

Meeting: Joint Health Overview and Scrutiny Committee

Location: Greenwich Council, Woolwich Town Hall

Date: Monday 22nd July 2019

Title: Update on Commissioning of Pathology and Diagnostic Services

Presenter: Julie Lowe and Tom Henderson

Summary:

In September 2017 all south east London provider Trusts and Clinical Commissioning Groups (CCGs) formed a Pathology Programme board to drive transformation of pathology services by developing a network model to deliver pathology tests and results.

The development of a network was in response to NHS Improvement's ask of all hospital trusts in England to create pathology networks to drive efficiency and reduce variation. In addition, Guy's and St Thomas' NHS Foundation and Kings College Hospital NHS Foundation Trusts' current contract with their pathology provider, Viapath, was due to end in September 2020 and a new provider needed to be sought, under a new network model.

In August 2018 the programme launched a procurement to find a pathology provider able to deliver a high quality and efficient network model for the participating organisations: Guy's and St Thomas NHS Foundation Trust, Kings College Hospital NHS Foundation Trust, Oxleas Foundation Trust, South London and Maudsley NHS Foundation Trust and the six South East London CCGs.

The south east London JHOSC was updated on the progress of the programme and the launch of the procurement in September 2018.

Lewisham and Greenwich NHS Trust did not join the network procurement and are developing alternative network arrangements outside of south east London.

This paper provides an update to all stakeholders on the progress of the procurement of a provider to deliver the network model and the expected timescales for contract award.

Action Required

Members are asked to note the update on the progress made in developing the south east London pathology network.



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South East London Pathology Programme Update

1. Scope and Purpose

The purpose of this report is to provide an update on the procurement of the South East London (SEL) Pathology service to those with an interest in this programme. This update will cover the following areas:

- A description of the changes to the strategic context and the scope of the procurement since the Strategic Outline Case (SOC)
- A high-level overview of the progress of the procurement
- An update on the Trust Board approval process
- An update on the approach to CCG decision-making

2. Updates to the Strategic Context and Scope of the Procurement

As described in the SOC presented to Trusts' Boards in January / February 2018, the SEL Pathology programme is part of a national programme overseen by NHS Improvement (NHSI) to improve quality, reduce variation and improve efficiency of pathology services. NHSI's model identified 29 potential pathology networks nationally. For SEL the NHSI pathology hub and spoke network aligned directly with the SEL STP footprint. The SOC recommended the development of a new STP specification to deliver the required pathology hub and spoke model, and the launch of a competitive dialogue procurement process to award this contract to a pathology provider or partnership.

Based on the recommendation in the SOC the Trusts agreed to proceed with a competitive dialogue procurement, with authority delegated to the SEL Pathology Programme Board, subject to approval by Trust Boards at four Gateway stages:

- Gateway 1: Trust Mandate to take forward procurement (approval of SOC)
- Gateway 2: Trust Mandate to launch formal tender process
- Gateway 3: Trust Mandate to issue the request for Best and Final Offers (through approval of an Outline Business Case, OBC)
- Gateway 4: Trust Mandate to award contract (through approval of a Full Business Case, FBC).

To ensure appropriate consideration and transparent evaluation of potential options for the new service, the Programme Board agreed that all options would be evaluated against the same criteria and go through the same single procurement and business case process. Therefore, the Programme Board proceeded with the development of a specification for the new SEL STP Pathology service and designed a procurement programme that could accommodate the range of potential options to deliver this specification. The SEL Pathology Programme Board presented the recommendation to Trust Boards in July 2018 (Gateway 2) to:

- Launch the procurement under a single "Lot" structure and timetable agreed by the SEL Pathology Programme Board
- Reserve the option to de-scope services during the dialogue process and introduce a multilateral decision-making process with all participating Trusts through the SEL Pathology Board



The Boards of GSTT and KCH approved these recommendations and confirmed their involvement in the procurement process as Core Contracting Authorities. The Board of Lewisham and Greenwich NHS Trust (LGT) confirmed that LGT would not be part of the formal procurement. However, given LGT's close clinical links with GSTT and KCH as tertiary referral centres for LGT patients (particularly patients on a cancer pathway), the Board of LGT confirmed its intention to include these specialist volumes in the SEL pathology service procurement.

The OJEU notice for the procurement of the new SEL STP Pathology network service was launched on 15th August 2018 (based on a 15-year contract term). Prior to publication of the tender, several other organisations expressed an interest in joining the procurement process, and were named in the OJEU notice.

2.1 NHS England Genomics Testing Services

In parallel with the work to define the SEL pathology service, a national procurement programme has been running to award contracts for 7 NHS Genomic Centralised Laboratory Hubs, that will deliver core and specialised genetics testing services for populations of 3.1 to 6.9 million patients. GSTT leads the consortium that was awarded the contract for the London South Genomics Hub, with Viapath named prime sub-contractor as the current incumbent supplier delivering the majority of high-volume work and reporting.

GSTT has agreed with NHS England that any new provider of the SEL pathology service would take on the responsibility for the NHS Genomic Testing Services contract for the London South lot. Therefore, the OJEU notice highlighted the potential requirement for the pathology provider to act as a sub-contractor to support the London South Genomics Consortium.

3. Update on Progress of the Procurement Process

Following issue of the OJEU notice in August 2018, standard selection questionnaires (SQs) were provided to prospective bidders that expressed an interest in the procurement. Subsequently, based on the evaluation of the responses to those questionnaires, at the end of October 2018 the three highest scoring bidders were invited to respond to the specification. This specification included detailed requirements for a set of KCH and GSTT "Ultra-Specialist Services", that the Trusts had highlighted as requiring different treatment within the contract due to specific factors (e.g. close integration with clinical services).

The short-listed bidders submitted Initial Bids in mid-December 2018. Following a period of review, the first phase of dialogue took place with the short-listed bidders to discuss the bidders' proposals. Subsequently, bidders submitted Revised Initial Bids on 1st March 2019, which were evaluated against the agreed evaluation criteria.

All three bidders have been invited to submit Detailed Bids for the second dialogue phase, where the bidders' proposed operating models, commercial models and proposed pricing will be discussed in more detail. Following an evaluation of updated proposals developed following this dialogue, a final short-list of bidders will be invited to submit Best and Final Offers (subject to approval by Trust Boards at Gateway 3, as outlined below).

The Programme Board is currently engaging with regulators (including HMRC, DHSC, the Competition and Markets Authority and NHSI) to manage any regulatory requirements for the subsequent contract award.

4. Overview of the Trust Board Approvals Process

As highlighted above, at the SOC stage in January / February 2018, the Trusts approved a 4-stage gateway process for the development of the Outline Business Case (OBC) and Full Business Case (FBC) for the new SEL Pathology service. At Gateway 2 (in July 2018) GSTT and KCH approved the launch of the procurement process.

At Gateway 3, an OBC that describes the financial, commercial and operating models developed through the procurement process, as well as the plan to manage the implementation of the new contract, will be presented to the Trusts' Boards for approval. The OBC will also provide indicative pricing for the Direct Access Pathology (DAP) service, to support the CCGs' decision-making on contracting for this service.

Approval of the OBC by the Trusts' Boards at Gateway 3 will provide the mandate to issue the request for Best and Final Offers to short-listed bidders. Following evaluation of these Best and Final Offers, an FBC will be presented to the Trusts' Boards at Gateway 4 to approve award of the contract for the new SEL Pathology service to the preferred supplier. This will initiate a period of transition, where the selected supplier will prepare to start delivery of the new contract for the SEL STP pathology service from the Service Commencement date of 1st October 2020.

5. An Update on CCG Decision-Making for Direct Access Pathology Volumes

The 6 SEL CCGs were each individually named in the OJEU notice launched in August 2018, as contracting parties. This offers the opportunity for each CCG to either hold a contract directly with the chosen provider, or through Trusts. In the Invitation to Participate in Dialogue released in October 2018, bidders were asked to provide prices against both contracting options.

The recommended pathology service model, contractual model and price developed through the dialogue process will allow each CCG to decide on the contractual arrangement that best delivers value for money and meets GP and CCG commissioner needs. The timing of CCG decision-making will be aligned with the availability of the appropriate information from the procurement programme to support these decisions.

The programme will continue to actively engage with the CCGs and Primary Care in the second dialogue phase, to provide visibility on the emerging offer for Direct Access Pathology.



6. Programme Plan and Key Decisions

The high-level plan for the SEL Pathology Programme is included in Appendix 1. Subject to this timeline, the forward plan of key decisions to complete the award of the contract for the new SEL pathology service is outlined below:

Key decision	Planned Date
Confirmation of bidders to invite to Best and Final Offer stage (based on evaluation of Updated Detailed Bids at the end of Dialogue Phase 2)	05/09/2019
Approval of Outline Business Case (OBC) by Trusts' Boards to approve: <ul style="list-style-type: none"> • Issue of request for Best and Final Offers to final short-listed bidders • Final service specification 	September 2019
CCGs' preferred contracting arrangements for Direct Access Pathology	September 2019
Programme Board confirmation of preferred supplier for the SEL pathology contract (based on evaluation of Best and Final Offer responses)	13/12/2019
Approval to award the contract to the preferred supplier (through Trusts' Boards approval of the Final Business Case)	31/01/2020



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