



How is the NHS performing?

Quarterly monitoring report

May 2012

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As part of our work tracking, analysing and commenting on the changes and challenges facing the NHS, The King's Fund published its first *Quarterly Monitoring Report* in April 2011. Just over a year on, this fifth report aims to take stock of what has happened over the past year – the first year of the £20 billion productivity challenge for the NHS – and provide an update on how the NHS is coping as it continues to grapple with this challenge and implement the government's NHS reforms.

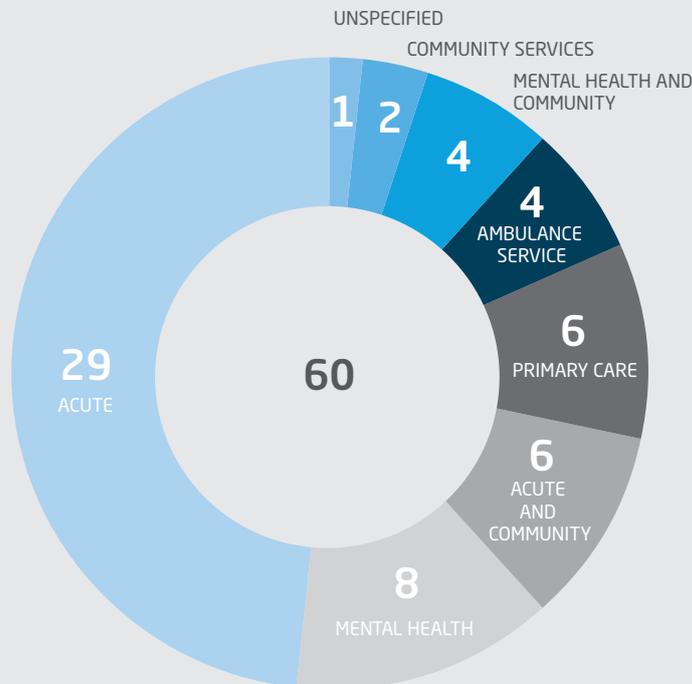
The Quarterly Monitoring Report combines publicly available data on selected NHS performance measures with views from a panel of finance directors on the key issues their organisations are facing.

The performance measures being tracked in this report are important to both the public and patients. They provide an indication of the impact of the current climate as finance directors work towards a 'liberated' NHS.

THE FINANCE DIRECTORS' PANEL SURVEY

This quarter we have expanded the number of finance directors invited to take part in our panel survey to 136 finance directors; 60 (compared to 23 for our last survey) were available to give their views – a response rate of 44 per cent.

Responses were collected via an internet survey between 17 April and 1 May 2012. The figure below provides a breakdown of the type of organisation represented in the survey.



Overview

HEADLINES

- **The national financial position is positive and has been assisted by a pay freeze and control of tariff.**
- **Many organisations have not delivered their cost improvement programmes (CIPs) but have still achieved a surplus or broken even.**
- **The NHS as a whole continues to deliver on key national targets but there are increasing numbers of organisations failing to do so on some – such as maximum waits in accident and emergency (A&E) departments.**
- **Finance directors foresee increasing challenges in continuing to deliver CIPs at the level required.**

While total funding for the English NHS in 2011/12 grew by around 1.8 per cent in real terms – following a real cut of 0.4 per cent in 2010/11 – the NHS began 2012/13 with another real cut of around 0.4 per cent but, according to the Department of Health, an estimated surplus of nearly £1.5 billion carried over from 2011/12 (Department of Health 2012). This continues the Department's strategy to generate surpluses (mainly by withholding money from primary care trusts (PCTs) – and helped in part by real reductions in the Payment by Results tariff). In previous years this has provided a way to deal with deficits within the system and to some extent smooth out years of more generous settlements with more parsimonious ones. Now, in addition, some provisions are being made for the costs of the government's reform programme.

It would seem that the bottom line figures are suggesting the NHS will have once again managed to keep a grip on its finances. Indeed, our latest panel survey of 60 finance directors across all

types of NHS organisations, which was carried out during April 2012, reported a degree of optimism about the outturn of the last financial year. The vast majority (56) forecast a surplus or breakeven position, with just four suggesting possible deficits. These positions will have been helped by the availability of more than £400 million of loans nationally to help trusts in difficult financial situations. And while the real reduction in tariffs has created extra pressure on providers to reduce costs, the national pay freeze has to a large extent attenuated cost inflation for providers.

However, the last year has not been without its difficulties. Achieving cost improvement programmes (CIP) and quality, innovation, productivity and prevention (QIPP) plans, maintaining or achieving A&E maximum waiting time targets (confirmed by the latest waiting times data, which shows an increasing number of trusts failing to meet the target in the last quarter of 2011/12) and dealing with emergency admissions workload were cited by many finance directors as key challenges.

On arguably the key task for the NHS over the medium term – meeting productivity and cost improvement targets this year – there is a mixed picture in terms of achievement of plans. Nationally the Department of Health has reported some slight slippage on planned savings up to quarter 3 last year, with reports that 32 per cent of savings remained to be achieved in the last quarter of the year.

Despite most achieving a surplus or breakeven position, 23 of our finance directors' panel indicated that their organisations had missed their planned savings targets for last year. On average, savings achieved amounted to 4.7 per cent of turnover compared with plans of 5.1 per cent – a shortfall of around 10 per cent compared

with plan. While a number of organisations may miss their savings target, they may still achieve financial balance or deliver a surplus depending on changes in eventual income and their financial position at the start of the year.

The NHS is now into the second year of the £20 billion productivity challenge, and our finance directors' panel reports an average target of 5.1 per cent. Given some slippage in the first year of the savings programme there must be concern about the ability of NHS organisations to meet this target and, given achievements on the first year of the productivity challenge, the credibility of targets over the next few years and beyond.

Difficult decisions will face many organisations over the next year – not least those grappling with plans to reduce staff numbers. Thirty-five finance directors in our survey said they had plans to reduce staff numbers; these amounted to nearly 4,200 staff for the 28 directors able to quantify plans. If typical across the NHS, this is likely to mean a larger reduction in staff this year than the fall between 2010 and 2011 of more than 14,900 – previously the biggest fall for more than a decade. Whether these reductions are necessarily a bad thing for patient care depends on how trusts reorganise services and reinvest to maintain or improve quality. This reflects a broader issue about what constitutes an improvement in productivity rather than simply a cut in service quality or volume.

Concern about the coming year is evident from our survey: 32 finance directors said they were very or fairly pessimistic about the financial state of the wider health economy in which their organisation operated; 14 were very or fairly optimistic and a further 14 remained neutral.

Views about the longer term – the next five years – were, however, more evenly split. On a scale of 1 (total failure) to 10 (total success), 22 finance directors rated their organisation's

chances of meeting its objectives at between 7 and 10. Twenty were less optimistic, rating their organisations' chances at between 1 and 4.

Progress over the past year on maintaining or improving performance across a selected range of official measures broadly looks good – although there may be some signs of pressure and continuing variation in performance at local level.

Although the latest month-on-month change (February to March 2012) in health care acquired infections – methicillin-resistant *Staphylococcus aureus* (MRSA) and *Clostridium difficile* (*C difficile*) – increased, year-on-year changes fell, and the general trend is downward. In general, waiting times have also been broadly stable, with some improvement in the proportion of patients still on a waiting list and waiting longer than 18 weeks. However, the last two quarters of last year – up to March 2012 – have seen the proportion of patients waiting more than four hours in A&E increase. While on average nationally still low (4.2 per cent), this is now the highest level for seven years. Of concern too are the numbers of trusts (48) exceeding a four-hour wait – up from 18 trusts in quarter 2 of 2011/12.

Despite anecdotal worries concerning changes in the number of patients who are delayed in transferring back home, to residential care or to other care within the NHS, and despite some fluctuations from month to month, official statistics suggest little change over the last quarter, year or indeed three years. Clearly, however, and as with all the measures reported here, there are variations across NHS organisations. For example, 11 out of 60 of our panel of finance directors reported that delayed discharges had been one of the three most challenging issues their organisation had had to tackle in the last year.

Finance Directors' Panel

This quarter's report has expanded our panel of finance directors to 60 (compared to 23 for last quarter's survey), mainly from provider organisations. The panel were asked about the financial situation over the last financial year, outturns on savings plans, particularly challenging issues NHS

organisations faced during 2011/12 and views about the state of local health economies over the next year and, over the next five years, confidence about meeting organisational objectives. A new question this quarter also asked about any planned reductions in staffing over the coming year.

COST IMPROVEMENT PROGRAMMES AND END-OF-YEAR FINANCIAL SITUATION

2011/12 was the first full year of the £20 billion productivity challenge for the NHS. So how have the NHS organisations in the panel survey fared?

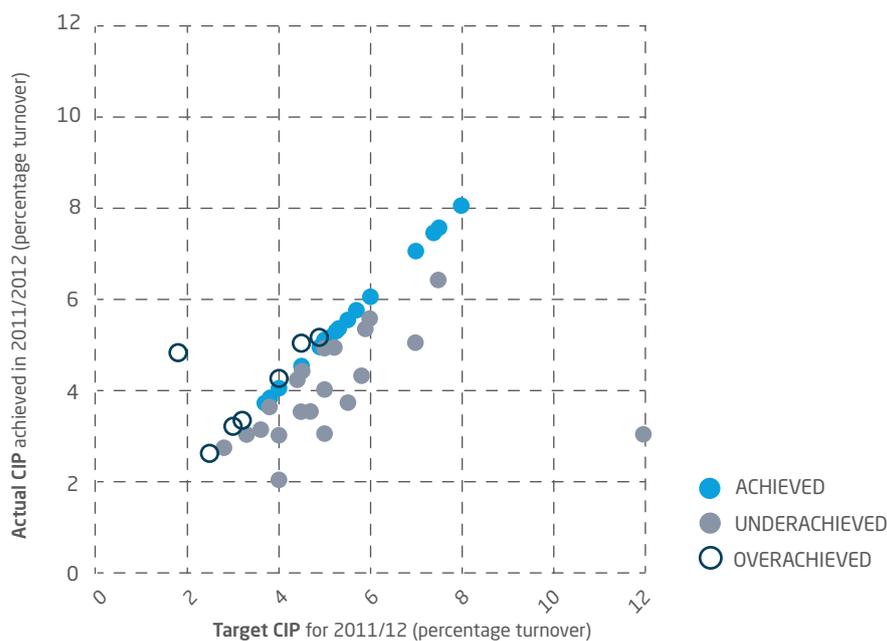
Across the whole panel, the average CIP target for the last financial year (2011/12) was 5.1 per cent, ranging from 1.8 per cent to 12 per cent of turnover.

Setting targets is one thing but achieving them another. From the panel of 60 organisations, nearly half (28) achieved their planned CIP. However, 23 did not meet their target, with an average shortfall of -1.1 per cent, ranging from -9 per cent to -0.05 per cent. Seven organisations overachieved their target and ended the financial year with an average

of 0.68 per cent more than planned, ranging from +3 per cent to +0.1 per cent (two finance directors did not report their achieved CIP target). On average, CIPs achieved amounted to 4.7 per cent of turnover compared with the average plan of 5.1 per cent – a shortfall of around 10 per cent compared to the plan.

The Department of Health has reported that between April and December 2011 68 per cent of planned savings had been achieved – leaving nearly a third of the planned savings of £5.83 billion to be made in the last quarter of the year (Department of Health 2012). Our survey results suggest that this might not have been fully achieved.

Meeting productivity targets in 2011/12



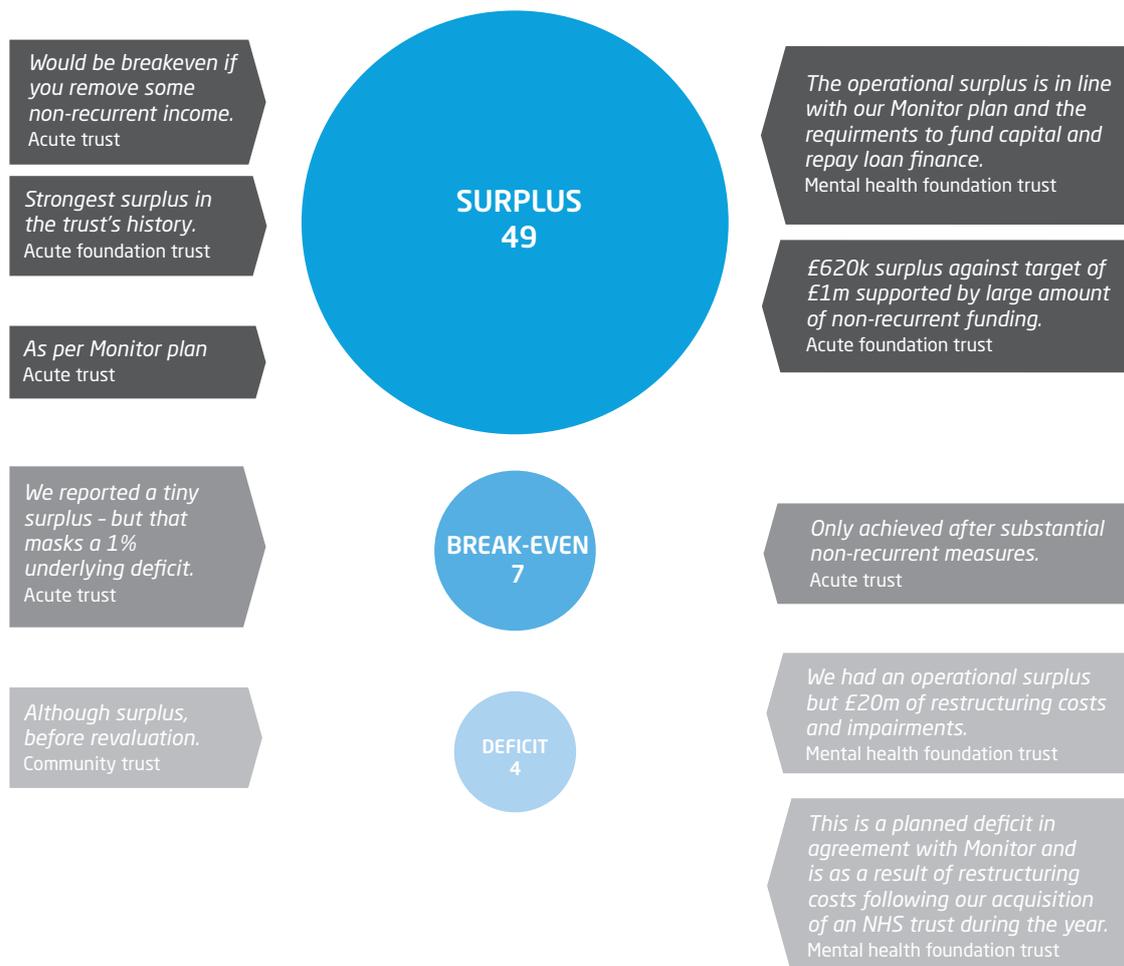
In terms of financial balance, the end-of-year situation appears to be a positive one, with 82 per cent (49) of finance directors reporting a surplus (including all six PCT organisations in the survey) and 12 per cent (seven) breaking even. Only 6 per cent (four) of finance directors reported a deficit. As recently reported by Clover (2012), excluding support agreed at local level using money topsliced from PCTs, financial support in the form of loans in 2011/12 will have helped a number of trusts to balance their books. The size of loans nationally – at £414 million – is double the total agreed in 2010/11.

The apparent contrast with the failure of a number of organisations to achieve their planned savings is only apparent. Achievement (or not) of CIP plans is by

and large unrelated to the overall financial position of a trust; for example, a trust may fail to achieve its planned CIP but, due to 'overperformance' in terms of extra activity carried out it may achieve a surplus. This additional money cannot be counted towards its CIP as it is simply additional income.

In terms of the productivity challenge for the current financial year (2012/13), the average target across the panel of organisations remains similar to last year: 5.2 per cent. Targets ranged from 2.5 per cent to 8 per cent. The average target is in line with Monitor's downside assessment of cost pressures (a combination of increased costs and reduced income) that will face acute trusts this financial year.

What is your organisation's financial position at the end of the financial year 2011/12?



The scale of the productivity challenge over the last year is clear when finance directors were asked about the key challenges their organisation faced over the last year; 86 per cent (49 responses) chose 'achieving CIP/ QIPP plans' as their top challenge. Second with 42 per cent (24 responses) was 'A&E waiting times' and third with 28 per cent (16 responses) was 'emergency admissions workload'. Other issues raised in the survey included:

- financial challenge to maintain estate
- infection control and targets
- capacity issues and staff retention
- challenges arising from organisational restructuring
- transformation of services.

Concerns about A&E waiting times mirror official figures showing an increase in the number of organisations in breach of the four-hour maximum wait in A&E.

Thinking about the past financial year, which three (if any) of the following service objectives have been most challenging for your organisation?



VIEWS ABOUT THE FINANCES OF LOCAL HEALTH ECONOMIES

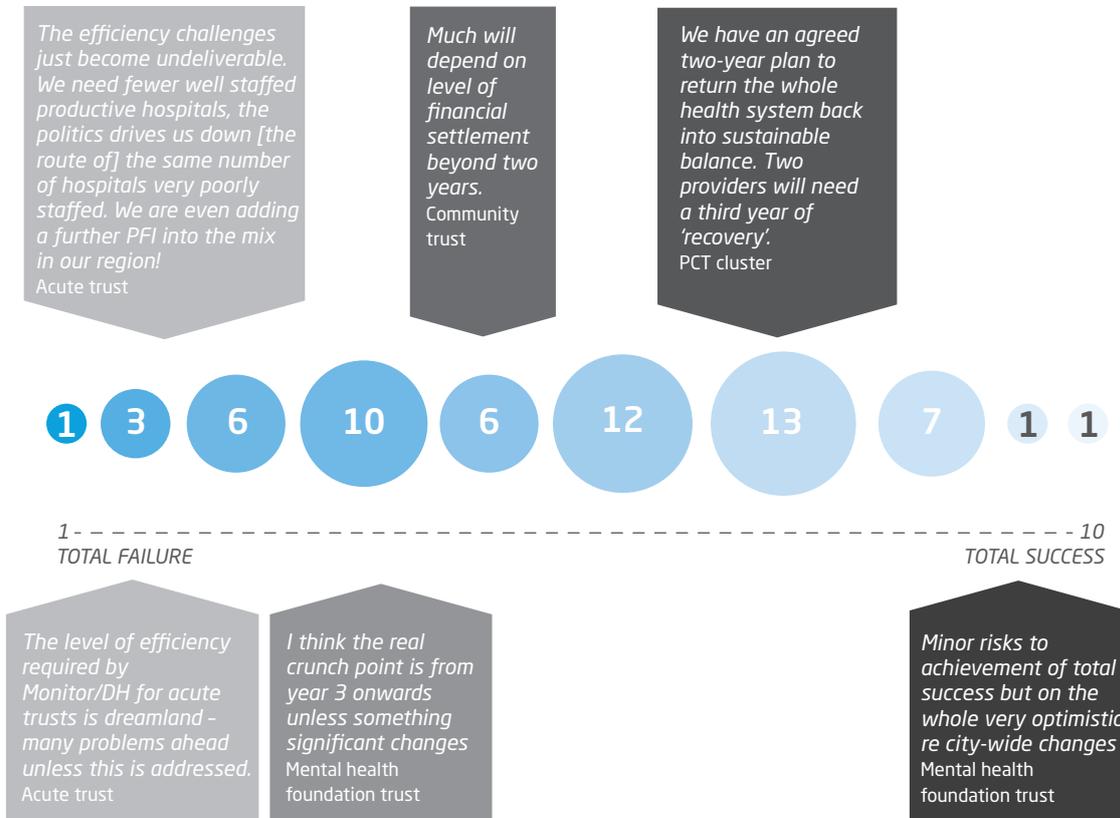
When asked about how they felt in general about the financial state of their local health economy – not just of their own organisation, but of other local trusts and PCTs – over the coming year (2012/13), our panel of finance directors mirrored the sentiments expressed in the last survey (Appleby *et al* 2012): the majority (32) were either very or

fairly pessimistic. However, when thinking further ahead, into the next five years, over half the panel (34) were optimistic that their organisations would continue to meet their objectives. Nevertheless, a third of finance directors scored only 1 to 4 on the optimism index.

Overall, what do you feel about the financial state of the wider health economy in your area over the next 12 months?



And thinking even further ahead, over the next five years, how confident are you that your organisation (or in the case of PCTs its successor organisation(s)) will achieve its objectives (including financial balance)?



WORKFORCE REDUCTIONS

Health care is a labour-intensive industry; around half the total NHS budget is accounted for by pay costs – for provider organisations, pay accounts for between 60 and 70 per cent. Since the turn of the century, as total funding more than doubled in real terms, the NHS in England increased its total staff by around a third, from 911,000 to nearly 1.2 million.

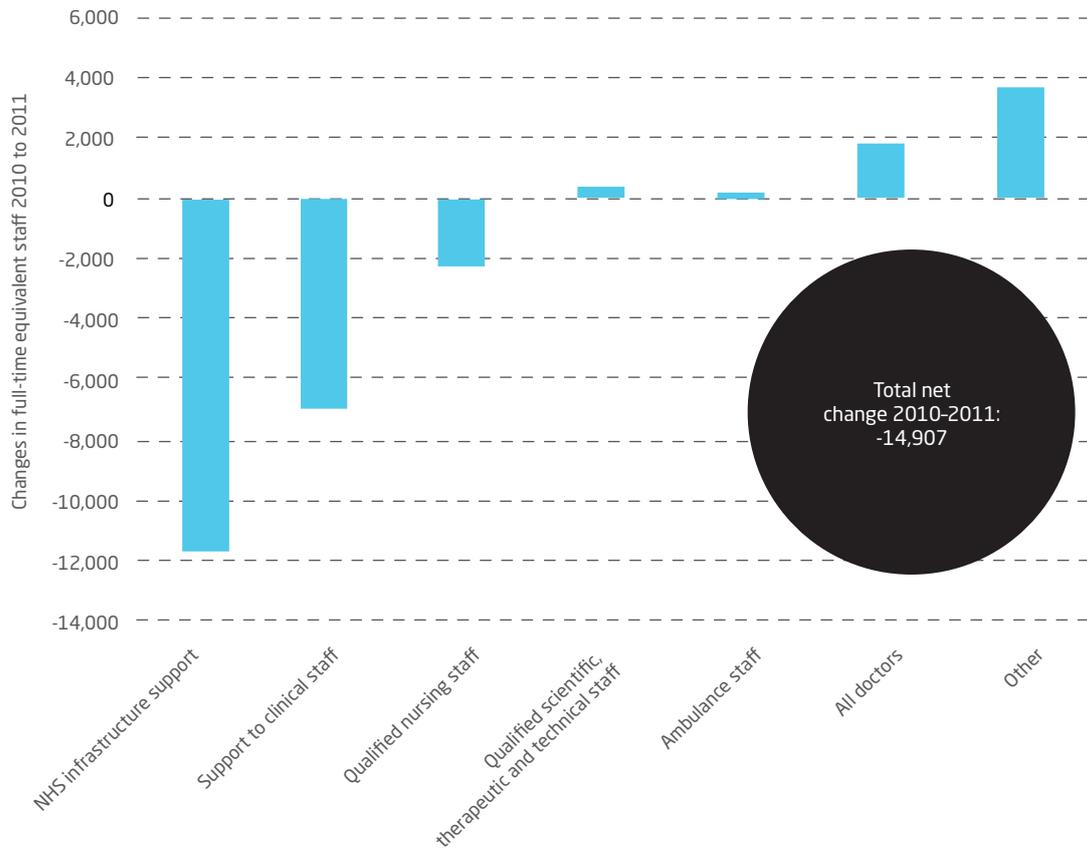
Now, as the English NHS starts its third year of little or negative real funding growth, it is perhaps not surprising to find that more than half (35) of the finance directors surveyed stated that their organisation planned staffing reductions this year.

Of the 28 organisations that were able to quantify their staffing reduction plans, the total reduction amounted to 4,192 staff – averaging around

150 per organisation, but ranging from 1 to 500. Seven further organisations planned reductions in staff numbers but were as yet unable to quantify this. Details of which categories of staff face reductions are not available from this survey.

These plans suggest that the officially recorded reduction between 2010 and 2011 in overall staff numbers across the NHS in England of just over 14,900 (-1.3 per cent) – the largest drop for more than a decade – are likely to continue this year. The main national reductions have occurred among NHS and clinical support staff and reflect national policy to cut management costs by 45 per cent. These national cuts in staff are also reflected in the higher number of compulsory redundancies in 2011/12 compared to 2010/11 (see p 14).

Changes in full-time equivalent staff: England 2010 to 2011



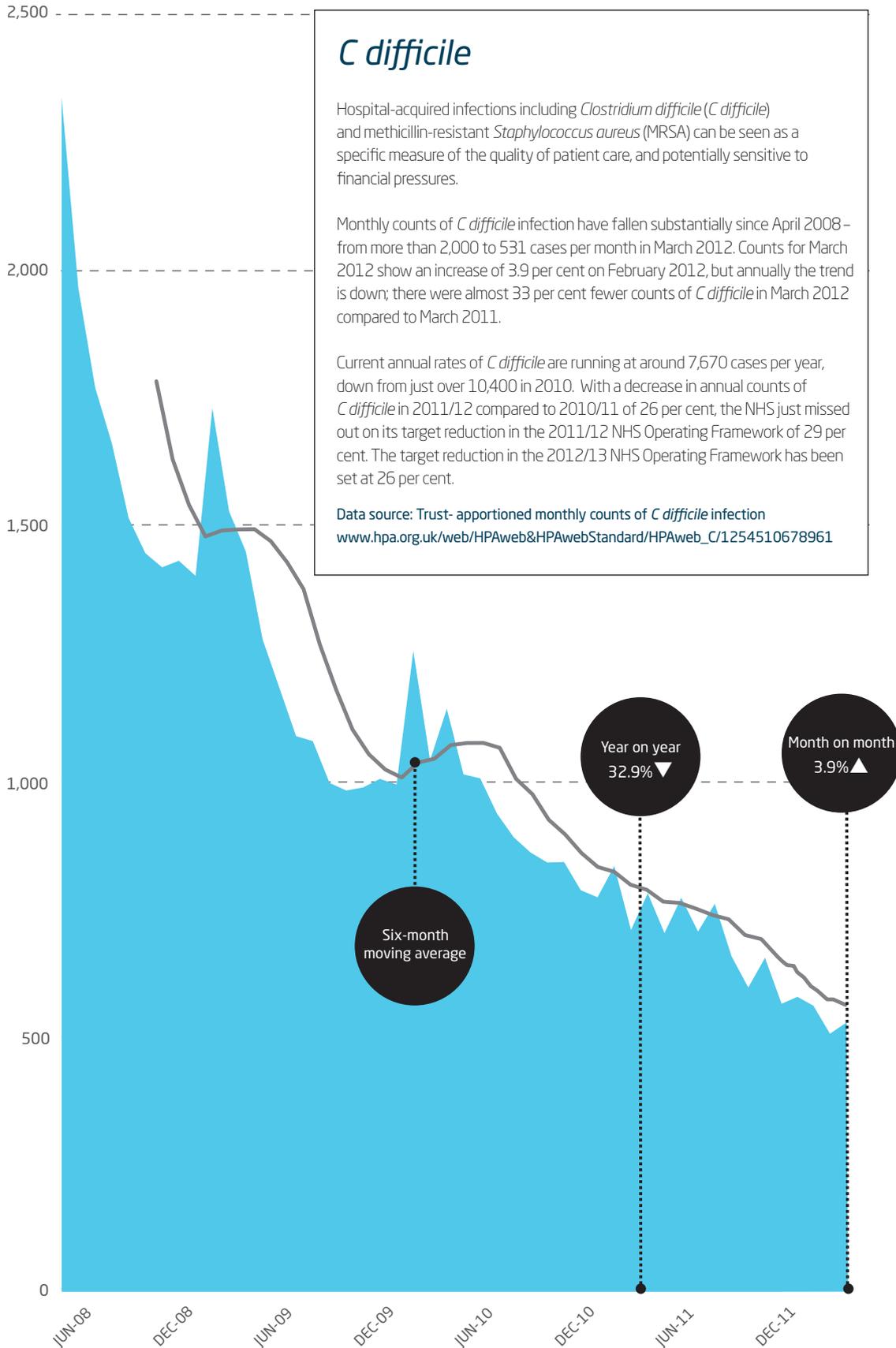
Source: NHS Information Centre (2012) www.ic.nhs.uk/statistics-and-data-collections/workforce/nhs-staff-numbers/nhs-staff-2001--2011-overview

Selected NHS performance measures

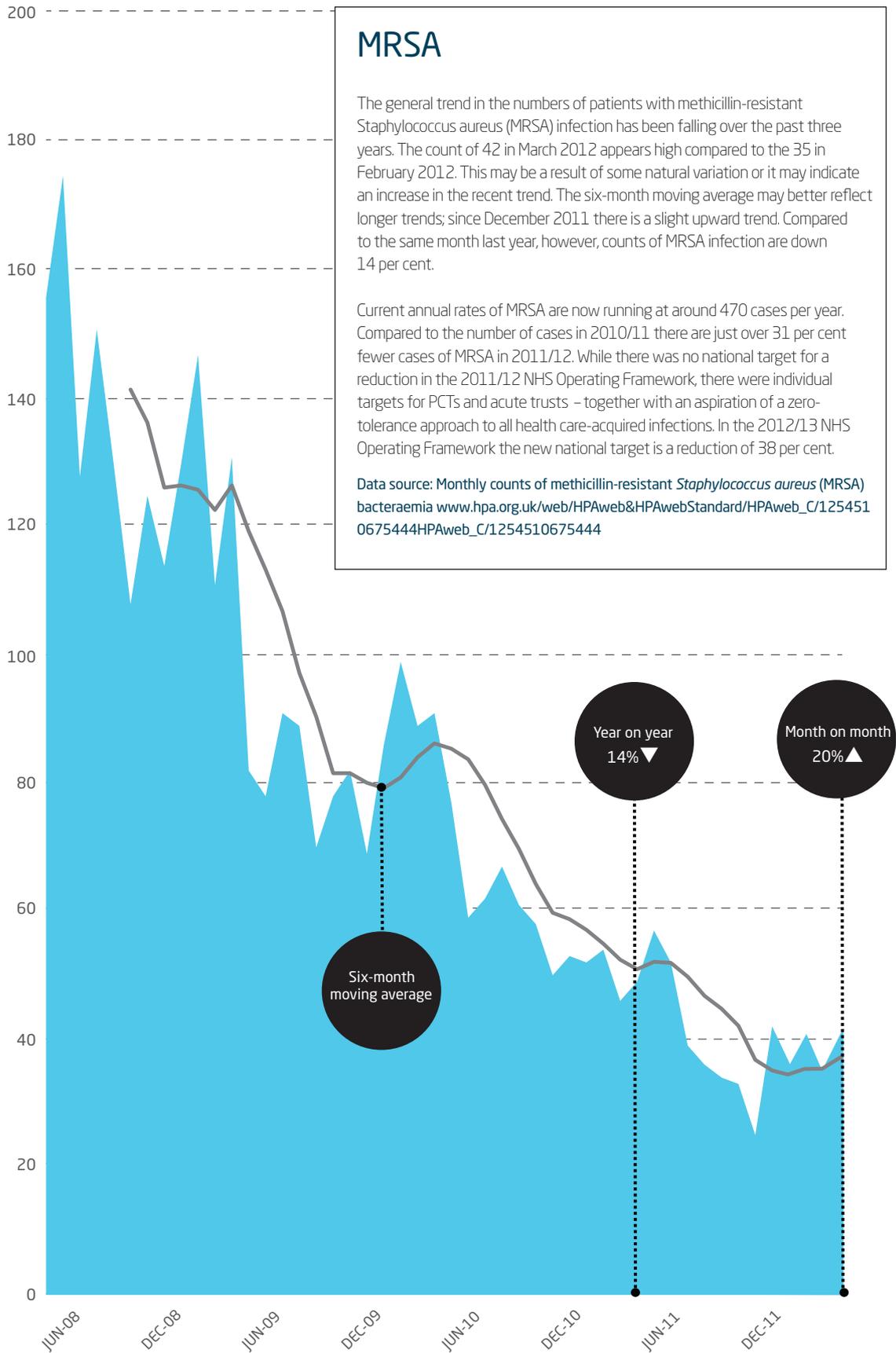
The second part of our report highlights data on selected NHS performance measures. There are thousands of possible statistics available to measure the performance of the NHS. Here, we have selected a small group that reflect key issues of concern to the public and patients as well as providing some indicative measures of the impact of tackling the productivity and reform challenges

confronting the NHS. In particular, we report on trends in hospital-acquired infections (*C difficile* and MRSA); compulsory redundancies; waiting times for inpatients, outpatients, diagnostics, those still on lists and accident and emergency; and delayed transfers of care.

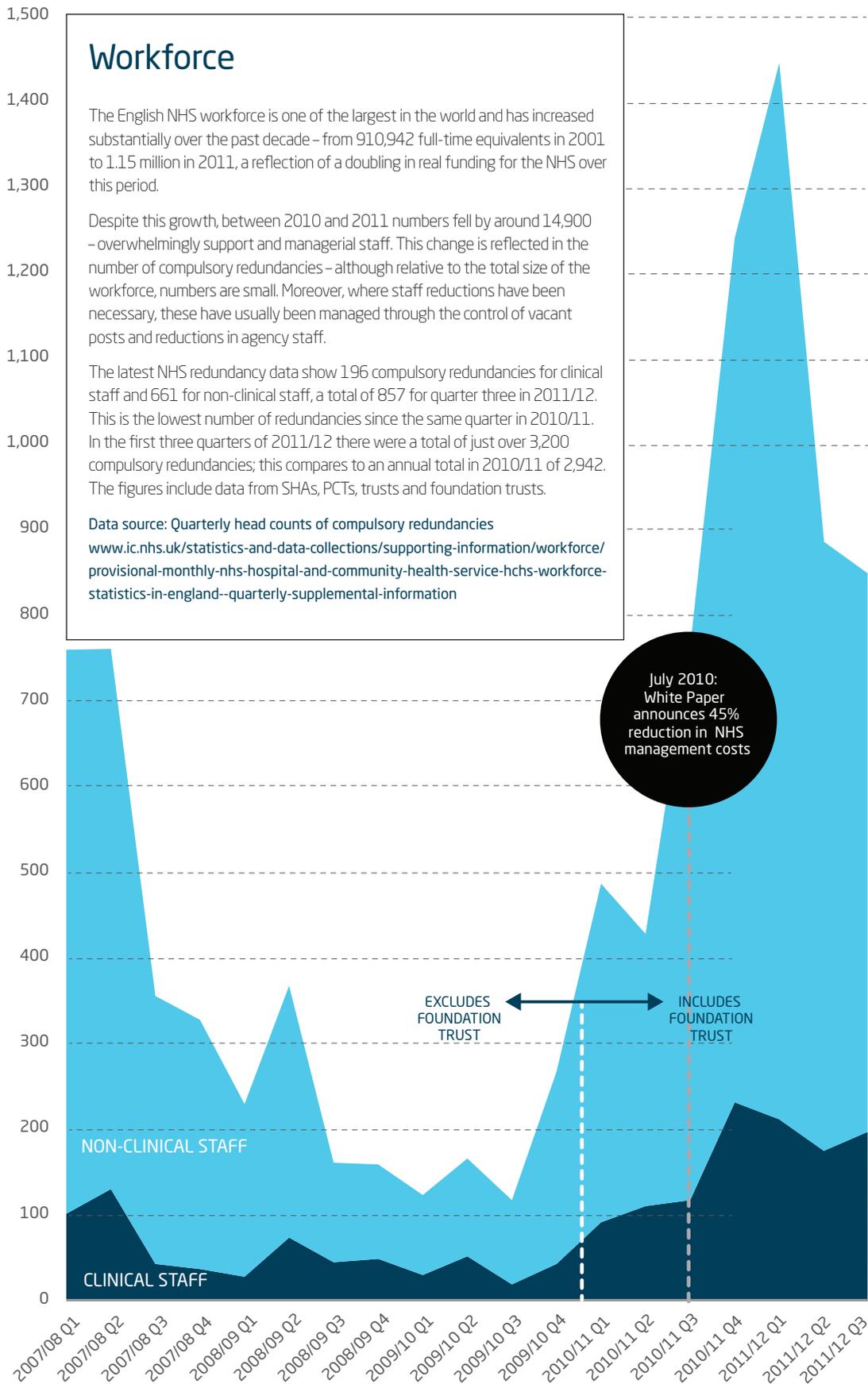
MONTHLY COUNTS



MONTHLY COUNTS



REDUNDANCIES HEADCOUNT

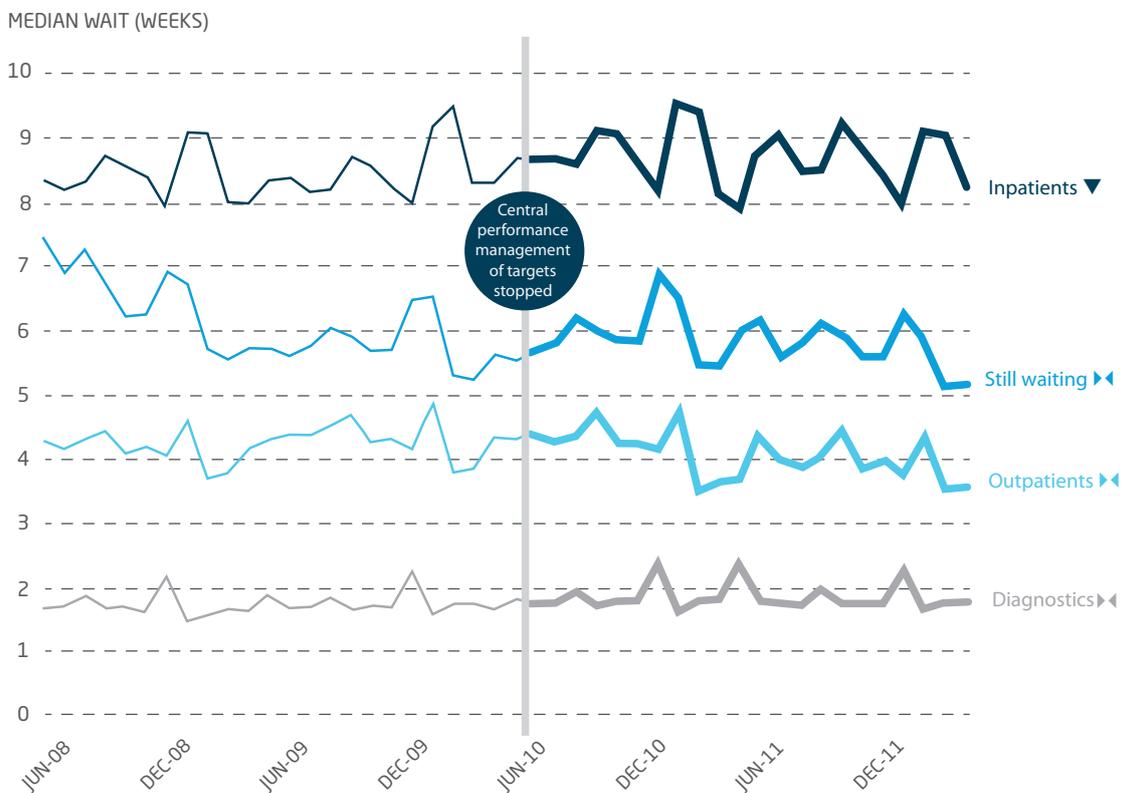


Waiting times: Median

In March 2012 median waiting times remained stable for diagnostics, outpatients and those still waiting; and decreased for inpatients. These figures are as expected following previous seasonal trends.

are at a similar level to previous year's figures for the same month. Compared to March 2011 median waiting times for inpatients and diagnostics are at a similar level, whilst outpatients and those still waiting have reduced.

Compared to the start of the year (April 2011) median waiting times for diagnostics, outpatients and those still waiting have decreased; median waiting times for inpatients have increased but



Data sources:

Referral-to-treatment waiting times statistics www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/ReferraltoTreatmentstatistics/index.htm

Diagnostic waiting times statistics

www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/HospitalWaitingTimesandListStatistics/Diagnostics/index.htm

Waiting times: Target waits

The latest data for March 2012 show a decrease in the number of patients waiting more than six weeks for diagnostics. Over the past year the percentage waiting more than six weeks for diagnostics continued to fall, with some increases due to seasonal variation, but is now at a similar level to that in June 2010. The percentage of patients waiting more than six weeks for diagnostics is now within the new 2012/13 NHS Operating Framework target of 1 per cent.

The proportion of patients who had waited longer than 18 weeks prior to treatment as an outpatient or inpatient fell in March this year. The proportion of people still waiting over 18 weeks also fell.

However, after taking account of legitimate stops in the waiting time clock, the adjusted proportion of patients treated as inpatients but who had waited longer than 18 weeks increased.

The adjusted inpatient figures are the ones used as the government's target and are within their target of 90 per cent (and were throughout 2011/12). The new 18-week target for those patients still waiting (that 92 per cent of patients still waiting for treatment should wait no longer than 18 weeks) will be introduced at some point in 2012/13, but since January 2012 the NHS has been meeting this target.

Percentage still waiting/having waited more than 18 weeks (more than 6 weeks for diagnostics)



Data sources:

Referral-to-treatment waiting times statistics www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/ReferraltoTreatmentstatistics/index.htm

Diagnostic waiting times statistics

www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/HospitalWaitingTimesandListStatistics/Diagnostics/index.htm

The fall in the proportion of patients still waiting more than 18 weeks and the rise in adjusted inpatients waiting more than 18 weeks are likely to be related; treating people who have already

waited longer than 18 weeks will mean – by definition – breaches in the 18-week referral-to-treatment target.

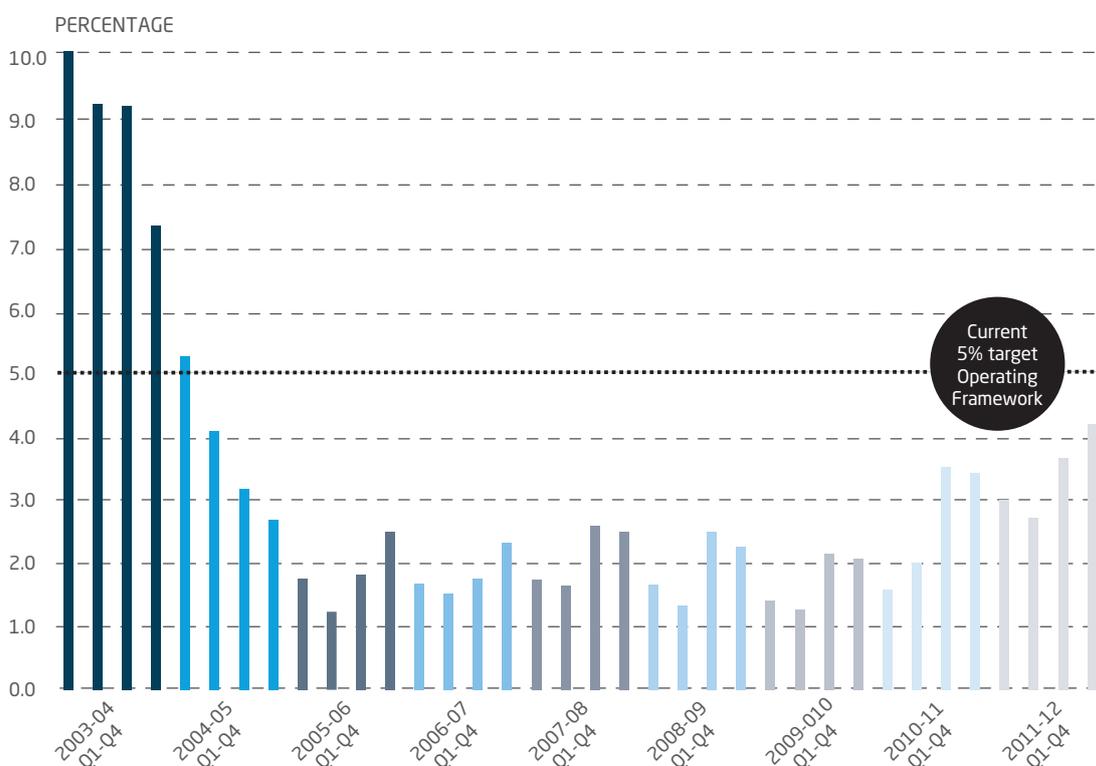
Waiting times: A&E

In the 2011/12 NHS Operating Framework, the Department of Health maintained the threshold for performance management target that no more than 5 per cent of patients should spend a total of four hours or longer in the A&E department. Additional clinically led performance measures brought in during 2011/12 will continue in 2012/13 to be published at a local level. In addition, in a speech in June 2011 the Prime Minister David Cameron announced five key

pledges on the NHS (Cameron 2011). One of these pledges reiterated the government's commitment to waiting times – this included a commitment to keep A&E waits low.

The latest data for four-hour A&E waits (quarter 4, March 2012) show an increase in the national proportion of patients waiting longer than four hours from arrival in A&E to admission, transfer or discharge. The increase in this proportion is now

Percentage waiting more than four hours in A&E from arrival to admission, transfer or discharge



Data source:
Total time spent in A&E: www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/AccidentandEmergency/DH_079085

Weekly A&E activity:
www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/WeeklySituationReports/index.htm

at a similar level to that seen in quarter 2, 2004/5. Despite higher numbers of attendances in quarter 4 2011/12 than in the previous quarter and compared to quarter 4 2010/11, in total 226,021 patients spent a total of more than four hours in the A&E department in quarter 4 of 2011/12 – an increase of nearly 18 per cent over quarter 3 and a 26 per cent increase over quarter 4 2010/11.

Seasonal trends show that quarters 3 and 4 usually show higher proportions of patients waiting longer than 4 hours in A&E compared to quarters 1 and 2. However, in 2011/12, and against the usual pattern

over the last few years, the proportions in quarter 4 were higher than quarter 3.

In addition, there has been an increase in the number of organisations reporting the proportion of patients waiting longer than the four-hour target. In quarter 3 2011/12 there were 43 organisations reporting figures below this target, this increased to 48 organisations in quarter 4 2011/12. This represents a deterioration compared to quarter 2 2011/12 where there were only 18 organisations reporting breaches.

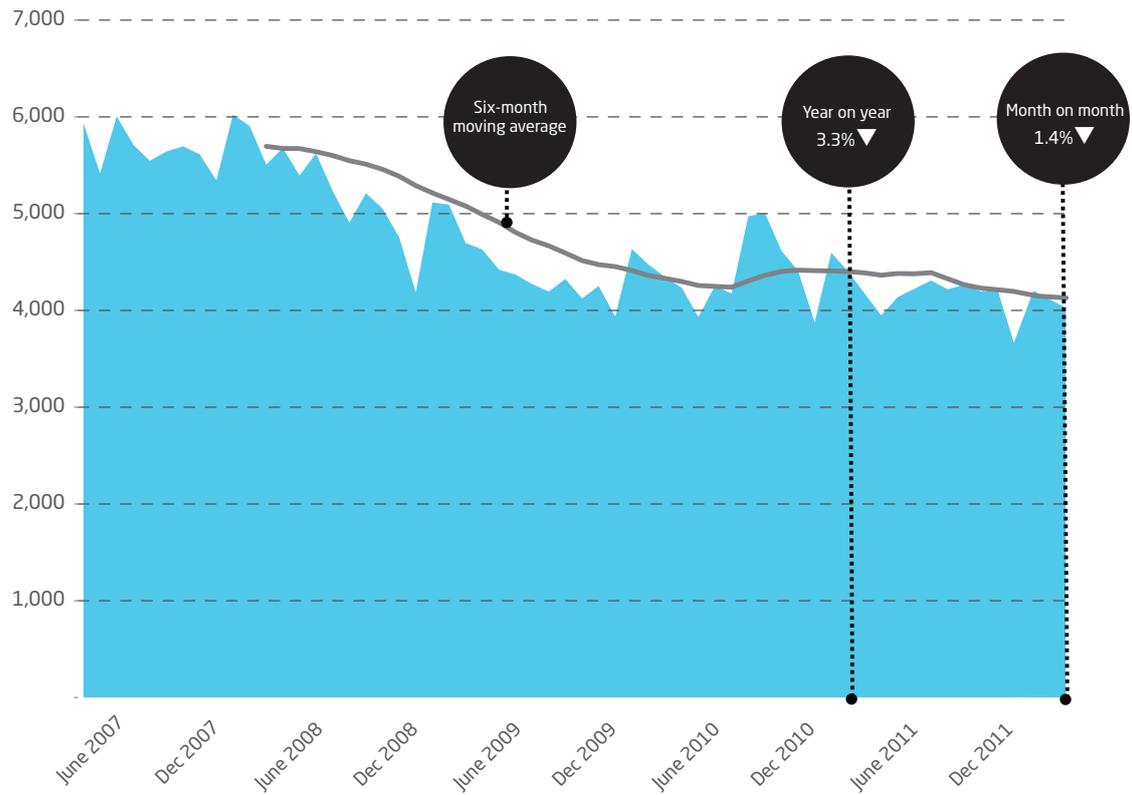
Delayed transfers of care

Delayed transfers of care (DTCs) are recorded when a patient is ready to leave hospital but cannot do so because, for example, other services or family support the patient needs are not yet in place. Delays can occur across all hospital sites, regardless of the care they deliver.

The most recent data shows the total number of acute and non-acute DTCs for March 2012 decreased on the previous month by 1.4 per cent. Compared to March 2010 the number of

DTCs decreased by 3.3 per cent, following similar seasonal trends for this month. The six-month moving average continues to show a steady decline in delayed transfers; indeed in the previous year there were around 4,350 patients per day facing a delay in any one month and in 2011 this reduced to approximately 4,260.

Delayed discharges: Monthly counts of patients



Data source:

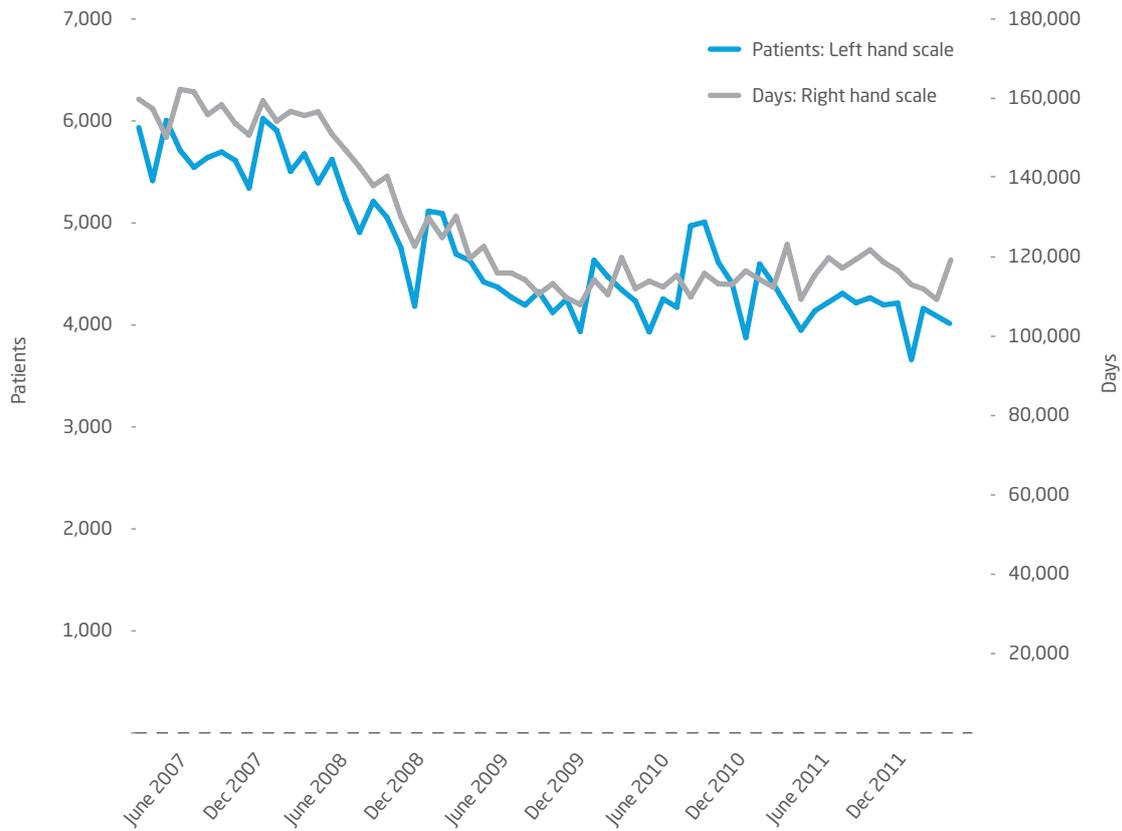
Acute and non-acute delayed transfers of care, patient snapshot

www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomancedataandstatistics/AcuteandNon-AcuteDelayedTransfersofCare/index.htm

Another way of viewing delayed discharges is by the number of days accounted for by patients whose transfer is delayed; although the count of patients can remain stable, bed days may change depending on how long each patient is actually delayed. The figure below shows the number of days associated with delayed discharges as well as the number of patients delayed. The latest increase in numbers of delayed days is similar to increases between February and March in

2011 and 2010. Overall, trends appear broadly similar between the two measures over time; however, over the last year it is possible that there has been a divergence between the two measures. It appears that there are fewer patients experiencing delays but that the length of delay has increased. This might mean that the average patient is experiencing longer delays in 2011/12 compared to 2010/11.

Delayed discharges: Patients and days delayed



Data source:

Acute and non-acute delayed transfers of care, patient snapshot

www.dh.gov.uk/en/Publicationsandstatistics/Statistics/Perfomedataandstatistics/AcuteandNon-AcuteDelayedTransfersofCare/index.htm

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