Written evidence submitted by the CBI (CSR0045)

The CBI welcomes the opportunity to respond to the Health Committee’s inquiry into the impact of the Comprehensive Spending Review (CSR) on health and social care. The CBI is the UK’s leading business organisation, representing 190,000 businesses that together employ around one third of the private sector workforce.

*Within the CSR government committed to providing the NHS with £8.4bn in funding this Parliament and allowed local councils the ability to increase council tax by 2% to raise funds for social care.*

*However, as pressures continue to rise due to increasing demand, root and branch reform opposed to reliance on additional funding and minor tweaking of the systems, is essential.*

*Pursuing a transformational approach to reform, as successfully illustrated by other non-protected parts of the public sector, is vital for the sustainability of health and social care.*

*This submission outlines the significance of business investment and innovation to enable this much needed service transformation over the CSR period, and recommends new commissioning behaviours that can help unlock this potential.*

1. **Substantial challenges continue to face the NHS, despite extra investment**

The 2015 CSR was delivered following five challenging years for the public sector. As deficit reduction was rightly prioritised, local and central government took action to increase public sector efficiency. This was met with success, with a total of £14bn worth of savings estimated to have been made since 2010 as a result of departments tackling waste and historic duplication.¹

It has proved much more challenging to achieve the same level of reform success in the NHS. Adopting many of the changes implemented by central government, such as a shift towards acting as a single customer, is significantly more difficult in the NHS due to its fragmented nature. For local authorities which have been granted additional responsibility over health and social care, for example, acting as a single customer together with other devolved authorities will not always be appropriate, especially in relation to the commissioning of services which should be tailored to local need. Yet there is still an opportunity to harness collective buying power in the purchase of standard consumables, such as office supplies and basic medical equipment.

These difficulties have resulted in the NHS continuing to grapple with an ongoing efficiency challenge. The long run productivity of the NHS has stood at 0.8% annually only slightly increasing to 1.5-2% in recent years, primarily as a result of pay freezes and budget protection rather than a by-product of fundamental reform.² On top of the challenges posed by limited efficiency gains, the NHS is set to see demand grow on average of 4% a year due to our ageing and growing population.³ These challenges are already manifesting into problems on the NHS frontline. 76% of NHS trusts and foundation trusts reported deficits in the first six months of 2015/2016, whilst A&E waiting times in Q4 2016 reached their highest point in a decade.⁴

---

¹ Efficiency and Reform Group, *Efficiency and Reform in the next Parliament*, 2014
⁴ Kings Fund, *Urgent and emergency care*, 2015
The social care sector is contending with similar demand challenges as well as extra pressures caused by the introduction of the National Living Wage. The National Living Wage is set to further burden the already stretched care sector, with latest projections suggesting it could cost the industry £1bn by 2010.\textsuperscript{5} This further reinforces the fact that greater efficiency will not be sufficient to continue meeting the public’s expectations.

The scale of these challenges requires a new approach, which moves beyond cost-cutting and towards transformation – especially in social care. To do this, the additional funding granted in the CSR must be used to kick-start transformational reform.

2. Transforming the NHS is key to alleviating the pressures it faces

Like all public services the NHS should seize the opportunity of transformation over the CSR period in order to remain financially sustainable and cater to changing demands. Transforming the NHS will involve re-engineering the fundamentals of service delivery, bringing this into line with the demands of the 21st century.

a) Extending the use of digital technology

One of the clearest areas of opportunity for transformation in the NHS is through the extension of digital technology, rightly acknowledged by government in the CSR, as £1bn of investment was granted to the development of digital systems.

In healthcare the use of digital technology has the potential to improve health outcomes as well as increase efficiency in administration functions, yet technology uptake across the NHS appears to be varied and inconsistent. GP practices have led the way in the move from paper to digital record-keeping but making sure that this momentum continues is important. There must be processes in place to ensure that systems which allow for online transactions, such as appointment bookings and repeat prescriptions, are available across all practices in England and that patients are aware of how to take advantage of such services.

It is imperative that digital solutions are explored and implemented to help drive efficiencies in hospitals. Paper-based records remain a feature in many hospitals but are costly in both manpower and storage space. Transforming the way records are available through using electronic medical record systems, which provide hospital staff as well as patients access to secure patient information can reap significant rewards including:

- Cost savings in paper storage and management expenses.
- Reduced instances of missing clinical notes enabling better patient care.
- The ability for clinicians to access medical records from any location, anytime.

Businesses are well-placed to support NHS hospitals move towards a paper-free system (as seen in case study A). They understand the delivery challenges that come with system change, as a result of working with a range of clients in numerous sectors. Their wealth of knowledge allows them to understand and cater to the needs of the NHS. Clinical Commissioning Groups (CCGs) should ensure that commissioning transformative digital programmes in hospitals is a top priority.

\textsuperscript{5} HSJ, \textit{The new national living wage could cost the care industry £1bn by 2020}, 2015
b) Integrating health and social care

Transforming services through the integration of health and social care is another opportunity to improve the way services are delivered for patients whilst also alleviating pressures on the acute sector. As the number of people aged 65 and above is projected to pass the 20 million mark by 2030, a clear shift is taking place in our demographics. It is common for elderly patients to suffer from one or more long-term medical conditions as well as frailty. The NHS model created in 1948, featuring large district and general hospitals, was not designed to deal with these types of medical conditions, yet hospital care remains the most common care setting.

Government and the NHS recognise the need to reform the way care is delivered to meet changing demands. There has been momentum towards developing a more unified care system in the last Parliament, through initiatives such as integrated care pilots in local areas and the introduction of a Better Care Fund, which saw health and social care budgets pooled. Although these initiatives provided a good starting point, they have not gone far enough to achieve true transformation.

The devolution model currently being implemented in Greater Manchester and Cornwall appears promising. Through bringing together health and social care budgets and devolving responsibility for commissioning services to those familiar with the challenges of delivering care in those specific areas, there is potential for more integrated care. In practice integrated care would mean:

- Bringing together all the different groups involved in patient care, so that, from the patient’s perspective, the services delivered are consistent and coordinated.
- Commissioning health and care jointly, with both needs equally considered.
- Taking a more holistic approach to the way that patients’ needs are addressed.

Shifting towards integrated care is a substantial change for the NHS and care sectors. Key to successful integration is support from all agencies involved in the process, this requires communication throughout the planning and implementation stages. Drawing on support from the private sector, who are already involved in implementing tangible solutions to support integration (as illustrated in case study B) can also help ensure that changes are felt on the ground.

---

c) Smarter use of procurement

The procurement of goods and services is fundamental to the smooth day-to-day running of the NHS. With £9bn spent on procurement each year, transforming the system so that it is more efficient and effective could result in considerable benefits for NHS customers and suppliers.\(^7\)

Over the last five years much of the wider public sector has committed to improving procurement operations. Local councils have shown that they can make significant savings through joining up with each other, directly or via procurement organisations, to buy goods and services, whilst central government has established the Crown Commercial Service to aggregate spend and increase the buying power of government (as noted in case study C).

Due to the fragmented nature of the NHS and its complexities, standardising procurement is significantly more difficult in comparison to the rest of the public sector. With devolution transferring powers to local commissioners in a bid for decisions to be made closer to patients, there is a clear case for the commissioning of clinical services to remain within the remit of individual CCGs. Yet there is potential for the NHS to follow the lead from central government and procure as a single customer for basic consumables such as stationery. This would allow the NHS to drive down costs through harnessing its collective buying power.

In order to operate as a single customer the NHS needs a single catalogue for products. As Lord Carter pointed out in his Interim Report, implementation of a single NHS electronic catalogue is one of the best ways to control expenditure on products and it would also help reduce the administrative costs of procurement for individual CCGs and suppliers.\(^8\) CCGs should be compelled to use this single catalogue system, in order for the full benefits to be actualised.

Working with businesses throughout the process of creating a single electronic catalogue can ensure that the NHS learns from their experiences of central procurement with the CCS.

---

\(^7\) Lord Carter of Coles, *Interim Report*, 2015


---

Case study B: BT’s interoperability approach

BT is working with health and social care organisations to help deliver a more person-centred, integrated approach to health and social care. This includes at Birmingham Cross City Clinical Commissioning Group, where it is providing an interoperability service to help the care economy in Birmingham share patient information across multiple care services, giving local care workers a fuller picture of each individual’s care history.

With new models of care emerging and evolving, there is a clear need for more effective information sharing between care settings, organisations and geographies, as well as between professionals and citizens, to optimise patient outcomes and quality of care. This is reliant on the ability of IT systems across health and care to be interoperable with one another – or “talk” to each other - and is key to the delivery of the future vision of care in England.

Interoperability refers to the ability of two or more systems to share, communicate and co-operate. Systems can refer to any number of entities including organisations, businesses, people and IT systems.
Business investment and innovation is an important enabler of transformational change in the NHS, but new commissioning behaviours are required to unlock this potential.

The Cabinet Office and its agency the Crown Commercial Service (CCS) have generated significant savings in central government spending through more commercially focused and simplified procurement.

Harnessing the potential of business in service delivery can help support the NHS transform. By working in collaboration with the NHS, suppliers now contribute to a wide range of innovative delivery models. This has led to new partnerships being developed, with a focus on commissioning services and solutions that are already in development.

The scale of the change required to transform services will entail greater uncertainty in terms of how services will be used and levels of demand. Yet at present, understanding of risk is better placed to deal with the challenges faced in situations where cost-cutting is the norm, as opposed to innovation.

3. Business investment and innovation is an important enabler of transformative change in the NHS, but new commissioning behaviours are required to unlock this potential.

b) Engaging in open and ongoing dialogue about the development and implementation of transformative programmes

In order to keep abreast of the changing nature of the marketplace it is important that CCGs and suppliers engage in ongoing dialogue throughout the life of a contract.

Transformation requires flexible agreements which can respond to changing service environments, technological developments and fluctuating demands. Rather than having discussions only during the signing of the contract or when something unforeseen arises, CCGs and businesses should work together to engage in regular strategic discussions throughout the lifespan of a contract. This should go beyond simply monitoring outputs or key performance indicators in contracts, with the emphasis being on looking ahead to anticipate changing needs.

CCGs should also develop an open dialogue with each other that allows them to share information. By sharing details of transformative programmes being commissioned in different parts of the country, CCGs will be able to understand what works and as a result implement these approaches nationwide.

c) Working more collaboratively to manage the risk associated with transformation

The scale of the change required to transform services will entail greater uncertainty in terms of how services will be used and levels of demand. Yet at present, understanding of risk is better placed to deal with the challenges faced in situations where cost-cutting is the norm, as opposed to innovation.

Essential to the transformation process is discovering new and innovative delivery approaches. To do this CCGs must be open to discussion with potential suppliers prior to the procurement stage. By doing this CCGs will have a better understanding of what is on offer and can design their tender accordingly.

Early engagement with potential suppliers also allows CCGs to present the problem they are trying to address through procurement and then allow suppliers to propose solutions – or even to redefine the problem entirely - drawing on the work they are already carrying out or planning to develop.

This type of engagement helps the NHS to develop a partnership with its suppliers as they work together to co-design appropriate solutions to problems. Of course, it is imperative that the commissioning process remains consistently competitive and that all competitors have the ability to engage in these discussions in order for CCGs to establish the best offer.

a) Discussing needs before the procurement stage

To access the investment and innovation that businesses have to offer, NHS commissioners should consider adopting new commercial behaviours, which demonstrate that they are committed to developing a partnership with suppliers as they work together to manage the risk associated with transformation.

Early engagement with potential suppliers also allows CCGs to present the problem they are trying to address through procurement and then allow suppliers to propose solutions – or even to redefine the problem entirely - drawing on the work they are already carrying out or planning to develop.

This will allow both parties to work together to ensure that any opportunities or risks are reflected or mitigated in the contract, and plan for what happens when the contract ends.

No investment is risk-free. CCGs must be prepared to absorb costs associated with transformation, recouping this investment over a longer-term partnership.

The CBI recommends the adoption of three commercial behaviours in order for CCGs to establish the best offer.

1. Working more collaboratively to manage the risk associated with transformation.
2. Engaging in open and ongoing dialogue about the development and implementation of transformative programmes.
3. Discussing needs before the procurement stage.

In order for CCGs to establish the best offer, they should:

- Foster an open dialogue with suppliers to gain a better understanding of what is on offer and how it can be tailored to meet their needs.
- Engage in ongoing conversations with suppliers to keep abreast of evolving service environments and technological developments.
- Discuss needs before the procurement stage in order to establish clear expectations and ensure alignment with supplier capabilities.

By adopting these commercial behaviours, CCGs can enhance the potential for successful collaboration with suppliers, ultimately driving innovation and improving the delivery of healthcare services.

By aggregating the purchase of common goods and services such as electricity and vehicle fleets, which were previously purchased directly by the agents, the CCS has been able to increase the buying power of the public sector. This has enabled businesses to offer lower prices and has contributed to cost savings across the government.

The CCS also works closely with departments to manage complex procurements, using the commercial expertise it has built up to access the investment and innovation that businesses have to offer. NHS commissioners should consider adopting new commercial behaviours, which demonstrate that they are committed to developing a partnership with suppliers as they work together to manage the risk associated with transformation.
To effectively manage these risks NHS commissioners should have a deep understanding of how different financial, political, and demand-side risks can affect the suppliers that they are working with, and how to apply this to contracts. Achieving this requires proactive engagement in dialogue to discuss the best approach to take.

Where commissioners build up their capability in this area, they are better placed to provide suppliers with the support and incentives for riskier, transformational contracts. This will enable a broader spectrum of suppliers to bid for and win contracts, encouraging business to invest and innovate to drive transformation, as well as driving up confidence in the relationship.

In practice, this means engaging in strategic conversations about different types of risk such as demand, political and financial risk. These discussions should be made a regular feature of NHS commissioning and contract management.

22 January 2016