



# PCT Provider Arms

## Growing the right kind of legs to survive and thrive

As more and more PCT Provider Arms are moved to arms length, we want to explore the heart and soul of the legs that are required in order that they may stand on their own two feet – phew, that’s a lot of body parts for a first paragraph!

### Evolution towards a common form

Ironically, although everyone is talking about the diversification in healthcare with ISTCs, social enterprises, PCT provider arms, hospitals, Foundation Trusts and more, in truth there is convergence towards a singular being – PROVIDER. Presently, we separate providers as being distinctly different from each other but if we consider the direction being travelled, they will eventually operate on some common principles:

- They will collectively constitute the provider group for healthcare delivery
- They will be judged based on the value they deliver (which itself is a combination of clinical & cost effectiveness, coupled to patient experience)
- They will be remunerated for what they do, not what they cost (obviously there is a relationship)
- They will be responsible for their own destiny
- They will compete with each other

Arguably that places all providers in the same boat – the same boat that commercial companies have shared for a long time – that is the one where you have to stand on your own two feet or run the risk of a rapid descent to Davy Jones’s locker. The transition

for any healthcare organisation represents a significant change in culture but we wonder if that cultural shift is greatest at the PCT Provider level. Why?

### Coping with a new structure

As commissioning and provision get separated at the hip, in most cases it appears to be commissioning that gets both the legs (the Government gives it money to spend that includes running itself) and the head (the Board/ existing senior management structure appears to remain). For the provider that means new management, sometimes a new home and maybe a change in funding too. This is a considerable level of upheaval for any organisation and the expectation is that the day job continues to run smoothly whilst you grow new legs and get used to your new head.

### Losing your safety net

With separation goes the safety net. The safety net has been the principle of internal funding i.e. that the organisation holds the funds that it needs to deliver its service. Whereas that funding has traditionally been and will remain on a direct basis i.e. paid based on the actual costs incurred rather than the tariff-based system in hospitals, it is no longer guaranteed. By this, we mean that the provider must apply for funding, just like any other provider and is subject to other providers submitting a tender for the same funding. Whether a provider continues to keep its funding will be a function of the value it delivers in relation to other opportunities to spend the money or indeed other offers for the same service. To individual services, this means that poor performance becomes an enormous risk

factor for service demise, requiring providers to address and improve performance with much greater gusto than previously. We have a saying “there’s nothing like the risk of not getting paid to keep you on your toes” and that saying has increasing resonance for PCT provider arms.

### Learning to compete

So, PCT provider arms need to develop athletic legs. That is, they need to adopt the core principles of what we call Clinical Business Excellence – a balanced and comprehensive approach to all aspects of service success. Although everyone will identify their own components, services will only be sustainably successful by address the 6 core components:

- Clinical effectiveness
- Financial effectiveness
- Attraction effectiveness (acquiring the patients)
- People effectiveness
- Patient experience
- Strategic effectiveness

Drop the ball in any single area and it starts to impact all the others. The challenge for many Provider Arms is that when you remove the head and the legs, the core competency of the remaining body is clinical effectiveness and that’s the area that just allows you into the game.

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