

# The Proposition, Background and The Offer

Stephen Dunn

# Hinchingbrooke Next Steps (HNS) Project

## Objectives of the Project

- To find a new partner to provide the full range of modern acute hospital services at Hinchingbrooke Hospital in Huntingdonshire, under an innovative operating franchise agreement.
- To run an open and transparent competitive tender process to find the best partner for the hospital from within the NHS, or from the independent or third sectors or a combination of them, launching in October 2009.
- To secure a sustainable future for Hinchingbrooke Hospital services and staff and to deal with the hospital's historical financial issues, while improving service quality for patients and securing value for money for tax payers.

# Hinchingbrooke Next Steps (HNS) Project

- This unique project, led by a team of highly experienced and professional healthcare and commercial experts, is the first of its kind in the NHS.
- This is an opportunity to make a significant entry into a £96billion healthcare market.

# Hinchingbrooke Next Steps (HNS) Project

## Background to the Project

- A public consultation on the services to be provided at Hinchingbrooke was undertaken in 2007, with a recommendation that broadly the same range of services continue to be provided at the hospital site
- In May 2008, an Outline Business Case (OBC) recommending the procurement of an Operating Franchise for Hinchingbrooke hospital was approved by NHS East of England Strategic Health Authority (SHA).
- In July 2009, the Department of Health confirmed their support to work with the SHA to develop the Operating Franchise model.
- The procurement of an Operating Franchise is expected to commence in October 2009 and will follow an open tender competitive dialogue process.
- Competition will be open to the independent sector, third sector and NHS.

# Communication will be key and the Stakeholder Panel an integral part of this transaction

## Objectives

- To utilise networks to maximise the opportunity for hearing the views of a wide cross section of the Huntingdonshire community to feed
- To ensure the background, objectives and progress of the Project are understood
- To identify and articulate the views of key stakeholders and ensure they are relayed to the Project Team and Project Board in a co-ordinated way
- To actively contribute to the shaping of the final bid criteria for consideration by the Project Team and Project Board
- To identify any key issues which may not have been addressed by the Project Team or Project Board
- To actively represent their community
- To produce a final report to be given to OSC & Project Board to consider

## Proposed Operating Franchise Agreement – Key Features

<b>NHS Cambridgeshire</b>	<b>Deanery</b>	<b>Hinchingbrooke NHS Trust</b>	<b>Franchisee</b>
<ul style="list-style-type: none"> <li>• Commission acute service</li> <li>• No revenue guarantee</li> <li>• NHS Tariff</li> <li>• Payment in month</li> <li>• Quarterly reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>• Education and training</li> <li>• Monthly revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Intervention order/franchise contract transfers operating responsibility on a day to day basis to franchisee</li> </ul> <p>Trust will:</p> <ul style="list-style-type: none"> <li>• retain NHS assets and staff</li> </ul> <p>Trust Board will:</p> <ul style="list-style-type: none"> <li>• performance manage franchisee</li> <li>• retain statutory responsibility for Trust's legal obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Intervention order grants franchise</li> <li>• 7-10 years operating responsibility</li> <li>• Full cost and reward for NHS operation</li> <li>• Membership of Trust Board excluding independent Chairman</li> <li>• Full operating responsibility including staff</li> </ul>

# Proposed Operating Franchise Agreement

## Key Features - continued

- The Trust will enter into an Operating Franchise Agreement (OFA) with a third party (the “Franchisee”) for a sustainable period.
- Under the OFA, the Franchisee will commit to delivering broadly the same range of services currently provided at the hospital (including A&E and Maternity) while offering flexibility to accommodate evolving commissioners’ needs
- The Franchisee will pay the Trust a fee under the Franchise which will be used to contribute to repaying the Trust’s historic deficit.

# Proposed Operating Franchise Agreement

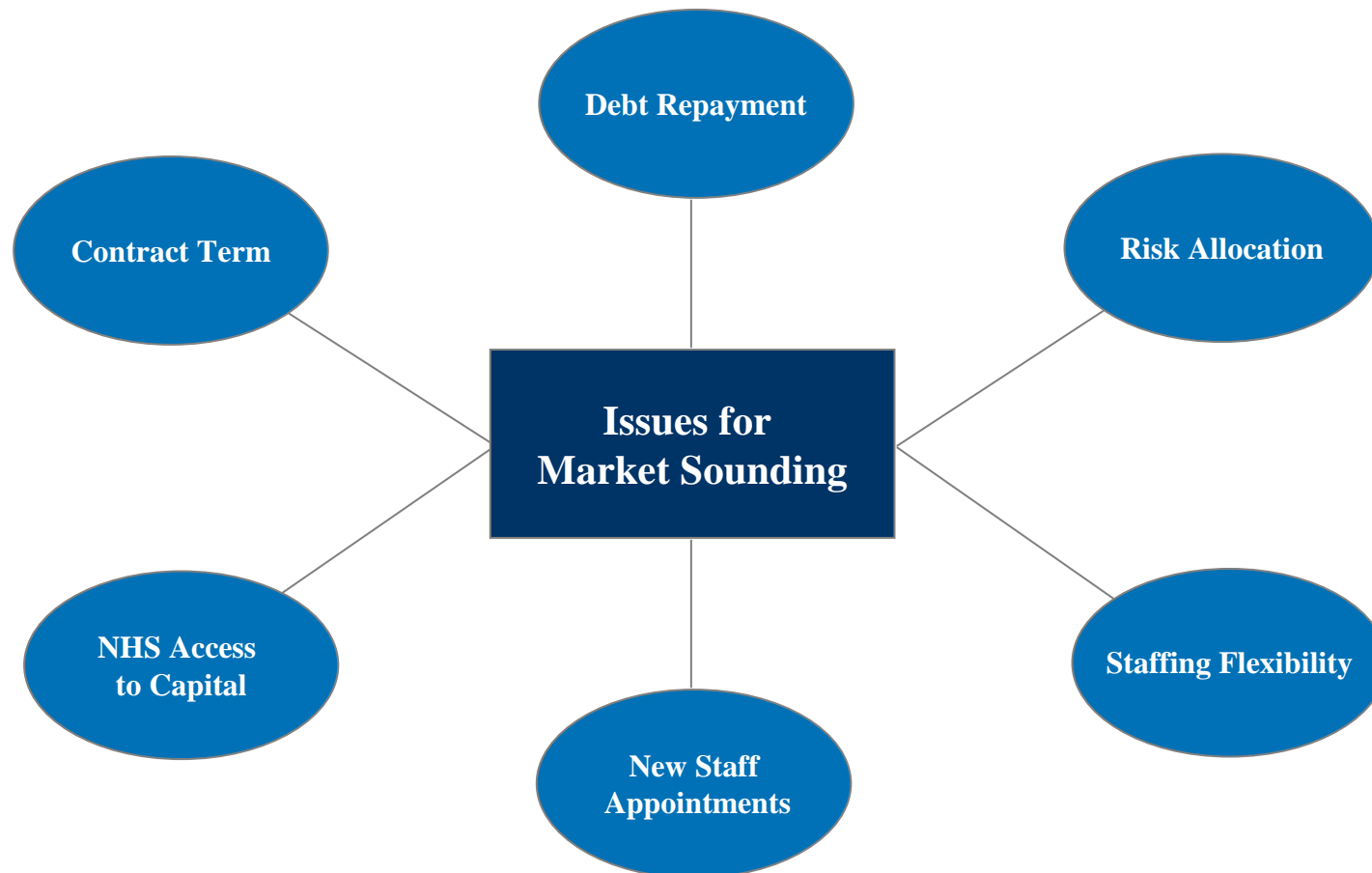
## Key Features - continued

- The majority of assets will be leased/licensed from the Trust to the Franchisee and returned to the Trust in accordance with specified handback conditions. The existing PFI facility on the hospital site will continue to be held by the Trust unless the Franchisee is an NHS body when it may be assigned.
- The Franchisee will be required to take operational risk, including demand risk. This will require the Franchisee to be given operational flexibility around the assets and staff.
- No revenue guarantees will be given to the Franchisee.

## Working with Hinchingsbrooke and Commissioners

- Sir Neil McKay – Chair Project Board EoE
- Dr Stephen Dunn - Director of Strategy EoE (Lead Director)
- Mark Millar – CEO – Hinchingsbrooke Health Care NHS Trust
- Andy Vowles – Director of Strategy - NHS Cambridgeshire
- Andrew MacPherson – Director of Strategic Projects EoE

# Proposed Operating Franchise Agreement

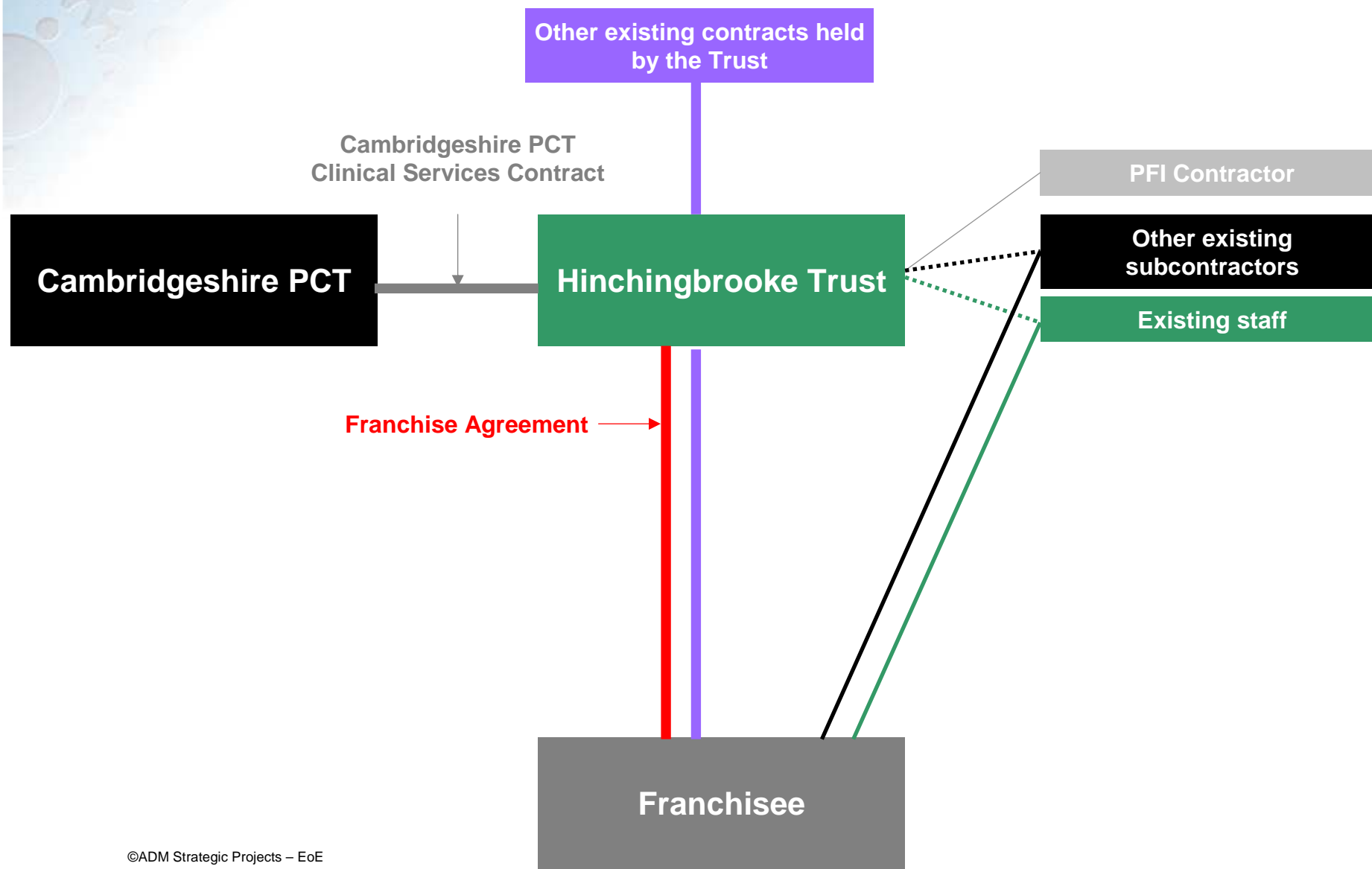


# Contract Structure and Procurement

Martin Peat

# Hinchingbrooke Next Steps (HNS) Project

## Indicative Contract Structure



# Procurement

## Suggested Preferred Procurement Route and Benefit

- Purpose – to consider alternative Procurement Strategies that produce the desired objective within the timescale.
- Stages : –
  - Advertisement/Pre-Qualification Questionnaire (PQQ)
  - Invitation to Participate in Dialogue (ITPD)
  - Invitation to Tender (ITT)

# HNS Procurement

- OJEU/PQQ is consistent with all Routes.
- For PQQ we will need to be prepared to answer our approach on :
  - Franchise Payment Mechanism e.g. Fee with risk/benefit share, Fixed Fee with all risk taken by the Franchisee or combination of both
- Contract Term
- NHS Constraints

# HNS Procurement

- Level playing field between NHS and Independent Sector
- Rules for Retention of Employment
- The role of the Trust Board

# HNS Procurement

- ITPD/ITT Routes
- There are two alternatives –
  1. A fixed Dialogue Period with pre-selected Bidders including details on Contract, Price, Services and Workforce. An ITT based on “ lesser “ discussions with Bidders and then confirmed by two/three Bidders prior to Selection

# HNS Procurement

2. A flexible two stage Dialogue Period with pre-selected Bidders –

- Dialogue 1 – Based on Service Solutions and Improvements, Organisational Solutions, Key Commercial Issues and ROE **but not price or contract**

## HNS Procurement

- Dialogue 2 – With possibly two Bidders only – negotiate firm proposals on the items included in Dialogue 1 and add Price/Payment Mechanism, Contract Conditions and Term, Assets, Role of Trust Board and others – **gives total flexibility to the selection process and allows open constructive negotiations with Bidders producing the optimum solution.**

# HNS Procurement

- ITT – A short period confirming negotiations

# The Process

Key Milestone	Date
PQQ Issued	19 <sup>th</sup> October 2009
PQQ Response Received	9 <sup>th</sup> November 2009
PQQ Evaluation	10-18 November 2009
Invitation to Participate in Dialogue Document (ITPD 1) Issued	15 <sup>th</sup> December 2009
ITPD 1 Responses Received	1 <sup>st</sup> February 2010
ITPD 1 Evaluation	2 <sup>nd</sup> -19 <sup>th</sup> February 2010
ITPD 2 Issued	7 <sup>th</sup> April 2010
ITPD 2 Responses Received	24 <sup>th</sup> May 2010
ITPD 2 Evaluation	25 <sup>th</sup> May – 2 <sup>nd</sup> June 2010
Invitation to Tender (ITT) issued	12 <sup>th</sup> July 2010
ITT Responses Received	26 <sup>th</sup> July 2010
ITT Evaluation	27 <sup>th</sup> July – 6 <sup>th</sup> August 2010
Preferred Bidder Informed	6 <sup>th</sup> September 2010