

**Item 4.1**

**Draft Operational Plan Submission for 2015-16**

**Liverpool Heart & Chest NHS Foundation Trust**

**March 2015**

Liverpool Heart and Chest Hospital is a single site centre providing specialist services in cardiothoracic surgery, cardiology, respiratory medicine, including cystic fibrosis and diagnostic imaging. The Trust has a strong local reputation for excellence and delivery and is participating fully in NHS England's Commissioning of Specialist Services review and the Healthy Liverpool Programme developing the options to deliver sustainable quality care. The Trust has also given a greater priority to building collaborative partnerships with local acute and specialist hospitals to deliver seamless, quality care. Overall the Board believe that the five year strategy developed twelve months ago is still valid but certain areas have been reviewed to ensure our direction of travel is aligned to national and regional policy including the Five Year Forward View, the Dalton Review of new options for healthcare delivery, changes to commissioning of specialist services and the emerging local health landscape. The strategy has been refreshed by working with senior clinicians and operational managers to test the clinical and financial resilience and future operational sustainability of the plan underpinned by a refreshed SWOT analysis.

The Trust has a clear vision 'to be the best integrated cardiothoracic provider' and its mission is to provide excellent, compassionate and safe care for every patient every day. In order to achieve this vision the Trust must build on its strong foundation to: -

- Become the network leader of clinical excellence across its portfolio of services
- Deliver the 5 strategic objectives encompassing Quality, Service and innovation, Value, Workforce and Stakeholder engagement
- Embed the Values and Behaviours framework

These 5 strategic objectives have been communicated and cascaded through the appraisal process from board level to frontline staff. Each Objective has a detailed and credible work-plan for 2015/16 to deliver our strategy. Some of the priorities are as follows: -

(i) Quality and Patient Experience

'To deliver the highest quality, safest and best experience for patients and their families by providing reliable care' -

- Reducing pressure ulcers by a further 30%
- Implementing the NHS Medication safety thermometer
- Increasing Friends and Family Test completion to 99.3%
- Delivering milestones of the Sign Up to Safety care bundle
- Open the newly refurbished critical care relatives rooms

(ii) Service Development and Innovation

'To develop our service portfolio and business by expanding our current service models and developing innovative models of care': -

- Extend 7 day service provision for ACS transfer and radiology services
- Developing aortic, electrophysiology (EP) and Adult Congenital Heart Disease (ACHD) services
- Win the extended Knowsley Community COPD tender bidding process
- Achieve the Clinical Research Network recruitment target
- Become a leader in Patient Reported Outcomes

(iii) Value

'To maintain financial viability and enhance service delivery through transactional and transformational change':-

- Deliver the 2015/16 CIP and service transformation programme
- Utilise Patient level Information Costing to remove unnecessary clinical variation
- Agree and implement care pathways in collaboration with local acute hospitals
- Improve occupancy levels to 85%
- Implement the new theatre scheduling system

(iv) Workforce

'To become the best NHS Hospital Employer': -

- Improve staff survey 'Recommend as a place to work' by 10%
- Increase overall staff engagement by 10%

- Reduce total bank and agency spend to 3.6% of total salary spend
- Improve attendance to deliver a target of 3.6%
- Implement new divisional structure and leadership programme

(v) Stakeholder Engagement

'To develop productive relationships and work in partnership with key stakeholders to deliver excellent care': -

- Implement the cardiology strategy to become Cheshire and Merseyside network leader
- Establish further joint posts in EP, pacing and imaging
- Establish LHCH @ model in secondary care
- Become a partner of choice in the Healthy Liverpool Programme

In order to respond to changing patient needs and ensure future sustainability of services the Trust recognises that it cannot be an island of excellence and must build stronger clinical and organisational relationships to deliver care in a more integrated way.

The Trust's strengths lie in its strong market share and presence, its proven track record of delivery, reputation for excellence and ability to attract and retain high calibre staff. As a small, stand-alone provider with a narrow portfolio of services though the Trust is threatened by service reconfiguration, increased competition for services, a reduction in number of specialist places for doctors in training, tariff structural deficiencies and tight financial constraints. There are opportunities for growth through the ability to position LHCH as prime cardiac provider and network lead across Cheshire and Merseyside and to develop integrated pathways of care through enhanced partnership working with local Acute Hospitals. There are also opportunities for further growth in community services and private patient market share which are being proactively pursued.

### Financial Plan Headlines

The draft financial plan has been formulated using tariff guidance; draft financial assumptions discussed with lead commissioners and detailed internal activity modelling.

The Trust's financial strategy is to maintain as a minimum a level 3 Continuity of Services risk rating (CoSRR) under the current risk assessment framework for the next 12 months. The financial challenges faced by LHCH specifically and providers and commissioners are reflected in this plan with an efficiency requirement of £4.5m required to deliver a level 3 CoSRR. The Board of Directors believes this is achievable but recognises the need to ensure robust governance structures and processes are embedded to ensure greater efficiency does not impact on quality or safety.

The Trust recognises the challenges it is facing but sees opportunities to strengthen its position through extending integrated models of care. The detail provided in the operational plan will ensure that the Trust continues to succeed and that commissioner focus on service quality (national standards, NICE implementation and delivery of the NHS Constitution) remains a key strength. Key to the Board's decision to opt for the default tariff rollover (DTR) was the level of risk and uncertainty concerning the resetting of a 2014/15 baseline to reflect the significant impact on activity, costs and income associated with NICE guidance in respect of Implantable Cardioverter Defibrillators (ICDs).

With regards to clinical income, the financial strategy prudently accommodates forecast activity based upon activity at month 9 2014/15 at 2014/15 prices but references activity trends across service lines and point of delivery (POD) over the five year period 2009/10-2013/14 and the need to meet waiting times. Activity levels in 2014/15 were overall broadly in line with plan but some significant over performance on some service lines e.g. pacing (driven by NICE guidance on device implantation thresholds) at 10% above plan being offset by service lines such as respiratory at 21% below plan. The full year effect of the NICE guidance on device implantation (additional 66 devices) has not been factored into the baseline activity plan. **The need to continue to deliver additional activity and capacity to return to sustainable RTT compliance in 2015/16 has been factored into the plan. However, as signalled to Monitor, the Trust will breach the RTT in Quarter 1 of 2015/16 due to the growth in emergency activity, patient complexity and acuity.** The financial plan covers the need to treat an additional 395 patients to reduce waiting list numbers (215 cardiac surgery and 180 cardiology) with a consequent upside to the clinical income plan of £3.6m, materially falling to our main commissioner NHS England with expenditure incorporated into the plan totalling £3.5m.

The impacts of the rules under the Default Tariff Rollover (DTR) have been built into the financial plan. Key risks to

LHCH around the adjustment made between PODs notably from admitted patient care to A&E has seen a loss of some £3.5m on a clinical income base of circa £105.0 and the potential risk of being unable to rebase ICD activity far outweighs the financial risk re loss of CQUIN income under the tariff. The Board of Directors are confident that this plan can be delivered whilst at all times maintaining patient safety and quality.

During 2015/16, LHCH will need to deliver productivity and efficiency of £4.5m or circa 4.0% of operating expenditure with a contingency risk reserve set aside at £1.0m. To date circa £3.2m CIP has been identified with work continuing to identify further schemes to close the gap.

Dialogue is continuing with secondary and tertiary commissioning colleagues and whilst acutely aware of the financial challenges being faced they are aware of the need to ensure a financial plan is agreed that delivers adherence to NICE guidance whilst ensuring patients are seen and treated to meet the NHS Constitution waiting targets. Whilst discussions have been held and commissioners are aware of the key drivers contained within the Trusts financial plans, it has not yet been possible to reach agreement and sign off contracts.

Robust performance of private patient income in 2014/15 has been consolidated into the private patient plan set for 2015/16 at £3.9m. Expenditure is expected to increase overall in 2015/16 as a result of the Trust's CIP efficiency programme of £4.5m set against inflationary pressures within the tariff consultation guidance, impact of changes to employers' superannuation contributions, the 2015/16 pay award and activity related costs. The financial strategy caters for inflationary figures at 2.5% for drugs and other non-pay inflation at 1.6%. Key inflation assumptions are set out below;

Inflation	2015/16
Employee Expenses/ Incremental Drift	1.60%
Increase in employers superannuation	0.30%
Drugs	2.50%
Other Cost Inflation	1.60%

The summary income and expenditure position is detailed below;

	2014/15 Plan £'m	2014/15 Forecast £'m	2015/16 Projected £'m
Income	111.02	116.1	121.1
Expenditure	103.6	109.4	113.8
EBITDA	7.4	6.7	7.2
Normalized Net Surplus/(Deficit)	0.48	0.40	(0.30)
EBITDA Margin %	6.7	5.8	6.0
Cost Improvement Programme	5.8	4.7	4.5
Continuity of Services Rating	4	4	3

Activity Plan 2015/2016:-The Trusts activity plan(including private patients) for the next twelve months is as follows:

	Activity Plan 2014/2015	Activity Forecast 2014/2015	Activity Plan 2015/2016
In-Patient	13,234	13,224	13,500
Out-Patient	65,835	77,889	78,195