

# **Procurement Options Appraisal Report – Birmingham Community Equipment Loan Service**

## **1. Summary**

The Birmingham Community Equipment Loan Service (BCELS) is funded by Birmingham and Solihull Clinical Commissioning Group (BSol CCG), Sandwell and West Birmingham CCG and Birmingham City Council and is provided via an external provider Medequip. The service supplies community equipment free of charge on loan or for single issue to adults and children in Birmingham who meet the agreed criteria.

Current funding is through a Section 75 (National Health Service Act 2006) pooled budget arrangement. The budget is £5.49m with the CCGs (BSol CCG and Sandwell and West Birmingham CCG) contributing 81% of the funding and Birmingham City Council contributing the remaining 19% drawn from the Adult Social Care and Health directorate and Children & Young People directorate budgets.

The current contract with Medequip commenced in 2013 and was due to expire on the 31 March 2018. However, a further extension of a year was required to ensure a robust review of the service was carried out and to obtain prescribers' and citizens' comments on what a good quality service would look like whilst ensuring value for money is achieved.

The new service will aim to promote the goals that Birmingham City Council and the CCGs are seeking to achieve for adults and older people of living independently whenever possible and exercising choice and control.

## **2. Purpose**

An Options Appraisal has been undertaken to explore the potential delivery models for a new and transformed service.

The purpose of this Options Appraisal was to fairly present and evaluate all options available and to recommend the best or most appropriate option that would have the greatest benefit for our increasing population of older adults and children who require equipment and meet criteria set by Birmingham City Council and the BSol CCG.

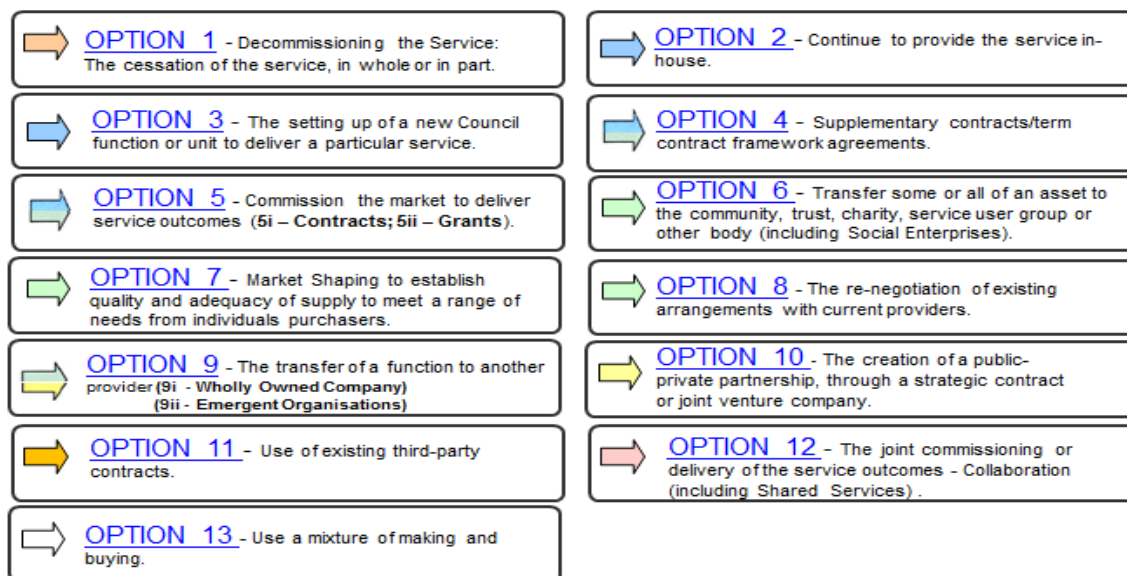
A working group was set up with staff from across the Council and BSol CCG to evaluate options. The group included representatives from:

Adult Social Care and Health Commissioning Team – BCC  
Commissioning & Contracts Team – BSol CCG  
Corporate Commissioning - BCC  
Clinical Leads – BCC  
Finance – BCC & BSol CCG

### 3. Process and Methodology

The Birmingham City Council Procurement Commissioning toolkit has been used to inform the process and methodology of evaluating delivery options.

#### Service Delivery Options – The more detailed options are shown below:



Out of the 13 options listed above, 6 were shortlisted as potential service delivery options.

A weighting and scoring guide was used, set against priority outcomes for citizens, to determine the short listed options as set out below:

- **OPTION 3** - The setting up of a new Council function or unit to deliver a particular service. (Deliver in-house loans service for those eligible).
- **OPTION 4** - Supplementary contracts/term contract framework agreements (Retail model – e.g. Amazon style model used by health and social care staff to order equipment for those eligible who then own the items).
- **OPTION 5** - Commission the market to deliver the outcomes (Contracts). (Commission a loans service with option to provide retail service for self-funders. Loans service for those eligible and retail service for self-funders/those wishing to exercise choice).
- **OPTION 7** - Market Shaping to establish quality and adequacy of supply to meet a range of needs from individual purchasers. (Prescriptions/Direct Payments retail

service - Prescriptions/Direct Payments issued to those eligible to purchase items from open market and citizens would then own item).

- **OPTION 12** - The joint commissioning or delivery of the service outcomes (including Shared Services. Collaborating with other LAs) – (Collaborating with another local authority to deliver a loans service to those eligible).
- **OPTION 13** - Use a mixture or combination of options. (Splitting the service i.e. retail service for small items and loan service for large items. Mixed model – Prescription/Direct Payments issued to those eligible to purchase small items from the open market and citizens would then own item. Large items would be provided on loan to those eligible).

**The above options were evaluated and explored in more detail by the working group and the results are noted further down in the document under the heading ‘Item 5 Options explored’.**

**The following options were not considered for the reasons stated in the rationale column**

| OPTION REFERENCE | DESCRIPTION   | RATIONALE  |
|------------------|---|--|
| 1                | Decommission the service  | There is a statutory demand for Birmingham City Council to provide a community equipment service therefore this service cannot be decommissioned.  |
| 2                | Continue to provide in-house service  | There is no existing in-house community equipment service.   |
| 6                | Transfer of an asset to Community, Trust, Charity, Service User Group or others     | Provision of a community equipment loans service requires a considerable level of expertise and staffing in order to meet the needs of the Birmingham population. There are no organisations of this type currently operating such a service in Birmingham.  |
| 8                | The re-negotiation of existing arrangements with current providers                  | The existing contract has already been extended to allow for the current re-procurement process and cannot be extended further.  |
| 9                | The transfer of a function to a Wholly Owned Company (WOC) or Emergent Organisation | There is already an established market of providers who are able to deliver this service. There is no evidence that this would provide better value for money. It is not feasible or practical for Birmingham City Council to establish an arms-length organisation to deliver this service considering capacity and other |

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|    |  | constraints.  |
| 10 | Joint Venture, i) the creation of a public-private partnership, through a strategic contract; ii) joint venture company; iii) Service Delivery via a PFI route | This is a well-established service that does not require significant commercial investment or incur undue financial risk. It is not feasible for Birmingham City Council to go down the joint venture route considering capacity and other constraints. |
| 11 | Use of existing third-party contracts  | There are no existing third party contracts in place.   |

#### 4. Feedback from Citizens & Prescribers

**Prescribers** – Prescribers are health and social care staff who conduct clinical assessments and prescribe community equipment to meet the needs of those eligible to receive support. A questionnaire was developed and uploaded to the Council’s BeHeard consultation database for prescribers to complete on what a great community equipment service would look like. Out of a total of 3,000 prescribers, 104 submitted a completed questionnaire. A qualitative analysis of prescribers’ suggestions and comments was undertaken and key themes identified. Please see the attached report for further information. The report was reviewed and its findings agreed at the Adults’ and Children’s prescriber group meetings.

**Citizens** – A questionnaire was administered to citizens at various events across the city on what a great community equipment service would look like and the results uploaded onto the Council’s BeHeard consultation database. Please see the attached report for further information.

#### 5. Options explored

| OPTION REFERENCE | DESCRIPTION  | RATIONALE FOR SHORT LISTING DECISION  |
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| 3                | The setting up of a new Council and CCG function or unit to deliver a particular service<br>- Deliver in-house loans service for those eligible (In-house loans service) | Prior to the existing contract, the community equipment loan service was provided in-house. Reverting to this option would have the following implications: |

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|   |  | <ul style="list-style-type: none"> <li>• It would pose a high financial risk should BSol CCG, who are the principal funders, decide to withdraw from the s75 pooled budget arrangement.</li> <li>• The initial set up costs would be very high and would need to include the development/ procurement of IT systems.</li> <li>• The service would not offer the same level of purchasing power or provide purchasing economies of scale as the existing service.</li> <li>• There would be a risk of prolonged waiting lists whilst the service was being set up.</li> <li>• There would be a risk of delayed hospital discharges whilst the service was being set up.</li> </ul> |
| 4 | Supplementary contracts / term contract framework agreements - Retail model (e.g. Amazon style model for use by prescribers to order equipment for those eligible for service) | <p>We do not have framework agreements for this type of contract but this is an option to be explored.</p> <p>However:</p> <ul style="list-style-type: none"> <li>• There is a lack of evidence as to</li> </ul>  |

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|   |  | <p>whether suppliers would be interested in this model.</p> <ul style="list-style-type: none"> <li>• Risk that equipment might not be installed/ maintained/ serviced by appropriately trained and experienced staff.</li> <li>• Unable to provide purchasing economies of scale.</li> </ul>   |
| 5 | Commission the market to deliver the outcomes (Contracts) – Commission a loans service with option to provide retail service for self-funders. (Loans service for those eligible and retail service for self-funders/those wishing to exercise choice) | <p>This is the existing arrangement for the community equipment loan service. There are a number of expert providers in the market who are able to deliver this service through a contract and therefore a competitive tendering process is likely to be successful.</p> <p>This option would offer:</p> <ul style="list-style-type: none"> <li>• Established expert providers that are available in the market with processes set up to meet the needs of citizens.</li> <li>• Purchasing economies of scale.</li> <li>• Cost savings by recycling of loan</li> </ul> |

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|   |  | <p>equipment.</p> <ul style="list-style-type: none"> <li>• Access to a greater range of equipment.</li> <li>• Potential to improve performance, based on existing arrangements.</li> <li>• Reduced financial risk to the Council if the contract is managed well.</li> <li>• Suitable IT systems as this would be provided by the outsourced provider.</li> </ul>  |
| 7 | <p>Market Shaping to establish quality and adequacy of supply to meet a range of needs from individual purchasers - Citizen self-funding model (Prescriptions/Direct Payments issued for those eligible to purchase items from open market and would then own item. Retail service only)</p> | <p>There are a number of established providers who could be shaped into providing a new kind of service. There is the potential for Direct Payments or Personal Health Budgets to be used to enable citizens to purchase equipment directly.</p> <p>However:</p> <ul style="list-style-type: none"> <li>• There is a risk that citizens would not purchase appropriate equipment for their needs which could result in more complex needs and re-admissions.</li> <li>• Potential increased costs of the service as</li> </ul> |

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|    |   | <p>there would be no potential for recycling items.</p> <ul style="list-style-type: none"> <li>• Risk to Council's reputation if the market is unable to be shaped in time to support this.</li> <li>• Risk of adverse effect on hospital discharges as Direct Payments are not available to citizens whilst in hospital.</li> </ul>   |
| 12 | <p>The joint commissioning or delivery of the service outcomes (including Shared Services. Collaborating with other LAs) - Collaborating with another local authority to deliver loans service to those eligible.</p> | <p>There is a statutory obligation to provide this service. Currently there are 6 councils in the West Midlands that provide this service in-house. It is likely that pooling resources would have a large impact on the market and enable the service to benefit from purchasing economies of scale.</p> <p>However:</p> <ul style="list-style-type: none"> <li>• Informal discussions with some local authorities have indicated that this option is not possible in the immediate future.</li> <li>• BCC has a larger cohort of citizens that require loan</li> </ul> |



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|    |   | <p>equipment compared to neighbouring local authorities (LAs). Therefore it would be unlikely that the in-house services provided by neighbouring LAs would be able to accommodate BCC's requirements. Instead, it would be more likely that neighbouring LAs would transfer to a service provided by BCC if such a service was in place.</p> <ul style="list-style-type: none"> <li>• The IT system would need to be accessible to health and social care staff from across collaborating authorities which might be costly and time consuming to implement.</li> </ul> |
| 13 | <p>Use a mixture or combination of options - Splitting the service i.e. retail service for small items and loan service for large items (Mixed model – Prescription/Direct Payments issued to those eligible for purchase of small items from the open market and citizens would then own item. Loans service for large items for those eligible)</p> | <p>It may be possible to divide this service into two separate services with provision of smaller items through prescription/ Direct Payments to those eligible and loans of larger pieces of equipment through community equipment loan service to those eligible. However:</p> <ul style="list-style-type: none"> <li>• Adverse effect on</li> </ul>   |

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|  |  | <p>hospital discharges as Direct Payments are not available to citizens whilst in hospital.</p> <ul style="list-style-type: none"> <li>• Reduced cost savings as smaller items would not be available for recycling.</li> <li>• Risk that citizens might not purchase smaller items that are appropriate for their needs.</li> <li>• Possible reputational risk to the Council if citizens purchase incorrect small items.</li> </ul> |
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#### Summary of overall scores of shortlisting options:

**Option 3** – Setting up of in-house service – This was placed 2<sup>nd</sup> in the overall scoring. This would not be an option at the present time as it carries a huge financial risk to the Council. It could possibly be an option in the future if adequate funding is provided.

**Option 4** – Supplementary contracts / term contract framework agreements. Retail model (e.g. Amazon style model) – This option scored 5<sup>th</sup> place in the overall scoring. This option will not be pursued due to concerns that citizens may be at risk of equipment not being installed, maintained and serviced by appropriately trained and experienced staff unless some type of accreditation system could be developed for suppliers.

**Option 5** – Commission the market to deliver the outcomes - This was placed 1<sup>st</sup> in the overall scoring and was the preferred option as the market already has established expert providers. Please refer to item '8 – Recommendation' below, for further details.

**Option 7** – Retail services for citizens: Prescriptions/Direct Payments issued to those eligible for purchase of items from the open market and citizens would then own item - This was placed 6<sup>th</sup> in the overall scoring and was the least preferred option. However, it might be possible to offer this in the future when the use of Personal Health Budgets and Direct

Payments have been developed further. A pilot program will be set up in the future to assess how this might work.

**Option 12** – The joint commissioning or delivery of the service outcomes. Collaborating with another local authority to deliver loans service - This option scored 3<sup>rd</sup> place in the overall scoring, however, it is not possible to implement at the moment as those local authorities contacted were not willing to partner with BCC at this present time.

**Option 13** – Use a mixture or combination of options. Splitting the service i.e. small item retail and large item loans - This option scored 4<sup>th</sup> place and will not be pursued due to concerns that this option does not allow for recycling, might incur multiple delivery charges if ordered from different providers and potentially could be a reputational risk to the council and CCG if equipment bought by citizens was not maintained.

## **6. Market Shaping Event**

A market shaping event was held on the 2<sup>nd</sup> May 2018 to test interest from the market. A further event will be held to update interested parties on specifics prior to the commencement of the tender process.

## **7. Equality Assessment**

An equality assessment has been completed by BCC and BSol CCG. Please see attached report for detail.

## **8. Recommendation**

Option 5 – Commissioning the market to deliver the service is the recommended model for implementation. This is the current delivery model, however it is envisioned that the new contract will incorporate more robust contract management creating opportunities for improved outcomes and value for money. This is evidenced by the fact that savings have been made in the current contract over the last couple of years through increased monitoring and inventory management of special items of equipment by clinicians working alongside the current provider. There has also been an increase in recycling of equipment. These practices will be built upon in the new contract. Pilots to test the use of Direct Payments and Personal Health Budgets would form part of the new contract.