

Royal Riverside



Life-a-Plenty

Royal Riverside University Hospitals Trust

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MEMORANDUM

FROM ~ Chief Executive – Joe Ranium
TO ~ Director of Finance – Rhoda Dendron
DATE ~ 12 October 2005

Update

Welcome back. I trust that you had a good holiday. Apologies for interrupting your first day back, but I thought that it might be useful to update you on one or two events since your departure.

I had my formal meeting with the Trust's external auditors, Plant, Water and Cutitt (PWC), last week. I am very pleased to report that their management report gives the Trust a reasonably clean bill of health. They went on to indicate that, as part of their rolling programme of systems audits, the focus in 2006 was likely to be on supplies, stocks, stores and charitable funds. No doubt, they have already discussed their plans with you.

I also had a visit from Ros Berry, the new Chair of the Renal Strategy Group (RSG), who was eager to have a chat before her first meeting of the RSG next week. I explained the lead status of the UHT for the RSG and outlined for her our roles as RSG "Officers". She was reassured that there was dedicated administration and financial support for the RSG and that there were now established procedures in place for commissioning, supply and charging on renal services.

She expressed surprise, however, when I was unable to furnish her with formal written terms of reference for the RSG or even a mission statement, but accepted that her predecessor had rightly been more concerned with the political and practical aspects of getting the RSG established than strategic matters. In the future, however, she made it clear that she now wanted the Group to adopt a much more strategic approach and was planning to suggest the introduction of a 5-year strategic review document. There are, of course, recently published national guidelines, the "State Service Framework for Renal Services", pushing in this same direction. As you may already have seen, she requested that I add an additional item to the agenda for next week's RSG meeting. I know that, for planning purposes, you are currently trying to ascertain through the PCTs the likely amount of additional revenue funding available for service expansion over the three years to December 2009. We may now need that information sooner rather than later!

Finally, I am pleased to report that I finally have Marie Gold, my Assistant Chief Executive, in post. In view of her central administration and corporate responsibilities, she will no doubt be making contact very soon with yourself and the key staff in your department.

Joe Ranium
Chief Executive

PLENTYSIDE RENAL STRATEGY GROUP

Minutes ~ RSG Meeting ~ 18 October 2005

Apologies - None

1. Introduction

The new Chair welcomed members to the meeting and expressed the view that her appointment provided an opportunity for a fresh start. She felt sure that RSG members wanted to work positively together to address the key issues of concern to PCTs, hospitals and patients alike. She expressed her absolute support for the concept of handling renal issues on a zonal basis and was convinced of the potential benefits in terms of an integrated approach, increased flexibility in addressing service issues, the better chance of identifying and implementing service priorities and the increased opportunity for multi-professional education and training. She noted, however, that potential needed to be turned into reality. As a result, she was eager to adopt a more strategic approach with clear goals set in terms of improved service delivery, consistency in clinical standards and greater patient involvement.

2. Minutes of the meeting 19 July 2005

Agreed : No matters arising other than those on the agenda.

3. Current Development Schemes – Progress Report

Mr Ranium reported that the extension to the Bowpark Hospital renal facility had been completed on time and that the 8 new stations had become operational from 1 July 2005. He also noted that, as planned, Garden City Hospital was being closed from 1 January 2006 and all facilities, including the 11 renal dialysis stations and specialist staff, were being transferred to the new Duchess of Lawnton Hospital. Finally he confirmed that Phase I of the new Raceham facility was progressing well and should open as planned on 1 July 2006. The Chair, whilst accepting the Garden City situation and acknowledging the current shortfall in renal facilities queried the rationale behind the projects. Mr Ranium accepted that this was largely ad hoc and opportunistic, linked to other capital developments on hospital sites, usually on the basis of “bids” received from PCTs and HTs.

Agreed : That the progress report be received.

4. Finance – Progress Report

Ms Dendron reported that the 2005 and 2006 forecasts presented to the last meeting remained valid. She reminded RSG members that the RSG’s unit costs for the two years remained above the newly introduced regionally adjusted indicative national tariff of £35,000 per patient slot at 2005 prices. Work on projections of additional RSG revenue resources for 2007-2009 was ongoing, but should be ready very soon.

Agreed : That the progress report be received.

5. General Support Staff

Mr Flower reported back on the level of RSG peripatetic support staff (dieticians and specialist home dialysis nurses). He explained that the research commissioned into current levels had, as expected, identified an under-provision, quantified as 5 whole-time equivalent (wte) dieticians and 3 wte specialist nurses. There was a general acceptance that these resources were essential to improve service delivery and patient support, but that, in view of the cost implications, a phased approach was best.

Agreed : That the report be received and the findings be implemented as follows –

- ❑ 2007 1 wte dietician
- ❑ 2008 2 wte dieticians and 1 wte specialist nurse (home dialysis)
- ❑ 2009 2 wte dieticians and 2 wte specialist nurses (home dialysis)

[continued]

[continued]

6. Strategic Considerations

The Chair explained that this item had been added to the agenda at her request. She felt that it was essential for the RSG to adopt a more strategic approach and suggested that a 5-year timeframe, including the current year 2005, was reasonable, as a shorter one would possibly be too restrictive in terms of planning and a longer period would make accurate forecasting difficult. The Chair noted that the strategic review should cover demand and supply forecasts in terms of renal dialysis patient slots, and forward cost estimates, as well as the strategic aims of the RSG as regards management of its services and service delivery. The results would then provide a more solid basis for taking the renal strategy forward and planning for the future. This approach received general support and there followed a lively debate about the detailed criteria for such a review.

Agreed : That a strategic 5-year review covering the period 2005-2009 be commissioned, the detailed criteria for which should be determined by the Chair in the light of the issues highlighted in the debate and in consultation with Mr Ranium, Ms Dendron and Mr Flower.

7. Future Development Schemes

Mr Flower reported that there were currently five additional development schemes at varying stages in the planning process.

- 2007 Three small extensions to current facilities, all part of the same PFI project. Discussions were very well advanced and a commitment had already been made. The projects were as follows.
 - Waterville Hospital - 5 additional dialysis stations from 1 January 2007
 - Grassthorne Hospital - 3 additional dialysis stations from 1 July 2007.
 - Smallbridge Hospital - 3 additional dialysis stations from 1 July 2007.
- 2008 Phase II of the Raceham development was already committed and this was planned to provide an additional 6 stations with effect from 1 July 2008.
- 2009 A further development at Grassthorne was at an earlier planning stage. The scheme was currently being based upon the provision of an additional 5 stations from 1 January 2009. However, whilst not ideal in terms of the space available, this could be possibly increased from 5 to 8 stations with some minor work.

Mr Flower noted that, in addition to the provision of these additional stations, it had previously been agreed to review the number of shifts worked and to move to 3 shifts per day on a phased basis as follows.

- 2007 Raceham from 1 January 2007
- 2008 Duchess of Lawnton from 1 January 2008
- 2009 Beddington from 1 January 2009

He noted that this left Smallbridge as the only 2-shift unit although 3 shifts are possible, given adequate resources.

The Chair accepted the plans outlined by Mr Flower, but noted that there might be a need to review projects where flexibility still existed in the light of, or even as part of, the Strategic Review exercise already agreed.

Agreed : That the plans be noted and accepted subject to the Chair's comments.

8. Any Other Business

Dr Harry Cotbean, the practitioner representative from Garden City PCT announced that he was retiring from practice in December 2005 and wanted to leave plenty of time for the appointment of a replacement representative. The Chair thanked him and wished him a happy retirement.

Agreed : That Dr Cotbean's intentions be noted.

[end]

MEMORANDUM

FROM ~ Assistant Chief Executive – Marie Gold

TO ~ Director of Finance – Rhoda Dendron

DATE ~ 24 October 2005

Boothill Clinic

It was good to meet you last week and I apologise for having to take up your offer of assistance so quickly, but an urgent matter has arisen and some help would be appreciated.

I attach a letter received by the Chief Executive today from a member of staff at a satellite store and distribution centre based at Boothill Clinic. I had not learned of the existence of this store until now, and the Chief Executive could not supply me with any further details, but clearly it forms part of my responsibilities. There is a “Boothill Store” file listed in my file index, but the file itself is missing from the filing cabinet. The letter itself raises significant concerns.

One of my longer serving staff seems to remember the store being set up about 7 years ago to handle the storage and distribution of EPO and dialysis fluids for the whole of the west area. The exact reasons for these joint arrangements are not known, but the Central Dispensary based in Royal Riverside Hospital was understood to be short of room and the Boothill satellite was set up as a temporary measure. Apparently its continued existence has never been subject to review, and it has not been recognised as a separate cost centre. Payroll has advised me that, as well as Mr. Tells, there are two other employees based at the store, both driver/loaders.

I have asked the Director of Human Resources to have a look through her files in order to find out what is known about Mr Tells, the manager mentioned. The Chief Executive is also in the process of contacting his colleagues in the other SHA west area hospitals to ascertain whether the current storage and distribution service is still required.

In the meantime, I intend to visit the store and put interim arrangements in place to ensure its continued operation, but there clearly are wider issues to be addressed. From the Finance perspective, there appear to be concerns relating to procedures and controls, as well as possible pricing and value for money issues. To make matters worse, the Chief Executive has also pointed out to me that supplies and stores are to receive particular attention as part of next year’s external audit. In view of this and the letter received, clearly all these matters need to be fully investigated.

It is the joint view of the Chief Executive and myself that someone independent of the operation and with a financial background would be best suited to this task. I would happily draw up a brief for the exercise once a few preliminary enquiries have been completed.

I apologise once again for having to burden you with this, but it is clearly a matter that needs to be resolved quickly.

Marie Gold

Assistant Chief Executive

*The Chief Executive
Royal Riverside Hospital
Poplar Drive
Riverside
ME0 1CZ*

22 October 2005

Dear Sir

I am the driver/loader employed at the medical store in Boothill Clinic and I am writing to complain.

My boss at the store, Nat Tells, has been off sick for 12 weeks now. The senior driver/loader, Mick Spreader, who should be in charge, is useless. Mick and Nat Tells have known each other for years and Mick was just given the job by Nat Tells when Gordon Spade left last March. I didn't even have a chance to apply. I wouldn't mind, but now I'm having to do most of Mick's work.

I'm still taking the telephone orders from the other hospitals for EPO and dialysis fluids and phoning through orders to Floristry Pharmaceuticals and Mower Medical, our suppliers, as usual, but the paperwork is in a mess. It was already in a mess when Nat Tells went off. Bills had not been sent out to the other hospitals for some time and I don't know what prices to charge anyway, as I never understood how Nat Tells worked these out. I did try entering issues on the manual stock system, but this was months out of date and there appear to be stacks of delivery and issue notes on Nat Tells desk. To make matters worse, I haven't seen Mick at all this week.

I need help, but don't know who is in charge of stores. I did ask the doctors at the Clinic, but they say that the store is nothing to do with them.

Will Barrow

*21, Allotment Road
Riverside
ME7 2GK*

MEMORANDUM

FROM ~ Assistant Director of Finance – Holly Bush
TO ~ Accountant (Corporate & Projects) – Kim O’Mile
DATE ~ 27 October 2005

Quarterly Review - Tasks

Further to our review meeting, I can confirm that you will be spending quite of bit of the next quarter on renal services.

Firstly, you will be aware from the papers that I passed to you in the meeting that the new Chair of the RSG has commissioned a 5-year strategy review. From her discussions with the Director of Finance, it seems likely that this will be largely a technical exercise based upon the current forecasting mechanisms and, as such, will be finance-led. The Chair has now had meetings with both the Chief Executive and Director of Finance to discuss the project and is currently writing the terms of reference for the exercise. As a result of these discussions, it has also now been agreed that this will be one of your projects for the current quarter. The plan is that the resultant report will go to the RSG meeting scheduled for early December 2005, but clearly your draft report would be required in advance of this date. A good starting point would be to contact the Director of Planning, Information & Performance as demand forecasts for renal dialysis services are clearly fundamental to the whole exercise.

Your second project concerns the renal supplies store and distribution centre at Boothill Clinic. The picture emerging here is still quite hazy, but the Chief Executive is very eager to see finance involvement at an early stage. The issues arising so far are quite diverse and the recent visit by Marie Gold, the new Assistant Chief Executive, has raised even more concerns. There appear to be no formal contracts with the two companies supplying EPO and dialysis fluids and the charging out of these supplies to client hospitals is based upon a “back of an envelope” calculation - literally, torn from an A4 Manilla! Marie recovered this and a copy is attached for your file. She has suggested that you or your technical assistant should visit the site to assess the situation there at first hand. It might also be useful to contact the two suppliers concerned. In the meantime, Marie has agreed to draft a brief for the project, in consultation with myself. The report should be addressed to the Chief Executive, to assist him in deciding what further action is needed.

Please keep me informed of developments, particularly on the Boothill Clinic situation, as I may need to direct Marie in producing the project brief.

Holly Bush

Assistant Director of Finance (Financial Management)

Stores Budget 2005

	£
<u>Medical Supplies (per annum)</u>	
EPO (52,000 packs)	1,287,000
Dialysis Fluids (50,000 packs)	400,000
	<u>1,687,000</u>

<u>Overhead Costs</u>	
Manager	32,400
Senior Driver/Loader	15,500
Driver/Loader	13,500
Staff travelling	1,500
Rent & Rates	100
Vans - Running Costs	5,040
Equipment Rental	3,500
Stationery/Printing etc.	<u>1,000</u>
	<u>72,540</u>

<u>Oncost Rate</u>	<u>4.3%</u>
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<u>Cost per pack</u>	EPO	Fluids
	£	£
Purchase cost	24.75	8.00
Oncost @ 4.3%	<u>1.06</u>	<u>0.34</u>
	<u>25.81</u>	<u>8.34</u>

<u>Charge (price per pack)</u>	£25.80	£8.35
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PLENTYSIDE RENAL STRATEGY GROUP

CHAIR - MS ROS BERRY

*The Director of Finance
Royal Riverside Hospital
Poplar Drive
Riverside
ME0 1CL*

1 November 2005

Dear Rhoda

It was good to speak to you last week and particularly useful to get an indication of the additional RSG revenue funding likely to be available for the expansion of renal dialysis services over the three years to December 2009. Whilst I appreciate that your figure of £5 million (at 2005 outturn prices) is subject to annual limits (£2 million in 2007, £1½ million in 2008 and £1½ million in 2009), you did indicate some limited flexibility to carry forward any unused portions from year to year.

I remain surprised at the attitude of some of the RSG members, who appear to lack clarity as regards their roles and responsibilities. Some do not even seem to appreciate that they are there to make decisions, albeit after some reference back to the bodies that they are representing. My other concern is that there still seem to be some tensions between the various parties represented on the RSG and relationships really do need to be improved. In fact, better relationships need to be established on a much broader front. Whilst I acknowledge that there are PCT and HT members on the RSG, there are no general renal workforce or patient representatives. On another favourite subject of mine, what service quality standards are in place? These are all matters that require consideration and research, but enough of that for now.

I understand that you have now nominated an officer to undertake the strategic review exercise and hence my letter. As already indicated to you, a key element of the strategic review must be the projections on renal dialysis demand, supply and costs, but I am eager for the review to be broader than just a numeric exercise. I see this initial strategic review as not only fact finding, but providing a critical appraisal of the current organisation and operation of renal dialysis services, without necessarily providing all the answers on all service issues at this stage. Rather than writing a brief, therefore, I have set out on the attached sheet a number of strategic criteria or targets for achievement by December 2009 (the end of the review period), against which the actual findings can be measured. To make comparisons simple, I would suggest that a 2005 outturn price base is used throughout the costing part of the exercise.

I am more than happy to leave the writing of the detailed brief for the project to you, subject to my final approval of course.

Yours sincerely

Ros Berry

RENAL SERVICES
STRATEGIC REVIEW 2005-2009

CRITERIA

- ❑ *The development of services in a systematic and evidenced way, with quality standards identified and put in place;*
- ❑ *A closer involvement with renal patients and their families;*
- ❑ *Reduction and elimination of the current deficit in renal dialysis supply by the end of the 5-year period (December 2009);*
- ❑ *Self-sufficiency between the east and west health economies in terms of meeting renal dialysis demand and bringing facilities closer to patients;*
- ❑ *Increased cost efficiency through reduction of the unit cost per renal patient slot (total) to below £35,000 per annum at 2005 price levels;*
- ❑ *The development of services within the estimates of additional revenue finance provided (£2 million in 2007, £1½ million in 2008 and £1½ million in 2009).*

ROYAL RIVERSIDE UHT

internal e-mail



From: Director of Human Resources – Polly Anther
To: Assistant Chief Executive – Marie Gold
Cc: Accountant (Corporate & Projects) – Kim O’Mile
Date: 4 November 2005 13.26
Subject: Mr Nat Tells - Boothill Store

Marie

You asked me about the Boothill Store and Mr Nat Tells, its manager in particular. Apologies for the delay in responding but, as a relative newcomer like you, I had to refer back to the files and the file relating to Mr Tells is one of the fattest in the system! The story emerging is an interesting one and I summarise it below.

Until about seven years ago, Mr Tells was a senior manager working in central support services, a key post that he had held for a good number of years. However, his performance in that post appears to have been far from satisfactory and there were a number of disciplinary action notes on the file citing poor administration and an unwillingness to follow procedures as the main reasons. This seemed to reach a head in late 1998, but the disciplinary action was never pursued to a final conclusion. Instead, an agreement appears to have been reached whereby Mr Tells was removed from his post and redeployed to a less prominent position in charge of the Boothill Store. There is no written evidence on file as regards the reasons for this unusual approach, but I understand from a couple of my staff that Mr Tells and your predecessor were close colleagues and friends for many years.

It appears that the need to find a suitable niche for Mr. Tells was a significant factor in establishing the Boothill store. Apparently EPO used to be stored and distributed from the Central Dispensary at Royal Riverside Hospital and dialysis fluids used to be delivered direct to hospitals and home users as part of the contract. The new Boothill Store was justified at the time on the grounds of cost savings when the existing contracts were renegotiated and the delivery charges were increased significantly. At the same time, the Central Dispensary was short of space, although, of course, it was extended shortly afterwards. In summary this appears to be a classic example of a backwater post being created for someone promoted beyond his abilities into a high profile position, but worse is still to come.

When he was moved, Mr Tells retained his former salary on a protected basis. I checked with Payroll and he is currently being paid £32,400 per annum, when a comparative Store Manager post would earn about £21,000! In addition, he is also being paid disturbance travelling, currently worth £1,500 per annum.

One final twist is that neither Human Resources nor Payroll has any record of Mr Tells being on sick leave. No certificates or even telephone calls appear to have been received.

As you can see, I have copied this to Kim O’Mile in the Finance Directorate in view of the ongoing investigation into the Boothill Store.

Polly

MEMORANDUM

FROM ~ Director of Planning, Information & Performance – Will Flower
TO ~ Accountant (Corporate & Projects) – Kim O’Mile
DATE ~ 9 November 2005

Renal Dialysis – Demand Projections

You contacted me about your RSG strategic review exercise and specifically demand assumptions as regards the number of likely renal dialysis patients in 2007, 2008 and 2009. As you are no doubt aware, it is common practice to try to assess demand on the basis of patients per million of population (ppm) and the likely future incidence of renal dialysis patients has been the subject of extensive research both nationally and regionally.

In short, there is no doubt that demand is likely to increase from the 112 ppm new patients in 2006. People are living longer, the elderly population is growing as a percentage of the overall population and this means increasing pressures on health services generally. This general trend is inevitably having an impact on the number of people suffering end stage renal failure and hence the number requiring renal dialysis. For your exercise, therefore, I would suggest that you use the following figures as indicative of the number of new renal dialysis patients (new demand) in each respective year.

Year	Incidence (ppm)
2007	115.0
2008	116.5
2009	118.0

In terms of transplants, I would suggest that the average annual failure rate is fairly constant and that you should repeat the 2005 and 2006 figures. However, there are plans to increase the transplant programme from 54 to 57 in 2007, 2008 and 2009 (1 in the Gardenshire and 2 in the Riverside health economies). You should also assume that the yearly average death rate is reasonably constant at about 20% of opening patient numbers each year. It is traditional for this purpose to work in whole patient numbers throughout, using normal rounding rules for all calculations (0.49 or less rounded down and 0.50 or more rounded up).

I understand that you have details of all the developments planned on the supply side. In terms of staffing, this will mean employing additional specialist staff (consultants and renal engineers), but I will let you have details later. You will also be aware of the increases agreed by the RSG in general support staff (peripatetic dieticians and home dialysis nurses).

In terms of home dialysis (supply) levels, the aging population of renal patients and their increasing difficulty of continuing to manage at home is likely to offset any new home dialysis patients. You should assume, therefore, that the number of home dialysis patients remains at 2005 and 2006 levels (65 in the east and 60 in the west - 125 in total).

Will Flower

Director of Planning, Information & Performance



FLORISTRY PHARMACEUTICALS

Flower House Bouquet Road Much Bedding GR0 1NG

Kim O'Mile
Royal Riverside Hospital
Poplar Drive
Riverside
ME0 1CL

10 November 2005

Dear Kim

Erythropoietin (EPO) Supplies

Further to your enquiry, I confirm that we have been the suppliers of EPO to Boothill Store for several years now. Originally three suppliers were approached for quotations for the supply of both EPO and dialysis fluids. Clover Chemicals was awarded the business for both on the basis of price, I understand, but that company quickly went into liquidation. We only quoted for EPO and were asked to take over the supply. Whilst no formal contract exists, we have always reached an amicable agreement on price increases with Mr Tells at Boothill. We also supply a number of hospitals in the eastern part of your SHA and we know that our prices are extremely competitive.

In terms of detail, EPO is supplied in packs of 1,000 units and the Boothill Store orders 52,000 packs per annum. The cost per pack is currently £25, but this is subject to a large order discount of 1% when single orders exceed 12,500 packs. In order to take advantage of this, Mr Tells issues 4 orders per annum for 13,000 packs each time.

EPO does need to be kept refrigerated and hence special vehicles have to be used for delivery. There is, therefore, an additional charge of £400 per delivery. We are, of course, able to deliver as often as you require.

As regards your question about problems, we do have difficulty sometimes receiving payment for supplies and settlement is almost always outside our terms, but you are a valued customer and we have tended to overlook this.

I trust that our long-standing relationship with your hospital will continue, but if I can be of any further assistance, then please contact me.

Yours sincerely

Florrie Bunder

Managing Director

ROYAL RIVERSIDE UHT**internal e-mail**

From: Assistant Director of Finance (Payroll) – May Pell
To: Accountant (Corporate & Projects) – Kim O’Mile
Date: 11 November 2005 09.44
Subject: Renal Dialysis Costs

Kim

You raised a number of issues on the telephone and I deal with each in turn below. All the costs quoted are at 2005 outturn levels.

Boothill Store – Staff Costs

There are three staff at Boothill Store and details are provided below.

Post	Postholder	Salary £
Store Manager	Nat Tells	32,400
Senior Loader/Driver	Mick Spreader	15,500
Loader/Driver	Will Barrow	13,500

My Payroll & Payments manager points out that the above are salary figures and take no account of pension and national insurance oncosts. These would add 20% to salary costs.

Renal Services – Specialist Staff Cost

I set out below the costs (including pension and national insurance oncosts) of the various staff requested. In the case of the peripatetic dieticians and home dialysis nurses, the costs also include the standard provision for travelling used in the 2005 and 2006 estimates.

Post	Cost £
Consultant	100,000
Renal Engineer	40,000
Dietician	28,000
Home Dialysis Nurse	36,000

I wish you well with your projects.

May

MEMORANDUM

FROM ~ Director of Finance – Rhoda Dendron
TO ~ Accountant (Corporate & Projects) – Kim O’Mile
DATE ~ 14 November 2005

Renal Dialysis – Strategic Review Report

I trust that your work on the review is progressing. I have now agreed the brief with the RSG Chair and confirmed her specific requirements for the RSG report.

The price base for your projections should be 2005 outturn and the report should cover the 5-year period 2005-2009. Please also take the advice of the Director of Planning, Information & Performance on home dialysis supply and use current levels (2005 and 2006) throughout your projections. The home dialysis cost figures should not therefore change.

Initially you should assume that the 2009 Grassthorne development project involves an additional 5 stations and that Smallbridge retains a 2 shift per day operation. Your evaluation of the results achieved should be based upon a comparison with the criteria set by the Chair. At a more specific level, your report should cover the following.

- Brief background noting the current position, the drivers of demand, the purpose of the report and the criteria set for service delivery over the 5-year period;
- A critical appraisal of the existing approach to renal dialysis within the SHA, with regard to both management and service delivery, identifying specifically current strengths and weaknesses;
- On the basis of the 2005 and 2006 figures and the assumptions provided, calculation of the renal dialysis projected demand and supply figures in terms of average in-year patients and in-year patient slots for the years 2007, 2008 and 2009¹;
- A summary comparing demand with supply in overall terms and for the east and west health economies in total for each of the five years, plus a critical appraisal of the results;
- Calculation of the projected costs of each of the renal dialysis centres for each of the years 2007, 2008 and 2009 and the resultant unit cost (cost per patient year);
- Conclusions and recommendations including a critical review of all the projected results against the criteria set and a note of any risks inherent in the overall exercise.

As regards your recommendations, proposals for improvement in respect of any operational and management weaknesses identified are **not** required. The Chair wants these to flow as outcomes from the eventual RSG debate on the report. However, if any of the demand/supply, unit cost or revenue financing criteria are not met, your recommendations must include proposals to address these and you may need to revisit some of the later development options. For the purposes of this report, you should ignore any implications arising from the situation at the Boothill Store .

I look forward to receiving your draft report.

Rhoda Dendron

Director of Finance

¹ Except on demand, your table formats should follow those used for 2005 and 2006. On demand, whilst it will be necessary to consider individual Health Economies in due course, just look at the summary east and west positions initially. I have arranged for you to be given the pro formas.

MOWER MEDICAL



Hover House ~ Green Lane ~ Haymaking ~ Lawnton

*Kim O'Mile
Royal Riverside Hospital
Poplar Drive
Riverside
ME0 1CL*

17 November 2005

Dear Kim

Dialysis Fluids

Apologies for not responding sooner to your voice mail, but I have only just returned from holiday.

We do indeed supply Boothill Store with dialysis fluids and their annual order amounts to 50,000 packs (10 litres per pack), which is delivered on a regular monthly basis to the Store. The current cost per pack is £8 on this central delivery basis. There is no delivery charge levied.

I have explained to Mr Tells, the Store Manager, that my company does offer a site-by-site direct delivery service and most other clients in your area take this service. Obviously the cost per pack increases on this basis, but we believe that at £9 per pack delivered this service is a very cost-effective option.

You are absolutely correct in your assumption that we have no formal contract in place. We were awarded the business when Clover Chemicals failed, but we are now the market leader and extremely competitive on price as a number of the hospitals in the east of your area can bear witness.

I trust that my comments above answer your queries. Please get back to me if there are any other issues. We are eager to continue supplying Royal Riverside and your associated clients.

Yours sincerely

Grace Cuttings

Sales Manager

Oak Tree Cottage
Acorn Lane
Grassthorne
R13 2JP

The Chief Executive
Royal Riverside Hospital
Poplar Drive
Riverside
MEO 1CL

19 November 2005

Dear Sir

I understand that you are in charge of kidney dialysis services in my area and I am writing to complain.

I need dialysis, but live in Grassthorne where there are no facilities. I am not suitable for home dialysis apparently (probably too old) and, as a result, have to travel to Garden City Hospital three times a week for treatment. I now understand from the papers that Garden City Hospital is about to close, but I don't know what will happen to me. At present it takes me an hour each way – no doubt that will be increasing again from January.

Is no thought given to what patients need? These days, everything seems to be decided by faceless people in offices. They never ask us how we feel or what we want. They never ask us if we are satisfied with the service we get. We just have to go where we are told and when.

I really am getting too old to be travelling long distances three times a week for what is very tiring treatment. We have a hospital in Grassthorne. Why can't I have my dialysis there? I know that there are a good number of patients like myself in the Grassthorne area. Some of those travel as far as Smallbridge and Bowpark, and speak very well of those hospitals. Certainly I can understand why you're closing Garden City. The service there is not very good and it seems clear that some centres are better than others when it comes to dialysis.

What's happening? Please let me know.

Yours faithfully

L Toe

Ms L Toe

Please copy to Director of Finance & Accountant (Corporate & Projects) for
information
Joe

MEMORANDUM

FROM ~ Assistant Chief Executive – Marie Gold
TO ~ Accountant (Corporate & Projects) – Kim O’Mile
DATE ~ 21 November 2005

Boothill Store Costs and Options

Thanks for letting me have copies of the letters from the two Boothill Store suppliers.

Further to your enquiry about the low level of premises costs (£100) being charged to the Boothill Store as shown on the costing sheet produced by Mr Tells, the manager, I got my Estates Manager, Clem Atis, to investigate and he has now reported back to me.

The charge of £100 is apparently a “peppercorn rent” agreed by my predecessor when the Store was first established. The reasons for this are not documented, but, in view of recent revelations, it was clearly essential to keep costs low in order to justify the Store’s existence. With assistance from your own directorate, Clem has now identified the true costs of running the Boothill Clinic building as a whole and the floor areas involved.

The Boothill Clinic overall is 2,625 square feet and the Boothill Store occupies 525 square feet of this. The costs relating to the Clinic as a whole at 2005 outturn process are as follows.

	£
Utilities (heat, light & power)	6,410
Other Premises	8,520

As regards rent and rates, which are not included in the above figures, Clem suggests that £4.50 per square foot per annum is an appropriate commercial rate for the type of property concerned and its location. He also mentions in his note that telephones for the Clinic as a whole (10 lines) cost £6,900 per annum and one of these lines relates to the Boothill Store.

From a more general viewpoint, it is clearly going to be necessary to review the alternative options as regards the storage/distribution of EPO and dialysis fluids. In view of the suppliers’ letters and your findings so far, I have been in touch with Lou Pinn, the Manager at the Central Dispensary in the Royal Riverside Hospital, to see whether the Boothill Store operation could be centralised, with stocks of EPO and dialysis fluids being held and distributed from the hospital. Lou indicates that the storage and distribution of EPO is manageable, but dialysis fluids are too bulky and could not be accommodated. He suggests that the only other feasible option would be direct delivery of these by the supplier.

It appears therefore that two clear options are emerging.

1. Retain the current operation, but with prices based upon full recovery of all overheads and with systems weaknesses identified and addressed;
2. Move EPO storage and distribution to the Central Dispensary and arrange for direct delivery of dialysis fluids.

I have asked Lou to let you have costs for the ordering and holding/distribution of EPO through the Central Dispensary.

Marie Gold

Assistant Chief Executive

FILE NOTESpecialist Staffing

The Director of Planning, Information and Performance called with the following formulae for specialist renal dialysis staffing.

- Consultants - 1 per 55 renal dialysis patient slots
- Renal Engineer - 1 per 12 renal dialysis stations

Using this basis, I have calculated below the additional staffing implied by the renal dialysis development schemes reported to the RSG meeting in October 2005.

2007	Waterville Grassthorpe Smallbridge	1 Renal Engineer from 1 January 2007 1 Consultant from 1 July 2007 No extra requirement.
2008	Raceham Phase II	1 Renal Engineer from 1 July 2008
2009	Grassthorpe	1 Renal Engineer from 1 January 2009

In addition, of course, there is a full year impact in 2007 from the Raceham Phase I development.

The changes in shift patterns from 2 to 3 per day also impact upon Consultant staffing and these are detailed below.

2007	Raceham	1 Consultant from 1 January 2007
2008	Duchess of Lawnton	1 Consultant from 1 January 2008
2009	Beddington	No extra requirement.

To make sure, I verified these figures with Planning, Information and Performance.

Boothill Store – Visit

I am still trying to arrange a visit to Boothill Store and Marie Gold, the Assistant Chief Executive, has indicated that she would also like to come along. The problem at present is trying to arrange a suitable time, as, in the Manager's absence, the staff there are extremely busy.

Boothill Store – Accounts Receivable

The Commissioning and Income Manager returned your call and reports serious concerns about Boothill Store. Invoicing for supplies provided to other hospitals and for internal recharging has never been good and is now significantly in arrears. He says that, even when invoices are received, they are rarely correct, often containing arithmetic errors.

Lizzie Busy

22nd November 2005

MEMORANDUM

FROM ~ Chief Executive – Joe Ranium
TO ~ Director of Finance – Rhoda Dendron
DATE ~ 23 November 2005

Boothill Store Report

I had a regular meeting with fellow Chief Executives from all the Trusts within the SHA last week and asked about their suppliers for EPO and dialysis fluids. Most of the east area hospitals do indeed use the same suppliers as those servicing the Boothill Store and the prices charged were not out of line with those indicated in the recent letters from Floristry Pharmaceuticals and Mower Medical. The Chief Executives from the west area of the SHA were also very firm in wanting a continuation of the current joint service (and I gave a commitment to continue), although they were flexible as regards who delivered the supplies, providing that they arrived when required and that prices remained competitive.

I also spoke at length late last week with Marie about the Boothill Store situation and she explained to me the two options that appeared to be emerging. We agreed that these both needed to be examined, but that they should be evaluated against the following criteria.

- Service delivery to clients must not be affected;
- Prices charged for the two products must be on a full cost recovery basis;
- Prices charged must not be more than £26 per pack (EPO) and £9 per pack (dialysis fluids);
- As a result of clients' sensitivity to price, price should be a major factor in determining the preferred option.

I have asked Marie to speak with you about the final requirements for the report, as I know that you will want to look at the potential audit and related issues at the Boothill Store and the rest of the report is going to be largely financial in nature.

Thanks for your help.

Joe Ranium

Chief Executive

Copies – Assistant Chief Executive & Accountant (Corporate & Projects)

FILE NOTEStore Visit

I finally managed to get out to visit the Boothill Store yesterday with Marie Gold, the Assistant Chief Executive. We examined everything that was in the office and had an interesting discussion with Mick and Will, the two driver/loaders.

As expected, the paperwork is in a mess. The Store Manager appears to do everything himself – ordering, passing invoices for payment and raising client invoices. Stock control is nominally through a manual card system, but this is months out of date and there is no evidence of any physical stock checks against the cards. It really does call into question where the year-end stock figures come from, particularly as neither of the driver/loaders are aware of a physical check being made at any time. The two vehicles being used were apparently bought when the Boothill Store was established and, as you can imagine, both now have very high mileages and are subject to frequent breakdown, according to Will.

As requested, I also managed to establish a fair basis for allocating overhead costs between EPO and dialysis fluids and Marie agreed with my figures. It was not straightforward as dialysis fluids are very bulky, as you know, and require a lot of room, but EPO needs to be kept refrigerated and clearly this requires space for equipment, as well as using electricity. The bases agreed, however, are as follows.

	EPO	Dialysis Fluids
	%	%
Driver/Loader Pay Costs (both posts)	45	55
Rent & Rates	30	70
Utilities (heat, light & power)	40	60
Other Premises	30	70
Transport (vans - running costs)	45	55
Equipment (Refrigerators)	100	-

All other overhead costs, such as the Manager's pay and travelling, stationery/printing, telephones and central support costs are general ones, probably best apportioned pro rata to the resultant total costs from the above exercise.

Other Matters

Lou Pinn from the Central Dispensary called while you were out at lunch and gave me figures in respect of Central Dispensary order costs and holding costs for EPO. The figures at 2005 price levels are as follows.

	£
Order & administration cost (per order)	23.10
Holding cost (per pack per annum) ¹	11.00

¹ Covers storage, handling and delivery to sites and is charged on the basis of the average number of packs held.

He also confirmed my information from the Boothill Store visit that there should always be a minimum of one week's supply of EPO in stock (that is, a minimum holding of 1,000 packs).

Lizzie Busy

24th November 2005

ROYAL RIVERSIDE UHT



internal e-mail

From: Director of Planning, Information & Performance – Will Flower
To: Chief Executive – Joe Ranium
Cc: Director of Finance – Rhoda Dendron
Accountant (Corporate & Projects) – Kim O’Mile
Date: 25 November 2005 09.44
Subject: Renal Dialysis – Service Delivery & Quality Standards

Joe

Thanks for your call. I am very much aware that the new RSG Chair is starting to focus on service delivery, communications and quality standards on renal dialysis services.

As you know, there is a general acceptance nationally that there are weaknesses in these areas. It is only relatively recently that there has been detailed research into population profiles to establish more accurate future estimates of demand. It is also accepted that standards of service differ from SHA to SHA and even between hospitals in the same SHA! Patient communication and their involvement in planning and reviewing service delivery are also accepted as real weaknesses. In addition, there is very little retrospective review of developments undertaken and changes introduced. However, all these issues require resources if they are to be addressed and it is only in the last couple of years that funding has been made available.

The focus so far has been on population research for planning purposes, and attention has now turned to quality standards. A manual of best practice guidelines, the “State Service Framework for Renal Services”, has recently been published and work will now progress to implement this framework paper as soon as possible.

The issue of communications and consultation with renal patients is not as well researched and improvements here will be down to local initiatives. There are clear weaknesses at present and these will need to be addressed.

Will

MEMORANDUM

FROM ~ Assistant Chief Executive – Marie Gold
TO ~ Accountant (Corporate & Projects) – Kim O’Mile
DATE ~ 28 November 2005

Boothill Store Report

I met with the Director of Finance late last week to discuss the precise requirements for the above report and I set out below what was agreed.

The report, which should be addressed to the Chief Executive and take full account of the criteria set by him, will cover the following.

- A brief introduction and background, summarising the history and purpose of the Boothill Store, the aims of the current exercise and the criteria set in terms of suitable outputs;
- An assessment of the potential audit implications of the weaknesses in controls, the poor practices and the operational risks at the Boothill Store. The Chief Executive has specifically requested a detailed explanation of these issues.
- Revision of the Boothill Store 2005 “Budget” to take account of the full overhead costs of the operation, calculation of the resultant overall oncost to be applied, using the Store Manager’s methodology, and a comparison of the resultant price per pack for EPO and dialysis fluids with those established by the Store Manager;
- The calculation of the Boothill Store revised overhead costs on an apportioned basis over the two products, calculation of the overhead costs relating to each and a comparison of the resultant price per pack with those established by the Store Manager. Where you do not have any better information use the costs quoted by the Store Manager;
- A financial evaluation of the two options proposed, including an initial costing of both options and the testing of EPO delivery arrangements using what your Director of Finance called “Economic Order Quantity (EOQ) techniques” to establish whether there is a more economic delivery frequency and how this might affect pricing;
- A critical appraisal of the techniques used and of the results achieved;
- Conclusions and recommendations on the basis of the criteria set and taking account of all financial and non-financial factors.

On the Central Dispensary option (Option 2), assume that the staff at Boothill Store are redeployed and that the space vacated is taken over by the Boothill Clinic, so that there are no residual costs from this operation.

The aim throughout, of course, is to establish as accurately as possible the full costs for each product so that these can be reflected in the prices charged to clients. For a number of reasons, my own preference is Option 2, but price must be the primary determining factor.

Marie Gold

Assistant Chief Executive

ROYAL RIVERSIDE UHT



internal e-mail

From: Accountant (Support Services) – Chris Anthemum
To: Accountant (Corporate & Projects) – Kim O’Mile
Date: 29 November 2005 09.44
Subject: RSG - Standing & Variable Costs

Kim

Further to your call, I am pleased that your RSG strategic review project is now coming together, but that you need some cost bases for your projections. I understand that you already have 2005 outturn salary costs for the specialist staff involved and now need estimates for standing and variable costs in respect of new developments to complete your database.

Variable costs are straightforward. As you will see from the 2005 and 2006 projections, you should provide £4,000 per additional patient slot per annum.

Standing costs are slightly more complex as these differ between the main hospitals and the satellite units as follows.

- Main hospitals - £36,000 per additional patient slot per annum
- Satellites - £22,000 per additional patient slot per annum

The added complication is the new development at Duchess of Lawnton, which, with its clinic facilities, is a hybrid. I would suggest that you use £26,000 per additional patient slot per annum for this facility.

As you know excess demand is met on an ad hoc basis outside normal operational hours, usually during the night. The cost of this is £32,000 per patient slot per annum.

As you requested, all the figures given are at 2005 outturn price base.

You also asked about Central Support costs for the Boothill Clinic and a suggested apportionment for the Boothill Store that occupies part of the site. The Central Support costs for the site as a whole are £27,000 and I would suggest a 20% apportionment to the Boothill Store, as this reflects both staffing numbers and, I understand, floor area.

Good luck with your reports.

Chris

