Survive, strive or thrive?
Understanding resilience and sustainability
England's small hospitals are facing very challenging times. In 2016, all 20 provider organisations with annual revenues of less than £200m are forecasting a deficit for 15/16, compared to 60% in 14/15. As of April 2016, the overall forecast deficit for small hospitals has increased by 61% since 14/15, bringing it to a projected -£299.2m. This means that the average small hospital is forecasting a deficit of -£15m.

These challenges are not new, and nor are they solely confined to the small hospital sector. However, the scale of the issue continues to grow at a startling rate. Small hospitals account for 8% of all NHS providers but carry a disproportionate 12% share of the overall financial deficit. The prospect of smaller providers tipping over into failure is now becoming worryingly plausible. This outcome would have serious consequences for the health service and lead to real uncertainty for patients.

At EY, we have seen such consequences first hand. In 2013 and 2014, we were the trust special administrators at Mid Staffordshire NHS Foundation Trust, helping to develop a new and sustainable clinical model for the area. We built on the trust special administrator process to develop sustainability principles that are relevant to any organisation grappling with issues of resilience and sustainability - a category into which most small hospitals will now fall.

In December 2015, we published a paper entitled Survive, strive or thrive: The financial sustainability of England’s small hospitals. It analyses the scale of the challenge, and argues chairs and chief executives of small acutes must urgently and proactively address the resilience and sustainability of their organisations. In this paper, we outline the warning signs that small hospitals need to be aware of and the five principles of resilience and sustainability.

At EY, we are committed to supporting the NHS to effectively support patients and the community. In undertaking this research, we hope to raise awareness amongst both small and larger hospitals, that early intervention is the key to ensuring resilience and sustainability.

Gill Cooksley
Executive Director, EY Health
gcooksley@uk.ey.com
+44 (0) 20 7951 8385
Understanding resilience and sustainability
‘Resilience’ and ‘sustainability’ are related but distinct terms.

Resilience can be understood as the ability to cope with current and imminent pressures. Sustainability is about being able to cope in the longer term, with preparations having been made for future challenges.

Each can be sub-divided into three main domains:

<table>
<thead>
<tr>
<th>Resilience</th>
<th>Sustainability</th>
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<tbody>
<tr>
<td><strong>Clinical</strong></td>
<td>Are clinical services meeting current need, at sufficient quality? Are they safe?</td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>Does the trust’s operational structure support current success and delivery of goals?</td>
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<tr>
<td><strong>Financial</strong></td>
<td>Does the trust have adequate current cash balances and capital efficiency?</td>
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It is also worth considering two related areas:

<table>
<thead>
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<td><strong>Stakeholder</strong></td>
<td>Is the organisation currently engaging the general public and other stakeholders across partner organisations? Are stakeholders’ understanding of the organisation’s current aims, objectives and status aligned with that of the trust’s leadership?</td>
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<tr>
<td><strong>Regulatory</strong></td>
<td>Is the organisation able to meet current demands from regulators? If the regulators made imminent new requests of the organisation, would it be possible to meet them?</td>
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Recognising the warning signs

An inability to give either an unqualified or partly qualified ‘yes’ to all of the questions below should be cause for concern.

Specific warning signs that an organisation may not be resilient and sustainable, and that proactive action is needed, include:

**Clinical**
- An inability to support full acute rotas, leading to out of hours diverts
- Poor staff survey results
- Clinical models which cannot be sustained by the current catchment area
- An inability to meet, or to move towards, the clinical standards expected by professional bodies
- Difficulty in retaining staff

**Operational**
- Disconnects between frontline staff and managers
- An inability to meet key targets (for example, the four hour target in the emergency department)
- IT which is not effectively integrated, and which fails to support the organisation
- Sudden or unexplained departures from key management
- Increased negative media and/or social media focus on the trust
- Excessive use of locum and agency staff

**Financial**
- Deficit, particularly if it is worsening
- Significant discrepancies between budgets and actuals
- Deficient working capital reserves
- Lack of forward visibility on cash or cash targets
- Overdue capital expenditure programmes
Immediate action needed for an organisation’s longer term future
When working in a highly pressurised environment, there is a completely understandable tendency to focus on the here and now – on getting through today, and then tomorrow, and so on.

This is often compounded by the knowledge that finding longer term solutions will involve complicated, difficult and sometimes highly emotive conversations. However, focusing on resilience and not on sustainability is a very high risk approach. Avoiding conversations around the future can create a vicious circle around:

Recruitment and retention:
Staff in a challenged organisation will expect a longer term plan as to how pressures are going to be reduced. Without it, it becomes difficult to retain staff or, indeed, to recruit new staff into the organisation. This in turn leads to greater use of agency or locum staff, which risks pushing services into increasing cost and worsening quality.

Worsening performance against targets:
If management capacity is responding to short term challenges without planning longer term, performance against targets is likely to gradually decrease. This deterioration is likely to affect public perception of the provider, which could in turn affect the number of patients seeking care from the trust.

If these two factors continue to increase in severity, the possibility of an organisation entering a failure regime becomes very real. At that point, it becomes even more difficult to recruit and retain staff, and to take a longer term perspective.

It is absolutely crucial that chairs and chief executives at smaller organisations act immediately to secure resilience and sustainability. If an organisation is not taking decisions now, they can fully expect that decisions will be made for them.
Moving to sustainability
If a review of an organisation’s clinical, financial and operational status leads you to the conclusion it is unsustainable, it is time to take urgent and proactive action.

We advise trusts to construct an approach based on five central principles. We developed these from our work on a number of major reconfigurations, including that at Mid Staffordshire NHS Foundation Trust, and adapted them from the central tenets of the trust special administrator process. They are equally applicable outside this setting and using them reduces the risk of an organisation being subject to a TSA process.

All of our principles are grounded in the underpinning belief that, for small hospitals to be sustainable, they must network with larger organisations and other partners.

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<thead>
<tr>
<th>Principle</th>
<th>Questions managers should ask themselves when taking decisions</th>
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| Each service must be assessed on its own merit and proven to be clinically safe as well as affordable. | • Do you have the right calibre of staff to provide the service at your organisation?  
• Are other local hospitals providing a superior service?  
• Are you losing market share?  
• What is the overall impact on margin? |
| Moving any single service away from the current locality must be specifically justified. Wherever possible, services should be retained locally. | • How can you construct clinical interdependencies so that services can be delivered in a different way?  
• Is there a way - telemedicine, for instance – of providing a medical opinion on a patient who is being seen elsewhere? |
| The organisation should work with commissioners to assess how feasible it is to change or develop existing services. | • Does your commissioner sign up to the case for change?  
• Are other stakeholders signed up to the overall approach you’re taking?  
• Do you have clinical leaders from the provider and the commissioner side supporting the programme for change? |
| Where change is being considered, its impact on the whole local system must also be considered. Where the impact is judged to be detrimental, a clear mitigation plan must be outlined. | • The expansion or cutting of which services in your current portfolio would have a significant impact on other organisations?  
• Is there current excess capacity at your neighbouring organisations for clinical services you currently provide? |
| Do not discount short term investment if it will deliver longer term benefits for the local population. | • Can you construct a business case for the proposed investment?  
• What is the approval mechanism for the plan? Are you confident it has a good chance of approval?  
• Are regulators on board with the proposal? |
## First steps to small provider sustainability

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<tr>
<th>Step</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Conduct a full needs-based assessment of the case for change and necessary interventions</td>
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<tr>
<td>2</td>
<td>Ensure IT and workforce transformation is considered as a central part of any change programme</td>
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<tr>
<td>3</td>
<td>Develop local governance which unites partners around a common goal</td>
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<td>4</td>
<td>Build a broad consensus around the new model of care before developing specific service delivery options</td>
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<tr>
<td>5</td>
<td>Engage national bodies, early, on potential partnering arrangements and changes to organisational form</td>
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Developing a new clinical model: Mid Staffordshire

No small provider has been the focus of more attention than Mid Staffordshire NHS Foundation Trust. In March 2009, the Healthcare Commission reported on “appalling” care at the organisation, severely criticising the trust’s management. Further reviews and reports would follow and, in 2013, Monitor appointed two trust special administrators (TSAs) to take over the running of the organisation. This followed an assessment that Mid Staffordshire – which had an annual turnover of £160m and served a population of 230,000 – was not sustainable.

In developing a new clinical model for the organisation, the TSA worked with staff at EY and used the guiding principles detailed in this paper. An emphasis was placed on clinical input: both on the commissioning side, and on the provider side. The first step was for the two local CCGs to define core location specific services (LSS) - the minimum acceptable provision which had to be available at the trust’s two hospitals. Local providers were then invited to submit proposals for these and other services.

All proposals were assessed by expert, independent, national groups of clinicians drawn from medical and nursing Royal Colleges.

Models were assessed for safety, workforce sustainability, and for whether they were likely to bring the service closer to the standards of the medical and nursing Royal Colleges.

The central belief was that the trust’s two hospitals – Stafford and Cannock Chase – needed to be networked with larger organisations, so allowing for rotation of staff. In this way, stronger peer review, continuing professional development, sub-specialisation, multi-disciplinary teams and clinical audit, research and teaching were all made possible.

Ultimately, the decision was taken to cease some services at Stafford Hospital: consultant-led obstetrics, acute surgery, acute trauma and paediatric inpatients and neonates. Importantly, new and enhanced services were also introduced, however: rapid access and urgent appointment outpatient clinics, step down beds (a core service identified by the CCG), a frail elderly assessment unit and a standalone midwife-led birthing unit.

At Cannock Chase, all pre-existing services remain but as part of a much larger organisation. Upon the November 2014 dissolution of Mid Staffordshire NHS Foundation Trust, the hospital became part of the Royal Wolverhampton NHS Trust. Stafford Hospital – renamed County Hospital – is also now run and operated by a much larger organisation, in the form of University Hospitals of North Midlands NHS Trust.

The trust special administrator process will remain a rarity, and last resort. However, the principles established during it - and outlined in this paper - are relevant to any organisation grappling with issues of resilience and sustainability.

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**Principles of Sustainability ...**

- **Assess each service** on its own merit and prove them to be clinically safe and affordable.
- **Specifically justify** moving single service away from the current locality. Wherever possible, retain services locally.
- **Work with commissioners** to assess how feasible it is to change or develop existing services.
- **Consider the impact of change** on the whole local system. Where the impact is judged to be detrimental, outline a clear mitigation plan.
- **Do not discount short term investment** if it will deliver longer term benefits for the local population.

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