	-1%
19.00	-22%
12.00	-8%
30.81	-12%
13.55	-1%

FTE	%
10.00	-1%
12.00	-51%
12.00	-8%
30.81	-12%
13.55	67%

FTE	%
10.00	0%
19.00	-1%
12.00	-8%
30.81	-2%
13.55	4%

Conquest	EDGH	Contracted out (other)	Total FTE
4.00	6.09		10.09
14.63	9.73		24.36
6.00	7.00		13.00
16.59	18.25		34.84
7.06	6.62		13.68

General Surgery Option Appraisal

10th July 2012

Agenda Item 10, Appendix 3

	Option 1		Option 2 (Revised)		Option 3		Option 2 (PCBC)		Current General Surgery service based on Q4 SLR information and mth 12 FTE in post			
	No change to the current configuration of service with improvements delivered through productivity and efficiency initiatives		All emergency and higher risk elective inpatient surgery/care provided on one acute site only. Lower risk inpatient surgery/care and day case surgery provided on both acute sites		All emergency all elective inpatient surgery/care provided on one acute site. Day case surgery provided on both acute sites		All emergency and higher risk elective inpatient surgery/care provided on one acute site only. Lower risk inpatient surgery/care and day case surgery provided on both acute sites					
Qualified nursing - inpatients	37.85	-18%	33.93	-26%	33.14	-28%	33.93	-31%	16.55	29.60		46.15
Unqualified nursing - inpatients	15.79	-65%	14.11	-68%	13.78	-69%	14.11	-71%	22.47	22.13		44.60
Specialist nursing/ERAS	8.64	0%	8.64	0%	8.64	0%	8.65	0%	3.50	5.14		8.64
Non clinical staff	13.34	-10%	13.34	-10%	13.34	-10%	13.46	-15%	6.66	8.16		14.82
<b>TOTAL FTE</b>	<b>168.86</b>	<b>-20%</b>	<b>155.38</b>	<b>-26%</b>	<b>147.26</b>	<b>-30%</b>	<b>155.51</b>	<b>-26%</b>	<b>97.46</b>	<b>112.72</b>		<b>210.18</b>

Financial analysis (Table D) £000's	Average cost (5 years)	% saving	Average cost (5 years)	% saving	Average cost (5 years)	% saving	Average cost (5 years)	% saving	Conquest	EDGH	Contracted out (other)	Total Cost
Total direct pay costs	£-9,071	-2%	£-8,619	-3%	£-8,228	-3%	£-8,731	-3%	£-4,146	£-5,804	£0	£-9,951
Drugs	£-181	-2%	£-174	-3%	£-174	-3%	£-175	-3%	£-79	£-121	£0	£-200
Other Non Pay	£-486	-2%	£-429	-4%	£-429	-4%	£-453	-3%	£-65	£-416	£-62	£-542
Supplies	£-449	-2%	£-435	-2%	£-434	-2%	£-430	-2%	£-224	£-270	£0	£-494
Other Services	£-1,093	-3%	£-960	-5%	£-961	-5%	£-955	-4%	£-506	£-402	£-387	£-1,295
Pathology	£-912	0%	£-907	-1%	£-906	-1%	£-926	-1%	£-384	£-547	£0	£-931
Pharmacy	£-441	0%	£-438	-1%	£-438	-1%	£-381	-1%	£-195	£-257	£0	£-451
Radiology	£-813	0%	£-810	0%	£-810	0%	£-843	0%	£-310	£-517	£0	£-827
*Theatres & ITU	£-4,356	-2%	£-4,339	-2%	£-4,302	-2%	£-4,331	-2%	£-1,753	£-3,028	£0	£-4,781
Therapies	£-343	0%	£-340	-1%	£-340	-1%	£-341	-1%	£-193	£-157	£0	£-351
Commercial	£-2,231	-1%	£-2,019	-3%	£-2,019	-3%	£-1,988	-3%	£-1,045	£-1,303	£0	£-2,348
Corporate Overheads	£-2,084	-1%	£-1,924	-2%	£-1,924	-2%	£-2,159	-2%	£-937	£-1,234	£0	£-2,171
<b>Total average cost (13/14 - 16/17)</b>	<b>£-22,459</b>	<b>-2%</b>	<b>£-21,394</b>	<b>-2%</b>	<b>£-20,966</b>	<b>-3%</b>	<b>£-21,714</b>	<b>-2%</b>	<b>£-9,838</b>	<b>£-14,055</b>	<b>£-448</b>	<b>£-24,341</b>
<b>Total income</b>	<b>£21,825</b>	<b>-2%</b>	<b>£21,825</b>	<b>-2%</b>	<b>£21,825</b>	<b>-2%</b>	<b>£21,767</b>	<b>-2%</b>	<b>£9,944</b>	<b>£14,505</b>	<b>£276</b>	<b>£24,724</b>
<b>EBITDA</b>	<b>£106</b>	<b>-3%</b>	<b>£431</b>	<b>2%</b>	<b>£859</b>	<b>4%</b>	<b>£106</b>	<b>0%</b>	<b>£106</b>	<b>£450</b>	<b>£-173</b>	<b>£384</b>

EBITDA  
% EBITDA  
Interest & depreciation  
Surplus/deficit

	Option 1	Option 2 (Revised)	Option 3	Option 2 (PCBC)	Conquest	EDGH	Contracted out (other)	Total Cost
Cost Savings	£1,312	£3,120	£3,759	£2,959				
Bed reductions	-22	-30	-31	-30				
FTE reductions	-41.23	-54.71	-62.83	-53.99				
Nurse ratio per SAU bed	1.64	1.64	1.64	1.64	2.37	2.26		2.31
Nurse ratio per Surgical IP bed	1.14	1.14	1.14	1.14	0.89	1.52		1.16
% registered nurse	71%	70%	70%	70%	53%	62%		58%

**General Surgery Option comparison 2016/17**

	Option 1	Option 2	Option 3
Activity	<b>38,238</b>	<b>38,238</b>	<b>38,238</b>
Patient Level income	£ 19,253	£ 19,253	£ 19,253
other income	£ 2,421	£ 2,421	£ 2,421

Theatre sessions	32	32	32
Length of stay - elective	3.77	3.48	3.29
Length of stay - Non elective	4.55	4.11	4.11
SAU beds	30	27	27
Inpatient beds	61	42	41

Total FTE	Option 1	Option 2	Option 3
Consultants	12.00	10.00	10.00
Middle grade	20.00	19.00	12.00
Junior	12.00	12.00	12.00
Qualified nursing - SAU	35.69	30.81	30.81
Unqualified nursing - SAU	13.55	13.55	13.55
Qualified nursing - inpatients	37.85	33.93	33.14
Unqualified nursing - inpatients	15.79	14.11	13.78
Specialist nursing/ERAS	8.64	8.64	8.64
Non clinical staff	13.34	13.34	13.34
<b>TOTAL FTE</b>	<b>168.86</b>	<b>155.38</b>	<b>147.26</b>

Costs 2013/14 - 2016/17 (total 5 years)	Option 1	Option 2	Option 3
Total direct pay costs	-£ 45,353	-£ 43,093	-£ 41,139
Drugs	-£ 903	-£ 871	-£ 871
Other Non Pay	-£ 2,429	-£ 2,147	-£ 2,146
Supplies	-£ 2,243	-£ 2,173	-£ 2,172
Other Services	-£ 5,465	-£ 4,799	-£ 4,806
Pathology	-£ 4,560	-£ 4,533	-£ 4,532
Pharmacy	-£ 2,207	-£ 2,191	-£ 2,191
Radiology	-£ 4,063	-£ 4,052	-£ 4,051
*Theatres & ITU	-£ 21,781	-£ 21,694	-£ 21,508
Therapies	-£ 1,715	-£ 1,702	-£ 1,702
Commercial	-£ 11,155	-£ 10,094	-£ 10,094
Corporate Overheads	-£ 10,419	-£ 9,618	-£ 9,618
<b>Total costs 5 years</b>	<b>-£ 112,295</b>	<b>-£ 106,969</b>	<b>-£ 104,829</b>
Total income 5 years	£ 109,126	£ 109,126	£ 109,126
EBITDA	<b>-£3,168</b>	£2,157	£4,297
EBITDA	-3%	2%	4%
Total recurrent cost savings (13/14-16/17)	£1,312	£3,120	£3,759

