

APPENDIX 1

NHS Cheshire and Merseyside Integrated Care Board

Finance, Investment and Resources Committee Meeting

June 2023

*Proposal to extend the contract for the
supply of Intermediate Care Beds in Wirral*

Agenda Item No	
Report author & contact details	Martin McDowell, Associate Director of Finance – Wirral Place
Report approved by (sponsoring Director)	Claire Wilson, Executive Director of Finance
Responsible Officer to take actions forward	Martin McDowell, Associate Director of Finance – Wirral Place

Cheshire and Merseyside ICB
Finance, Investment & Resources Committee

Proposal to extend contract for the supply of Intermediate Care Beds in Wirral

Executive Summary	The contract to supply intermediate care beds in Wirral was awarded to Wirral Community Health and Care Trust for a period of two years and is due to end on 31 st August 2023. A contract extension is required, and the Committee is asked to consider options for the duration of the contract extension after reviewing the background and key issues identified in the paper.				
Purpose (x)	For information / note	For decision / approval	For assurance	For ratification	For endorsement
		x			
Recommendation	<p>The Committee is asked to:</p> <p>Consider the two options for a direct contract award to extend the current service, taking account of the recommendation of the Wirral Joint Strategic Commissioning Board, and agree a preferred option.</p> <p>Note that the contract award is for £6.449m p.a. based upon recurrent value of the service. This will be subject to an “open book” review of financial arrangements before any additional funding is confirmed as part of the 24/25 contracting round.</p> <p>Note that a value for money review will also consider quality and safety issues and changes in the service when compared to the original specification, for example in patient acuity.</p> <p>Note that system partners will develop revised success criteria to improve on current baseline measures and be monitored throughout the contract period. Delivery of these revised success criteria will be a factor when considering whether the contract should be extended beyond its original term (if option 2 is chosen tbc)</p> <p>Note that a system capacity review will be undertaken soon. All system partners will be expected to consider the outcome of this review and respond flexibly. This may impact upon the number of beds required from this contract leading to corresponding financial implications.</p>				
Key issues	See Executive Summary				
Key risks	<p>The risk of legal challenge to the proposed direct award, from other potential providers of the service has been reviewed and is considered low.</p> <p>The Place based team and wider system partners have identified a potential financial risk following the first two-years of operation.</p>				
Impact (x) (further detail to be)	Financial	IM & T	Workforce	Estate	
	x	x	x	x	

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provided in body of paper)	Legal	Health Inequalities	EDI	Sustainability
	X	X	X	X
Route to this meeting	The Wirral Place Leadership Team has consulted extensively with local partners to determine the most appropriate course of action relating to the extension of the contract. The approach has also been considered as through the Wirral unscheduled care board.			
Management of Conflicts of Interest	No conflicts of interest have been identified for Committee members			
Patient and Public Engagement	No additional Patient and Public engagement have been considered. Routine monitoring of patient feedback from the service has been undertaken.			
Equality, Diversity and Inclusion	The original EQIA has been reviewed and no further impact is expected due to the extension of the contract.			
Health inequalities	The Wirral Health and care system will continue to review and monitor the impact of service delivery from a health inequalities perspective.			
Next Steps	The extension of the contract will be reviewed against the critical success factors identified by local health economy partners through regular contract monitoring meetings.			
Appendices	Appendix A : Critical Success Factors agreed in original contract award (September 2021)			

Glossary of Terms	Explanation or clarification of abbreviations used in this paper

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Proposal to extend the contract for the supply of Intermediate Care beds in Wirral.

1. Executive Summary

- 1.1 The contract to supply intermediate care beds in Wirral was awarded to Wirral Community Health and Care Trust for a period of two years and is due to end on 31st August 2023. A contract extension is required, and the Committee is asked to consider options for the duration of the contract extension after reviewing the background and key issues identified in the paper.

2. Introduction / Background

- 2.1 In June 2021, Wirral Clinical Commissioning Group agreed to commission a new Discharge to Assess (D2A) bed-based model for 'people who are clinically optimised and do not require an acute bed but may still require care services provided with short term, funded support.'
- 2.2 The main component of this model was to consolidate existing intermediate care beds provided across five sites into three wards comprising of 71 beds at the Clatterbridge Hospital site. The contract award to Wirral Community Health and Care NHS Foundation Trust (WCT) was for an initial period of two years with effect from 1st September 2021. The contract was awarded via a direct award arrangement without procurement after taking appropriate legal advice which concluded that the risk of challenge from alternative providers was low.
- 2.3 An additional 30 Intermediate Care beds were retained with other non-NHS providers as a short-term measure to provide additional capacity during the winter period with a view to decommissioning these beds in March 2022. These beds remain in use at a significant cost to the local health system.
- 2.4 The 71 beds at the Clatterbridge site are an integral part of the capacity required to enable the Wirral Health and Care system to operate effectively. The payment to the WCT for these services is included within the current block contract provisionally agreed for 2023/24 Financial Year. It is vital that these beds are secured ahead of the 2023/24 winter period and the ICB cannot run the risk of these beds not being available to the system.
- 2.5 Local partners across the Wirral system have been consulted and have identified several key requirements for consideration before the contract extension is awarded,

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- **Value for money** in terms of ensuring that the contract value is appropriate and that any additional funding agreed above the current contract value is subject to an “open book” assessment of costs.
 - Flexibility to respond to any changes identified through the outcome of a proposed system **capacity review** which will include intermediate care facilities.
 - A review of **performance** using the experience from the first two years of operation to refine the key factors required to support the wider health and care system. It is expected that performance against these criteria will improve compared to the baseline position.
 - **Extension of contract for an appropriate period** which enables cost reductions to be delivered through longer-term stability and also ensures minimal disruption during the critical winter period should the contract not be extended beyond the initial proposed period.
- 2.6 The recurrent value of the contract for this service in 2023/24 Financial Year is £6.449m p.a. based upon inflationary uplifts to the original contract award in 2021/22 Financial Year. Following the introduction of the service, WCT identified additional cost pressures to support “safe staffing” arrangements within the wards following a review of patient acuity levels and additional cost pressures from increased infrastructure costs.
- 2.7 The incumbent provider, WCT, believe a short-term extension of 12 months, as set out in Option 1, would introduce the following risks:
- To design and mobilise an alternative service would take much longer than 12 months and as a minimum 22 months, as per Option 2.
 - Mobilising an alternative service would introduce additional cost pressures, for example set up costs.
 - Demand has remained consistently high for the service amongst patients on Pathway 2. This reflects the age demographic of Wirral. There is no alternative provision other than the 30 Intermediate Care beds (see 2.3 above), whose length of stay remains much higher than that of the 71 beds in CICC.
 - Recruitment and retention of a specialist skilled workforce would be challenging if the future of the service is in doubt.
 - Significantly limit the opportunity to reduce the cost pressure in the service.
 - Impact upon their ability to put sub-contracts in place for critical support services e.g., cleaning, maintenance, linen services etc.

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3. Value for money considerations

- 3.1 Good value for money is the optimal use of resources to achieve the intended outcomes. Optimal means the most desirable possible given expressed or implied restrictions or constraints. Value for money in healthcare is not about achieving the lowest initial price and the assessment will therefore consider,
- Economy: minimising the cost of resources used or required (inputs) – spending less.
 - Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well.
 - Effectiveness: the relationship between the intended and actual results of public spending (outcomes) – spending wisely.
 - Equity: the extent to which services are available to and reach all people that they are intended to – spending fairly.
- 3.2 The value of the cost pressures was estimated at £1.6m in 2022/23 and the ICB has provided additional funding on a non-recurrent basis for the 2023/24 Financial Year. WCT have indicated that recurrent pressures can be reduced if a longer-term contract is awarded which provides stability in terms of recruiting staff and generating efficiencies through market testing.
- 3.3 It is proposed that the contract extension is awarded at the current recurrent level of funding and that any additional investment above £6.449m should be reviewed through an “open book” approach which takes account of quality and safety issues and changes in the service when compared to the original specification, for example in patient acuity. Where appropriate, comparisons will be sought with similar services.

4. Capacity Review

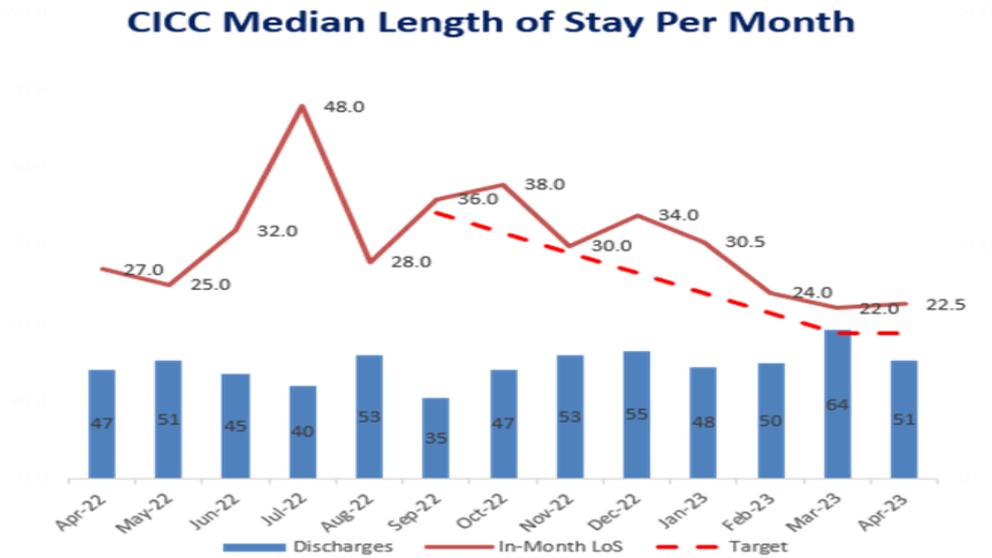
- 4.1 A system-wide capacity review is anticipated as part of the additional UEC support being made available to Cheshire and Merseyside ICB. It is anticipated that the capacity review will seek to confirm an optimal level of intermediate beds for the system taking account of any seasonal demand variation that exists. This may impact upon the terms of the contract and flexibility will be required should any changes to number of beds be required.

5. Performance

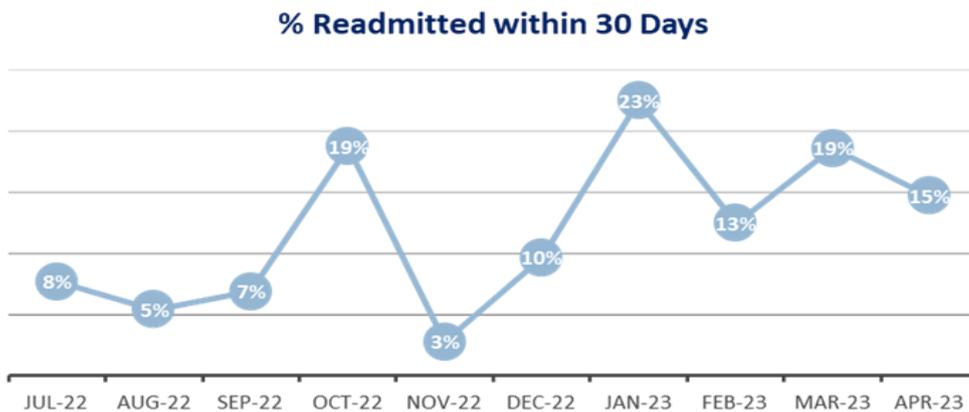
- 5.1 The original contract award set out a range of Critical Success Factors listed in Appendix A.

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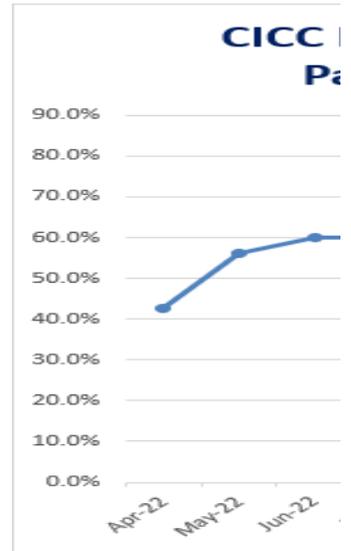
5.2 The graph below shows the median length of stay for patients discharged from the intermediate care beds. Pressures that were evident throughout the early part of the financial year appear to have reduced. This graph demonstrates that patient flow has improved during the year.



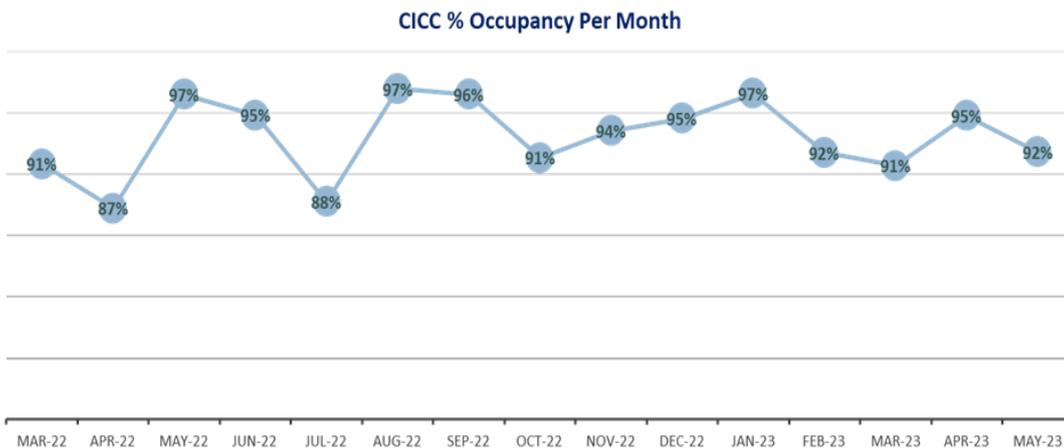
5.3 Further information provided from WCT has indicated that the numbers of readmissions to WUTH for an acute episode within 30 days of discharge from CICC has increased during the winter period and requires further clinical investigation to understand the reasons.



5.4 There has also been an increase in the number of patients who have been discharged from CICC directly to their own home as shown in the table on the next page,



5.5 Occupancy levels during the last 12 months have increased throughout the winter period,



5.6 All the measures have helped create capacity within the local healthcare system and it is recognised that performance could be improved further. The Wirral Place transformation team will continue to work with WCT to continue to deliver ongoing improvements during the length of the proposed contract extension. The Place operational leads should review existing information and agree a new set of critical success criteria which will be monitored on an ongoing basis. The criteria should seek improvements when compared with current performance and delivery of the criteria will be a key determining factor when considering if a further contract extension should be considered.

6. Procurement Options and Contract Award Length

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6.1 The Wirral

Place leadership team has taken advice from the ICB procurement team following review of the original contract award. The proposed award is more than 10% of the overall contract value and cannot be enacted via a contract variation notice on existing terms. It is expected that the risk of challenge from other providers remains low due to the scale of provision required and organisational capacity to deliver the service. Similar operating models exist across other parts of Cheshire and Merseyside and continuation of this service is consistent with the ICB's commissioning plans.

6.2 The service is jointly commissioned with Wirral Metropolitan Borough Council (WMBC) via the Better Care Fund (BCF) with decisions undertaken through the local Joint Strategic Commissioning Board (JSCB). The JSCB is scheduled to meet on 22nd June 2023 to review the decision and will consider two options for the extension of the contract. These options are,

- Option 1: Extend the contract for 12 months to 1st September 2024.
- Option 2: Extend the contract for 3 years, to 1st September 2026, with a break clause at 22 months (1st July 2025).

The preferred option from the JSCB will not be known when papers are circulated to the June FIRC and the Committee will receive an update on the decision during its meeting on the 27th June.

6.3 It is proposed that the existing provider (WCT) continues to provide the service on the basis that it is a community facing service and continuity of provision is important given recent improvements that have been evidenced in terms of the service metrics. The Trust remains best placed to deliver service integration with existing community services and a transfer of service at this late stage plus required mobilisation requirements would present an additional risk to be managed during the winter period.

6.4 The proposed award will be £6.449m p.a. subject to an "open book" financial review and the outcome of the system capacity review.

6.5 The proposed approach is to publish a Transparency notice to indicate the intent to award the contract to Wirral Community Health and Care NHS Foundation Trust so that other providers are aware of the approach. This could be undertaken via a contract modification or contract variation notice.

7. Recommendations

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7.1 The

committee is asked to,

- Consider the two options for a direct contract award to extend the current service, taking account of the recommendation of the Wirral Joint Strategic Commissioning Board, and agree a preferred option.
- Note that the contract award is for £6.449m p.a. based upon recurrent value of the service. This will be subject to an “open book” review of financial arrangements before any additional funding is confirmed as part of the 24/25 contracting round.
- Note that a value for money review will also consider quality and safety issues and changes in the service when compared to the original specification, for example in patient acuity.
- Note that system partners will develop revised success criteria to improve on current baseline measures and be monitored throughout the contract period. Delivery of these revised success criteria will be a factor when considering future contract extension awards.
- Note that a system capacity review will be undertaken soon. All system partners will be expected to consider the outcome of this review and respond flexibly. This may impact upon the number of beds required from this contract leading to corresponding financial implications.

8. Next Steps

- 8.1 Once the committee has confirmed the proposed time for the contract extension, a transparency notice will be published to confirm the ICB's approach.
- 8.2 The performance of the service will be reviewed against the revised critical success factors identified by local health economy partners through regular reporting at monthly contract monitoring meetings.

9. Officer contact details for more information

- 9.1 Martin McDowell, Associate Director of Finance – Wirral Place

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APPENDIX A

Critical Success Factor	Month 1 Target	Month 2 Target	Month 3 target	Month 6 target	Month 12 target
Average LOS per patient	21 days				
Occupancy	95%	95%	95%	95%	95%
Re-admissions	<5%	<5%	<5%	<5%	<5%
Therapy goals achieved	100%	100%	100%	100%	100%
LLOS patients	<5%	<5%	<5%	<5%	<5%
Rate of spot purchased beds	≤19/20 baseline/ National target				

Critical Success Factors agreed in original contract award (September 2021)