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Collapse of £1.2bn NHS contract raises questions about tender process

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One of the biggest NHS contracts for patient services awarded has collapsed after only eight months because it proved financially unsustainable.

An in-house NHS-led consortium had fought off Virgin Care and Care UK to win the £1.2bn contract over seven years to provide care for the elderly, including accident and emergency services in the Cambridgeshire and Peterborough trust area.

The deal was striking because it was the first to shift from individual contracts for services such as pathology and towards the provision of an entire demographic or healthcare area.

The consortium took over in April following a 15-month procurement process. But it said on Friday that it had pulled out because it was “financially unsustainable”. It reassured patients there would be no disruption of services.

The collapse is the latest in a series of botched or failed NHS procurements, that will dent faith in trusts’ ability to manage large and complex tenders.

In January, Circle Holdings, the Aim-listed company, pulled out of its contract to manage Hinchingbrooke Hospital in Cambridgeshire only three years into its 10-year deal.

Hinchingbrooke had been the first to be handed to private sector management and dashed the hopes of those who wanted more private sector takeovers of Britain’s state-run hospitals.

David Hare, chief executive of the NHS Partners Network, which represents private sector providers, said the deals’ failure “raises questions over which commissioners are properly equipped to run large-scale complex competitive tenders".

Even so, he said commissioners would continue to put tenders out after a slowdown due to this year's general election.

In the case of Cambridgeshire and Peterborough , UnitingCare, a consortium between Cambridge university Hospitals and Cambridgeshire and Peterborough NHS Foundation Trust, had won the bid after a procurement process that reportedly cost the trust more than £1m.

The competition attracted international bidders but several pulled out, including the FTSE 100-listed Capita on the grounds that it was financially unviable.

The tender was worth £800m over five years, with a potential extension to seven years, taking the price to £1.2bn.

Michelle Tempest, a partner at Candesic, a healthcare consultancy, said it was "disappointing" the deal had fallen through but added that the health budget had always been too low per head of population in the region.

[The failure] raises questions over which commissioners are properly equipped to run large-scale complex competitive tenders

- David Care, NHS Partners Network

She added that it raised questions over plans to devolve more health services to local authorities such as Manchester. "This is all new territory for the NHS and they will need time to build the skills and expertise," she said.

Despite the failures, private sector providers are confident of more opportunities as the NHS struggles with mounting deficits.

A £1.2bn contract for cancer and end of life care services in Staffordshire and Stoke is due to be awarded imminently. Interserve, which also provides probation services in the UK, is thought to be the lead contender in a competition to provide cancer treatment facilities including radiotherapy, breast screening, nursing and surgery.

In June, Capita won a deal worth a potential £1bn over seven to 10 years to supply GPs, opticians, pharmacists and dentists with back-office services.

Dr Neil Modha, chief clinical officer of Cambridgeshire & Peterborough Clinical Commissioning Group and Keith Spencer, chief executive of Uniting Care, said in a joint statement: "We are clear that the innovative model of care for older people and people with long term conditions brings benefits for patients and the whole health and care system and we are all agreed that we wish to keep this model of integrated service delivery.

"The CCG will be working with all providers of services in the coming days to ensure that there is a smooth transition for all concerned."

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