

The future of outsourcing and partnerships in UK health and care

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The future outlook for health and care leaders

- 1.** The realistic outlook for health and care leaders is far from welcoming. It is unlikely that demand pressures will be alleviated by increases in funding or staffing. More positively, the NHS is committed to a new service model as set out in the Long Term Plan – i.e. new integrated care services and a redesigned acute and emergency sector – but the transition will itself be a challenge.
- 2.** Demand pressures have been typically recorded as a “backlog” resulting from deferred treatment and late diagnosis due to Covid. However yet to be faced is the “frontlog”: the permanent worsening from long Covid, delayed treatment of long-term conditions and changed patient expectations. Longer waiting times will mean more treatment for later stage disease. There have been few examples worldwide of increased demand returning to “normal” levels and many of a new normal of further increases in demand.
- 3.** Staffing shortages have been usually seen as being helped by training more doctors but, as the National Audit Office said in August 2022, that is a “significant challenge”. Overall, there may be reduced numbers of experienced staff over the next ten years.
- 4.** Funding constraints are likely to be greater with slower rates of economic growth and competition for funding from defence, education and levelling up. The NHS will face higher risks from the effects of recession and, potentially, from more rapid international transmission of infections.
- 5.** In this challenging environment, health leaders will benefit from access to all resources, from all sectors and both nationally and internationally. In this paper we summarise the evidence base on the extent of outsourcing, its impact on NHS capacity and quality and its future role.

The evidence base



Extent of partnership in the UK

6. Contracting between the public, private and third sectors in the UK is more common than is sometimes thought. In the UK, approaching half of the health and care budget is spent on non-NHS bodies of all kinds. Contracting is more common in health and care than in all public services on average.
7. The wide variety of goods and services bought from the private and third sectors include:
 - support services (e.g. facilities management and catering, and quasi-clinical support such as patient monitoring and recording of patient experience);
 - services delivered directly to the public (e.g. most general practice, dental, optician and community pharmacy services);
 - the construction of assets and infrastructure (e.g. hospital and primary care building programmes); and
 - the goods required by NHS and care organisations to function (e.g. pharmaceuticals).

Table: proportion of departmental budgets spent on non-public sector bodies, UK, 2022-23

Source: Public Expenditure Statistical Analyses 2022

Transport	72.5
Justice	64.7
Defence	57.0
Health and Social Care	46.3
Home Office	30.1
All departments	22.9
BEIS	7.6
HMRC	7.0
Education	6.8
Work and Pensions	1.8

8. The share of health and care spending spent on procurement has risen in recent years. The NHS plans to spend around 46 per cent of its budget on non-NHS bodies in 2024-25 compared to 41 per cent in 2017-18.

Development of the market

9. The partnership market grew in the years 1990-2010. In 2008 a report for the Department of Business, Enterprise and Regulatory Reform summarised the evidence on competitive provision of services as follows:

“The evidence shows that there are clear benefits, to both users and taxpayers, in subjecting incumbent service providers to competition. The academic literature typically found the cost savings from competitive tendering to be between 10 per cent and 30 per cent (including when the in-house team won the bid) with no adverse effect, and sometimes an improvement, in service quality.”

10. Since 2017-18, the market has entered a new phase of growth. In health and care, the for-profit and third sectors played key roles in the response to the Covid-19 pandemic. The provision of PCR test centres is an example. The Department of Health and Social Care co-designed the programme with major supplier companies with expertise in facilities management, face-to-face customer service and health support services. Suppliers built a national network of fixed and mobile test centres, working in a partnership of trust and updating the specification of centres with the Department as the programme developed. The number of daily tests in England rose from 10,000 in April 2020 to over 200,000 in November 2020. As the National Audit Office judged:

“In total, between 28 May and 4 November, the system processed 23 million tests (from community and hospital settings) for England and found 850,000 positive cases... Much of the infrastructure and capacity to support these activities did not previously exist.”

11. Looking forwards, contracting will also help to deliver the new NHS missions of integrated care, elective recovery and digital health. Key contributions include:
- In June 2022, NHS England announced a pilot programme in which community pharmacy teams will speak to people with potential cancer symptoms and refer them directly for specialist checks if there are concerns.
 - The largest programme of reform of outpatient appointments, at Norfolk and Norwich University Hospitals Foundation Trust, is being run in partnership with digital firms delivering patient engagement and task management.

- NHS England has encouraged Trusts to form partnerships in order to deliver virtual wards. Its recent guidance said: “Given the independent sector is already a valued partner in many local health and care systems, as providers of a range of NHS healthcare services, the delivery of virtual wards is an opportunity to build on these relationships.”

When to outsource

- 12.** The Cabinet Office has produced best practice “playbooks” on sourcing public services. Outsourcing is appropriate when it can deliver:
- greater flexibility and quicker access to technical change;
 - learnings from good practice from outside enterprise, both within health and outside of health and national and international;
 - rapid response to new problems clinical and non-clinical, as in Covid testing; and
 - new investment in support functions including IT services, equipment management and catering. Partnership can be a key resource in raising capital spending.
- 13.** Conversely the Cabinet Office guidance finds that it can be challenging to bring services in-house when:
- “the market has scale that is driving greater efficiencies”;
 - “the market is continuously innovating and an in-house solution may not have the scale or expertise to replicate that”; and
 - “there is currently a lack of senior management capacity or capability to transition, integrate and manage the insourced service”.

Success factors

- 14.** The Cabinet Office guidance makes clear that the success of outsourcing depends on subsequent behaviours as much as the initial decision-making. Success factors include:
- **Contracting for outcomes.** It is essential to structure the partnership relationship on a longer-term basis so that it has a joint goal in improving outcomes and productivity and can enable capital investment from for-profit partners. The guidance recommends “adopting a one-team ‘win-together, fail-together’ approach”.



- **Governance.** Improvements in data mean that outcomes can be measured and agreed. As one experienced manager interviewed for this research put it, governance in the past was “either non-existent or adversarial”. The process of contracting can provide greater control over service delivery.
- **Standards.** The partnership can agree standards for pay and working conditions which can be set out openly for all interested parties including staff unions and the local community stakeholders, such as a commitment to paying the real living wage. Cost containment is an appropriate goal from partnership but delivered through improved performance and innovation, rather than unsustainable reductions in pay and other areas.



Next steps for outsourcing and partnerships

- 15.** While there have been frictions over individual projects, the long-term evidence shows that contracting is a routine and integral part of NHS delivery. As The Christie NHS Foundation Trust says on its website:

“Partnerships with organisations outside the NHS have been very important to The Christie. We have very successful partnerships for pharmacy, for pathology and for private patients. They offer that commercial expertise that can benefit patients and benefit the NHS.”

- 16.** NHS leaders and companies can look to partnerships, structured in the right way, to bring the following immediate advantages:
- **Increased focus on core services.** Outsourcing can free up management time to concentrate on key clinical challenges including elective recovery.
 - **Capacity and resilience.** As in the example of PCR test centres, partnerships can allow managers to meet new challenges without imposing undue pressure on existing staff.
 - **Costs.** Through improved performance, long-term partnerships can be a key means of containing costs in an inflationary environment.

- **Capital.** Given pressures on public funding, global companies can have faster access to capital.
- **Innovation.** Companies can draw on a range of experience from the UK and (in the case of global firms) other countries to help partners improve services.

17. Integrated Care Systems and Trusts are working to recover and increase elective activity at the same time as building a new service model and supporting their staff members. In this environment, the next steps for health and care leaders are:

- to see partnership as a key resource, not a short-term expedient. It can help the NHS to move to a new phase of rapid response to new problems and provide access to new sources of capital.
- to work with partners to meet statutory and policy responsibilities. Partnerships can advance three of the four statutory objectives of Integrated Care Systems (improving outcomes in population health and health care, enhancing productivity and value for money). For some services it will be possible to achieve consistency of delivery and efficiency through procurement at System level.
- to make use of specialized capability which can help the NHS to respond faster in a time of rapid change in technology and pressure on both management and staff. Trusts can partner on support services to allow management to focus on elective recovery, as well as using partner expertise to deliver progress in target areas such as patient discharge (via home care and remote monitoring).
- to use partnership as a resource for integrated care. In social services and lifestyle activities, there are possible partners in technology, home care, pharmacy and nursing homes. Experience with integrated services can show how the NHS can make use of wider goodwill and expertise in the community.

Aiming for Health Success

Aiming for Health Success is a new research and advisory firm led by Professor Nick Bosanquet and Andrew Haldenby.

In 2022, **Aiming for Health Success** was commissioned by Sodexo to determine the future landscape and identify where outsourcing is best positioned to support health and care in the post-Covid environment.

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