

# **CENTRAL MANCHESTER UNIVERSITY HOSPITALS / UNIVERSITY HOSPITAL OF SOUTH MANCHESTER - MERGER INQUIRY**

## **Summary of hearing with Sir Jonathan Michael**

### **Background to the Manchester Single Hospital Review**

1. Sir Jonathan Michael is a former Chief Executive of three NHS hospital trusts: Oxford University Hospitals NHS Foundation Trust; Guy's & St Thomas' NHS Foundation Trust; and University Hospital Birmingham NHS Foundation Trust (UHB). He is also a former Managing Director of BT Health and started his career as a clinician working as a nephrologist for around 20 years.
2. In January 2016, the Manchester Health and Wellbeing Board commissioned Sir Jonathan Michael to lead an independent review of the potential benefits and mechanisms for improved cooperation between hospital services across the City of Manchester. The Manchester Single Hospital Service review took place in two stages: the first stage assessed the potential benefits arising from adopting single hospital service models in selected specialties (as case studies), and the second stage gave an appraisal of the most appropriate organisational and governance arrangements to deliver these benefits.
3. The first stage of the review found that adopting a number of single service models would deliver a range of benefits, including improvements in the quality of care and in patient experience. The second stage of the review recommended the merger of Central Manchester University Hospitals NHS Foundation Trust, University Hospital of South Manchester NHS Foundation Trust and North Manchester General Hospital (currently operated by Pennine Acute NHS Trust) as the best way of delivering these benefits.
4. Sir Jonathan said that having considered the terms of reference and met the three Chairman, he judged that his background and previous work experience made him qualified to do the work. He said the Review was driven by a recognition of the need to change and improve the quality of healthcare within the city and had widespread agreement in Manchester.
5. He said the terms of reference of the review was to consider whether integrating services in a particular way would improve the quality of those

services and would enable some of the other strategic objectives to be met, one of which was to see an increase in service delivery on a community and primary care level. The Locality Plan was predicated on an assumption that perhaps up to 20% of activity that was currently undertaken within a hospital setting would be better for patients and more effectively delivered if it were delivered in a community or primary care setting. Sir Jonathan told us that he was asked to test what benefits could arise from the delivery of clinical hospital services in an integrated “single service” manner across the City of Manchester. It was open to him to have concluded at the end of stage 1 there were no potential benefits and he would not have moved to stage 2.

6. Sir Jonathan said the Review was one component of the Locality Plan for Manchester, approved by the Local Authority’s Health And Wellbeing Board and part of the devolution agenda in Manchester. The Review reported to the Board which was chaired by Leader of the Council. The key issue was whether the suggested single service model would result in deliverable benefits and what these benefits would be. The second phase of the review was to advise on the best organisational form to deliver the benefits. He said the other components of the Locality Plan were the consolidation of commissioning and the reorganisation and consolidation of community and primary care services.
7. Sir Jonathan said that a significant driver for the Locality Plan was that health outcomes for the population of Manchester were recognised as poor despite the presence of some internationally recognised specialist services. The test was whether there would be benefits from delivering services in an integrated way. The areas covered by the three Clinical Commissioning Groups in the City of Manchester had some of the lowest health outcomes in the country.<sup>1</sup>

### **The role of competition and patient choice**

8. Sir Jonathan said he had concluded that having separate organisations delivering the same services ie competing with each other, had not led to a significant improvement in either quality or efficiency. The clinicians had expressed frustration that their previous attempts at collaboration, cooperation and the integration of services had been hindered by institutional barriers – whether organisational identity, status or finance.
9. Sir Jonathan said that in specialities where there was significant private practice, there was likely to be greater competition between consultants and

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<sup>1</sup> The three Clinical Commissioning Groups – North Manchester CCG, Central Manchester CCG and South Manchester CCG – have since merged to become Manchester CCG

their teams. Where there was not (that is, where treatment was provided by the NHS) there was more likely to be benefits gained through some collaboration.

10. Sir Jonathan said there was nothing specific about Manchester regarding why competition would or would not work effectively, although it does have a number of separate organisations within the conurbation. Sir Jonathan said that he did not believe that was a real market in healthcare in the NHS. In the NHS there was limited choice for patients and no real failure regime. While there was a failure regime in the sense that organisations could be forced into special measures, Sir Jonathan said he did not think that was sufficient for competition to be considered effective.
11. Further, Sir Jonathan said that the increasing need for specialisation and sub-specialisation was driving the need to increase scale in service delivery. There were different models to achieve this and no one size fits all, but a merger is one option.
12. Sir Jonathan thought that the approach to competition in the NHS was not always coherent; on the one hand the NHS says competition was good but on the other it has been driving integration and consolidation in what might be described as an anti-competitive way by establishing centrally run controlled networks of service delivery. In reality, the NHS was moving away from competition as a driver for improvement. This was the result of a number of factors including workforce challenges, the importance of delivering high quality services, financial constraints and the absence of a failure regime.
13. Sir Jonathan said that the pricing for NHS work was not well understood and certainly not always fixed. There may be a tariff for units of activity but there was pressure to develop non-tariff rates and to work to block contracts. There was also the issue of whether the tariff reflected the true cost of the work. Hospitals cannot simply hire surgeons on a locum basis, open up theatres for longer and clear their waiting list because there was not the capacity or the funds to do so. Senior managers within the NHS are generally aware of which activities covered their costs and which did not, but the reality is that some work has to continue whether or not it was economically viable. If a trust does not have high volume, high margin elective activity and it is left with more specialist low volume, low margin activities it will become financially distressed. Trusts might be faced with difficult decisions – do they run a service at a loss, does quality suffer as costs are reduced or does the trust stop offering a service?
14. Drawing on his experience in Birmingham, Sir Jonathan said that he developed a locally provided satellite service (in renal services) in the West

Midlands which, compared to trying to attract more patients into UHB, was more aligned to the interests of both patients and UHB (which did not want to be swamped by increased volumes of patients).

15. For all of these reasons, Sir Jonathan thought that there was not a true market in the NHS health system.
16. Sir Jonathan said that there was patient choice to a limited extent but that choice was often driven by clinical advice from the primary care practitioner. On the whole most people want investigation and treatment provided relatively locally, but are more prepared to travel for specialist care. He said the Manchester conurbation lends itself to choice in some areas of clinical care but the question then was whether all the organisations offering the care do so to the same quality of service, have the same range of expertise and were clinically and financially sustainable. So again it means there was limited patient choice. Sir Jonathan agreed that the variability in the quality of service between hospitals did not appear to result in patients voting with their feet. He thought that patients are reluctant to travel any real distance to get better treatment for something that could be treated closer to home.

### **Benefits of a single hospital service**

17. Sir Jonathan agreed that one of the issues driving the Manchester Locality Plan was the variations in health outcomes in different parts of the borough.
18. Sir Jonathan said that it was clear a single hospital service was not going to solve all the health outcome problems in Manchester. The single hospital service was part of an overall strategy (the Locality Plan) to improve the quality of service. Sir Jonathan said that in his view there would be clinical benefits to patients. There would also be efficiency and quality benefits from delivering integrated services in the city of Manchester, including a reduction in the cost base. The ability to have standardised protocols and treatment programmes was very important (for example, in cancer networks, stroke networks and vascular surgery networks). The merger would allow the trusts to get the critical mass that they need. There would be beneficial impacts on workforce difficulties in terms of recruitment and retention of staff, particularly more specialised staff. Further, he said that it was also the case that having a single integrated board, rather than two boards, was a real benefit relative to collaborative agreements. Sir Jonathan said that forming a new organisation with the responsibility for running services across the sites was the best approach.

## **Integration process**

19. Sir Jonathan said the key to successful integration was to ensure that there was the organisational capacity and capability to undertake the integration. He said the most difficult aspect was the cultural change that was required. The key to this was whether the staff believed in the direction of travel, there had been cases where mergers had not worked because they had been forced. However, the environment in Manchester was different because of the strong clinical involvement in the process.
20. Sir Jonathan said the key benefits would arise from the merger of Central Manchester and South Manchester. By changing the model of care and changing where care was delivered, where it was appropriate, you could actually reduce the cost base and potentially reduce your estate. He said there was quite a lot of potential for reorganising services to improve the efficiency and reduce the cost base which would then allow commissioners to invest more in community services. In his view it was beneficial for patients to be treated in the most appropriate location - in hospital when it was necessary but locally in a community when it was possible as well.
21. Sir Jonathan confirmed that he did not think that the size of the two quite large NHS foundation trusts was a barrier to the merger – the combination of the two trusts would not be unmanageably large.