

NHS Financial Turnaround – A Case Study

The word 'turnaround' in public finances was first used in 2005 when the then British Secretary of Health, The Rt. Hon. Patricia Hewitt M.P., was made aware by then Health Permanent Secretary Nigel Crisp of the potential for a £700 million deficit in the National Health Service's £80 billion budget. His department had earlier predicted a surplus of over £1 billion, therefore the projected budget deficit represented an almost £2 billion swing in the wrong direction for the NHS's financial health.

During a meeting in late October 2005, the Secretary of State demanded action to stem the financial crisis and put NHS Trusts on a firm and sustainable financial and operational footing. At that meeting, she asked for potential solutions to the problem. Ken Anderson, founding partner of Woodhaven, was present in his position as Commercial Director General and member of the NHS Management Board and suggested that his Commercial Directorate should design and implement a program to first halt the overspending and then work towards sustainable financial and operational excellence. He suggested this program be branded "Turnaround". On December 1st, 2005 in a statement to Parliament, Rt. Hon. Patricia Hewitt said, "I have made the decision to publish the (NHS Financial) data because I want to make it clear that inefficiency and poor financial management are not acceptable" and continued by referencing Mr. Anderson's program, "These teams will be experienced in resolving financial problems and managing NHS organisations. They will focus on ensuring the organisations deliver the efficiency and quality improvements needed to achieve both financial balance and better care for patients."¹ Working with the then NHS Finance Director, Richard Douglas, a senior partner from a large accounting firm was brought in to manage over 230 accountants who would eventually be deployed to turn off the financial tap and restore financial order.

The Commercial Directorate began to inject operational expertise alongside financial oversight and by the end of 2006, the NHS' finances had started to normalise. The exercise was a fairly draconian dose of complete stopping of unnecessary spending, supply chain optimisation which was already an ongoing Commercial Directorate Program, and driving efficiency into hospital utilization through stringent patient pathway adherence. The initial stages were necessarily binary in their deployment, but by 2006 the program had graduated from an accountant led exercise in damage control to a team based transformation exercise.

The NHS management had complained that the market based reforms being pursued by the Blair government were solely responsible for the 2005 financial crisis but what became clear was that the NHS had failed to address the need for simple financial control. Instead of understanding costs and spend associated with operations, they had become accustomed to asking for, and receiving, significant increases in operating budget. This had the unintended consequence of the NHS being able to spend its way out of trouble and allowed management to completely ignore the out

of control spending. Turnaround became the bedrock upon which change was implemented. Where Trusts struggled in the new landscape, capable advisors were parachuted in to first stabilize and then imbed financial, clinical and managerial best practice. Today, the NHS continues to struggle with financial planning and spend. However, there is now a new layer of management rising to top executive positions who have developed 1 £620m deficit predicted for NHS, BBC News December 1st, 2005 their skills within a sustainable financial and clinical environment.

The struggle with any transformation program is to create leaders who reflect the new reality and don't try to drag the organization back to where it came from. With any highly complex and large entity like the NHS, this process takes decades. Turnaround remains a central tool available to NHS England to continue the journey towards a better and more efficient NHS fit for purpose and free at the point of use.