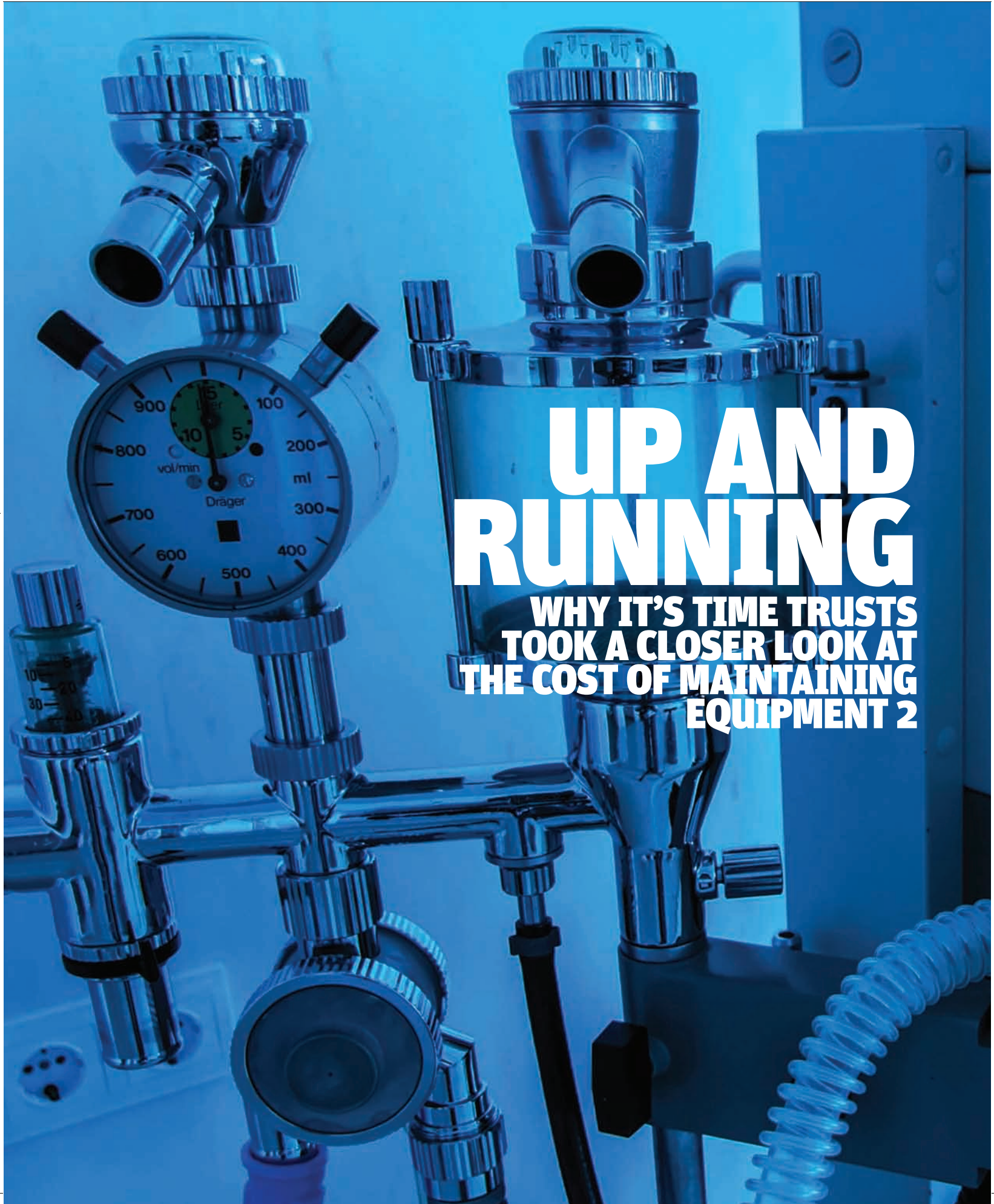


FOR HEALTHCARE LEADERS

HSJ EFFICIENCY

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UP AND RUNNING

WHY IT'S TIME TRUSTS
TOOK A CLOSER LOOK AT
THE COST OF MAINTAINING
EQUIPMENT 2



“The continuous need to generate savings is among the NHS’s greatest challenges, and recent tariff reductions have extended that challenge still further. With much of the low hanging fruit having already been plucked, the NHS is having to dig deeper for new savings opportunities and to explore new approaches and new ways of delivering services that might never have been considered in a less austere climate.

Of course, there is a vast array of initiatives vying for the attention of most trusts – hundreds in some instances. But implementing most of them requires resource, and implementing a significant number far more resource than a trust will normally have available. And many require significant investment today to deliver savings tomorrow at a time where capital is in short supply.

So prioritising which cost improvements to focus on is a real issue – indeed probably the key issue for many finance or turnaround directors today. And there is a huge balancing act too – between satisfying Monitor’s requirements for prudent financial performance on the one hand, and the need to meet the standards set by the CQC on the other. So ensuring that a cost improvement programme delivers savings without compromising patient care or operational efficiency is critical.

So what might an ideal cost improvement

‘Prioritising which cost improvements to focus on is a real issue’

programme look like? It would clearly deliver savings – but without requiring front end investment. It would free up trust resource to focus on other initiatives, rather than demand scarce resource to implement. It would increase rather than compromise control and efficiency. And, finally, it would enhance patient care by reducing risk. We have worked hard to develop our Maintenance Lifecycle service to deliver all of these benefits – and to ensure that our systems and people are focused on this. “Savings, control and compliance” is more than just our marketing strapline, it defines our entire approach to implementing the service.

With massive savings targets, we recognise of course that it is inevitable the focus will tend to be on the largest projects. And, while there are significant savings to be made from maintenance and service contracts, it’s fair to say we won’t solve a trust’s financial problems single-handedly. But we can make a great contribution. And we will do so without using up trust resource – and deliver an improved solution at the same time. There probably aren’t many cost improvement programmes that can tick all of those boxes.

Stuart Jefcoate is commercial director at Leaseguard
www.leaseguardonline.com

EQUIPMENT MAINTENANCE

RISE OF THE

Is your trust facing a rising bill for maintaining its equipment? A

Over the last few years there has been a great deal of focus on how the NHS procures equipment. It’s recognised that trusts do not always get the best value for money when they buy expensive equipment.

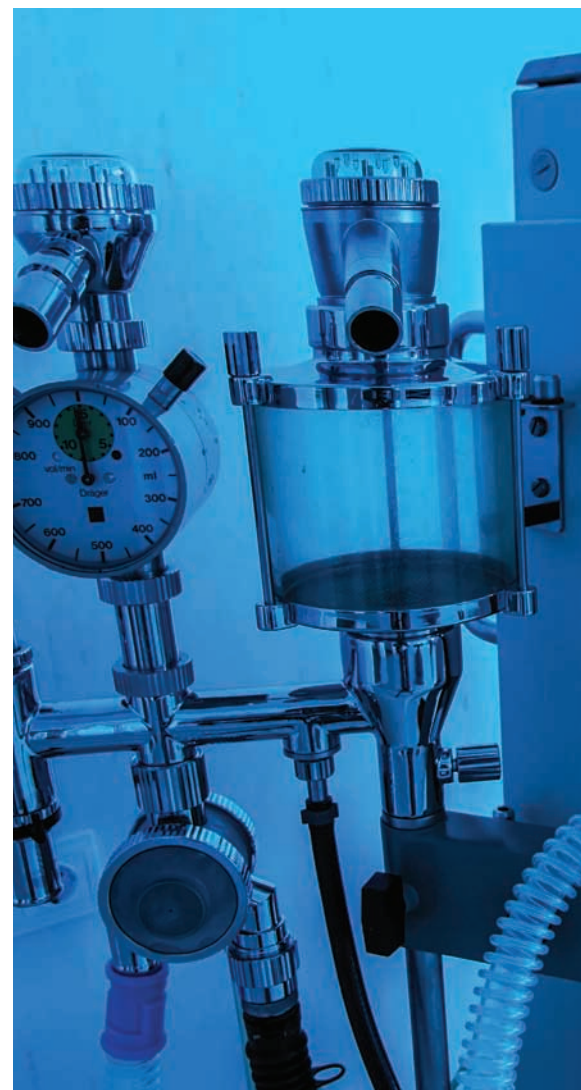
But there has been much less focus on maintenance of that equipment once it has been purchased. Keeping the equipment running smoothly is critical for delivering diagnostic and other services, and trusts will normally have maintenance contracts in place to ensure that the risk of vital medical, IT and estates and facilities equipment suddenly becoming unavailable or malfunctioning is minimised.

Continued functioning of such equipment is often mission critical for organisations because of the impact on waiting times and quality of care if key pieces of equipment are out of action. But, while no one wants to skimp on the essential maintenance of such equipment, are there opportunities to reduce the cost of these contracts without reducing the level of service offered?

The National Audit Office suggested, in a landmark report in 2011, that trusts had no mechanism for deciding whether they had the appropriate maintenance for expensive equipment – CT and MRI scanners – and none of the organisations it questioned had assessed how they compared with other trusts. Yet the lifetime maintenance costs of such equipment were broadly equal to their purchase costs. Overall, they did not have the means to determine if they were getting the best value from either purchasing or maintenance of the equipment, and the NAO said trust boards should scrutinise existing maintenance deals.

There is no way of knowing how many NHS organisations have taken up this recommendation but the potential for savings is significant: a hospital with a turnover of £300m to £400m can easily have maintenance contracts of £5m a year.

And very often it can be hard to keep track of what contracts it has, whether the equipment is still in use, and whether the contracts offer the best value for money. Add to that the complication that the amount of equipment used in a major hospital is a moving target: over a year, some will be

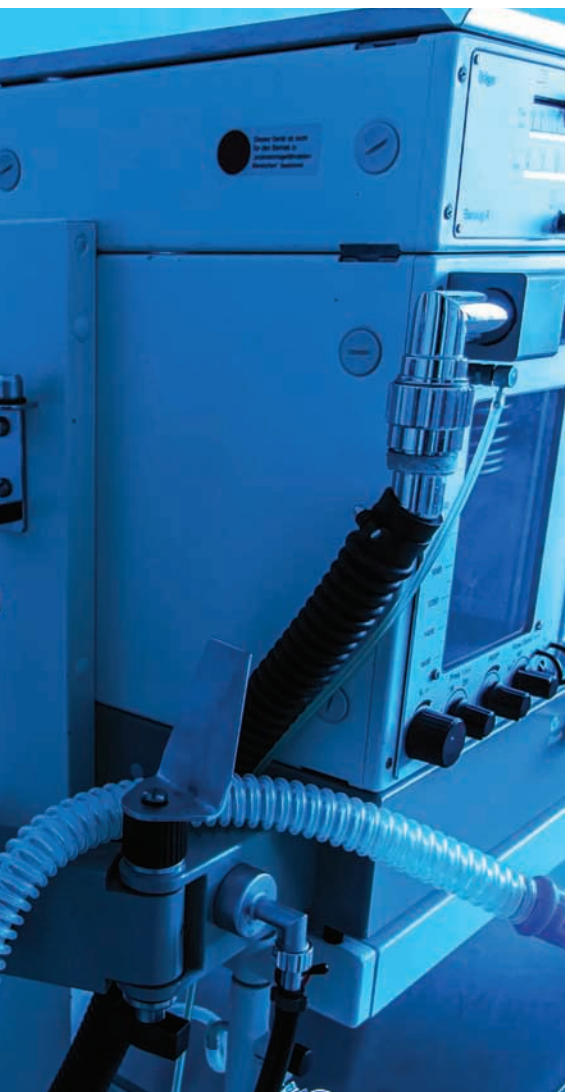


discarded, some will be replaced and other pieces will be entirely new.

Peter Mullin, managing director of Leaseguard, which delivers a Maintenance Lifecycle service to trusts, says acute trusts tend to be very asset-intensive organisations and will typically have 300 to 400 contracts across up to 200 suppliers. Very often the maintenance contract will have been bought as an afterthought, often with the original equipment supplier but will typically index

MACHINES

? Alison Moore on a cost that can often be overlooked



‘Often the maintenance contract will be an afterthought and typically index up in costs year on year’

The end result is opportunities for the cost of contracts to be reduced may be missed. Trusts may not even know how many contracts they have – let alone have an eye on when they are all due for renewal and the opportunities that forward planning of renewal could offer.

“It becomes hard to look at it from a holistic point of view when the pressure is simply to renew the contract in time, let alone plan a portfolio-wide strategy,” he says.

One of the first things that Leaseguard will do is find out exactly what contracts are in place in a trust – which is not as easy as it sounds. Once trusts know what they are paying whom and for what, there can be opportunities to make savings – although he is clear there is no silver bullet which instantly saves all organisations large amounts of money. Instead, solutions have to be tailored to an individual trust’s position and preferences.

One approach which can reduce cost is to bundle together a number of maintenance contracts for similar devices which can then be put out to tender. This offers economies of scale which can reduce overall cost. In some cases, negotiating with service suppliers can reduce the cost – although this can be challenging if there is no threat of competition to encourage the supplier to reduce prices.

Another option is looking beyond the original equipment manufacturer for a service contract. When buying a complex and expensive piece of equipment, it is easy to opt for the manufacturer’s service contract simply because it feels “safe”. But there can be significant savings for trusts prepared to look elsewhere.

So what can trusts save by adopting a different approach to maintenance contracts? Mr Mullin says he has seen savings of up to 70 per cent on some contracts, but savings of over 15 per cent over the term of the contract are more typical.

In theory, trusts could do this all themselves but Mr Mullin says that what Leaseguard brings is a level of expertise in this field and a proven ability to deliver savings, which trusts are unlikely to have in house simply because maintenance contracts are unlikely to be a focus for their business.

And another aspect is whether the contracted maintenance is actually carried out. When equipment is in regular use, it can be difficult for a contractor to actually carry out the maintenance as planned.

Staff may be reluctant to release it for maintenance in busy periods and, inevitably, sometimes contractors go away without being able to carry out the planned work. Mr Mullin estimates that between 5 and 10 per cent of maintenance work which is paid for may not be carried out.

Mr Mullin says that one contractor told him that they had not managed to service a particular piece of critical theatre equipment for three years because it was continually in use when they turned up for booked appointments.

Regardless of why it happens, not carrying out necessary maintenance work means that money is being wasted and potentially increases the risk that equipment will break down, impacting on services, or will malfunction – which can have implications for patient safety.

Leaseguard has introduced a managed service – OPTIMiSe – which allows service sheets to be uploaded to a central repository and the work done reconciled with what should be happening. This allows planned maintenance to be tracked and offers proof that it has been carried out.

Ensuring NHS equipment is running smoothly and is available when it is needed has never been more important than in the current climate: but the challenge for trusts is to do that while also looking for savings which can help their bottom line. ●

up in costs year on year, he says.

This sort of historic agreement can often continue for years without being questioned or the value for money examined. And with many internal stakeholders with an interest in the maintenance contracts – from the clinicians who use the equipment through to the finance and electro-biomedical engineering departments – changing specifications or supplier sometimes just feels too difficult.

EQUIPMENT MAINTENANCE: CASE STUDIES

DON'T JUST TICK THE RENEWAL BOX

How moving responsibility for managing contracts from busy frontline staff has paid dividends for three trusts

THE CHRISTIE

The Christie Foundation Trust – a specialist cancer centre in Manchester – relies on a vast range of technology to provide its services. Keeping that equipment running is crucial – but like other trusts it does not want to spend more money than it has to on maintenance.

So over the years it has tried to trim the cost of maintenance contracts as much as possible, using its inhouse staff. A few years ago the trust felt it had made all the savings it could – and called in Leaseguard.

Ian Moston, until recently the trust's finance director, says he was pleasantly surprised when Leaseguard were able to make extra savings. "We had picked all the low hanging fruit. We did not put anything with them until we had got all the savings out that we could," he explains. "We are technology heavy as an organisation compared with the standard hospital. The bulk of our business is theatres, imaging... and so on. It is about being able to ensure that we have the equipment available to use when we need them and the patients are not waiting.

"I am convinced that there is a lot of opportunity for the NHS to get greater value out of its supply chain. This is where the NHS is getting to grips with the sort of changes that have happened elsewhere in other industries. We choose to partner quite carefully as an organisation. We are quite picky and that's a good thing. We only want to work with people who will give us their A team and are there for the long term."

Like many trusts, the Christie had multiple contracts across the organisation and found it hard to keep an eye on all of them. One of the things it discovered was that it had three contracts with one supplier who was offering different levels of discount on each of them.

Leaseguard says it is now managing around £1.6m of medical and IT equipment maintenance contracts for the Christie and has generated savings of at least £290,000. Tendering for one contract, with an estimated cost of £140,000, reduced the price by £50,000. In another case, it was able to negotiate down the cost of a contract with a single supplier.

The trust is also introducing the "OPTIMiSe Service" system which monitors service delivery to ensure it is as specified in service contracts.

Monitoring delivery of these contracts can be difficult, says Mr Moston. A contract may specify four service visits a year – but if one slips a little it can easily fall into the next year and be counted against next year's total.

Effectively, OPTIMiSe Service makes the supplier do all this work to ensure they get paid. It provides an accessible audit trail to show that the work actually has taken place – which can be important for the trust if there are issues around liability.

But it can also prompt trusts to look at what they are getting out of repeated service visits and question whether they are setting specifications at the right level. Mr Moston is hopeful the data from OPTIMiSe will inform future decisions and give a better picture of what is happening across the trust.

ROYAL BROMPTON

Managing the Royal Brompton and Harefield Foundation Trust's vast portfolio of maintenance contracts would require a team of several people – and even then it would be hard to provide the expertise which would drive down costs and justify the investment, according to head of procurement Steve Williams. He sees "outsourcing" the management of contracts as a sensible





Keep on running: The Christie and (below) Royal Brompton are rethinking their approach to maintenance

solution which allows the trust to capitalise on someone else's expertise while making substantial savings.

The Royal Brompton, like many trusts, has hundreds of maintenance contracts with different organisations, differing lengths and differing end dates. Historically, decisions on contract renewals were often devolved to frontline staff who would get little notice that the contract was due to end and had little time to do anything but tick the box to renew for another year.

In such circumstances it is easy for trusts to end up with more expensive options and a "gold standard" of service which does not really reflect the impact of equipment breaking down for the organisation.

But managing the system more closely from the procurement team would be a huge administrative task and Mr Williams did not have the manpower available to do so.

So the trust turned to Leaseguard in 2010, initially using it to manage an annual total of £3.1m – and now £4m – of contracts. Mr Williams says that a specialist team can look across the market and exploit its knowledge and experience to drive savings which an internal team would struggle to get. Contract renewal is now a planned process with finish

'Trusts can end up with an expensive "gold standard" service that does not reflect the impact of equipment breaking down'

dates being known and plans drawn up well in advance. "We would not get anywhere near the value they are achieving," he adds. "We have saved enormous amounts of money."

He is particularly pleased with the overview he now has of his contracts across both trust sites – information Leaseguard assembled from bits of paper in filing cabinets and by looking through invoices to discover what the trust was paying for.

"Four or five years ago we would have been hard pressed to know how much we were spending on maintenance contracts. Now we can look up online absolutely everything that is under contract – what the status of the contract is, when it is going to be renewed and what it costs. It is indispensable."

Leaseguard calculates the savings to the trust to be over £1.9m over the term of the contracts. For the trust there is also less anxiety about contracts – that they may run out without being noticed or that money may be being wasted because an unnecessarily high level of support has been purchased.

NORTHERN LINCOLNSHIRE AND GOOLE

Providing hospital care across thinly populated areas such as Lincolnshire inevitably means that trusts end up running services in more than one site.

But that can be an extra challenge for facilities departments trying to keep track of equipment and ensure that it is maintained.

With three sites, Northern Lincolnshire and Goole Hospitals Foundation Trust has found one benefit of working with Leaseguard is that it has helped to keep the trust's asset register up to date as well as save money.

The trust has also started to work with the neighbouring United Lincolnshire Hospitals Trust, which also uses Leaseguard, in a collaborative project. United Lincolnshire has three main sites so contracts covering all six sites offer economies of scale. Three contracts covering piped medical gases, lifts and CCTV and intruder alarms, across all six sites have been tendered with the help of Leaseguard: Leaseguard says the savings from these alone amount to £435,000 over the contract period.

Nigel Myhill, director of facilities and information at Northern Lincolnshire and Goole, says savings add up to £400,000 in the last three years (including United Lincolnshire's). "That is money we could not have released," he says. "We don't have the resource and the specialist knowledge.

"For example, they have lift contracts across lots of other trusts and therefore have an ability to talk to big lift suppliers about whether they are going to come into a tender."

One challenge for Mr Myhill's team has always been the timing of contract renewals: many end in March or April at a time when facilities staff are often preoccupied with the end of the financial year, getting projects underway for the new financial year – and also it is holiday time. This meant that unless prices had risen dramatically there was a temptation to just roll the contract over. Now, he says, Leaseguard will start to talk to his team as early as September or October, allowing plenty of time for a tendering process before the old contract expires.

"But it is not just the money it is about ensuring the maintenance contracts that are let are up to date and meet the latest statutory requirements," says Mr Myhill. From a governance point of view, this means that he can offer reassurance to the board that the trust is compliant with relevant guidance and requirements. ●