

High value and best value

Louise Hamilton of Singers Healthcare Finance investigates the difficulties faced by trusts having to replace high-value healthcare equipment originally financed centrally by the NHS.

On 30 March 2011, The National Audit Office (NAO) published their report “Managing high value capital equipment in the NHS in England”. This report examined the management of three types of high value equipment in the NHS in England, covering Magnetic Resonance Imaging (MRI) and Computed Tomography (CT) scanners, used for diagnosis, and Linear Accelerator (linac) machines for cancer treatment.

Historically investment in healthcare provision in the UK, as a percentage of GDP, was lower than many other developed countries, which led to the number of these machines also being much lower per capita. From 1997, the Labour Government started to increase investment in the NHS, targeted the reduction of waiting lists for elective surgery to 18 weeks, and improved access to diagnostics and treatment for patients.

In 2000, the DH introduced its Cancer Equipment Programmes, which between 2000 and 2007, the NAO notes, “spent £407m on new capital equipment, resulting in greater numbers of CT, MRI and linac machines to spur implementation of increased diagnostic and treatment capability”.

From 2000-2007 the programmes accounted for around three quarters of new and replacement machines purchased for the NHS in England. This provided a much needed boost to the number of these machines, but was achieved by trusts utilising a capital allocation from the Government.

This put pressure on trusts to develop a strategic procurement plan to replace these centrally funded machines, which has not happened in many cases. The NAO acknowledges this issue, stating it will “present the challenge in future years as to how the costs of replacing machines will be met as they reach the end of their useful life”.

The report then analyses spending from 2007 onwards: “In the past three years, NHS trusts in England have spent around £50m annually on purchasing MRI and CT scanners, used for diagnosis, and linac machines for cancer treatment. The current value of these three types of machines in the NHS is around £1bn.”

However, the NAO says the DH has no plans for any further such centrally driven programmes, putting the onus on trusts to



manage and finance the ongoing replacement of these machines. Considering the numbers involved, this is no small task. The NAO estimates that around half of all three types of machine across the NHS are due for replacement within three years at a cost of around £460m, and 80% within six years – a further £330m.

The challenge is even greater given the financial pressures on NHS trusts. The Government has announced a 17% reduction in NHS capital spending over the next four years, from £5.1bn in 2010-11 to £4.6bn in 2014-15 – the exact timeline for the replacement of existing machines. With capital budgets severely impacted, alternative procurement options will have to be considered.

Leasing, an approved finance option for the NHS since 1996, could play a key role in enabling trusts to develop equipment replacement plans. The NAO report suggests leasing could be an option for trusts.

Not replacing these machines at the right point, in a timely manner, would have a devastating effect on the progress that has been made in integrating the use of both scanners for many types of diagnosis, and linacs for cancer treatment, into modern patient care provision within today’s NHS.

To give an idea of how embedded these processes have become, the report notes that the number of CT and MRI scans has increased almost threefold in the last ten years, whilst the number of radiotherapy treatment sessions delivered via linacs has increased two and a half-fold: “94% of trusts have MRI and CT scanners, 29% have linac machines in 49 radiotherapy centres.”

So how can ever more financially challenged trusts fund both new and replacement ma-

chines, and maintain patient access to diagnosis and treatment? Planning is key, and the emphasis must move away from annual capital spending towards utilising alternative methods of funding, analysing what income can be derived from the equipment to help meet the costs of acquisition. We welcome the NAO acknowledgement of leasing as an option, and agree with their report that time is of the essence: “As around half of machines are due to be replaced within three years, trusts need to plan their procurement now so that they can manage the risk of incurring higher costs, for example, extra maintenance costs.”

For all three equipment types studied, the capabilities have continually been increased and improved. This means faster, more accurate results and, crucially, better patient care. Utilising leasing can help both procure equipment and build upgrades into the equipment lifecycle. These are currently funded via revenue budgets, and avoid technology obsolescence and service downtime. This, in turn, protects both clinical performance and the vital income that high performing equipment generates.

Whilst leasing is not a panacea for all procurement needs within trusts, we have long maintained that it should be considered when developing any procurement strategy. The most successful utilisation of the leasing option comes from its consideration early on in the procurement process, not just used as an option of last resort when no capital is available.

In our experience as a leading lessor, the very best outcome, without exception, comes when trusts engage with us early on. We have worked with many trusts to build cost-effective solutions for a wide range of challenging equipment requirements. Such working relationships with finance and procurement can help break the mould and enable us to work in new ways with our trust partners, introducing innovative ways to help overcome some of the many obstacles they face. The replacement of these three critical pieces of high-value equipment is a key opportunity to deliver this partnership approach, and to devise a flexible solution that meets trusts’ needs.

FOR MORE INFORMATION

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