



**Consolidation - keep your head down and it will  
go away again!**

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# Change is coming

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- The Lord's Darzi and Carter Reviews
- Modernising Scientific Careers
- Predatory Foundation Trusts and World Class Commissioning
- Long-term management of disease
- New technologies and ways of working
- There's no money left!

## So what?

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- 'Consolidation of Pathology services has been talked about for ages – it'll never happen'
- 'Networks are as far as it will go'
- 'Keep your head down for a few more months – then it will go away'
- 'There will be another lot in soon'
- 'Consolidation only works in London'
- 'Don't worry, the RCPATH / IBMS / ACB / Unions / Clinicians (delete where applicable) will stop it'

## Or will it?

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- *Based on the evidence we have collected, we believe there is a strong case for consolidation of pathology to improve quality, patient safety and efficiency*
- *Characteristics of a good consolidated service would be end-to-end management of the service (including transport and logistics, IT connectivity and efficient and effective use of resources, including people) and the concentration of non-urgent and specialist work in one or more centralised and accredited core laboratories where throughput is sufficient to ensure high-quality results*
- *Only tests/investigations requiring a rapid turnaround on clinical grounds would be processed on site*

(The Rt Hon Dawn Primarolo MP, Minister of State for Public Health, Foreword to the Report of the Second Phase of the Independent Review of NHS Pathology Services, December 2008)

## And from the Review itself

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- *In this second phase of the review we set out our vision for NHS pathology services. The main objective must be improved quality and patient safety, delivered through service consolidation*
- *Based on the evidence we have collected, we believe there is a strong case for consolidation of pathology to improve quality, patient safety and efficiency*

(Lord Carter of Coles, Report of the Second Phase of the Independent Review of NHS Pathology Services, December 2008)

# Why consolidate?

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It's reasonable to say that data and opinion suggests that organisational consolidation is desirable!

- Improvements in quality and productivity should occur
- Costs and variation should reduce
- New technology will be introduced more easily
- Workforce development and planning will become straightforward

# Organisational forms for consolidation of 'full-service' Pathology (1)

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- Single Acute Trust, with laboratories at multiple locations
- Single Acute Trust, consolidated at a single location
- A 'confederated' network of Acute Trusts
  - confederations are about members making decisions that are not to the detriment of any of the participants. It is successful only when no member loses in the short-term
- A 'federated' network of Acute Trusts
  - federations are about collaboration, co-operative ventures and managing operations, including change, to the mutual, long-term interest of those represented. In the short term, some members may be disadvantaged. Certain management functions are delegated to the centre

# Organisational forms for consolidation of 'full-service' Pathology (2)

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- A 'managed' 'network', managed
  - by or on behalf of the Acute Trusts
  - by the Primary Care Trusts
  - by the Strategic Health Authority
  - by a commercial entrant
  
- Organisational forms embed costs (and variation) outside the laboratory
  
- Who has an interest in consolidating Pathology Services?
  
- Primary Care Pathology Limited?

# Organisational forms for consolidation of 'full-service' Pathology (3)

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## ■ Examples include

- Frimley Park and Royal Surrey Partnership Pathology Services
- Pathlinks
- Kent and Medway Pathology Network
- Cumbria and Lancashire Primary Care Network
- University College London Hospital and Sonic Healthcare
- Guy's and St. Thomas' and Serco

## ■ Which is best?

# So what's your point

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- Consolidation has already started
- Foundation Trusts are looking to increase market share from within the NHS
- The private sector are here again
- And, Primary Care are now being measured!

# Primary Care – why do they care about Pathology?

- One of the requirements of 'World Class Commissioning' is that Primary Care Trusts should be externally assessed against a number of organisational competences. These include
  - Competence 7: 'Effectively stimulate the market to meet demand and secure required clinical and health and wellbeing outcomes'
  - Competence 9: 'Secure procurement skills that ensure robust and viable contracts'
- These competences are concerned with how Primary Care manages the local healthcare market and its relationships with providing organisations. They must demonstrate that they can

*'Design and negotiate open and fair contracts that provide value for money and are enforceable, with agreed performance measures and intervention protocols'*

## And your point is?

- It is reasonable to assume that Primary Care Directors of Commissioning will soon start to examine whether they might obtain what some consider a 'commodity' service at less cost
  - Top 20 tests by volume requested by Primary Care account for 87% of all Primary Care demand (CGH client, 2008)
- They could seek lower prices and/or more services from the incumbent provider
- Or they could become 'rate tarts', commissioning services from the lowest-priced 'willing provider'
- 41.7% of biochemistry requests and 30.6% of haematology requests originate in Primary Care

(Getting results: Pathology services in Acute and Specialist Trusts, Healthcare Commission, 2007)

## So why wouldn't Primary Care simply buy tests at tariff?

<b>Speciality</b>	<b>DH 2008/09 indicative tariff (£)</b>
Biochemistry	1.42
Haematology	2.71
Microbiology / Virology	6.66
Cytology	11.26
Histology / Histopathology	20.69
Immunology	7.12
Phlebotomy	2.63
Neuropathology	1.28
Other	3.48

(BIVDA 2008)

## Or from the lowest cost provider?

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- The cost of a Biochemistry request varies from £4.67 to £8.45; a microbiology request from £7.26 to £13.71; and a histopathology request from £68.42 to £118.71

(Getting results: Pathology services in Acute and Specialist Trusts, Healthcare Commission, 2007)

- 'and between the pilots there is wide variation in terms of the average cost per test, which applies across all specialties and degrees of complexity'
- 'For example, the direct cost of a routine automated biochemistry test ranges from £0.84 to £3.95'
- 'The direct costs of the most complex histopathology cases range from £122 to £937'

(Lord Carter's speech to the IBMS congress, 2007 ([www.thecarterreview.com](http://www.thecarterreview.com)))

## Or at least test the market

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- What am I bid for 50,000 Full Blood Counts?

# A hypothetical question

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- Imagine you work for a NHS Acute Trust.....

## So what am I bid for an extra 50,000 Full Blood Counts?

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- The same price as you are currently paying for 100,000, stupid!
- A reduced price for the additional 50,000 units of activity
- A reduced price for all 150,000 units of activity
- An increased price, as we shall have to invest in new machinery / employ more people
- An increased price, because we don't want to be seen to destabilise the local health economy (take work from our clinical colleagues in the adjoining trust!)
- The network agreed tariff

## Another question

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- Imagine you work for a Foundation Trust, *and* are incentivised by them to reduce the overall 'cost per test' .....

## So now what am I bid for an extra 50,000 Full Blood Counts?

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- The same price as you are currently paying for 100,000
- A reduced price for the additional 50,000 units of activity
- A reduced price for all 150,000 units of activity
- The network agreed tariff

# The killer question

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- And finally, imagine you work for a private sector supplier of Pathology testing and interpretation services.....

## So now what am I bid for an extra 50,000 Full Blood Counts?

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- A reduced price for the additional 50,000 units of activity
- A reduced price for all 150,000 units of activity

## Nice idea, but it will all go away if we keep quiet..... (1)

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- *The prospects for the UK economy have dramatically worsened since the last Budget. One year ago Mr Darling thought the economy would grow by 2.5% this year; now he says it will shrink by 3.5%. But he is still hoping it will bounce back next year*
- *The current budget squeeze means that the gap between government spending and taxes will continue to widen*
- *The government may also face higher costs as benefits and debt service rise. If it also tries to protect health and education, other services could face major cutbacks*

(BBC News, <http://news.bbc.co.uk/1/hi/business/8002618.stm>, accessed 11th May 2009)

## Nice idea, but it will all go away if we keep quiet.....(2)

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- *SHA chief Margaret Edwards to lead productivity unit*

- *She has agreed to lead the unit, set up by NHS chief executive David Nicholson and based in NHS London, and will start as national director of productivity and efficiency.....*

(HSJ, 6th March 2009)

- *Everyone we have spoken to acknowledges that driving up standards, quality and patient safety, at the same time as reducing costs by between £250 and £500 million a year for reinvestment in the service, is a prize worth pursuing vigorously*

(Lord Carter of Coles, Report of the Second Phase of the Independent Review of NHS Pathology Services, December 2008)

## And your point is (again!)

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- The 'perfect storm' is about to break!
  - Lord Carter's 'line in the sand'
  - Lord Darzi's emphasis on quality
  - Modernising Scientific Careers
  - World Class Commissioning in Primary Care
  - The emergence of a tariff, formal or otherwise
  - A renewed emphasis on costs
  
- Consolidation of full service laboratories is therefore likely over time
  
- Change is coming

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