

**MEETING:** Trust Board – 28<sup>th</sup> September 2011

**TITLE:** Service Line Report (SLR) – Month 4 2011/12

**SUMMARY:**

This report shows service line performance for Month 4 of 2011/12 by division, as calculated from the patient-level information and costing system (PLICS) – showing both contribution and profitability.

In addition, it provides an update on the current role of PLICS/SLR data within the Trust and future objectives.

**ACTION:** For information / discussion

**REPORT FROM:** Guy Dentith, Head of Finance

**SPONSORED BY:** Richard Martin, Director of Finance

**Financial Validation**  
Lead: Director of Finance

N/A

**Compliance with statute, directions, policy, guidance**  
Lead: All directors

**Reference:**

**Compliance with Healthcare Commission Core/Developmental Standards**  
Lead: Director of Nursing & Clinical Development

**Reference:**

**Compliance with Auditors' Local Evaluation standards (ALE)**  
Lead: Director of Finance

**Reference:**

**Compliance with requirements of FT application and monitoring regime**  
Lead: Director of Strategy & Performance

**Reference:**

## Month 4 SLR Report Summary

### 1.1. Summary of report contents

This report covers cumulative year to date SLR financial performance to July 2011, calculated from a combination of actual costs and income allocated at patient level and top down apportionments of the community costs/income. Consistent with previous months the report covers performance two months in arrears due to the timing of activity being fully coded on the Trust's information systems.

The SLR reports have been split to reflect the new divisional structure of the organisation.

The following appendices have been included for further understanding of the monthly position:

- Appendix 1 shows the summarised income and expenditure Trust position split by division.
- Appendices 2-4 show the detailed SLR position within each division disaggregated by service line.
- Appendix 5 shows Trust wide service line performance in the portfolio matrix.

### 1.2. Headline Observations

Overall the position has remained broadly consistent with that reported in previous months. The total expenditure is equal to that reported in the Month 4 finance board report, whilst income is £0.7m lower; this difference is described in detail in section 1.3.

**Figure 1: M4 divisional summary**

Division	Income (£000's)	Direct and Indirect Costs (£000's)	Contribution Margin (%)	Overhead Costs (£000's)	Profit Margin (%)
Integrated Care and Acute Medicine	37,712	30,337	19.6	7,794	-1.1
Surgery and Diagnostics	23,936	17,206	28.1	5,181	6.5
Women, Children and Families	27,291	23,365	14.4	5,850	-7.0
<b>Trust Total</b>	<b>88,938</b>	<b>70,908</b>	<b>19.6</b>	<b>18,825</b>	<b>-0.9</b>

#### Integrated Care and Acute Medicine

The overall contribution margin for this division is 19.6% which is a reduction from the month 2 position of 22.4%. Significant positive contributors are the Respiratory Medicine and Community service lines. Within Respiratory medicine both outpatient attendances and emergency inpatients provide the greatest contribution to the service's profitability. Two specific service lines which are producing a negative contribution are Clinical Haematology and Pain Management. The income position within this division is most affected by the emergency marginal threshold whereby the Trust only receives 30% tariff for activity over 2008/09 levels in line with PbR guidance.

#### Surgery and Diagnostics

The overall contribution margin for this division is 28.1% which is the highest divisional contribution margin. All of the 11 Service lines are generating a contribution towards the Trust's overheads with a total year to date divisional contribution of £6.7m. Drilling down to the service lines (shown in **Appendix 3**) the highest net contributing services include General Surgery, Critical Care and Direct Access diagnostics.

## Women, Children and Families

This division generates the lowest contribution margin of the three divisions at 14.4%. Within this division none of the service lines are achieving the Trust target of 30% contribution margin (**Appendix 4**). The service line contribution of Obstetrics is the lowest within the division at 6.8%. Following the integration of Haringey children's services the Community service line is the largest in terms of income/expenditure and has generated a cumulative year to date £1.7m contribution towards the Trust's corporate overheads.

### 1.3. Financial reconciliation

As described in figure 2 the total expenditure in the SLR report is equal to that reported in the month 4 finance board report, whilst income is £0.7m lower. This difference is due to the exclusion of income relating to prior year performance, which is not relevant for patient level costing in this year.

**Figure 2: Reconciliation to Month 4 Board Report**

	Income	Expenditure	Surplus/(Deficit)
Month 4 Board Report	£89.6m	£89.7m	-£0.1m
M1-4 SLR	£88.9m	£89.7m	-£0.8m
<b>Difference</b>	<b>£0.7m</b>	<b>£0.0m</b>	<b>£0.7m</b>

## 2. Enabling Service Line Management (SLM)

Under the new divisional structure it is important that the roll-out of SLM and using it to develop Whittington Health as a business is a priority.

The objectives of Service Line Management (SLM) are to:

- Understand the performance of the Trust's business units in SLR.
- Identify examples of best practice in high-performing service lines, that can be implemented in other areas of the Trust.
- Focus on productivity gains and improved quality to help create surpluses for reinvestment and enhance the patient experience.
- Improve clinical and operational management engagement in business planning and financial management.

### 2.1. Ongoing Progress

Subsequent to the July SLR Board report key progress has been made in the following areas:

#### **New reports developed**

A suite of reports using the new Qlikview reporting tool have been developed to show a financial snapshot of performance against a range of key metrics at both specialty and Consultant level. The Trust is working with the external provider to assess integrating all performance reporting through a central system which has proved successful at other NHS Trusts.

Divisional financial summary reports have been generated to give a visual snapshot of in month and year to date financial performance against planned budget.

SLR reports have been generated for operational managers which assess the profitability of sub-specialties and individual procedures, with a view to gauge the financial justification for expanding or contracting provision of the services.

The planning & performance team have generated Consultant outpatient performance metric reports which are available on the Trust intranet to internally benchmark performance and assess the financial impact of breaching the commissioner key performance indicators (KPIs) against median and upper quartile targets as per figure 3 and 4 below.

**Figure 3: M4 Outpatient first attendance to follow up ratio for Cardiology**

Follow-Up Ratio - Upper Quartile	0.92
Follow-Up Ratio - Median	1.43

Consultant	First Atts	Follow-Up Atts	Follow-Up Ratio	Excess Follow Ups (Median)	Excess Follow Ups (Median) £	Excess Follow-Ups (Upper Quartile)	Excess Follow Ups (Upper Quartile) £
Dr. C. Loong	86	217	2.52	94	£12,693	138	£18,614
Dr. D. Brull	203	195	0.96	0	£0	8	£1,112
Dr. D. Patterson	149	134	0.90	0	£0	0	£0
Dr. R. Gray	86	215	2.50	92	£12,423	136	£18,344
Dr. S. Hardman	122	817	6.70	643	£86,743	705	£95,143
Cardiology Total	646	1,578	2.44	654	£88,320	984	£132,797

**Figure 4: M4 Outpatient Consultant to Consultant referral ratio for Ophthalmology**

C2C - Upper Quartile	16 %
C2C - Median	24 %

Consultant	First Atts	Total C2C	Urgent C2C	C2C Excl Urgent	Other Sources	% C2C Graded Urgent	% C2C (Excl Urgent)	Excess C2C Apts (Median)	Excess C2C Apts (Median) £
Miss. C. Davey	86	47	5	42	39	10.6 %	48.8 %	28	£3,935
Mr. H. Henderson	97	22	1	21	75	4.5 %	21.6 %	0	£0
Mr. R. Asaria	226	88	14	74	138	15.9 %	32.7 %	26	£3,640
Mr. S. Jain	125	46	6	40	79	13.0 %	32.0 %	13	£1,842
Ms. T.B. Odufuwa	266	42	12	30	224	28.6 %	11.3 %	0	£0
Ophthalmology Total	800	245	38	207	555	15.5 %	25.9 %	20	£2,763

## Training provided

Training sessions have been offered to all Consultants on the Key Performance Indicators (KPI's) the Trust has agreed with commissioners and the productivity metrics available on the Trust intranet. The training has received positive feedback and further sessions will be delivered in the coming months.

Additional training has been provided at division board meetings on SLR, the underpinning PLICS information, and the new reports and metrics which are now available.

## Contribution margin analysis

The current target contribution margin for all service lines is set at 30%. A review of this target percentage is currently being undertaken to assess if it would be more appropriate to set a specific target for each service line to ensure that challenging yet realistic goals are set to incentivise optimal performance. Potential methodologies for calculating service line specific targets include using national reference costs averages to determine an expected cost base, amending the current target to reflect the financial penalties associated with locally agreed KPIs and incorporating stated commissioner intentions.

## 2.2. Next steps

Following the above progress the next steps are proposed to ensure the PLICS/SLR data is utilised to fully support effective SLM:

1. Designated operational/clinical leads for each service line are to be provided with web based access to the SLR financial performance information and key metrics.
2. Continued implementation of a programme of training for users of the reporting software through face-to-face or virtual teaching aids.
3. The finance business planning team develop further reports in conjunction with the divisional leads and operational managers to ensure the divisions have the information they require to run their services as efficiently and effectively as possible.
4. Ensure an ongoing programme of information validation to improve data quality and accuracy of PLICS costing. This consists of several key objectives:
  - Ensure clinicians/managers understand the key messages from the information supplied.
  - Ensure the divisions own their data i.e. if there appears to be an error within the data the emphasis is on the division to identify the issue and ensure it is rectified.
  - Drive focus on materiality – what are the key issues affecting profitability e.g. what are the significant cost drivers.
5. Integrate the costing of community services at patient level wherever possible to enable drill down and analysis of profitable services/patient pathways.
6. In the medium term develop a comprehensive performance dashboard with information on quality/patient experience to ensure a balanced scorecard approach is taken and costs aren't driven down to the detriment of the quality of the services provided.

## 3. Recommendations

The Trust Board is asked to:

- **Note:** The 2011/2012 M4 financial performance of service lines as reported in the Appendices.
- **Note:** The proposed next steps for embedding SLM in the organisation in section 2.2.