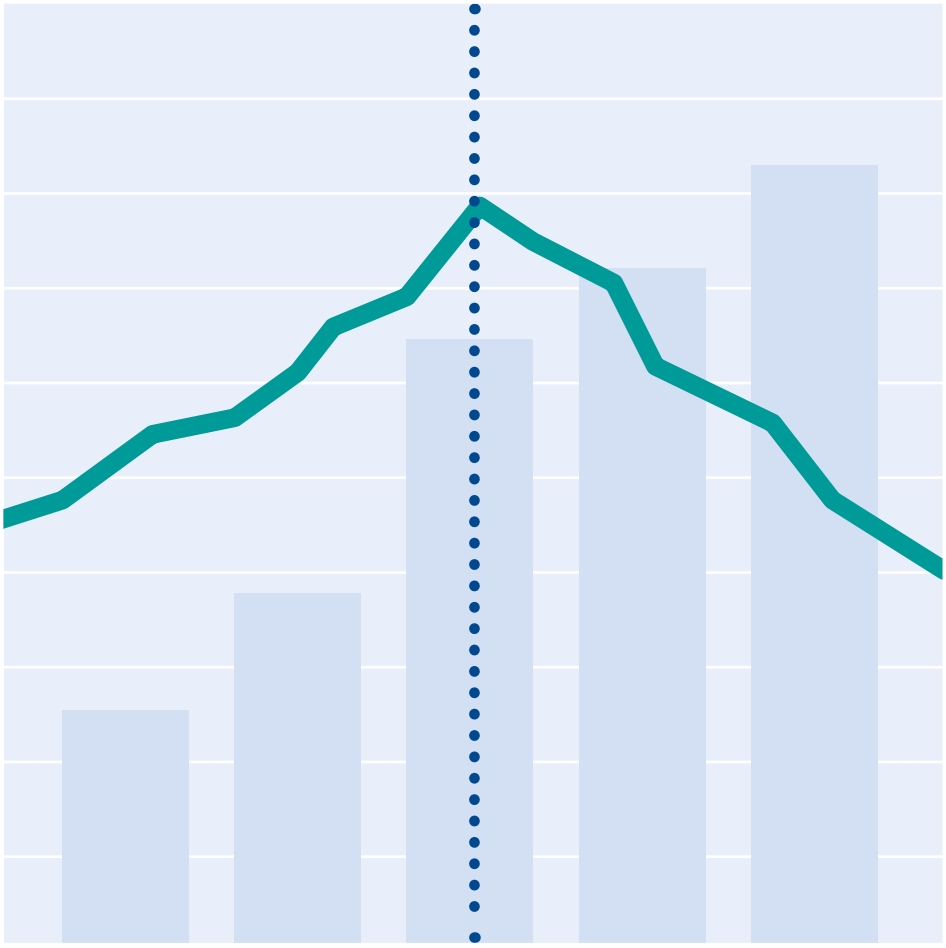
NHS Professionals

National Trends | Special Edition June 2016



Are the Agency Rules working?

Introduction

NHS Professionals works with Acute and Mental Health Trusts across the country, supporting their temporary staffing needs for a variety of staff groups. Through that engagement, we see not only the bank shifts, but also most of the agency usage related to the staff groups that we serve in that area. The experience of working with more than 100 NHS Trusts has given us a clear insight into those initiatives that are effective for the NHS and generate savings.

There is no escaping the fact that the last three years have presented their own particular difficulties with temporary staffing, for recruitment of both permanent and temporary staff in the NHS. An increase in demand for experienced staff in a market which is under-supplied has left its mark.

We have seen both substantive staff and bank workers migrate to staffing agencies, principally for more money. We have seen NHS Trusts struggling to recruit full-time staff. These trends have created huge extra demand for temporary shift-fill. We have seen NHS Trusts engage in bidding wars for temporary staff, particularly in theatres and other critical care disciplines, but also in general nursing and even in health care support roles. We have also seen strange behaviours: Trusts resorting to allowing their own substantive staff to work additional hours through expensive staffing agencies in the effort to fill their rosters. This destabilised the workforce and added to Trust deficits.

A BRAVE NEW WORLD

But now, the world has changed. Following the Secretary of State's announcement in July 2015 to address agency spend, **NHS Improvement** introduced a series of measures around rate caps, framework usage and individually negotiated ceilings on agency expenditure. This represents a genuine opportunity for NHS Trusts to regain control.

Supporting around a quarter of NHS Trusts across acute, community and mental health, NHS Professionals is in a unique opposition to be able to reflect what is actually happening in the NHS temporary staffing arena as a result of these changes. Many of our client Trusts have taken up our recommendations and are already seeing the benefits materialise. Others have been slower to change.

EVIDENCE

In this Special Edition of National Trends we showcase some examples of 'the best we have seen' and provide evidence to support our judgement of the impact. We believe the evidence to be compelling and thought it worth sharing.

WHAT'S WORKING?

Collaborative working in critical care

Since 2012, a group of Trusts in the Manchester area has been collaborating through the NHS Professionals' Agency Partner Programme where they negotiated preferential rates with eight Agency Partner Suppliers. Over the next three years, despite agency rates increasing nationally, the group held these rates by working closely together. As a result, the group saved an estimated £3m on their general nursing agency costs.

Supported by the announcement of Agency Rules by NHSI in 2015, the group worked together to realign agency rates to the proposed caps. They also agreed to match bank pay in critical care areas (theatres, A&E, HDU, ITU, Paeds) to encourage workers to return to the NHS and the Trusts' banks managed by NHS Professionals. Despite increased shift demand, shift-fill rates improved while agency use was reduced and agency rates fell. And, of course, all Trusts involved made substantial savings on their temporary staff budget.

The list below shows the improvements seen in critical care from the Manchester collaborative Hub:

- Bank fill more than trebled in volume and percentage
- Agency volume down by 43%
- Unfilled volume down by 19%
- Costs reduced by more than £2.5M during the period
- Net monthly saving of £120k (comparing 9/15 with 4/16)
- Critical care bank fill rate increased by half
- Agency hourly rates reduced by 15%

BENEFITS

From across our client Trusts, here are just a few of the examples of real benefits that we have seen:

- Dramatic change in agency use in critical care across an entire health economy resulting in a 39% reduction in spend because a Director now authorises shifts before agency can fill them.
- One North West based Trust has excluded all agency staff from healthcare assistant roles, resulting in a 38% reduction in agency spend coupled with better bank fill rates.
- A 45% saving from a £2 million agency budget by simply stopping substantive staff working through agency at their own Trust.
- An 89% reduction in agency spend by targeting short-notice bookings raised after the event.
- An 82% reduction in agency spend by simply deploying a robust NHS Improvement "break-glass" procedure.

There's much more for you to consider inside which I hope you will find helpful. The 'best we have seen' seems to have a common theme - engaged leadership and a determination to engage front-line teams in changing behaviours.

And of course, we would be delighted to hear and publish your stories.

Nick Kirkbride
Chief Executive, NHS Professionals

ABOUT THIS REPORT

This *special edition* of National Trends has been drafted to highlight the effects of the special measures recently imposed on all NHS Trusts to help reduce their expenditure on staffing agencies.

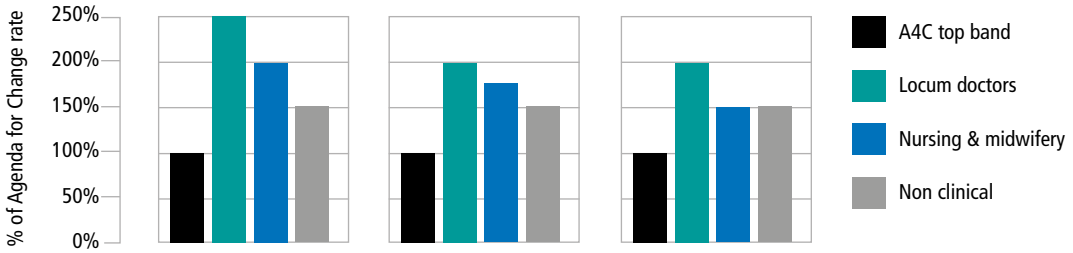
As a consequence, we have seen real success stories across our NHS Trust client base. By applying common sense and sharing experience, they have reduced their dependence on agency supply and reduced their expenditure on agency use to fulfil gaps in their staffing rosters.

This report focuses mainly on the results we have observed in nursing and midwifery up to April 2016. It only reports the changes we have observed in NHS Professionals' clients, comprising approximately 25% of the NHS secondary care sector. The agency caps are now well established in this market and we can share some observations where performance has changed. It is too soon to see how effective the caps will be in regulating agency rates in the locum doctors market.

BACKGROUND

In June 2015 the Secretary of State for Health announced that they were going to address temporary staffing within the NHS, and it was clear that this could significantly change the market. The Regulators, NHS Improvement, introduced a number of measures following instruction from the Secretary of State for Health to ensure best value was being procured for temporary staff in the NHS.

NHS Improvement (NHSI) is the NHS regulatory body responsible for overseeing foundation Trusts, NHS Trusts and independent providers. Their aim is to support providers to give patients consistently safe, high quality, compassionate care within local health systems that are financially sustainable. By holding providers to account and intervening when necessary NHS Improvement helps the NHS in meeting both its short-term challenges and securing its future.



September 2015

Agency ceiling set for each NHS Trust

November 2015

February 2016

April 2016

Agency framework compulsory

May 2016

CCS agency framework launched

July 2016

Agency worker pay cap

Ambulance Trusts affected

The stated aims of the NHSI measures were intended to;

1. **Significantly reduce agency spend**
2. **Improve transparency on agency spend**
3. **Bring greater assurance on the quality of agency supply**
4. **Encourage staff to return to permanent and bank working**

A brief run through the NHSI measures (also referred to as "Agency Rules") follows:

- In **September 2015**, Trusts were set individual expenditure ceilings for agency nursing staff. From 1 April 2016 these ceilings applied to all staff groups.
- From **1 April 2016**, all staff groups had to be procured through NHS Improvement approved frameworks.
- From **1 April 2016** caps on the hourly rates paid for agency staff were tightened (set at 55 percent above basic pay). Prior to this date NHS Improvement transitioned through two step changes in November 2015 (set at 150 per cent above basic pay for junior doctors, 100 per cent for other medical and all other clinical staff, 55 per cent for non-clinical staff) and February 2016 (to 100 per cent for junior doctors and 75 per cent for other medical and all other clinical staff, remaining at 55 per cent for non-clinical staff).
- There is a **'break glass'** provision for Trusts that need to over-ride the caps on exceptional 'safety grounds'. Shifts exceeding the caps are reported to NHS Improvement weekly, with retrospective adjustments reporting for a period of four weeks.
- The caps on hourly pay rates will extend to ambulance Trusts and a cap on worker pay will be introduced from **1 July 2016**. Caps do not apply to substantive or bank staff. See graph 2.
- Compliance is a condition of access to the Sustainability and Transformation Fund.

NHS TRUST RESPONSE

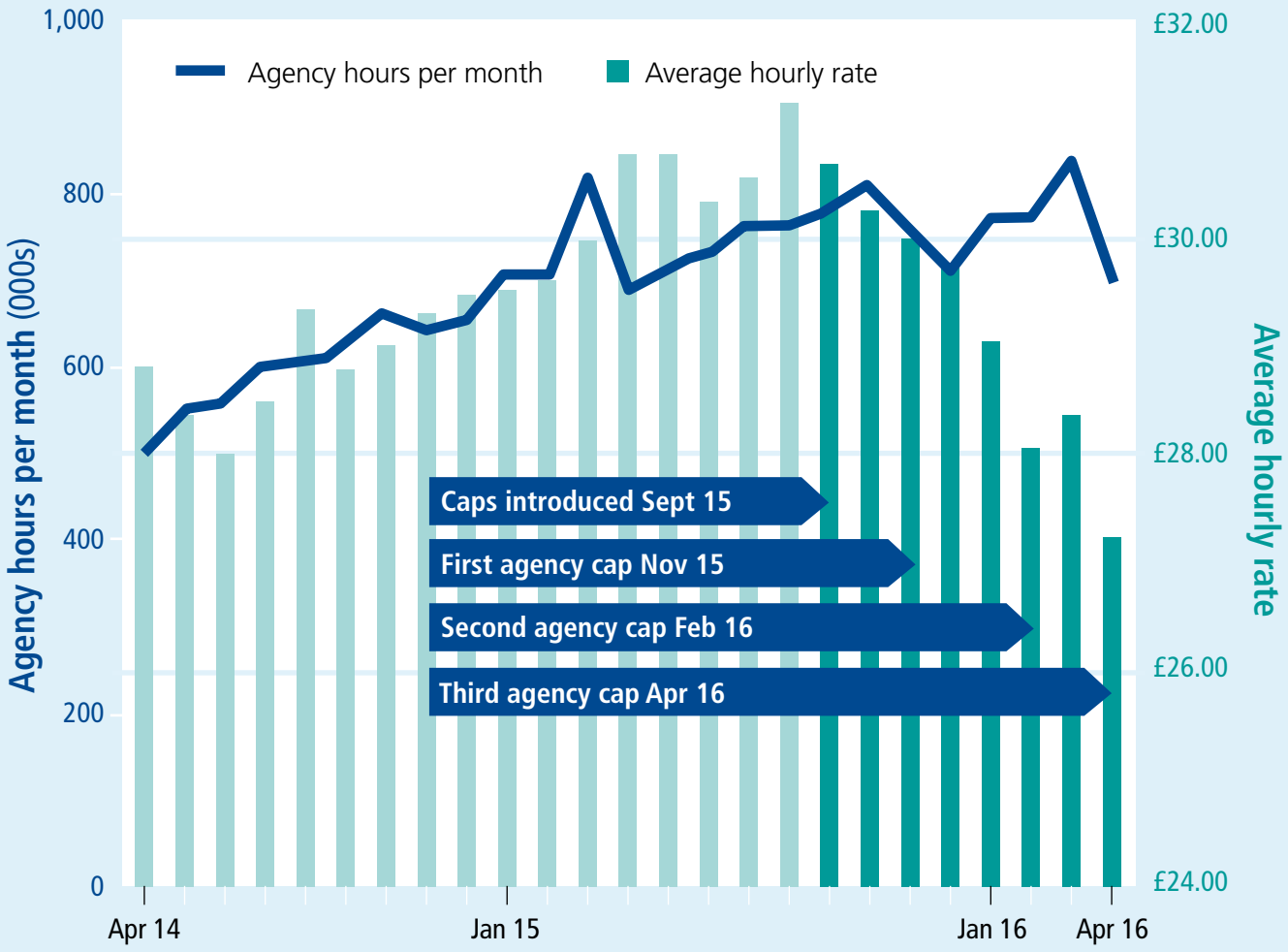
Prior to NHS Improvement introducing measures in regard to agency rules, expenditure on agency supply was increasing significantly. Indeed, spend in April 2015 was 46% greater than that in April 2014 – an increasing trend that had been occurring since the beginning of the decade. Whilst agency spend in 2015/16 is still higher than 2014/15 the intra-year run rate spend demonstrates that the measures are taking effect.

This effect is evident in the cost per hour being paid to agency suppliers but is not yet apparent in the hours supplied. Whilst growth in the agency supply has slowed, total hours remain higher than the corresponding month of the previous year. However, an 11% reduction in the charge per hour for the supply of agency workers has enabled savings in total agency spend across the entire country.

NHS Improvement Aim 1: **Significantly reduce agency spend**

AGENCY USAGE & COST

Total agency hours v average hourly rate



The supported response from each NHS Professionals partner Trust has been highly variable. Observations of agency usage and spend include:

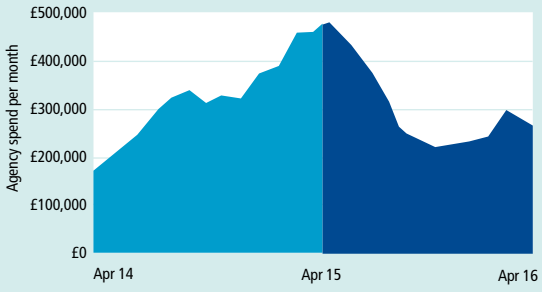
- Some Trusts have eliminated agency usage completely whilst others in the same healthcare economy have more than doubled their agency spend. Providers not covered by the regulator rules continue to significantly increase their agency spend.
- Local healthcare economies are not consistent in their abilities or approach to reducing agency spend, with variable expenditure for the same supply and general acceptance of continued high-cost agency supply.
- Approaches to address the agency rules are inconsistent, but with the general approach being to reduce the average hourly charge, led by the NHS Improvement measure of requiring procurement through approved frameworks. Focus on framework use has taken precedence and consequently has not formed part of a holistic approach to address all of the NHS Improvement aims, such as attracting workers back to the NHS into substantive or bank roles.
- Given the still significant variance in the cost of agency supply compared to substantive or bank work, the opportunity to reduce the level of NHS temporary staffing spend is not being delivered.
- In April 2016, 49% of NHSP client Trusts have increased the number of agency hours used compared with April 2015. However, the number of NHS Professionals client Trusts spending high amounts on agency is reducing. For example the number of NHS Professionals Trusts with a monthly agency spend above £1m has reduced from 10% prior to the introduction of the rules to 6%. A quarter (24%) of Trusts spend above £500,000 down from 39% prior to the regulations.
- More than two-thirds (68%) of Trusts still use some level of agency supply for care provision by healthcare assistants. 90% of Trusts use agency supply for qualified nursing roles, with a slight reduction to 88% of Trusts requiring general nursing supply.
- A small number of NHS Trusts allow their permanent staff to undertake additional hours at the Trust through agency providers, including both NHS Improvement approved frameworks and off framework agencies, and all above the price cap. Where this has been witnessed, bank pay has not been increased in those Trusts. Maintaining low bank pay-rates due to "cost pressures" while allowing staff to work through expensive staffing agencies is a false economy. Consequently in the worst cases, there is no bank supply at all in these areas, and all temporary staffing requirements are supplied by agencies.

WHAT'S WORKING?

Authorisation prior to agency use

In April 2015, a partnership Trust in the South-East introduced a process where any shift going to agency to be fulfilled had to be authorised through NHSP:*Online* by a Director prior to being passed to any agency. This resulted in a 39% reduction in agency spend during April 2016 compared to April 2015. This compares to a 156% increase in spend in April 2015 against April 2014.

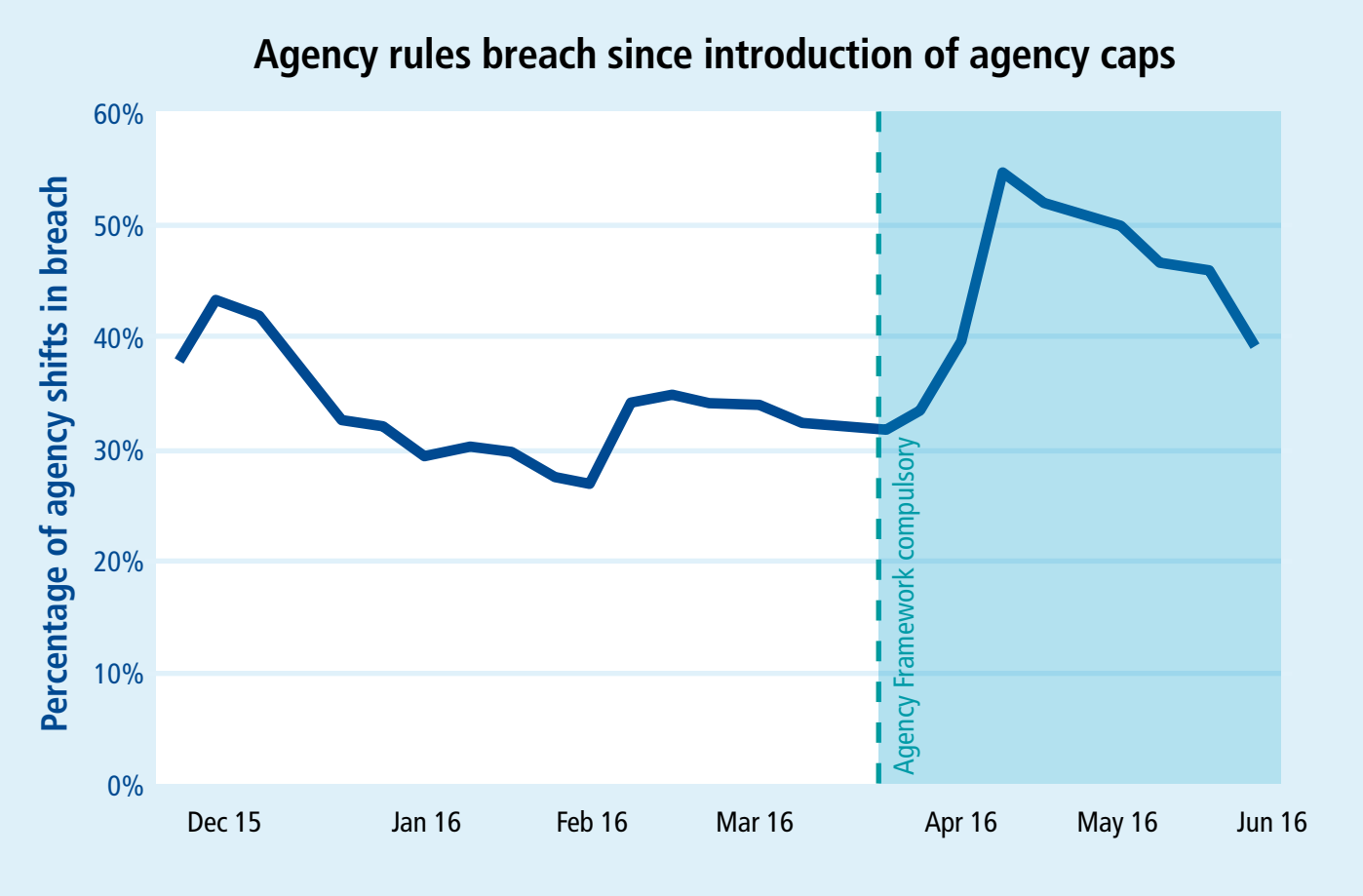
Agency spend pre and post authorisation control



NHS Improvement Aim 2:
Improve transparency on agency spend

NHS Improvement Aim 3:
Bring greater assurance on the quality of agency supply

AGENCY RATE ANALYSIS



The chart above shows the proportion of agency shifts in breach of one or more NHSI measures leading to a 'Break-glass' condition - in NHSP client Trusts.

NHS Improvement has addressed these aims collectively by mandating use of their approved frameworks. The framework owners are responsible for ensuring the agencies that are supported by the framework maintain standards of governance appropriate to provide care in the NHS in an economical way.

Though volume is on the decline, use of off-framework agencies continues. In addition, the number of Framework agencies charging NHS Trusts more than the approved framework rates is a cause for concern. This suggests either that framework rates are disregarded or that NHS Trusts do not always procure framework agencies via the approved frameworks.

Currently, with the recent exception of CCS (Crown Commercial Services), the approved frameworks are not yet aligned with the price cap measures. Consequently the proportion of agency supply in breach of the measures remains relatively high, although NHS Improvement is taking steps to encourage the owners of approved frameworks to align with the price caps in the very near future.

WHAT'S WORKING?

Collaboration is the key

A group of Trusts in the South, working collaboratively, has been able to exert considerably more control over agency charges by working together in managing the local health care economy. The growth in agency usage has slowed, as have the monthly charges, with the expectation that the growth will soon show a decline on the corresponding month of the previous year.

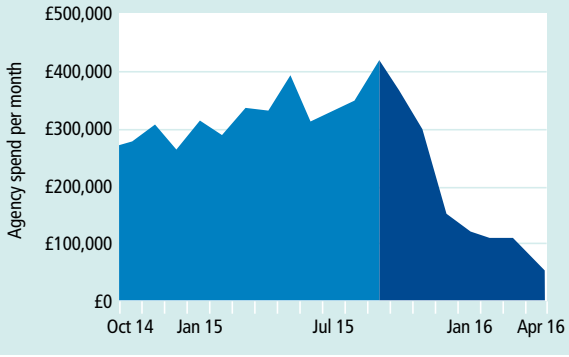
Despite an increase in agency hours, they have reduced the average hourly agency rate.

WHAT'S WORKING?

Holding the line on NHS Improvement measures

One North East based Trust has focused specifically on tightly controlling the NHS Improvement 'Break-glass' process. Each shift must be authorised by a senior member of staff. This focus has resulted in no reported breaches for many weeks, and has also delivered an immediate reduction in agency spend. By April 2016 the Trust had reduced its agency spend by 82% compared with April 2015, delivering annualised savings of £3.1m.

Agency spend pre and post exec engagement

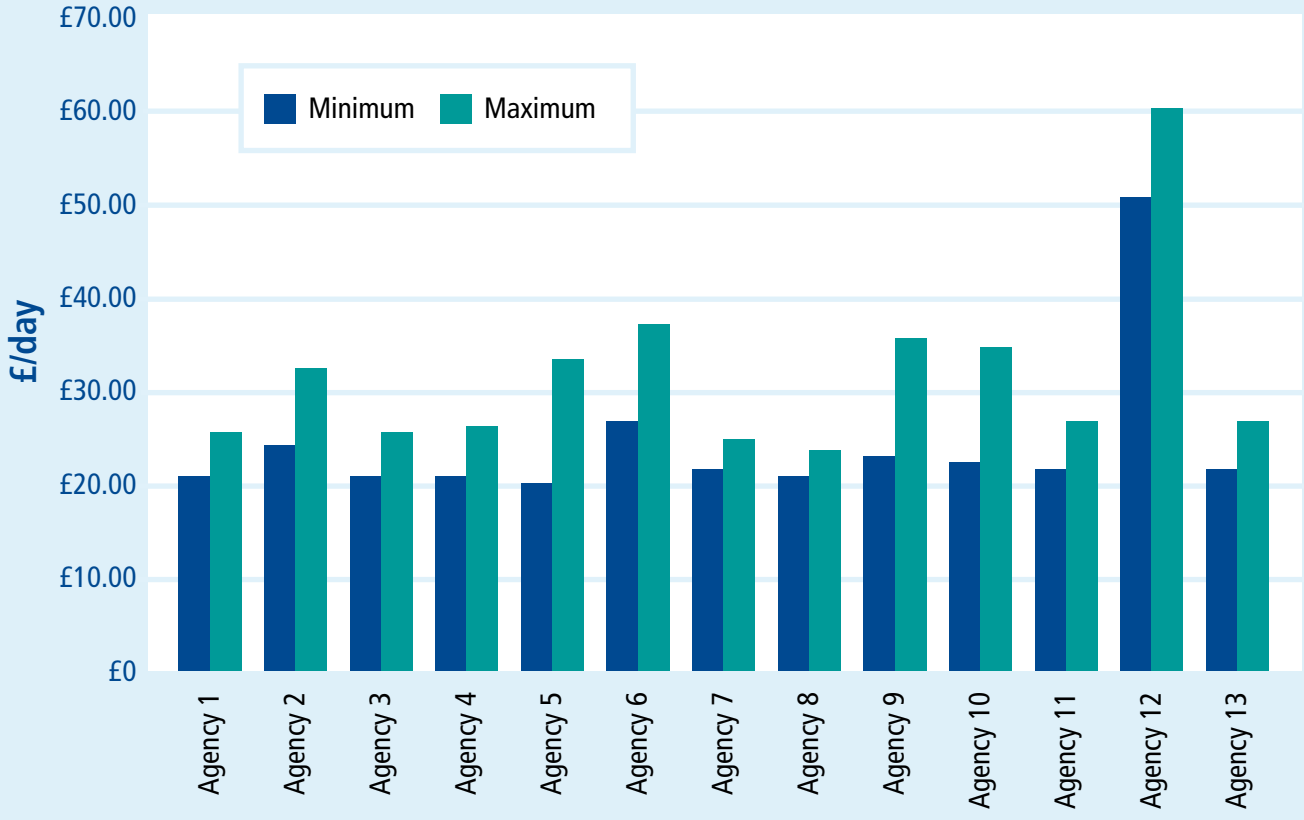


There has been a 41% reduction in the number of agencies providing general nursing services, down from 135 to 79 between April 2014 and April 2016, some of which is due to mergers and acquisitions in the agency marketplace.

Of these agencies, 41% supplied into only one NHS Trust with another 16% supplying into only two. Where suppliers have filled general nursing day shifts in April 2016 for more than one NHS Trust, their hourly rates have varied by 19% (£4.46) for the same supply. For agencies that supply five or more NHS Trusts the average difference in hourly charge increases to 35% (£7.80). One leading agency charged up to 57% (£12.62) more per hour for the same duty in two different Trusts.

These differences become even more conspicuous when dealing with specialised nurses supplied via agencies. For example, where agencies supply A&E nurses to more than one Trust, the same agency charges up to 88% more per hour (£21.28) between NHS Trusts. In one case, an 'off-framework' agency is changing an NHS Trust £70.09 per hour for a day shift in A&E.

Minimum & maximum general nursing day rate charges (April 2016) **for suppliers in five or more Trusts**



WHAT'S WORKING?

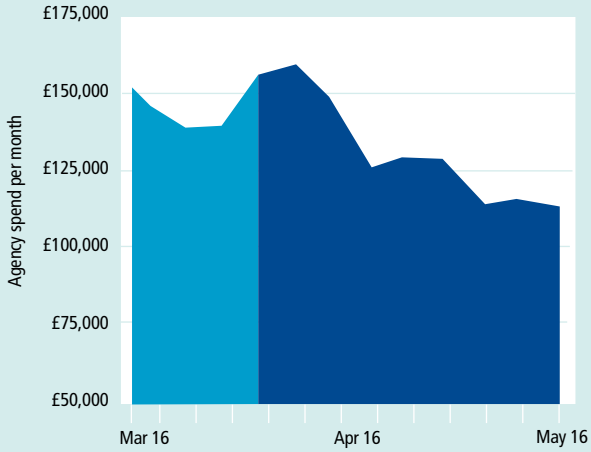
Direct agency booking

The booking behaviour of individual Trust managers is an area of concern. Where the shift is booked directly with the agency without going through the lower cost bank, there is no possibility for the bank to fulfil the requirement.

A number of Trusts have implemented a policy to stop Trust managers arranging supply directly with agency suppliers or individuals who work through them. The chart (right) shows two examples (savings combined) where Trusts addressed booking behaviours, one an Acute Trust in the London area and the other a Mental Health Trust in the Midlands. Both have seen significant reduction in agency usage in favour of bank fill, despite the total shift requirement increasing by several percentage points in both cases.

Agency charges for the Trusts are 49% and 43% higher than bank respectively. Projected forward through the remainder of 2016/17 we would expect to see savings in total spend of £5m and £2.9m respectively across the financial year, with higher shift fill despite increased demand.

Agency spend pre and post Trust policy change



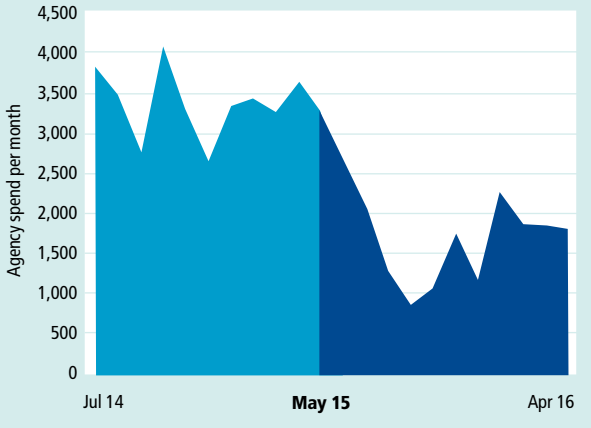
WHAT'S WORKING?

Fidelity to the NHS - substantive staff working additional hours in Trust through agency

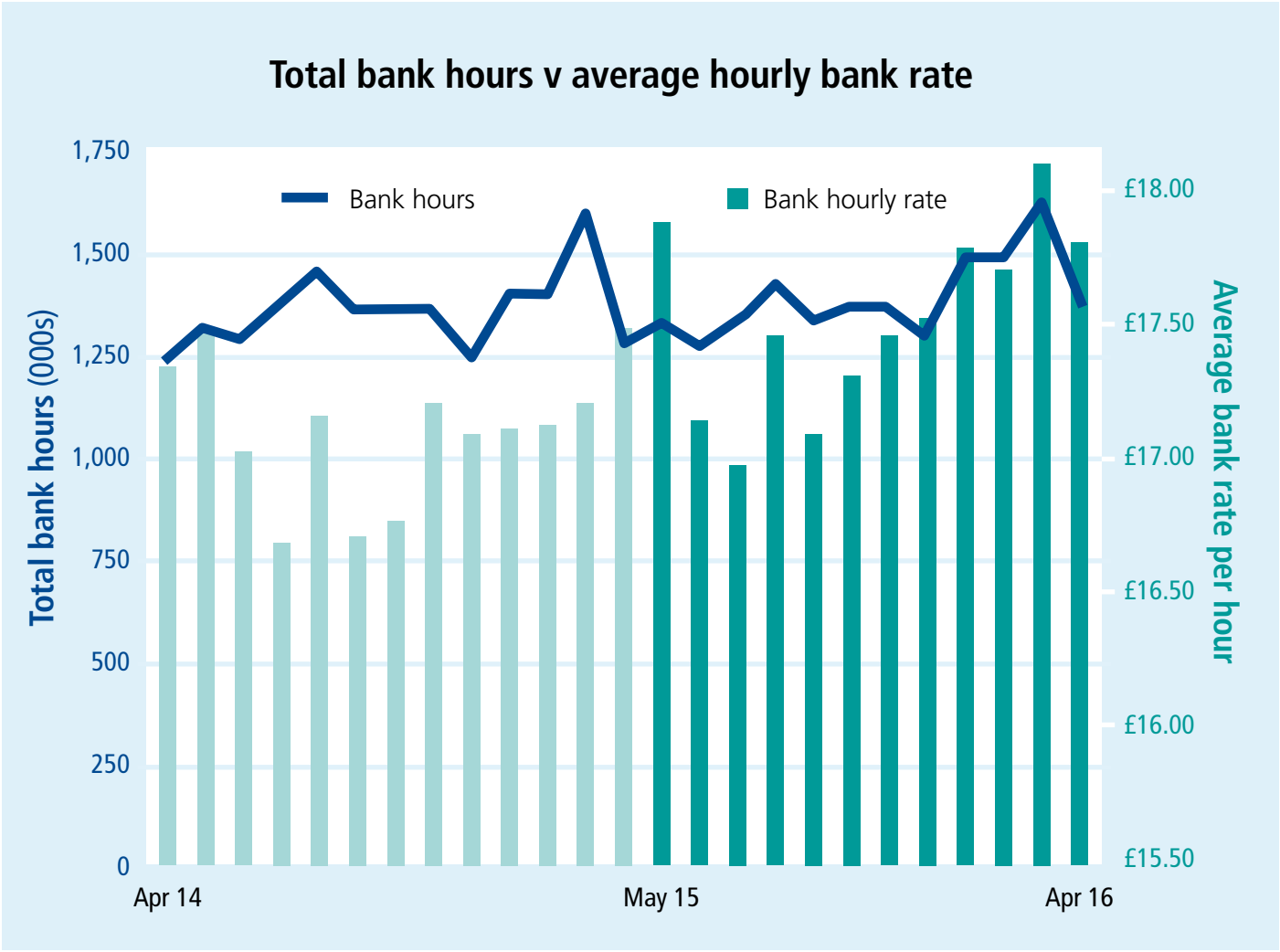
In an attempt to fill shifts, some Trusts have been driven to allowing their own substantive staff to work their additional hours through a staffing agency. As a consequence, the bank rate becomes uncompetitive resulting in a vicious cycle of decline in the bank coupled with spiralling costs. But evidence shows that it isn't effective at meeting shift demand.

In June 2015, an acute Trust in the North West introduced a policy that no Trust employees would be allowed to work there via a staffing agency. Agency fulfilment reduced immediately by more than a third (36%), with unfulfilled hours also decreasing. A further 9% decrease in agency use has followed resulting in a 45% reduction in agency spend of £2m.

Agency hours pre & post substantive policy change

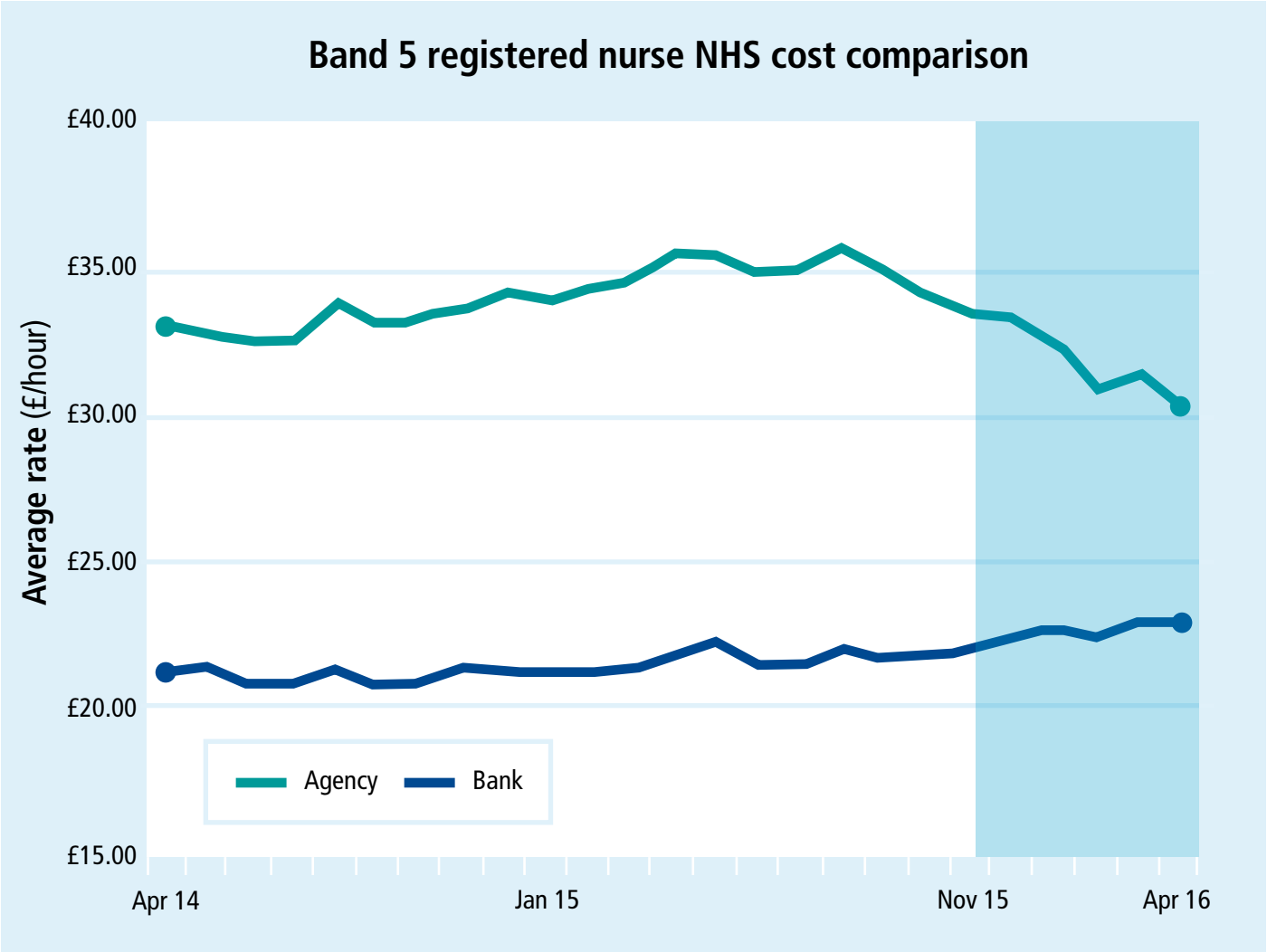


NHS Improvement Aim 4:
Encourage staff to return to permanent and bank working



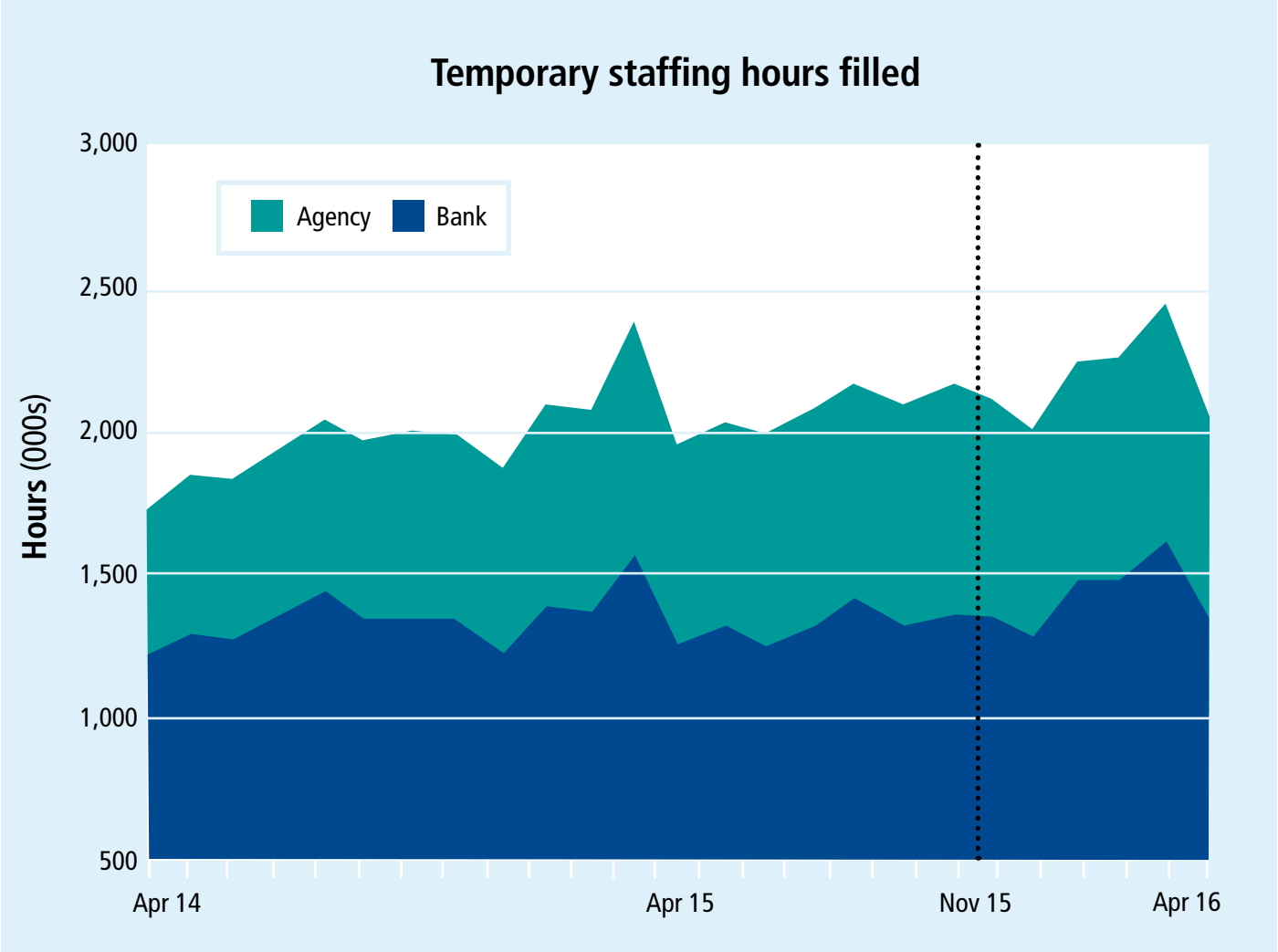
Whilst there is no specific NHS Improvement measure that focuses on returning temporary workers to substantive or bank roles, a holistic view of the agency rules should result in this outcome.

From a national perspective bank hours have increased since NHS Improvement introduced their agency rules measures, with a 6.2% increase in April 2016 compared with April 2015. This increase has been achieved with a 1.8% increase in average hourly bank charges.



The increase in bank charges compared to reduction in agency charges has "closed the gap" from agency charges being 76% higher than bank in April 2015 to 53% higher in April 2016.

The chart above shows the cost comparison between bank and agency supply, highlighting the reduction in the rate gap between the two methods of supply (rates quoted include pay to workers, annual leave payments, employer National Insurance, Pension contributions and commission).



The total temporary staffing hours supplied by both bank and agency increased by 4% in April 2016 compared with April 2015. An interesting side-effect of the NHS Improvement measures has been the slowing of the rate of growth of temporary staffing requirements. Demand in April 2016 was slightly down on April 2015 (-2%) which was 21% up on April 2014.

Not all NHS Professionals' partner Trusts have been fully engaging with bank workers. The response has been quite varied. Observations of bank usage and spend include;

- More than a quarter (27%) of Trusts have reduced bank hours in April 2016 compared with April 2015. Further analysis shows more than half of this group (53%) have increased agency use over the period suggesting a general lack of engagement with NHS Improvement measures. The other half (46%) have focused on reducing their temporary staffing requirements, reducing their agency use more quickly than the bank.
- 5% have maintained their bank hours but have also increased their agency usage.
- The difference between bank charges and agency charges appears to be linked to a greater reliance on agency to fulfil the requirement. In the 10 Trusts with the highest difference in cost per hour between bank and agency the use of agency has increased by an average of 80% between April 2015 and April 2016.

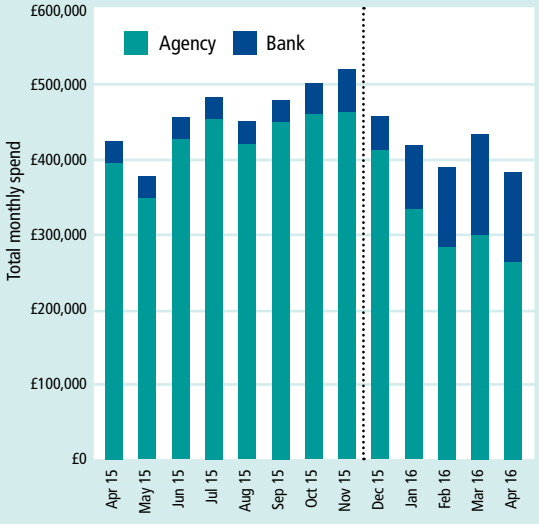
WHAT'S WORKING?

Focus on total expenditure - a holistic approach

It can be a false economy to control bank pay rates whilst simultaneously allowing agency charges to spiral upward in order to guarantee supply. We need to consider a number of contributing factors together and influence them in parallel.

A number of NHS Trusts have taken a holistic view of their spend on temporary staffing, specifically in critical care facilities and operating theatres. They have selectively increased bank pay rates to further "close the gap" between agency rates and bank pay. Without exception, this has increased the volume of shifts being filled by people on the bank, and decreased the volume fulfilled by agency. As a result we have seen a significant reduction in total temporary staff spend in these critical and traditionally hard-to-fill areas. Trusts have been selective, focusing on areas of high agency fulfilment and where agencies have failed to deliver rates in line with NHS Improvement caps.

Total temporary staff spend in theatres with improved bank pay rates



BANK RECRUITMENT

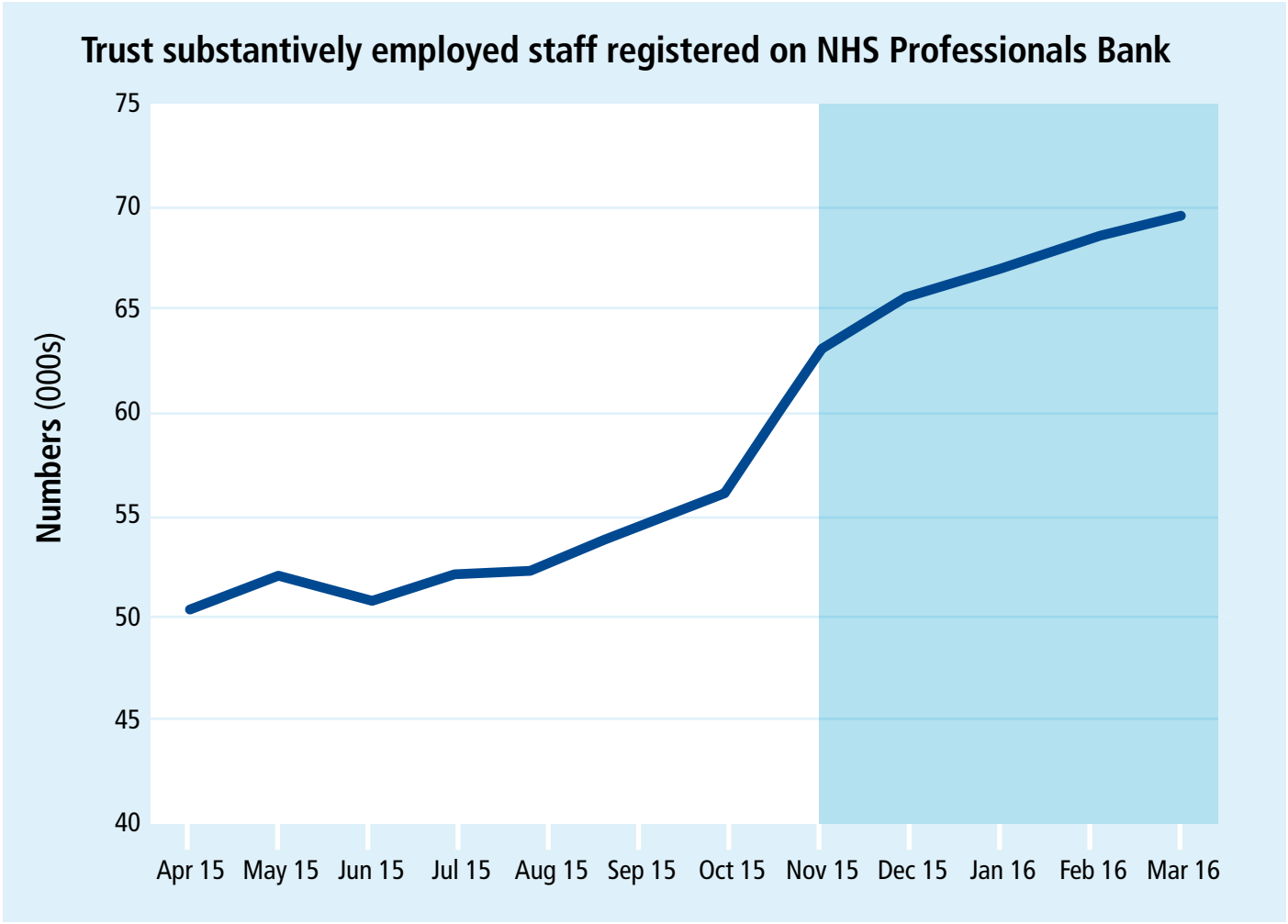
From survey work we have undertaken among flexible workers in the past we know that NHS staff generally want to work in the NHS. They don't want to work for agencies. But we have to make it worth their effort to stay in the NHS and that means making the bank effective by having the right mix of people with the right skills being well rewarded for their work.

Throughout the period of this report, NHS Professionals has been actively promoting across its client Trusts to encourage people to return to the bank. The response has been overwhelming. In most months the number of substantive staff joining the bank has been more than double our normal expectations.

NEVER CANCEL BANK

Good bank workers are hard to recruit. They invest a lot of their time to comply with NHS Employment Check Standards to be able to support Trusts. One of the things they tell us that causes them most disappointment is when a Trust cancels a shift which they already booked into. Feedback suggests that they are less likely to book a shift in that ward in future, anticipating that it may be cancelled again.

Many Trusts now have a policy that encourages their ward managers to protect those shifts or transfer the bank worker to another location where their skills are required. However, there are Trusts where ward managers preferentially cancel bank workers in favour of agency staff. If we want loyalty from bank workers, it is incumbent on Trusts to show some loyalty to them.



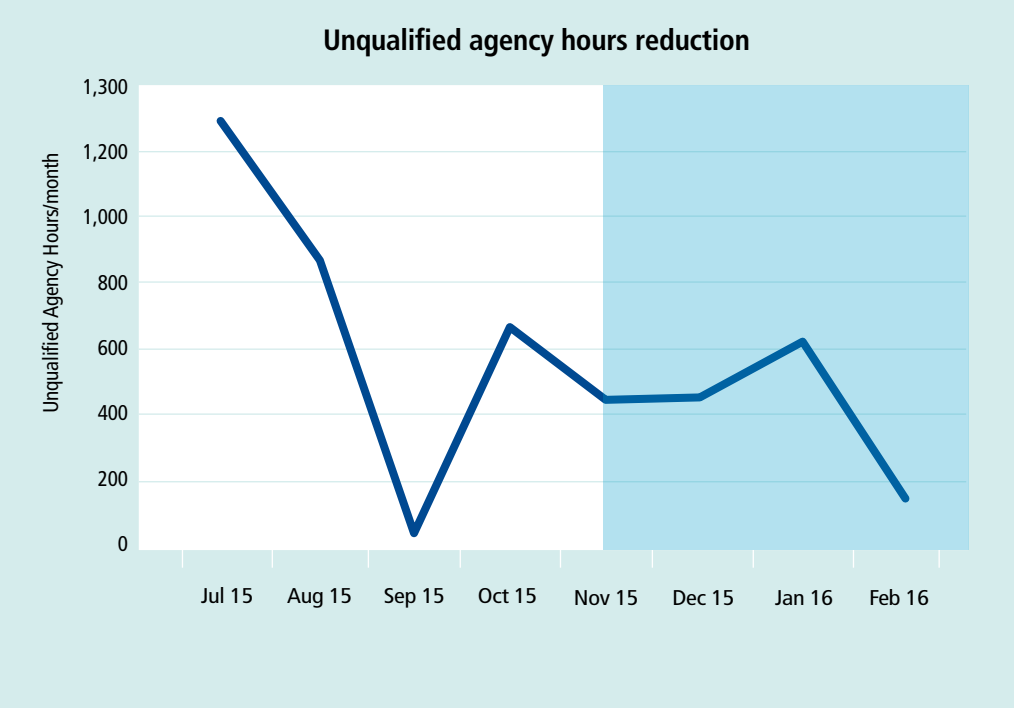
WHAT'S WORKING?

Agency use for care support staff

Nationally, 20% of temporary staffing hours for healthcare assistants are fulfilled by staffing agencies. These are very important roles within the Trust but there are many ways in which Trusts can fulfil these shifts without resorting to expensive agencies.

NHS Professionals offers a number of initiatives to its clients to develop these skill sets from within their local communities. For example, NHS Professionals Springboard initiative is designed to help Trusts develop these skills by recruiting appropriate people from the local community and training them with the support of staff from the Trust.

Many Trusts could impose a ban on all agency supply into those roles and only fulfil through substantive and bank positions. A typical example is a Children's Trust in the North West, where agency usage in unqualified care staff has been virtually eliminated. Not only has the Trust saved 38% on the agency spend, but shift fill is also increasing in both volume and percentage terms. It has also enabled the Trust to engage more closely with the flexible workforce and underwrite their clinical governance compliance.



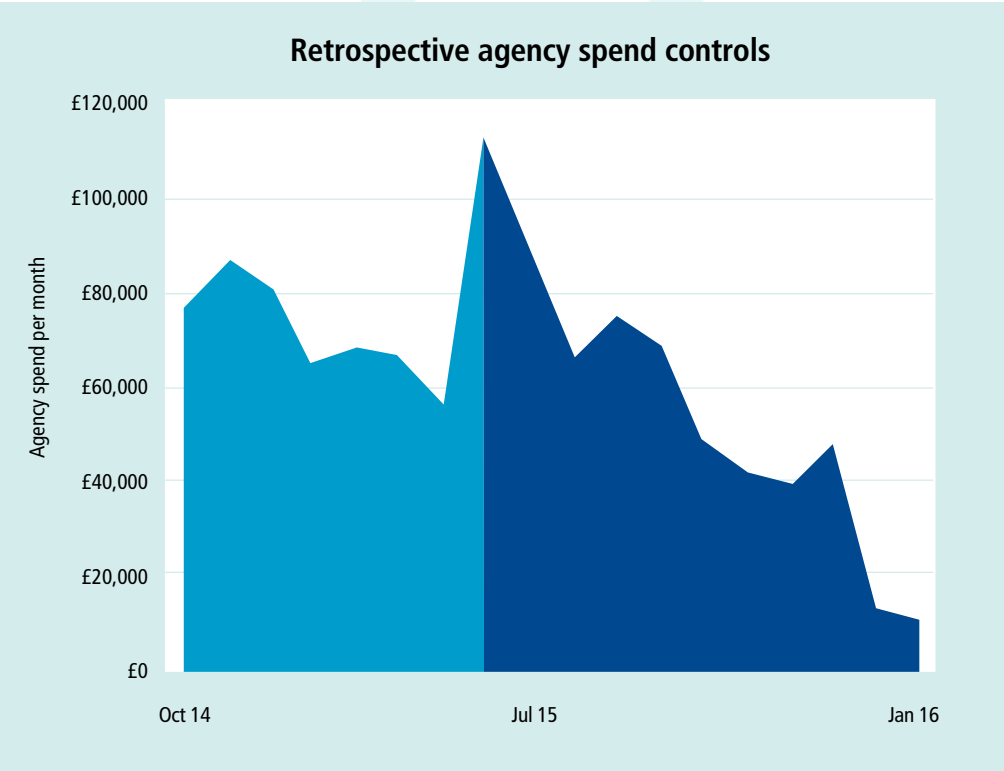
WHAT'S WORKING?

Retrospective administration of agency supply

Things change. Carefully planned rosters are disrupted by last minute problems, staff call in sick or have to deal with domestic emergencies. We would only be able to avoid short-notice requirements if the NHS operates with more staff than it needs each day.

But whatever the situation, agency staff should always be the last resort. Any situation where agencies can be approached directly and agency staff engaged without an appropriate shift request is open to abuse. Where no name has been provided for the shift, unknown agency staff with unseen credentials could endanger patients and staff.

A Midlands Trust targeted this behaviour during the summer of 2015, reducing the number of retrospective bookings by 89%, resulting in a £1.1m reduction in agency spend.



Conclusion

From the examples that we have seen so far, we believe that there are many opportunities for NHS Trusts to make substantial savings on their agency staffing.

The figures (right) show the estimated savings for NHS Professionals clients Trusts.

From the four initiatives listed, we estimate that they would save £75 million per annum.

Collectively they represent approximately one quarter of all secondary care Trusts in England.

By replicating the initiatives across all NHS Trusts in England it could yield £300 million in annual savings.

Agency retrospective shifts filled by bank

£11 million

Estimated savings per annum

Agency direct fill moving to bank fill

£32 million

Estimated savings per annum

Agency ban introduced for healthcare assistant shifts

£6 million

Estimated savings per annum

Never cancel bank

£23 million

Estimated savings per annum

NHS Professionals

NHS Professionals Ltd
3rd Floor
Edward Hyde Building
38 Clarendon Road
Watford
Hertfordshire
WD17 1JW

www.nhsp.co.uk

@NHSPbank

NHS Professionals