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## **Contract Alert: Outsourcing in the NHS** February 2016

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### Introduction

This analysis presents an update on our previous work charting the impact of government policy on the use of outside providers to deliver and plan NHS care.

The data has been collected by recording submissions between April 2010 and April 2015, by all NHS Commissioners (CCGs/trusts/NHS/gov), on the official tendering websites. From the subsequent analysis we have identified the services that are being put before the market, the providers that are winning these contracts and crucially how this has changed in recent years.

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### Survey Method

Our sample is made up of 1700 clinical contracts opportunities, so not those involving the pure supply of goods. Pharmacy contracts are included as a service that involves providing medical advice, but generally contracts involving the supply of equipment are not. Aspects of health planning and commissioning support are also included.

We counted live Contract Notices (those not yet awarded), Awards Notices and Prior information Notices. In a small number of cases we have added details of contract awards that have been publicised, but where no Award Notice has been published. The sample is a snapshot of the latest activity and a review of archived contracts. It is taken from two main sources – the TED database, an archive of adverts placed in the Office Journal for the EU and secondly from the Contract Finder, both official sources of contract opportunities.

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### Overview of contract activity

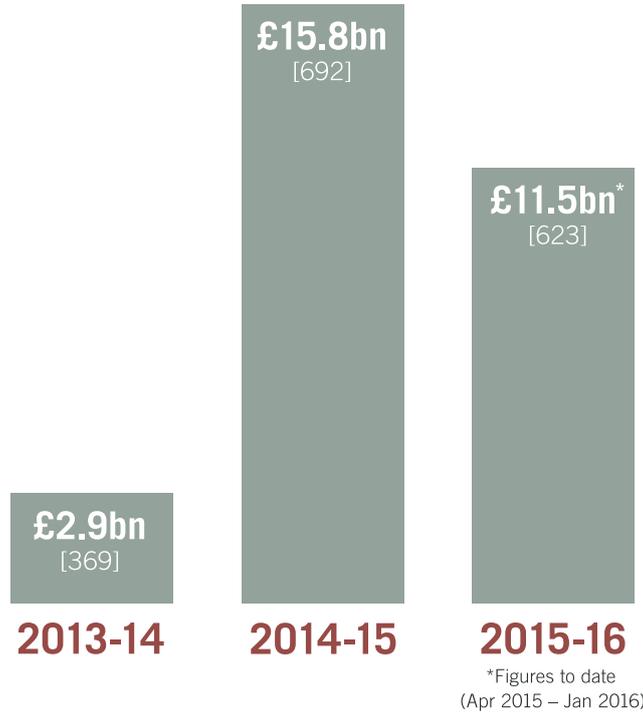
We found that £16 billion of NHS clinical contracts have been awarded through the market since April 2013 (411 contracts). Over this time the private sector has won nearly £5.5bn worth. In total around £30 billion worth of NHS contracts have gone before the market, although just over half this value has been awarded.

£6bn worth of clinical contracts have been awarded so far in this financial year (April 2015/16), another £5bn worth remain in the pipeline.

£789m worth were awarded in the first year after the Health and Social Care Act came into effect (2013/14), but this figure grew to just over £9bn in the year after (2014/15). This figure was inflated by one significant contract – a £5bn framework agreement to provide commissioning support services (see update below).

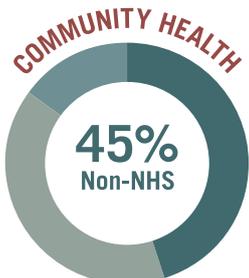
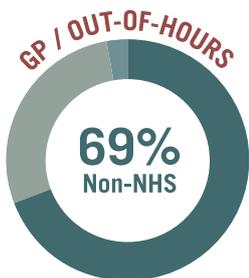
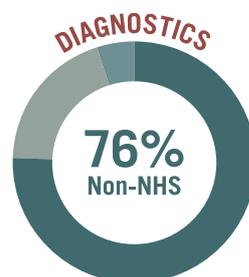
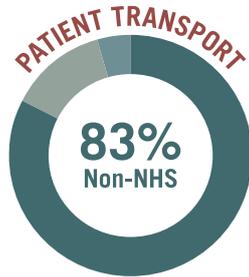
So far in this financial year (2015/16) the private sector has won just over £2.1 billion worth of clinically related NHS contracts (37%). The not for profit sector have picked up £955 million worth of contracts (16%) and the NHS has won £2.7 billion worth.

The value (and number) of NHS contracts put before the market over the last three years



These are the areas of care with highest numbers of contract awards. Who is winning the most bids?

Non-NHS provider awards
  NHS provider awards
  Mixed provider awards



## Significant Contract Awards 2015

Commissioners in the NHS, CCGs, Trusts and NHS England, have put out to tender a large amount of business in monetary terms. These are some of the large contracts that were awarded in 2015.

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### **£1 billion for Primary Care Support Services**

In September 2015 Capita took control of a **contract worth £1 billion** to be the provider of primary care support services in England. The contract is a sole provider framework contract and Capita has the option to sub-contract out the work. The contract is worth around £1 billion over the first four years, but the entire contract could be seven to ten years and worth around £300-400 million per year.

Under the contract Capita is expected to make **significant cost savings**, reducing the cost of the service by 40%. Capita plans a phased closure of 29 offices by October 2016, putting 720 permanent jobs in doubt and leaving just two of the existing NHS facilities providing the service. The redundancy bill could be more than £30 million.

The deal was opposed by the British Medical Association; doctors fear that practices would lose the relationships they rely on with primary care support staff. Primary Care Support services include medical records management, payments administration, and report services for screening. Capita's track record working for the NHS is chequered; in February 2015, Capita was found responsible for a **breach of NHS employees' personal data** during the time it was providing human resources services to nine trusts in Liverpool and in September 2014, West London Mental Health NHS Trust cancelled its contract for human resources services after Capita proved "unable to meet acceptable 'time to hire' targets," particularly for nurses.

In 2015 Capita also won an **£80 million, 10-year contract** providing IT, finance and estate management services to the Central London Community Healthcare NHS Trust. With over 3,000 staff, CLCH is the largest community healthcare services provider in London.

It provides care for more than one million people across Westminster, Kensington & Chelsea, Hammersmith & Fulham and Barnet.

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### **£5 billion for the Framework Agreement for Commissioning Support Services**

Several companies and commissioning support units (CSUs) were awarded places on this **£5 billion four year contract in February 2015**. The winners of places on the major part of the contract for are eight CSUs, plus Capita, Optum (plus BT and KPMG) and MBED – a consortium of Mouchel, BDO, Engine and Dr Foster. Two CSUs, North West CSU and Yorkshire and Humberside CSU, were omitted from the framework and this has cast doubt **over the future of the organisations and their 2,200 staff**. Capita and Optum also won a share of the medicines management portion of the framework agreement along with several CSUs.

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### **£280 million for the East Staffordshire elderly care contract**

In March 2015, Virgin Care was awarded a **£280 million, seven-year prime provider contract** in East Staffordshire, to coordinate services for frail elderly patients, those with long term conditions and intermediate care. The contract, supported by 19 East Staffordshire GP practices, will come into effect from April 2016 and serve around 38,000 people with long term conditions as well as an estimated 6,000 frail older people. East Staffordshire CCG is reported to have chosen the prime provider model because of expected increases in demand and costs, which Virgin Care will have to absorb over the seven years. The CCG have also said that Virgin Care will coordinate services across providers to deliver agreed outcomes, although it has not published what these outcomes are.

### **£238 million for Community Services in Huddersfield and North Kirklees**

In July 2015 the Community Interest Company Locala Community Partnership won a five year contract to run community services in the Huddersfield and North Kirklees area. The contract, worth £238 million, is part of the Greater Huddersfield and North Kirklees CCGs 'Care Closer to Home' initiative to reduce A&E admissions and hospital stays. The contract covers a wide range of enhanced care services, services over and above the previous community care services provided by Locala (and in its previous incarnation as Kirklees Community Healthcare Services). Locala was set up in October 2011 as a mutual company with membership of staff and local people and employs around. The contract could be extended for a further two years and is a prime provider contract, under which Locala can sub-contract to other service providers.

Although integrated care closer to home is an admirable aim, unfortunately the awarding of this contract for enhanced services to Locala will have a knock-on effect on the local hospital trust Calderdale and Huddersfield Foundation Trust, which is estimated to be losing about £5 million in income due to the loss of contract work. This is bad news for the Foundation Trust as it is struggling with a mountain of debt due to the use of PFI to build the Calderdale Royal Infirmary under a 1997 contract; the hospital cost £65 million to build yet by the end of the PFI contract in 2058 the Trust will have paid £770 million. The PFI payments are financially crippling for the Trust and restructuring is underway to cope with its mounting debt. In January 2016 a decision was in the process of being made as to which A&E to close – Huddersfield or Calderdale. What appears to be the favoured plan is the closure of Huddersfield A&E and demolishing of the hospital. A new hospital built in the area would not have A&E services. The Trust has for years been trying to negotiate its way out of the PFI contract to no avail. A clause which would allow the Trust to buy its way out of this 60 year contract for £200 million does not come into effect until 2038. There are also problems with negotiating with the complex ownership structure that owns the PFI debt.

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### **£246.8 million for Community Care in North Essex**

In December 2015, Anglian Community Enterprise was awarded a seven year contract for £246.8 million to provide community care in North Essex. The award by North Essex CCG is for a lead provider contract for what are termed "Care Closer to Home Services", a model of care designed to reduce A&E visits and reduce hospital stays. ACE is a social enterprise, which also holds a number of APMS contracts for GP surgeries, the most recent of which was a ten year contract for the Caradoc surgery in Frinton-on-Sea awarded in December 2015, and runs weight loss schemes and the health visitor service in the area.

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### **£120 million for Community Care in North Somerset**

North Somerset Community Partnership (NSCP) was awarded a five year contract in October 2015 worth £120 million to provide community care services across North Somerset. The contract from North Somerset CCG will involve introducing a new model of community healthcare services, including the provision of almost 30 services covering adults and children.

NSCP is a social enterprise that was formed in 2011, as such it does not make a profit. NSCP also has a business division Partner2Care, which is also run on a not-for-profit basis but provides paid-for services, such as podiatry, acupuncture and physiotherapy. A major target market for the business is people with personal health budgets.

### **£185 million for adult community health services in Wiltshire**

In December 2015, Wiltshire CCG awarded Wiltshire Health & Care the **£185 million contract** to provide adult community health services in Wiltshire for the next five years. As of July 2016, the services currently provided by Great Western Hospitals NHS Foundation Trust, which include, among others, services such as Core Community Teams; Outpatient Department Services; diabetes and fracture clinics, will transfer to Wiltshire Health & Care. Wiltshire Health & Care is a new organisation formed by Great Western Hospitals NHS Foundation Trust, Salisbury NHS Foundation Trust and Royal United Hospitals Bath NHS Foundation Trust.

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### **£64 million for child health services in Wiltshire**

In October 2015 Virgin Care won a **five year £64 million contract** to provide community child health services in Wiltshire from Wiltshire CCG, Wiltshire Council and NHS England. As of April 2016, services including, children's specialist community nursing, health visiting and speech and language therapy will transfer to Virgin Care.

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### **£190 million for Mental Health and Learning Disability Services in York**

In August 2015 the Tees, Esk and Wear Valleys NHS Foundation Trust was awarded a **five year contract to provide mental health services** in the Vale of York worth £190 million. There was, however, controversy with the award; Leeds and York Partnership Foundation Trust wrote to Monitor detailing concerns about the process run by the Vale of York CCG. The Trust was concerned that there was a conflict of interest as the CCG's mental health lead, Louise Barker, was a member of the assessment panel despite her partner working as a consultant psychiatrist for Tees, Esk and Wear Valleys NHS Foundation Trust. The letter to Monitor claims Dr Barker's scores for TEWV were higher than those given by other panel members, and the conflict of interest was not registered in every meeting where the procurement was discussed. Monitor, however, **declined to investigate** instead saying the CCG 'could have done more to mitigate a conflict of interest'.

## Terminated and collapsed contracts

Several significant contracts have been terminated before their term and/or ended due to significant problems. These are an important indicator of some of the problems created by planning healthcare through the market.

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### **£800 million for the Cambridgeshire and Peterborough Older Peoples Services Contract**

This was an extremely high profile contract due to its high value – worth £700 to £800 million over five years – for the provision of older peoples services for Cambridgeshire and Peterborough CCG. The contract was one of the first major **outcome-based contracts** under which an element of payment depends on achieving agreed clinical outcomes. Outcome-based targets would have to be achieved for the provider to receive 15% of its income. The outcomes included reducing the number of elderly people admitted through A&E and preventing delayed discharges. In the space of eight months in 2015 this contract was awarded then abandoned.

The process for procuring a provider began in 2013 and was time-consuming and costly according to most reports. A number of private companies were initially interested, including Circle and Capita, however all private companies withdrew during the process reportedly due to the steep financial efficiencies required by the contract. By August 2014, the CCG had spent around £1.1 million and had had the contract start date delayed twice. Eventually in November 2014 UnitingCare, a consortium of NHS organisations, was awarded the contract. The contract began in April 2015 a year after its original start date, but eight months later UnitingCare announced that it was handing back the contract as it was not **financially viable**.

In mid-January the **Health Scrutiny Committee** heard evidence of the doubts and concerns that Monitor and members of the CCG had had surrounding the contract. Documentation presented showed that Monitor only gave the go-ahead for the contract the day before the launch as it had concerns, including that 34 outstanding issues still remained to be negotiated at this point. A senior GP on the CCG, Dr Neil Modha, told the health scrutiny committee that he realised that there was not enough money in the contract for the services required. “There was not enough money to cover all the services that were to be provided,” he told the committee.

There are estimates that the collapse of the contract has cost the local hospitals, GPs and community care providers around £20 million. The organisations involved reported that they fought to save the contract from collapse. The shortfall on the contract was £9.3 million, but NHS England refused to provide this money to save the contract. Cambridgeshire CCG is holding an internal audit and NHS England is conducting an inquiry into exactly what went wrong with the contract: MPs and Peers are seeking an audit by the National Audit Office.

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### **£235 million West Sussex MSK contract**

This £235 million contract for provision of musculoskeletal services in West Sussex with Coastal West Sussex CCG was awarded but never begun once it was determined just how much damage the contract would do to other NHS services in the region. In September 2014 Coastal West Sussex CCG awarded the contract to BUPA and social enterprise CSH Surrey. However, pressure from the public and Western Sussex Hospitals Trust, forced the CCG to employ an auditor to assess the effect the contract would have on other NHS services in the area. The auditors concluded that the cumulative impact of loss of MSK services would result in the trust falling into deficit over the next five years. Western Sussex Hospitals had also warned that the loss of the contract could destabilise its trauma services. **BUPA and CH Surrey withdrew** from the process in January 2015 prior to signing the final contract.

## Hinchingbrooke and Circle

In January 2015, Circle the private company running Hinchingbrooke hospital pulled out of the contract after just two years of a ten year contract. The company announcement came just before the publication of a damning report on the hospital from the Care Quality Commission (CQC): the CQC raised serious concerns about care quality, management and culture at the hospital. The CQC found a catalogue of serious failings at the hospital that put patients in danger and delayed pain relief. The hospital was put into special measures, the first time the CQC has had to do this. **Circle cited financial reasons** for pulling out: under the contract the company was allowed to withdraw if it had to invest more than £5 million of its own money in the hospital and it looked extremely likely that it was going to have to invest much more than £5 million.

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## Serco's Multiple Contract Failures

2015 saw the end to Serco's forays into urgent and community care. In May 2015 the company finally handed back its controversial contract for NHS 111 and GP out-of-hours services in Cornwall: this was 18 months before the official end to the contract. The company's other major contract with the NHS for community care in Suffolk was handed over to a new provider in September 2015. The urgent care contract was dogged with controversy – Serco had to admit that some of its staff had **falsified data** to make the company's performance appear better than it was and whistleblowers had raised concerns about **poor staffing levels**. In 2013 Serco unsuccessfully tried to **sub-contract** the work to Devon Doctors, the GP consortium that had failed to win the original bid. Serco had won the bid as it was cheaper. In the case of community care, Serco had not made the profits it had hoped for in this market. Serco noted that the £140 million the company was paid for the contract was “not adequate” for the work. Serco estimates that it had made an £18 million loss on these two contracts plus another for Braintree hospital.

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## Other Large Tenders

### **£2 billion for The Multidisciplinary Temporary Healthcare Personnel Framework Agreement (not included in our figures)**

As of October 2015, all NHS Trusts have to recruit their temporary staff via this framework agreement worth £2 billion over four years. In September 2015 the government awarded places on this framework agreement to a large number of employment agencies, whose job it will now be to source healthcare workers, including GPs, consultants, nurses, social care workers and midwives for temporary contracts.