



NHS

NHS Agency Spend

Are NHS staffing costs out of control?

How NHS Trusts can save on agency spend without compromising on standards of patient care.

As an ageing population continues to stretch NHS resources to the limit, there is also increasing scrutiny of safe staffing levels after the failings in care at Mid Staffordshire NHS Foundation Trust. As a result, and following the findings of the Francis inquiry, Trusts have dramatically increased spend on bolstering resources, with most opting for agency-supplied contract staff.

This has put even more strain on already tight budgets and concerns over the sustainability of escalating costs have prompted the Secretary of State for Health and the Department of Health to consider capping the amount Trusts can spend with staffing agencies. For many Trusts, addressing this particular area of expenditure has now become a priority.

Improving profitability by lowering your costs

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But agency spend is unavoidable...

Of course, a more cost efficient option would be to recruit permanent staff to fill permanent roles, then to use the staff bank to call on for extra shifts. The problem is, it takes time to recruit the right people and there is currently a general reluctance amongst Trusts to add headcount. More importantly, the people looking for jobs now tend to favour agency work for the lifestyle advantages it offers and in many cases, higher income, so the supply market for permanent positions is consequently diminishing. It's a vicious circle.

Trusts will need to remain dependent on agency staff for some time to come, even if it is one of the most significant spend categories. The simple answer is to optimise the situation, and then manage it well. For example, you can drive efficiencies through improved procurement of Locum, Nursing and Allied Health Professional agency staff by using expert resource to source the best providers to agreed service levels at the optimum rates, and then to manage those providers through good supplier and contract management. As part of that process, consider these four perspectives in order to optimise agency spend:

Check historical spend data and look for overcharging

With thousands of different shifts sourced from many different agencies by hundreds of different staff, overcharging and other errors are common. Deep-dive analysis of historical pricing and demand, by band and speciality, can identify any issues and help you negotiate credits and retrospective payments in line with existing contracts or against framework rates.

Establish a service model that meets your requirements

Understanding the business needs of end-users, the pattern and distribution of their requirements and the nature of the local supply market is key to establishing a realistic service model agency staff provision. You can benefit from a variety of options by implementing Managed Service Provider contracts, outsourced Nurse Banks or tiered preferred supplier arrangements.

Optimise your approach to sourcing

Conducting a thorough supply market analysis will determine the most appropriate sourcing approach for agency services and help you optimise value for your Trust. Most large providers will be on national and procurement hub framework contracts and can be accessed either directly or through mini-competition processes. This drives down rates and leverages cost improvements as suppliers compete for your business. Remember not to exclude small, local or specialist agencies as you may get better value and service from those who really understand your requirements and, as importantly, the local supply market. With an SME or localisation agenda in mind, also consider running an OJEU process to compliantly source direct supplier contracts.

Understanding the local supply market is key, and there will be a limited pool of qualified resources in the geographical area around your Trust. Potential staff will decide where they work based on travel time and pay rates and you'll need to work closely with agencies to maximise fill-rates – so choose your agency partners wisely.

Set your agency contract terms – and stick to them

Incentivising suppliers is key to driving optimal performance and achieving sustainable cost reductions requires robust contracts with your agency partners that have strong KPIs and penalties for non-delivery.

The responsibility must be on Trust procurement managers to monitor spend levels, agency rates and service levels to make sure Trusts realise best value.

Eight points to think about for improvement...

1. How much is your Trust spending on agency staff and what is the trend?
2. How many agencies are you using and are they all on a compliant framework?
3. What are your fill-rates and are there any problems with particular shifts?
4. Are you using framework suppliers – and what exposure do you have if you're not?
5. Are you paying framework rates – or whatever the agency bills you?
6. What premiums are you paying to resource difficult shifts?
7. When were the categories of Nurse, Locum and AHP agency last tendered for?
8. Where is the demand for extra resource coming from and why?



We are specialists in procurement cost reduction. Our consultants work closely with all kinds of organisations to improve their profitability through identifying, delivering and maintaining savings in procurement expenditure. A relentless focus on bottom-line results combined with our deep supply-market knowledge ensures that spend is optimised – and stays optimised.

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