



28 March 2012

Mr Michael Scanlan
Chairman
Health Service Executive

Dear Chairman

I am writing to you in accordance with section 10 of the Health Act 2004 to provide the Health Service Executive with a policy direction in relation to the development of new management arrangements for public hospitals which are designed to support the move to universal hospital care.

As you are aware, the Programme for Government says that public hospitals will become independent not-for-profit trusts with managers accountable to their boards.

This is part of the Government's wider reform programme which reflects the overriding objective of improving services to those who use our services, as well as helping those working in the service to deliver better services and demonstrating to taxpayers that they are getting value from the health service.

Clearly, primary legislation will be required in due course to give full effect to the foregoing but I am satisfied that it would be better, and should be possible, to implement many of the required changes on an administrative basis. Such an approach will facilitate earlier implementation of the policy goals and help to ensure the legislation can be drafted in a way which takes full account of the practical experience gained in the meantime and incorporates whatever decisions are required as we deal with various issues which will inevitably arise during the implementation process.

I am keen that transitional arrangements be developed as a matter of urgency which would enable me to finalise proposals for Government in relation to the creation of further hospital groups and the establishment of new governance arrangements for these groups.

Accordingly, I want the HSE to work with my Department to prepare proposals for:

- (i) the creation of hospital groups as quickly as possible this year on an administrative basis (i.e. ahead of the establishment of hospital trusts) with a single consolidated management team with responsibility for performance and outcomes within a clearly defined budget and employment ceiling for each hospital group;

Othar

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- (ii) the establishment of executive teams for each group with the autonomy to reconfigure services across the group subject to an agreed policy framework and approval process; and
- (iii) the creation on an administrative basis of “boards” for each hospital group with suitable individuals being selected through an appropriate process for appointment as non-executive members of these “boards”.

I intend to await receipt of the forthcoming HIQA report on Tallaght Hospital before making final decisions on some issues but my view at this stage is that:

- (a) there is a need to identify suitable hospital groups very quickly on the clear understanding that the groupings and their governance arrangements will be reviewed prior to 2015 to ensure an appropriate environment for the introduction of UHI;
- (b) arrangements should be developed for appointing suitable people to the key leadership positions such as group CEO, chief financial officer, clinical director, director of nursing and chief operating officer;
- (c) an annual budget and employment ceiling should be developed for each group along with arrangements which would give the executive team the authority to deploy and re-deploy staff (including consultants) across the group (where a group involves a HSE and a voluntary hospital, the aim would be to use the service level agreement provision to give the larger hospital the authority to manage the entire group).
- (d) it should be made clear to the staff concerned that the policy does not involve any change in their existing public service employment status or in their core terms and conditions, although it will require the type of changes in reporting relationships, work practices, etc. that are provided for in the Public Service Agreement and that health service staff have already been delivering across the country;
- (e) the executive team/board should have autonomy to reconfigure services across the group subject to compliance with an agreed policy framework and process; the policy framework would incorporate the criteria described in the draft Framework for Smaller Hospitals (safety, quality, cost and sustainability of medical staffing/EWTD compliance) as well as access standards and targets set by the Minister; and
- (f) arrangements should be made to create, in advance of legislation, some form of “non-executive challenge” for HSE hospitals, i.e. akin to a voluntary hospital board.

The proposals for hospital groups should be consistent with the 2012 budget and employment targets as approved by Government in the Revised Estimates Volume and the Health Expenditure and Numbers Ceilings for 2013 - 2014 in the published

Comprehensive Expenditure Report 2012 -2014 and any related decisions by Government.

I intend to revert to my colleagues in Government to agree the arrangements for, and make up of, hospital groups where they are not already in existence. Preliminary work in this regard is already underway within the Special Delivery Unit. The process will include an appropriate consultation element.

It is my intention to publish soon the Framework for Smaller Hospitals which has been developed by the HSE and the Department. It will also be necessary to develop an appropriate process dealing with the implementation by hospital groups of this Framework and other service changes.

Work is also underway within the Department on preparing legislation to abolish the Board of the HSE and replace it with a Directorate comprising a Director General and a number of Directors, one of whom will be a National Director for Hospitals. I envisage that the hospital group CEOs will report to this National Director pending the enactment of legislation establishing independent hospital trusts.

I want to make it clear that hospital groups, and in due course hospital trusts, will be required to comply with clearly articulated national performance requirements in relation to issues such as quality, access and financial management. The new structures are designed to strengthen, not undermine, existing financial control systems by, for example, having clearer accountability at hospital group level about budgets, employment ceilings, etc. and strengthening local financial control capabilities (as the HSE are already taking steps to do in the case of the mid-west hospital group). The hospital groups will also be required to comply with and use existing and future shared services in areas such as procurement, payroll and recruitment.

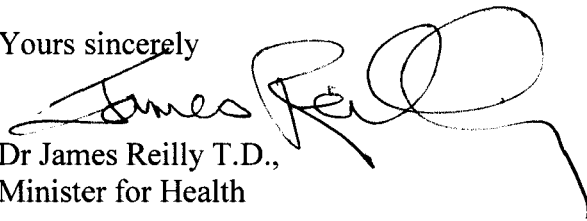
As you know, I wrote to your predecessor on 9 December 2011 about the new management arrangements for groups of hospitals in the west and mid-west and I am pleased that two experienced managers have already taken on the role of group CEO for each of these hospital groups. In light of the fact that these hospital groups have already been established and given the service delivery and financial performance challenges facing those hospital groups, it is essential that the changes outlined above for the generality of public hospitals should, in the case of hospital groups already established, move ahead urgently and the Government is fully in agreement on this approach."

Clearly, there is a considerable amount of work to be done to develop the various different elements of the new arrangements, e.g. in relation to budgets, employment ceilings and governance. I want the HSE to work closely with the Department to develop proposals for my approval, and ultimately that of Government, covering all aspects of the new policy.

I would ask that the Board provide me with a report by the end of April 2012 under section 10(2) of the 2004 Act as to the steps being taken to (i) implement these important policies in the west and mid-west groups and (ii) ensure viable proposals to

implement these policies in the case of other hospitals across the country can be put to Government.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Reilly', written over the typed name. The signature is fluid and cursive, with a large loop at the end.

Dr James Reilly T.D.,
Minister for Health