

Joint venture partnerships between the NHS and the private sector to deliver pathology services are operating in relatively few areas of England. Will these arrangements stay comparatively 'small and beautiful', or is a climate emerging that favours much larger scale collaborations? **Ann McGauran** reports

Putting partnerships to the test

The case for reconfiguring pathology services into networks to bring economies of scale isn't a new one. It was presented in two reviews of pathology services by Lord Carter of Coles in 2006 and 2008. He said specialist and non-urgent tests should be done at a core laboratory for each network, with others sited where a rapid turnover was needed. If this were to happen he modelled potential cost savings of between 10% and 20% of the NHS annual spend on pathology services.

Lord Carter also said there was a strong argument in a number of areas of England for involving the independent sector in some form of partnership arrangement. In February 2016 he included pathology services in his review of productivity and efficiency in English non-specialist acute hospitals and identified it as one area with unwarranted variation in cost.

Four is the magic number

Despite the scope for savings and efficiencies, there are just four joint

ventures in England involving the independent sector and NHS providers. Integrated Pathology Partnerships (IPP) - a wholly-owned subsidiary of Europe's largest laboratory service provider Synlab - is the independent partner in two of them. They are Southwest Pathology Services in partnership with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust, and Pathology First in partnership with Southend University Hospital NHS Trust and Basildon and Thurrock University Hospitals NHS Trust.

The third, Viapath, is jointly owned by Serco, Guy's and St Thomas' NHS Foundation Trust and King's College Hospital NHS Foundation Trust. Finally, Health Services Laboratories (HSL) is a partnership including The Doctors Laboratory (TDL), which is owned by Australian clinical diagnostics organisation Sonic Healthcare Ltd. The NHS partners are University College London Hospitals NHS Foundation Trust (UCLH) and the Royal Free London NHS Foundation trust.

Ways to make omelettes

So why are there so few joint ventures of this type?

David Byrne is chief executive of TDL and HSL. He emphasised that joint ventures involving the independent sector aren't the only model of collaboration and that TDL has a long-standing relationship with the public sector.

'There are NHS networks that are successful. I certainly don't think there's only one solution to this. We have 38 laboratories and we've been working with the NHS for nearly 20 years, doing work up and down the country. We have some outsourced contracts and some specialist commissioning contracts (with the NHS). A joint venture is only another way of engaging with the public sector.'

He stressed the importance of companies finding the right joint venture, 'and it seemed to us that the opportunity came when UCLH and the Royal Free joined forces and went out to the market. They were the types of partners we were attracted to'.

It's been clear to international businesses operating here that the growth in this market is slow when they enter, he added.

In England, he does see a movement towards consolidation, with one driver being the development of sustainability and transformation plans (STPs) across 44 local 'footprint' areas.

This summer NHS hospital trusts were told by NHS Improvement (NHSI) to produce plans for reconfigurations including consolidation of pathology services across the STP areas. This is in an effort to slash the NHS provider sector's 2016/17 deficits, which according to research by *Health Service Journal* in November are forecast to be in the region of £850m - around £270m worse than planned.

'So we know through NHSI, their agenda is to see either regions, sub regions or super regions consolidating pathology to get efficiencies. There's a



Author of two pathology reports, Lord Carter of Coles

drive from the centre to do that.'

Get ready for growth

Mark Magrath is director of Magrath Consulting Ltd, which specialises in advising on pathology outsourcing and joint ventures. He believes pathology joint ventures 'will get bigger and not stay small'. In his view the days of the stand-alone NHS hospital trust laboratory are numbered. 'They won't be able to survive. They won't be able to reach the price point commissioners will want, and they won't be able to recruit staff. I think with the impending workforce crisis there's a good case to have really large laboratories so the current volume of staff isn't needed.'

The kind of analytical automation of pathology testing he's seen in 'large hub labs' in Europe can't be justified for only one or two hospitals, he added. 'Because it's expensive it needs real scale.' He said the large international pathology businesses are able to buy reagents and

The days of stand-alone NHS hospital trust laboratories are numbered

consumables 'at about 40% less than I've seen in the NHS and they're doing that because they're buying in such scale'.

He sees a firm role for private partners. He said joint ventures without private partners 'are tending to run into trouble'. In the summer, Cambridge University Hospitals withdrew from The Pathology Partnership - an NHS joint venture involving six trusts. The partnership had a £15m deficit in 2015/16.

In his view, NHS trusts who don't 'get in early' to a joint venture are likely to come in as a customer - outsourcing their pathology to a joint venture that's part NHS and part private - rather than as a partner.

Yeovil District Hospital NHS Foundation Trust is one of two NHS partners in the Southwest Pathology Services venture with iPP/Synlab. Paul Mears, the trust's chief executive, is already on record

as saying that the joint venture was developed with scale in mind.

Dr David James is clinical director of Southwest Pathology Services. Would other NHS trusts join the joint venture as customers or as partners? 'I think it would depend on what those potential trusts wanted. I could imagine some might say they want to get rid of the problem and become a customer while others might say I want to be in some sort of partnership arrangement.'

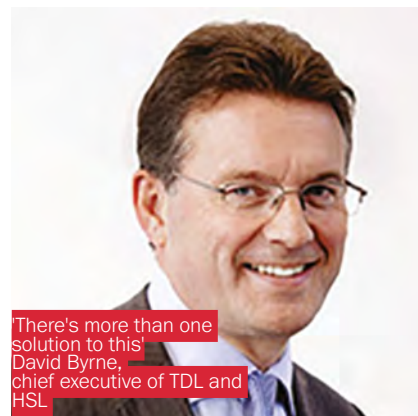
He said he had no doubt that the consolidation of the pathology services required in a 'relatively even' population density of two to three million 'would save a fortune' but becomes more difficult when populations are more dispersed. He believes the number of joint ventures will increase.

Chief executive of TDL and HSL David Byrne is certainly focusing on growing his joint venture's business and is actively seeking future opportunities. HSL is building The Halo - an 'absolutely state of art' laboratory in central London where specialist diagnostics will be consolidated. All of the molecular laboratories will be consolidated in a new molecular suite. 'Molecular diagnostics is where it's going, and we want to be ready for the future.'

Current customers include North Middlesex University Hospital NHS Trust and Cambridgeshire Community Services NHS Trust. The joint venture isn't dismissing the option of new partners, but at the moment the focus is on having new customers. 'It's on utilising this asset that we've all invested in to maximise the capacity that we've got.'

What's the basis for a successful pathology joint venture with the public sector? He stressed Sonic Healthcare's 'very strong clinical ethos' across its global business. He also pointed to Sonic/TDL's experience in restructuring laboratories on a small and large scale for the last 15-20 years 'and more in the last ten both in the public and private sector'.

He concluded: 'It's experience of doing that, and that's then supported by this global pathology company which has gone through exactly the same thing. But the key for us is it's all got to be clinically-led.' It seems there's room in this market for clinically-focused businesses prepared to invest for the long game.



'There's more than one solution to this'
David Byrne,
chief executive of TDL and
HSL



Pathology joint ventures will
'get bigger'
Mark Magrath,
director of Magrath
Consulting Ltd



Consolidation could 'save a fortune'
Dr David James,
clinical director of Southwest
Pathology Services