

Bath & North East Somerset Council

MEETING:	Wellbeing policy and development scrutiny panel
MEETING DATE:	May 17th 2013
TITLE:	The Future of the Royal National Hospital for Rheumatic Diseases-Update
WARD:	ALL
AN OPEN PUBLIC ITEM	

1 THE ISSUE

- 1.1 RNHRD, also known as 'The Min', a reference to its original name 'The Mineral Water Hospital' is experiencing significant and longstanding financial challenges and is required to implement a strategic solution that will resolve the underlying reason for these difficulties. Following a presentation made to the panel on this issue in March 2012 and subsequently in February 2013 an update report is now being provided at the panels request.

2 RECOMMENDATION

Members are asked to note the information presented within the report.

3 THE REPORT

Background

- 3.1 The Min is a specialist hospital in central Bath providing research and expertise in rehabilitation for complex long-term conditions. The core services the hospital provides are in rheumatology, pain management, Chronic Fatigue Syndrome/ME and, until March 2013, Neuro Rehabilitation. The Trust also provides a small Clinical Measurement department with access to advanced equipment and technology, and a diagnostic endoscopy and flexible sigmoidoscopy service.
- 3.2 The Min is the smallest Foundation Trust (FT) in England and has been addressing significant financial challenges for more than four years. The challenges arise from three principle sources: The significant fall in income resulting from a reduction in tariff; changed commissioning patterns and reducing commissioning intentions; costs of running the full governance requirements of an FT despite the small size of the organisation and the costs of maintaining an historic and expensive building. In short, income has reduced and overheads are disproportionately high as a percentage of income when compared with larger Trusts. Any small changes to service income impact significantly on the viability of the whole organisation. Over this period the executive team has implemented a series of mitigating actions but these have not been sufficient to overcome the inherent and underlying problems.

3.3 In May 2012 as a result of its financial position the organisation was found by Monitor to be in significant breach of one of its terms of authorisation. As of April 1st 2013 in response to the implementation of the Health and Social care Act 2012 Monitors role changed and a provider licensee regime was introduced. The impact of this on the organisations position with the healthcare regulator is further described below.

Strategic Response.

3.4 As a consequence of the pressures described in 3.2 the Board has previously recognised that the business model of the organisation is no longer viable, cannot be viable in the future and the organisation as it stands cannot be sustained. The panel has previously been advised of this position and the intention to join the Trust with a larger partner where benefits of scale would accrue.

3.5 In 2009 in recognition of the inherent financial weakness of a Trust as small as the RNHRD the requirement to merge the Trust with a larger partner was first identified. After due process the partner of choice was determined as the Royal United Hospital (RUH) Bath. The merger was reliant on the RUH being authorised as a Foundation Trust (FT)

3.6 In the absence of the merger having been undertaken and in the light of a deteriorating financial position the Board reached the conclusion in March 2012 that the Min could not continue to operate in its present form without appropriate financial support and that due to the critical financial position the delivery of a strategic solution was now urgent. In June 2012 the Board revisited the potential options of either joining with another organisation or transferring services and undertook an option appraisal. The outcome reaffirmed the intent to join with RUH and concluded that an acquisition process, envisaged to take place post authorisation of the RUH as an FT, was the preferred method in view of the timescale pressures. In reaching this conclusion the Board worked closely with the South of England SHA, commissioners and other key stakeholders. This remains the current position at the time of this report.

3.7 On 28th March 2013 Monitor announced that the application for the RUH to be authorised as an FT was being deferred. The RUH need time to work through the impacts and sustainable management of rising urgent care demand and are due to reactivate their application within the next 12 months.

Finance and Activity

3.8 The financial accounts for 2012/13 have recently been prepared and illustrate the challenges the organisation continues to face.

3.9 Although outpatient numbers have generally increased, there has been a decline in inpatient numbers, primarily due to a change in commissioner referral patterns in Neuro Rehabilitation. In addition a reduction in Endoscopy activity, a reduction in tariff in Rheumatology and some pain management patient activity not being funded by commissioners has resulted in sharply deteriorated income levels. During the last financial year the Min experienced a reduction in total income of almost £2m against a reduction in the previous year of £379k. This within the context of an overall budget of £19m.

3.10 The cost base could not be reduced in year to a level to minimise the impact of such a high percentage of income reduction. The 2013/14 forecast takes into account activity projections and commissioner intentions, which demonstrate that the Trust cannot produce a balanced plan.

3.11 The trust has identified an underlying £2.6m deficit in 2012/13 and is predicting a £3.6m deficit in 2013/14

Current Position and Next Steps

3.12 In April 2013 and under the new FT provider licence regime the healthcare regulator Monitor wrote to the Min specifying enforcement undertakings on its provider licence. Alongside a frequent reporting regime two principle undertakings now establish the actions the organisation is expected to take to resolve its current non sustainable financial position:

- By the end of June 2013 to submit a statement of strategic intent for resolving the financial issues.
- By the end of September 2013 to submit a realistic and deliverable strategic plan taking into account the Statement of Strategic Intent, to address within a timescale to be agreed with Monitor the financial issues leading to the licence non-compliance.

3.13 In creating the plan considerations will need to address factors including financial viability and patient impact. The Min provides specialist and local care to patients across the local and regional area specifically Wiltshire, Gloucestershire, Somerset and B&NES as well as nationally. All constituencies will need to be informed and involved.

3.14 For both the Strategic intention and plan the Min is required to engage with and take into account fully the views of its key stakeholders including its commissioners. The views of the Wellbeing policy Development and Scrutiny Panel are invited in contributing to this process.

3.15 As part of its commitment towards ensuring a strategic solution and in recognition of the predicted deficit position the Trust is working with Monitor to secure central funding support.

Communications

3.16 The panel were previously briefed at their meeting in March 2012 and subsequently in February 2013 and March 2013. Additional information has been widely circulated in recent months as a consequence of the need to close the neuro rehabilitation service assisted by significant reporting in local and national media.

3.17 Staff, referrers and patients are informed by the internal communications programme run within the hospital and by outputs from the communications strategy which cascades information on a regular basis.

4 RISK MANAGEMENT

4.1 Risks relating to the position the organisation is facing are assessed continuously and are managed through an internal risk management process.

5 EQUALITIES

5.1 An equalities impact assessment has been undertaken in relation to the closure of the neuro rehabilitation unit. Further equalities assessments will be undertaken at relevant points in the future programme of change.

6 CONSULTATION

6.1 Throughout the 4 year period during which the Min has faced the operational challenges described above the organisation has worked closely with its governors, commissioners, healthcare partners, stakeholders and staff in ensuring people have been informed and involved in responding to the issues facing the organisation.

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