

# Brexit, Suppliers & Health IT Spend

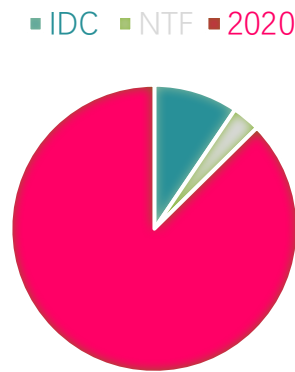
The United Kingdom (UK) faces uncertainty in its financial and political future as it prepares to leave the European Union. However, the National Health Service (NHS) is in the midst of an expansive digitisation process aimed at securing a paperless, interoperable state for 2020 and beyond. This white paper explores the key challenges and opportunities for health IT suppliers in the post-Brexit economy.

## Financial Forecasts

Part of the fallout of the UK's referendum result has been a flurry of forecasts about the future growth of the economy with analysts predicting a slowdown ranging from 0.4% to 1.5% in 2017. However, the NHS as it stands faces its own financial challenge as it aims to prevent a near £30bn funding deficit by 2020.

A key resource to reduce this deficit is increased investment in information technology (IT) to enhance the productivity of NHS organisations. This was initially exemplified by the £239m spent by the NHS as a part of the Safer Hospitals, Safer Wards Technology Fund (SHSW) which subsequently became the Integrated Digital Care Fund (IDC) up to 2014 and the Nursing Technology Fund (NTF). Previously, Tim Kelsey, the former director of patients and information, had claimed that an appropriate investment in technology could secure efficiency savings of up to £13.7bn. This level of expectation led to a request for funding as a part of the comprehensive spending review in excess of £5bn. Subsequently, NHS England announced five-year funding measures valued at £1.8bn to deliver a paperless NHS.

Access to funding will be scrutinised according to the digital maturity of health organisations, the status of their Local Digital Roadmaps (LDRs), the quality of their Sustainability and Transformation Plans (STPs) and, finally, individual business cases. However, it is clear that scrutiny of tangible productivity gains will become a key procurement differentiator.



**Figure 1.0** An illustration of the relative values of funds committed to NHS health IT spending.

## Where's my £350m?

During the referendum campaign the Vote Leave camp explained that £350m per week was being spent as part of EU membership.

They therefore estimated, when accounting for the EU rebate, that nearly £100m could be diverted to the NHS instead.

This has been a source of much debate and clarification since the Brexit result.

## The Key Challenges

### The Political Landscape

A significant part of the uncertainty surrounding Brexit is due to the political fallout that has occurred since the vote. The storm has somewhat subsided, after former Home Secretary Theresa May took over from the incumbent Prime Minister, David Cameron. However, the question of when Article 50 (to formally leave the EU) is exercised and what deal will be negotiated remains unclear.

On the other side of the Commons, there is little stability. The Labour party finds itself in a state of turmoil with a coup, at the time of writing, from a number of the Shadow Cabinet and backbenchers underway, and the Scottish National Party is already discussing the possibility of a second Scottish referendum for independence from the rest of the UK.

It is quite clear though, that the future of the NHS will be a major debating point in the coming few months as the major UK parties re-assess their leadership in the light of the referendum result.

### The Current NHS Position

The Brexit vote is likely to shine an even brighter light on the current financial and operational state of the NHS. There is a predicted funding gap of £30 billion due by 2020-21, of which £22 billion was due to be filled by efficiency savings, noted in the Five Year Forward View, and the remaining £8 billion through a transformation fund, front-loaded in this parliament.

However, last year, the acute NHS sector alone generated a deficit of £2.4 billion which was not accounted for in those calculations. It is expected that some, if not all of that, will be filled from the transformation fund which raises questions about

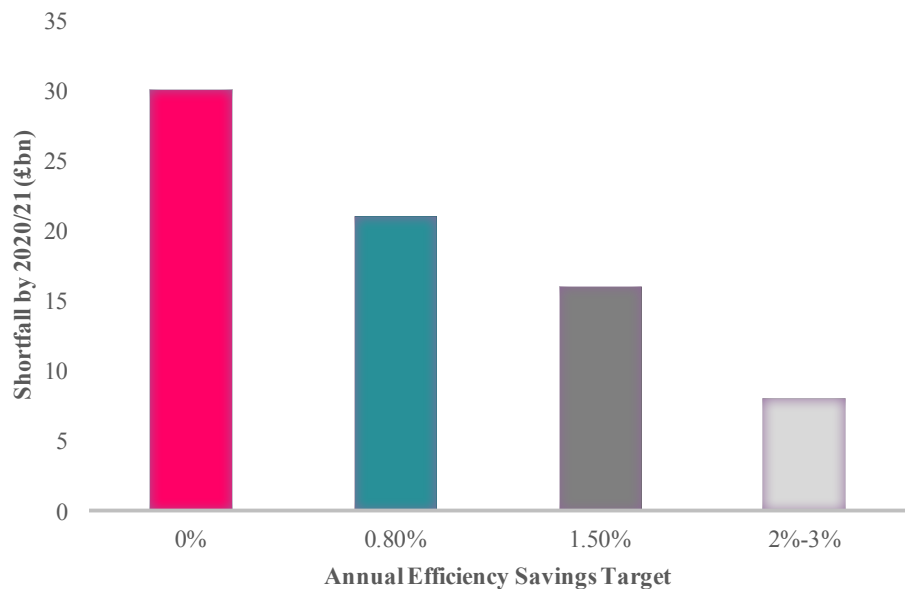
## What about digital maturity?

Recently, the results were announced of NHS England's Digital Maturity Assessment (DMA). This was a self-reporting tool providing details of the digital maturity across acute, community, mental health and ambulance services in England.

The results covered a broad range of areas including ePrescribing, electronic health records, core infrastructure, leadership and governance capabilities.

any funding earmarked for technology (such as the next steps for the Sustainability and Transformation Plans and the Local Digital Roadmaps).

As we have seen in the past, unforeseen circumstances have led to the capping or abandonment of technology specific funds, so the further financial uncertainty can only make us wary about the future integrity of any technology related schemes.



**Figure 2.0** An illustration of the assumed savings forecast as a part of the Five Year Forward View.

### The Unknown of Everything

Being so close to the time of the vote means that uncertainty is reigning currently. It is not clear how a vote to leave the EU will affect things such as staffing levels (as EU nationals account for 5% of the workforce), funding of treatment of EU nationals here and vice-versa (such as the European Health Insurance Card scheme) and even data protection (a significant proportion of NHS data in some form is stored on servers based in Mainland Europe).

For suppliers, the issue of OJEU will also rear its head. For procurements over £106,000 (this number changes each year), suppliers are legally bound to go through a detailed, standardised process which is meant to ensure transparency and clarity of purchase. Whether the UK will continue to be a part of this framework or adapt its own bespoke procurement principles remains to be seen.

However, it is our prevailing view at AbedGraham that the referendum will, in fact, create an enhanced market dynamic for the procurement of enterprise health IT solutions if suppliers adapt their commercial operations appropriately.

## The Challenge for Suppliers

### Making the Case

The first step that all suppliers must consider is their ability to justify any spend. This has always been a pressing concern for the NHS but, in these times of uncertainty, although spending will continue, it will be with suppliers that have the most robust business cases. All business cases must become more sophisticated than mere accounting exercises addressing FTE savings. Detailed analysis must be provided that adheres to NHS contractual standards & obligations, clinical outcomes & service delivery and risk & information governance.

### Realising Benefits

Benefits realisation is an increasingly important part of NHS project management but is often fraught with challenges and especially resourcing issues. Suppliers must not only be able to articulate a robust business case but also project manage a benefits realisation process. In order to justify any spend, it is critical that there are milestones which can illustrate outcomes and not just technical achievements. Again, suppliers should have the requisite expertise and process management to deliver such a process which can be linked to clinical and operational returns on investment.

### Stakeholder Engagement

As a part of the enhanced scrutiny of procurement processes, suppliers will need to have the necessary expertise to engage a broad range of stakeholders beyond IT leadership. This will increasingly include clinical, operational and risk leadership. Clinical decision makers will determine which projects within which departments receive funding and what the optimum objectives of these projects will be. Aligning **supplier solutions with these through an engagement model is critical** and will not only enhance relationships but often unlock necessary budgets and resources to support the successful procurement and adoption of solutions.

## How does Clinical Risk fit in?

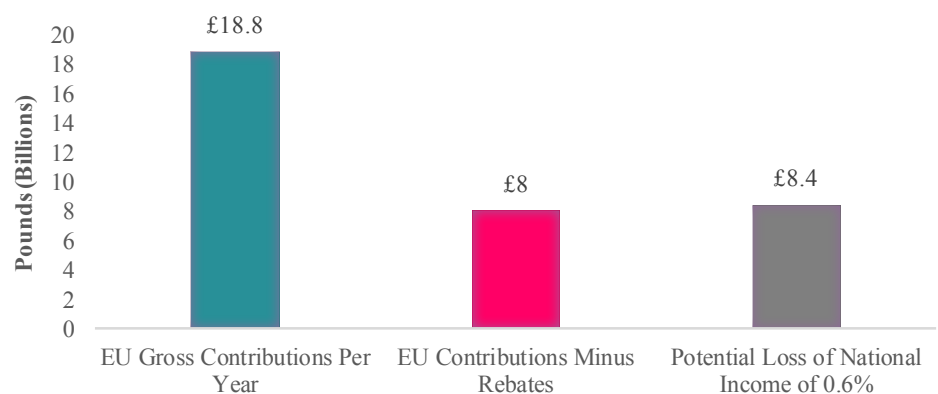
The NHS has had standards on Clinical Safety in IT for many years, but only now is it truly gaining traction with it being represented in mandatory standards and procurement applications

Suppliers are expected to appoint a Clinical Safety Officer and to constantly update their risk management portfolio with each product and each installation.

## The NHS: A Wider Context

### Funding

Being a public sector organisation, the NHS relies almost entirely on government funds and is therefore directly reliant on the prosperity of the UK economy. Brexit is forecast, by several high profile sources, to cause slowed growth and even the possibility of a recession. Vote Leave argued that savings from EU contributions (i.e. total amount paid minus the rebates, c. £100 million per week) could be spent on the NHS. While theoretically possible, the IFS has suggested that a reduction in national income of as little as 0.6% would effectively negate these savings. Clearly, any further reduction in spending on healthcare will be extremely difficult for a service that needs to produce efficiency savings of £22 billion in the next 5 years whilst continuing to improve standards.



**Figure 3.0** An illustration to show the relative size of EU contributions compared with national income.

### Procurement

Till the UK formally exits the EU, it will continue to abide by current EU directives on competition and procurement. Many EU directives are transposed into national law, and therefore unless formally repealed these laws would stand even after Brexit. If standard single-market access is retained, changes would be unlikely. However, depending on the trade deal, the government may have scope to diverge from existing arrangements. The breadth of this scope will ultimately be decided by how closely integrated the UK remains with the EU.

In healthcare, this would mean the potential to modify the Procurement, Patient Choice & Competition Regulations, the Competition Act, and NHS Improvement's (formerly Monitor) provider licenses, which exist to prohibit anti-competitive behaviour by the NHS. Any changes to existing arrangements will require careful scrutiny to ensure vendors can remain competitive and avoid losing out on potential contracts.

## How would reduced funding impact the NHS's digitisation plans?

In the event that funding is reduced it is unlikely that the digitisation initiative will be affected since it is seen as a key way of producing part of the £22bn efficiency savings.

However, tightening of budget will mean increased scrutiny of each purchase, which further highlights the need for a solid business case.

## Regulations

Like with procurement, full single-market access will likely require minimal change. Several regulations directly impact healthcare, for example the well-known EWTD (European Working Time Directive). Another increasingly significant area is the data protection law, which in the UK, is wholly based on EU law. The EU recently published revised regulations, the General Data Protection Regulations (GDPR). EU members are required to become compliant from May 2018. Uncertainty will remain over Britain's adoption of this regulation since Brexit is unlikely to complete by May 2018.

Therefore, as with procurement, it would be advisable for IT vendors to ensure they are prepared to comply with the new regulations to reduce the risk to themselves and their customers of fines up to €20 million or 4% of annual turnover. The likelihood of the UK government developing home-grown laws is small, given the need to subsequently negotiate a USA "Privacy Shield" type agreement. However, it would be prudent for vendors to follow this issue closely and ensure they remain up to date as negotiations with the EU begin.

## About AbedGraham

AbedGraham is the UK & Ireland's leading, exclusively clinically based, healthcare IT strategy, operations and risk consultancy. The organisation's combination of clinical and strategic expertise is utilised by global IT infrastructure industry leaders to shape corporate strategies, clinical engagement and leadership initiatives, business case developments, major project bids and project management processes to maximise the positive impact of their solutions for healthcare providers. For more information, visit <http://www.abedgraham.com> or follow on Twitter at @AbedGraham.

## Contact the Authors

**Dr Saif F Abed** BSc MBBS MPhil, Founding Partner, AbedGraham

E-mail: [sabed@abedgraham.com](mailto:sabed@abedgraham.com)

**Dr Gabriel K Ma** MBBS MRCPsych, Clinical Strategist, AbedGraham

E-mail: [gma@abedgraham.com](mailto:gma@abedgraham.com)

**Dr Akshay Garg**, BSc BMBS, Clinical Strategist, AbedGraham

E-mail: [agarg@abedgraham.com](mailto:agarg@abedgraham.com)