

CELESIO / SAINSBURY'S PHARMACY BUSINESS MERGER INQUIRY

Summary of hearing with University Hospitals North Midlands NHS Trust on 11 February 2016

Background

1. University Hospitals North Midlands NHS Trust (UHNM) stated that its outpatient pharmacy serviced was outsourced. UHNM said that it decided to have an outsourced service when it moved into the Public Finance Initiative (PFI) Hospital build at its Royal Stoke site. It said it sought opportunities that took the less complex work out of its mainstream workflow. UHNM added that it was aware of the commercial advantages if its service was outsourced.
2. UHNM stated that the outsourced service had granted efficiency and service improvements.
3. UHNM stated that it was aware of other NHS Trusts that had outsourced their outpatient dispensing services. UHNM added that there were some Trusts that had considered structural change to that of a limited company, so the workflow could be segregated.
4. UHNM underwent a business planning process when it assessed its options. The plan to move to an outsourced service was approved by the Trust Executive Team & Business Planning Team, on the basis of a pilot first. UHNM went out for a competitive tender for the pilot, the tender was awarded to Lloyds Pharmacy.
5. The pilot lasted one year. UHNM said that it believed that the pilot demonstrated an improvement in quality and patient experience. It was based upon this that it decided to go out for a further tender for the service to be outsourced.
6. UHNM stated that there was a financial benefit to the Trust in having an outsourced service, in that from an HMRC point of view, there was a zero tax application. This advantage was shared with the Commissioning Teams through a gain-share agreement, and enabled the Trust to reinvest funds to other service departments.

Outpatient dispensing

7. UHNM said that when it first thought about an outsourced service, it looked at the experienced of other Trusts. Notwithstanding, UHNM said its decision was made upon its own methodology.
8. UHNM said that an outsourced service enabled the hospital to focus on inpatient requirements and stated that the benefits were visible within the Trust.
9. UHNM stated that patient experience had improved as a result of the outsourced pharmacy service. It said the environment where the patients waited was more pleasant and inviting, and offered new services, such as counselling rooms.
10. UHNM said that Lloyds Pharmacy, Boots and Sainsbury's bid for its full tender. It said the criteria it measured on had a weighted score based upon price, contract management and quality of service. UHNM stated that there was a significant gap in terms of score between the bidder that came first and the bidder that came second. It added that there was also a clear gap between the second and third bidders. It said Lloyds Pharmacy came first [✂].
11. UHNM added that it wanted a seamless service transition, so resilience was also an important factor it assessed. It said one of the key performance indicators it had in the contract was for the service to always be accessible.
12. UHNM stated that there were other providers that could have bid for its tender that did not. UHNM added that there may have been other players in the market; however, it was unaware of why they would have chosen not to bid had they seen the tender.
13. It said that if the merger was cleared and it had two bids from Lloyds and Boots, it felt that there was scope for a different third bidder. It said other pharmacy chains could bid, or smaller community pharmacies could group together as a consortium, in order to bid for outpatient dispensing contracts.
14. UHNM said it had considered an insourced service to set up its own subsidiary company to run its outpatient dispensing service. It said it spoke with Nottingham NUS Trust as this Trust pioneered that idea. UHNM said it decided against this option because it had a complex methodology. Additionally, UHNM was advised that this option was only available to Foundation Trusts, which it is not. UHNM added that the unfamiliarity of this option was another reason it decided against it.

15. UHNM said its wholesale medicines were provided by both AAH and Alliance. UHNM said that none of the bidders linked bids with the wholesale service it offered. UHNM stated that it approached its wholesale suppliers to ensure that the contract price under its commercial medicines unit and other contracts were opened up to the bidder who was awarded the tender.
16. UHNM stated that it felt the Lord Carter Report suggested a better focus on inpatient needs, so it believed it had taken a step in the right direction. It added that although it believed an outsourced service was the better option, it was aware that each Trust had different strategic priorities and circumstances, and so not all Trusts may want an outsourced service.