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Home Oxygen Therapy Services



Home Oxygen Therapy Services

I have prepared this report for presentation to the National Assembly under the Government of Wales Acts 1998 and 2006.

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**Report presented by the Auditor General for Wales to the
National Assembly for Wales on 24 July 2008**

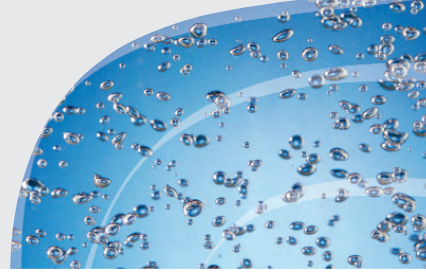


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Summary

- 1 From 1 February 2006, the longstanding arrangements for the provision of home oxygen services in England and Wales changed under a new five year contract for the supply of an integrated service. Air Products Plc (Air Products) was awarded the all-Wales oxygen contract, to take on full responsibility for the delivery of home oxygen supplies and for the provision and maintenance of equipment.
- 2 The primary objective of the Welsh Assembly Government's Department for Health and Social Services (the Department) for this change was to deliver a clinically superior, streamlined and more efficient service to patients. As well as integrating the supply of home oxygen services through the new contract, the new arrangements also envisaged introducing specialist clinical assessment of patient need. The Department foresaw that the transition to the new arrangements could initially increase the costs of the service, but hoped that the delivery of effective care would improve and thereby reduce costs in the longer term.
- 3 Within a few days of the start of the contract, the new arrangements failed due to the unprecedented and unforeseen demands placed on the new service by patients and health professionals. As a consequence, Air Products was unable to meet patients' needs within the expected timescales. The NHS in Wales responded quickly to this emergency. The Department instructed Local Health Boards (LHBs) to resume the previous arrangements whereby community pharmacists provided cylinder oxygen supplies, as a back-up to the new arrangements.
- 4 The contract covered England and Wales, and the problems with the new contract featured across both countries. Our examination has focused on the position in Wales. We examined whether the NHS in Wales handled effectively the introduction of the new arrangements, and whether they have achieved the objectives of higher clinical quality and service efficiency.
- 5 We found that the NHS in Wales was not sufficiently prepared for the introduction of the new home oxygen contract. Preparations were delayed and confused due to a legal challenge by an unsuccessful bidder and the subsequent changes to the timeframe for implementation of the new contract. The tight timescale for preparations was compounded by poor information on the numbers and details of patients affected by this change. As a consequence, communications with patients about the new service was very late, which is likely to have contributed substantially to the overwhelming initial level of demand. There were also problems with the use of the new order form by General Practitioner (GP) practices. These factors contributed to the immediate failure of the new arrangements as the new contractor was unable to cope with the unexpected high level of demand.



6 Despite some additional funding, the intended benefits for the patient in terms of the specialist clinical assessment have yet to be realised. The new integrated supply of home oxygen services is now well established at a cost broadly similar to that of the previous arrangements but only after seven months continued operation of the previous arrangements alongside the new service, at additional cost.

The NHS was not sufficiently prepared for the introduction of the new home oxygen contract

- 7 A legal challenge to the new contract from one of the unsuccessful bidders caused uncertainty within the NHS about whether and when the new contract would be introduced. Although the Department of Health and the Welsh Assembly Government (Assembly Government) deferred the start of the new contract from October 2005 by four months to February 2006, this uncertainty affected the pace of preparation.
- 8 The information held by the NHS on those patients in receipt of home oxygen supplies was poor. Consequently, the work undertaken to establish accurate information about patients receiving oxygen services continued up until the new contract was due to commence and delayed communication with patients about the changes.
- 9 Although Air Products initially doubled the level of its call centre support to handle an initial peak in demand, this proved wholly inadequate to deal with the surge of queries and orders for oxygen supplies that occurred during the first few days of the new contract.

10 General Practitioners found the new Home Oxygen Order Form (HOOF) difficult to use, which led to significant problems with incomplete or duplicate orders.

The intended benefits of the new arrangements for home oxygen services and associated specialist clinical assessment have not been fully realised

- 11 The Assembly Government responded quickly to the immediate crisis with the new contract to ensure the continued supply of oxygen services. It instructed LHBs to resume the previous arrangements with community pharmacists and established transitional arrangements to allow for a managed handover of patients to Air Products.
- 12 These transitional arrangements were effective in restoring the supply of home oxygen and, after these arrangements were extended from six to seven months, Air Products had taken over the supply of home oxygen services. However, these transitional arrangements came at an additional cost to the NHS due to an increase in the charges by community pharmacists to help cover the additional costs they had incurred in resuming their previous services.
- 13 By early 2007, LHBs were disputing between £1.3 million and £1.5 million of charges by Air Products. The Assembly Government agreed with the Department of Health that the latter's Commercial Central Contract Management Unit (CCCMU) would include Wales in its negotiations with Air Products. The negotiated settlement was signed on behalf of the Secretary of State for Health, the Welsh Ministers and Air Products on 31 October

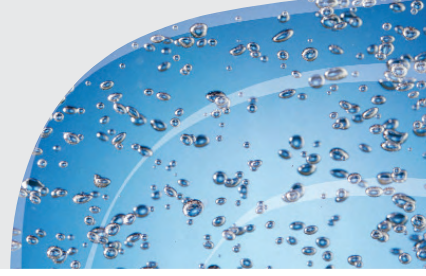
2007. The Department of Health's CCCMU estimate the net benefit to the NHS in Wales of these negotiations as £960,000 over the full five year period of the contract.

- 14 Local Health Boards have made slow progress in commissioning specialist clinical services to assess whether patients require oxygen, and that patients who would clinically benefit are prescribed the right amount in a way that meets their needs. Without these specialist assessments of need, the new arrangements have not yet delivered the intended clinical benefits to patients.
- 15 Because of the poor information previously available on patients receiving home oxygen services, the Department found it difficult to estimate the cost of the new contract. In the event, the £6 million annual cost of the new contract is higher than the £2 million a year originally estimated, although similar to the annual cost of the previous arrangements. There is, however, substantial potential to reduce the provision of oxygen services to patients who do not have a clinical need for oxygen.

Recommendations

- 16 There are a number of lessons to be learnt from the way in which the new arrangements for home oxygen services were implemented in Wales.
- i There were benefits for Wales by participating in the new contractual arrangements that covered England and Wales but the Assembly Government did not consider varying the way in which the new contract was implemented in Wales. It would have been a less risky approach, for example, if the NHS in Wales had piloted the new arrangements before implementing them across the rest of Wales, or had phased the implementation.

- We recommend that for future such England and Wales contracts, the Assembly Government preserves the option – and, where appropriate, exercises that option - to vary the implementation of the new contractual arrangements within Wales in order to mitigate the associated risks.
- ii The timescale for preparations for the start of the new contract was very tight and did not provide any contingency if problems arose. In this case, there was inadequate information available on those patients affected by the new arrangements and consequently the information provided to the new contractor was incomplete.
- We recommend that for future such changes to services, the Assembly Government should allow for contingency time in the event that the preparatory work does not go to plan; particularly where the information required to implement the new arrangements is not readily available.
- iii A contributory factor to the immediate failure of the new arrangements was the overwhelming volume of calls from patients and their GPs requesting information about the new arrangements. The contractor's efforts to communicate with patients before the start of the new contract were undermined by inadequate information on the patients concerned. These problems were compounded by problems with the completion of the new order forms by GP practices which led to incomplete and duplicate orders.
- We recommend that, in future such changes to services, the Assembly Government oversees the effectiveness of communication by health bodies about future changes to the provision of



services with patients. It should also oversee the effective communication with healthcare professionals about their role and responsibilities in making the new arrangements work.

- iv** Unlike in England, the Assembly Government has provided funding to LHBs to support the development of specialist clinical assessments. Nonetheless, progress by LHBs has been slow in establishing such assessments, without which the intended benefits of the new arrangements, including value for money in the supply of home oxygen services, will not be realised.
 - We recommend that the Assembly Government directs LHBs and NHS trusts to prioritise the development of specialist clinical assessments. It should also monitor closely the progress made by the NHS in Wales in developing such services and whether the additional funds made available to LHBs have been used effectively.

Part 1 - The NHS was not sufficiently prepared for the introduction of the new home oxygen contract

1.1 This part of the report examines the rationale for the new arrangements for the supply of home oxygen services and assesses how well the NHS in Wales managed the introduction of the new arrangements.

There was general agreement within the NHS in Wales about the need to modernise the provision of home oxygen supplies

1.2 Prior to 1 February 2006, services to provide home oxygen supplies to patients had remained largely unchanged for decades, and were split into two main components:

- **Cylinders** supplied on GP prescription through local community pharmacists who sourced them independently and recharged the cost to the Assembly Government.
- **Concentrator** supplies delivered as part of a bespoke service to provide outlets around the home to prevent patients from having to carry heavy cylinders around with them. This type of supply was provided within Wales by two separate contractors: Air Products in South Wales; and DeVilbiss in North Wales.

1.3 In June 2003, when the previous contractual arrangements for the supply of home oxygen services were due to expire, the Assembly Government's Department for Health and Social Services (the Department) decided to modernise home oxygen services in

conjunction with England (see [Appendix 1](#) for a full chronology of events surrounding the changes). The existing arrangements for home oxygen prescribing were complex with a range of supply and payment routes; and evidence suggested that the lack of specialist assessment of need for these services resulted in inappropriate home oxygen prescribing.

- 1.4** The Department established an advisory group known as the Oxygen Therapy Reference Group to assist in a process of consultation on the detail of the approved modernisation. The Group involved representatives from key parties, including clinicians, LHBs, the British Lung Foundation, the Welsh Thoracic Society, Community Pharmacy Wales and others.
- 1.5** The consultation by the Department confirmed that there was a general recognition within the NHS in Wales that the existing arrangements for home oxygen services needed to be updated and streamlined. The Oxygen Therapy Reference Group also provided views on the potential options for developing specialist clinical assessment to improve the clinical quality of the service to patients, which would run in parallel with a new contract for the supply of such services.
- 1.6** The Department saw advantages in joining in a new contract with England, in that Wales would benefit from the contracting expertise of the NHS Purchasing and Supply Agency, and that additional purchasing power and sustained competition could be achieved over time.

- 1.7 The change in the arrangements for the supply of home oxygen services is set out in Figure 1 below.

Figure 1 - Changes to the provision of home oxygen supplies

- Under the previous arrangements, home oxygen requirements were ordered for patients by GPs, prescribed through use of a WP10 form. Community pharmacies provided oxygen cylinder supplies and private contractors provided concentrator oxygen supplies.
- From 1 February 2006, GPs ordered home oxygen supplies for patients from a single source – Air Products supplied the whole of Wales – using a new Home Oxygen Order Form (the HOOF). Air Products delivered oxygen supplies direct to the patient and provided a ‘one-stop’ service for patients, clinicians and LHBs. In parallel with this change to the supply of home oxygen, LHBs were required to commission NHS trusts to provide specialist clinical assessment services for initial evaluation and subsequent review of patients’ oxygen needs.

A legal challenge to new contract caused uncertainty within the NHS which affected the pace of preparation

- 1.8 Following a tendering process to select the new contractors (see Figure 2), in March 2005, the Department wrote to NHS trusts and LHBs to inform them of the new arrangements for the Home Oxygen Therapy Service, indicating the significant changes due to take place from October 2005. Officials from the Department also met LHBs on two occasions during the early part of 2005 to outline the proposed changes and reinforce the need for LHBs to take action.
- 1.9 However, a legal challenge by an unsuccessful bidder meant that the Department was unable to confirm the successful contractor or sign contracts for the

Figure 2 - The new five year contract for the provision of home oxygen services

The new contractual arrangements cover ten separate geographical regions in England plus one region covering the whole of Wales. Tenders were adjudicated on a regional basis, with Air Products being the preferred supplier for Wales, as well as for six of the ten English regions. The management of the contract in Wales, and the monitoring of quality standards, was taken on by Welsh Health Supplies.

new service until July 2005. As a consequence, the start of the contract was postponed by four months from 1 October 2005 until 1 February 2006.

- 1.10 The legal action generated uncertainty within the health service about whether and when the new arrangements would proceed. This uncertainty slowed the preparations by LHBs.

The preparation time for the introduction of the new contract was tight, compounded by the poor information available on patients which delayed communication with patients about the changes

- 1.11 The contract refers to a pre-contract transitional period, covering the period between notification of the award of the contract and the start of the contract (originally intended to be 1 October 2005). With the delay in signing the contract, the start date of the contract was deferred to 1 February 2006. This delay in the start of the new contract meant there was around six months to develop and implement plans for introducing the new integrated service. The Department acknowledged that the timetable for implementation of the new contract was very tight. Air Products told us that they had

confirmed that they thought this timescale was feasible, but that they had raised concerns that it was a risk as there was no contingency time available.

1.12 Local Health Board representatives met periodically with the Department, Welsh Health Supplies and Air Products officials during the latter half of 2005 to discuss issues arising during the pre-contract transitional period. It was apparent from these discussions that preparations for the new contract were slow and the participants were concerned about whether they could be achieved in time for 1 February 2006 start date.

1.13 The contract confers clear responsibilities on the contractor during this period to communicate with a wide range of stakeholders; and on LHBs to lead and manage the introduction of the new service. One of the key tasks to be carried out by LHBs prior to the start of the new contract was the verification of the number and details of patients being prescribed cylinder oxygen by their GPs.

1.14 Local Health Boards did not hold data on the numbers of patients receiving home oxygen services – this information had to be retrieved by running searches on each GP computer system for patients with a prescription for oxygen in their medical history. Local Health Boards also had to ensure patients had consented to their details being passed to Air Products. They told us that they and GP practices made considerable efforts to chase patients to return their consent form, which was hugely time consuming. Local Health Boards faced a difficult task in preparing for the introduction of the contract and some LHBs were still sending information on patients receiving cylinder oxygen to Air Products in mid-January 2006, very shortly

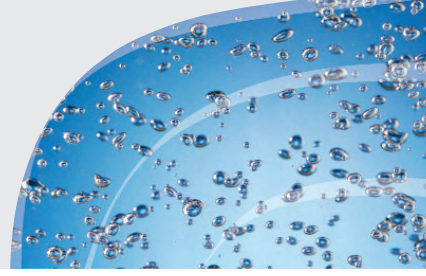
before the new arrangements were due to commence. As a consequence, there was very little time available for the new contractor, on behalf of the LHBs, to write to patients about the implications of the new arrangements before they began.

1.15 Air Products told us that they had good information on those patients that they had supplied under the previous arrangements (concentrator patients in South Wales and also where they had provided cylinder supplies to community pharmacists). However, the patient details transferred across to Air Products by LHBs were not always complete, accurate or up to date. Air Products estimate that they received details for around 70 per cent of patients in receipt of home oxygen services and that the company subsequently spent some eight months cleansing their patient database.

There were mixed messages about whether there was intended to be a phased or ‘big bang’ introduction to the new contract

1.16 The aim of the Assembly Government in managing the introduction of the contract was to:

- move quickly to one service to avoid confusion for patients and clinicians;
- enable community pharmacists to cease providing a service as soon as they wanted to; and
- enable suppliers under the previous arrangements to redeploy equipment to new regions in order to prevent duplication and other supply problems.



1.17 The contract provided for a six-month post contract transition period, from the start of the contract on 1 February 2006 to 31 July 2006. It was intended that, on 1 February, Air Products would immediately take over responsibility for concentrator supplies (Air Products was already supplying South Wales), new patients and urgent patients. However, it was envisaged that other patients that were receiving a regular supply prescribed by their GP and provided by community pharmacists, would transfer across to Air Products once their prescription, which was valid for six-months, had run out. In this way, the introduction of the new contract was intended to be phased over the first six months of the contract.

1.18 However, guidance from the Department stated that LHB arrangements for the provision of oxygen cylinder supply would cease from the start of the new contract. In the event, many community pharmacists began to reduce their stocks of oxygen supplies in advance of the 1 February start date of the new contract in preparation for removing themselves from the supply chain. Air Products told us that they had strongly recommended phasing the transfer of patients in need of home oxygen services across to Air Products, for instance by type of therapy required. However, the Department took the view that it had limited flexibility to differ the implementation arrangements significantly from those in England and so did not consider the potential for piloting the roll out of the new arrangements before implementing them in full.

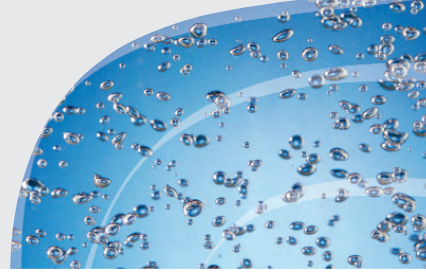
Preparation to handle an initial peak in demand proved wholly inadequate to deal with the surge that occurred immediately following the start of the new contract

1.19 Air Products told us that they did not anticipate the actual scale of the demand at the start of the new contract. On 1 February 2006, the first day of the new contract, it quickly became apparent that Air Products were receiving a volume of calls and faxes for home oxygen orders from across Wales and their six English regions that was far in excess of that which had been anticipated. The company had prepared to receive 2,000 orders on the HOOF order forms during the first few days of the new contract, twice the average expected order volume. However, this estimate proved to be a totally inaccurate and Air Products reported receiving 10,000 HOOF order forms in the first three days of service.

1.20 The volume of phone calls received by Air Products was also far higher than anticipated. Around 2,000 calls per day had been expected (twice the average call volume). However, the company call centre received 15,500 calls over the first three days of February 2006. Air Products reported that British Telecom had to 'reject' an additional 27,000 calls because its system could not cope with that level of activity. Many of the calls that were received were from patients and their GPs seeking explanations about the new arrangements.

There was a lack of awareness at General Practitioner practices about how the new service would work and severe problems in the use of the new order forms

- 1.21** There were also significant additional difficulties with the HOOF order forms submitted by GPs to Air Products, with the company reporting that during the first week of the contract:
- up to 80 per cent of these documents were incomplete or incorrectly completed;
 - half were marked as emergency orders; and
 - some only included the patient's name and phone number and no other patient details.
- 1.22** The long waits reported in getting through to Air Products on the phone often resulted in GPs submitting duplicate orders by fax to try to ensure supply, which further exacerbated the burden on the contractor.



Part 2 - The intended benefits of the new arrangements for home oxygen services and associated specialist clinical assessment have not yet been fully realised

- 2.1** This part of the report examines whether the benefits of the new arrangements have been realised. These benefits were:
- to integrate, streamline and modernise the supply of all home oxygen services;
 - to improve the assessment of patient needs through the increased involvement of specialist clinicians; and
 - through delivering the above two aims, a more efficient and thereby more economic form of supply.

The Department responded quickly to the immediate crisis by using community pharmacists to continue their previous service, but this came at a cost

- 2.2** By the third day of the new contract, the Department instructed LHBs to ask community pharmacists to resume their supply of home oxygen cylinders until such time as Air Products could take on service provision. In this way, both routes of supply ran in parallel, with Air Products gradually increasing the volume of their service.
- 2.3** A transitional arrangement for the first six months of the new contract, up until 31 July 2006 (subsequently extended by a further month) was agreed between the Department, Welsh Health Supplies and Air Products. During this time, GPs continued to provide all patients with WP10 prescriptions for oxygen

cylinder supply via community pharmacists. At the same time, the GPs initiated the registration of patients with Air Products. The company responded to the formal transfer of individual patients as their capacity developed over the transitional period. Once formally transferred, patients were contacted by Air Products as they no longer needed to pursue supply of oxygen through their community pharmacist supplier.

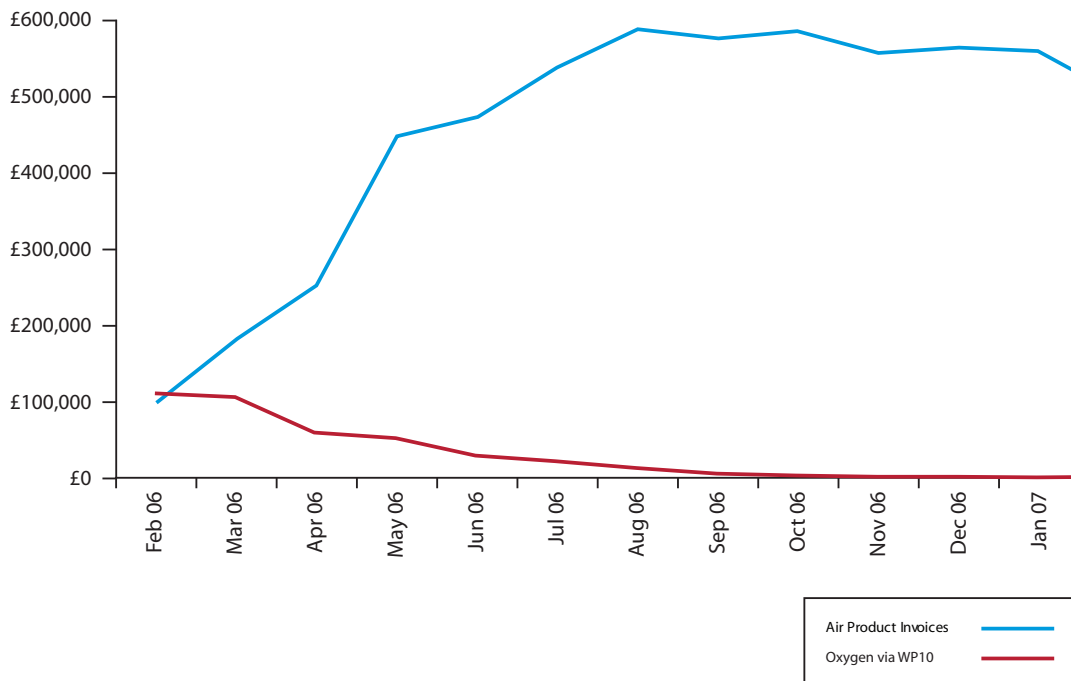
- 2.4** These arrangements, whilst essential to secure the provision of home oxygen, came at a cost. Community Pharmacy Wales, the negotiating body on behalf of pharmacy contractors in Wales, negotiated with LHBs for an uplift to charges for oxygen services (see [Appendix 2](#)). Community Pharmacy Wales regarded this uplift as necessary, because many community pharmacists had run down their oxygen services prior to the introduction of the new contract and so incurred additional costs in resuming the supply of oxygen cylinders.
- 2.5** The Department told LHBs that it would only pay the existing drug tariff rates for oxygen services from community pharmacists. It did not accept that the NHS should pay increased rates on the back of an emergency and instructed LHBs that any enhancement to rates negotiated on a local basis would have to be met by the LHBs themselves.
- 2.6** The new tariff was agreed by most LHBs in the South East, Mid and West Wales as they believed that this was the only way to ensure an essential service for patients in their area. Cardiff LHB and Monmouthshire LHB did not

accept the enhanced rates and, although some community pharmacists in those areas did not continue to provide a service, the majority did so. In North Wales, negotiations resulted in a ten per cent increase across the board over the previous rates, and this was adopted by all LHBs in that region. This was a smaller increase than the tariff rates set out in [Appendix 2](#).

Air Products was able to take over the supply of home oxygen services by the end of the transitional period

2.7 During this transitional period, the Department, Welsh Health Supplies and LHBs met regionally on a monthly basis to work through the issues. All parties devoted a considerable amount of time and effort to this work. By the end of July 2006, there was increased confidence amongst NHS officers and Assembly Government officials that the majority of patients requiring oxygen services had been transferred to Air Products. Local

Figure 3 - Total costs of home oxygen supplies during the first year of the new contract, from February 2006 to January 2007

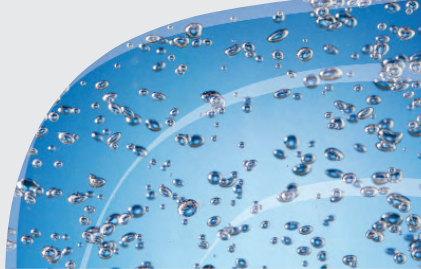


Note

The figures relating to the cost of services provided by Air Products are the amounts invoiced by Air Products, not the payments made by LHBs (some of whom withheld payment whilst resolving disputed invoices).

The Air Products figures include the costs of concentrator and cylinder oxygen supplies provided under the new contract - and thus exclude the costs of those patients provided with concentrator supplies by Air Products under the previous contract until they transferred to the new contract from 1 May 2006. The figures for 'oxygen via WP10' relate to oxygen cylinder supplies only.

Source: WP10 data - Health Solutions Wales Data; HOOF data – Business Services Centre



Health Boards reported an ongoing decline in the use of WP10 prescription forms and community pharmacist services, as Air Products increasingly provided oxygen supplies for patients.

2.8 During July 2006, the Department extended this transitional period by an additional month, with the new contract to become fully operational from 1 September 2006. This decision related to concerns about the potential demand for oxygen from summer holidaymakers in Wales, and also because of the timeframe for the introduction of sufficient new supplies of ambulatory oxygen cylinders by Air Products.

2.9 As shown in [Figure 3](#), the cost of payments to community pharmacists for home oxygen services steadily reduced over the transitional period. The invoice costs from Air Products show a corresponding increase during each month of the transition period, with the upward trend levelling off after August 2006. At the end of the transitional period on 1 September 2006, the contractor had taken over the supply of new oxygen orders.

Local Health Boards have made slow progress in commissioning specialist clinical services to assess whether patients require oxygen

2.10 A key objective of the new arrangements was to improve the clinical quality of services to patients through the involvement of specialist clinicians in the assessment of their needs. Without effective clinical assessment there is a risk that patients could receive oxygen services which might put their health and safety at risk. In addition, clinical assessment

can help to avoid substantial unnecessary costs by preventing the provision of oxygen to patients who do not need it.

2.11 The Department envisaged that, in due course, all new and existing patients would be subject to regular clinical review and reassessment by specialist teams. Existing arrangements had been dependent on GPs. However, the development of this important aspect of the new arrangements has been extremely slow from the outset. This was partly due to uncertainty over funding availability for commissioning such assessments, and also because of the amount of attention it was necessary to give to resolve the oxygen supply problems.

2.12 In June 2005, before the start of the new contract, the Department wrote to NHS trusts and LHBs to explain the planned assessment and follow up, referring to guidelines from the British Thoracic Society. The letter set out the need for LHBs to work with NHS trusts to review the local commissioning of respiratory care services, including the provision of specialist clinical assessments. The Department also indicated that it would 'seek to meet, as far as is possible, the additional cost to LHBs for these commissioned services', and requested a summary of the proposed services to be commissioned from NHS trusts. This summary required details on the number of patients to be treated, the number of times patients were to be reviewed each year, along with details of additional staff to be employed and the total service cost.

2.13 By the end of September 2005, LHBs had submitted their bids to the Department, which projected an estimated cost of establishing clinical assessment services at around £5.3 million. The Department considered that LHBs and NHS trusts had aspired to

Case Study A - Clinical assessment of need in Blaenau Gwent

The high incidence of chronic obstructive pulmonary disease in Blaenau Gwent led to the development in 2005 of a Blaenau Gwent Multi Professional Respiratory Team. A respiratory consultant at Gwent NHS Trust provides the clinical lead for this team, which includes nursing and allied health professional input, including the LHB's Service Improvement Lead for Respiratory Disease. The team established a specialist assessment service for patients receiving oxygen therapy that was based on the British Thoracic Society Guidelines.

Local evaluation indicated that the initial assessment process during late 2005 led to a reduction of about 50 per cent in the number of patients considered clinically appropriate for home oxygen therapy. This reduction demonstrated the significant potential impact of specialist assessment, both clinically and financially. In addition to identifying a substantial number of patients for whom there was no clinical benefit from continuing with home oxygen use, the assessment also revealed a sub-group of patients whose clinical condition necessitated a strict limit in the amount of oxygen that should be administered to them.

The assessment also determined that 30 per cent of patients using oxygen at home were smokers, a habit highly counter-productive to the benefits of oxygen administration. Knowledge of those patients that smoked enabled appropriate interventions to be offered, whilst ensuring the risks of oxygen in the home were minimised.

commence services at the highest standards of provision outlined in the guidelines and that these were not necessarily achievable straight away. In December 2005, it notified LHBs that these bids had been rejected and requested revised bids. The Department indicated that it favoured a more pragmatic development of services over time. Discussions continue between the Welsh Thoracic Society and the Department about this issue.

- 2.14** In February 2006, the Department told LHBs and NHS trusts that even the modified bids 'far outstripped the available resources' and that 'for this reason it has been decided to allocate each LHB £36,000 for the remainder of 2005-06'. The decision to allocate £36,000 to each LHB was based on an equal division of the remaining available funds for transition. However, this decision resulted in a considerable amount of bad feeling amongst NHS professionals. Local Health Boards officers and others have questioned why a bidding process was conducted when only a relatively small amount of money was subsequently allocated.

- 2.15** While there has been considerable discussion between LHBs and NHS trusts, there has been slow progress to date across Wales in progressing specialist assessment arrangements. An exception, considered by the Department as an example of effective practice, is the initial assessment process carried out in Blaenau Gwent (see [Case Study A](#)). There was no new funding for this initial assessment in Blaenau Gwent; it was made possible by the decision of the LHB to make use of appropriate skills already available locally to carry out assessment and review. The experience in Blaenau Gwent does provide some evidence that an improvement in the standard of care is achievable without significant additional funding.

- 2.16** In September 2007, the Department wrote to LHBs to re-emphasise their obligations in relation to providing services for initial clinical assessment for oxygen and subsequent review. It was also announced that there would be an allocation of £1.65 million to be allocated equally between LHBs (£75,000 per LHB) to support the commissioning of these services. The announcement of these

additional funds should encourage progress, although there had been a period of 18 months during which the benefits of clinical assessment had been largely unrealised.

Following resolution of a dispute over invoices, the cost of the new contract is higher than estimated but savings are possible in the future through better assessment of patients' clinical need for oxygen

2.17 Improving services to patients was the main driver for the new arrangements. However, the Department did anticipate that these arrangements would lead to more efficient and economic form of supply.

2.18 The annual cost of the previous arrangements was around some £6 million a year. The Department anticipated that the new arrangements could initially cost more than the previous arrangements, due to the intended improvements in services, and secured an additional £2 million funding.

2.19 Based on assumptions about the likely demand for home oxygen services – which subsequently proved to be based on inadequate data – the Department estimated the cost of the new contract with Air Products as being some £2 million a year. While LHBs could choose to offset the potential additional cost of specialist clinical assessment from any savings to the prescribing budget, no compulsion was placed on them to do so.

2.20 Air Products invoices for home oxygen services in Wales amounted to some £6.2 million for the first year of the contract, from February 2006 to January 2007. However, by

early 2007, LHBs were disputing between £1.3 million and £1.5 million of Air Products invoices, particularly in relation to:

- continuation of charges for emergency oxygen made after the first three days of service;
- instances where charges may have been made for services not received;
- charges to LHBs for patients registered with other LHBs (the Business Services Centre agreed to help resolve this particular issue by identifying patients incorrectly attributed to LHBs); and
- possible duplicate patient records.

2.21 By March 2007, there were claims across Wales and England of around £8 million against Air Products, with a potential counter claim by the contractor of £11.5 million representing their view that:

- price increases had been deferred by six months;
- it was entitled to an interim increase in electricity charges;
- it had been underpaid for the use of lightweight home oxygen services;
- it was entitled to charge for lost and unrecovered equipment following termination of the previous arrangements; and
- it was entitled to charge for services provided to patients on holiday within its regions, but which are normally resident in other UK regions supplied by other providers.

Figure 4 - Forecast costs over the five year period of the new contract

Period	Feb 2006 to Jan 2007	Feb 2007 to Jan 2008	Feb 2008 to Jan 2009	Feb 2009 to Jan 2010	Feb 2010 to Jan 2011	Total over five year life of the contract
Cost £ million	6.2	7.3	7.8	8.2	8.6	38.1

Source: Commercial Central Contract Management Unit, Department of Health, July 2007

2.22 This situation continued to escalate and some LHBs refused to pay part or all of the invoices from Air Products. The result was a substantial amount of staff time being devoted nationally and locally within LHBs to resolving this dispute.

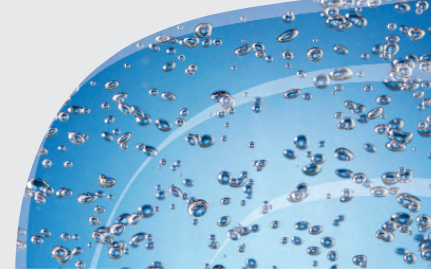
2.23 The Assembly Government agreed with the Department of Health that the latter's Commercial Central Contract Management Unit (CCCMU) would include Wales in its negotiations with Air Products. The Assembly Government also appointed a legal advisor to liaise with the Department of Health's CCCMU and to provide professional commentary and guidance during the negotiation process.

2.24 By July 2007, the Department of Health agreed a settlement with Air Products, the terms of which were agreed by the Minister in Wales as acceptable. The agreement was finally signed on behalf of the Secretary of State for Health, the Welsh Ministers and Air Products on 31 October 2007. Local Health Boards remain liable for any outstanding charges for legitimate services – and, as at November 2007, Air Products estimated that some £100,000 was still outstanding. Local Health Boards will also be credited for any overpayments made to date.

2.25 The Department of Health's CCCMU estimate the net benefit to the NHS in Wales of these negotiations as £960,000 over the full five year period of the contract. The key elements contributing to this figure include:

- refund of a backdated price increase;
- restriction and delay to future price increases;
- under-billing and holiday billings not charged;
- moving to a fixed three-day Emergency Charge with savings from current charges; and
- increased charges to LHBs for lightweight oxygen supplies.

2.26 As part of its settlement figure calculations for Wales, the Department of Health's CCCMU has forecast costs for each year of the contract (see [Figure 4](#)) based on an agreement to limit price increases to a 5.5 per cent increment, with effect from October 2007.



Appendix 1 - A chronology of events surrounding the decision to modernise domiciliary oxygen services

July 1999	The Royal College of Physicians produces guidelines on Domiciliary Oxygen Therapy, a number of which have implications for the content of the Domiciliary Oxygen Service and the way it is delivered.
November 1999	The Department of Health obtains agreement from Lord Hunt (then Parliamentary Under Secretary of State for Health (Lords)) to a review of the Domiciliary Oxygen Service, including a consultation exercise.
July 2002	An English submission, on the results and recommendations arising from the review and consultation, is put to Lord Hunt. The submission indicates that existing services are complex and need updating. Lord Hunt indicates that in principle he supports the option of an integrated Domiciliary Oxygen Service, largely ordered by hospitals, but no firm decisions are made.
June 2003	The existing contract for service provision is due to expire on 30 June 2003. The Assembly Government is advised at the beginning of June that Lord Hunt has approved modernisation of the service in England. The approval of the Health Minister for Wales is sought, and received, to modernise the Domiciliary Oxygen Service along the same lines as England. The Assembly Government and the Department of Health decide to extend the existing service for a further 18 months, to December 2004.
October 2003	The Assembly Government establishes the Oxygen Therapy Reference Group to assist in a process of consultation on the detail of the approved modernisation. The Oxygen Therapy Reference Group includes representation from clinicians, LHBs, the British Lung Foundation, Welsh Health Supplies, Welsh Thoracic Society, General Practitioner Committee (Wales), Community Pharmacy Wales and others.
April 2004	The Oxygen Therapy Reference Group considers responses to the consultation document. Twenty one out of twenty four responses are in favour of an option which transfers responsibility for oxygen assessment to hospital consultants and their teams. Reservations are expressed by respondents not in favour of the option.
May 2004	The Assembly Government and the Department of Health invite tenders under OJEU to provide a new integrated home oxygen service. A service specification for the new contract is made available on the Department of Health's website.
March 2005	The Assembly Government issues a Welsh Health Circular informing relevant parties in Wales of the new arrangements for the Home Oxygen Therapy Service, indicating the significant changes due to take place from October 2005. These are to include a single integrated service for the whole of Wales by a single contractor. Specialist teams will be able to authorise oxygen therapy using their expertise to assess long-term complex needs. Further guidance will be forthcoming following the announcement of the successful contractor for Wales. Local Health Boards are told that they should begin planning for change straight away.

August 2005	<p>The Assembly Government intended to sign contracts for the new service during spring 2005. However, legal action by an unsuccessful tenderer delays signing of the contract with Air Products until 3 August. The introduction of the new contract in England and Wales is postponed four months until 1 February 2006.</p> <p>The Assembly Government issues a further Welsh Health Circular informing LHBs of the legal action and delay to the start of the contract and re-iterates the need for LHBs to take action to manage the introduction of the contract.</p>
1 February 2006	<p>The new contract commences and the service providers immediately face major problems responding to service demand. In Wales, community pharmacists are asked to resume service provision for a six-month transition period, until 31 July 2006, during which time Air Products is to increase service provision as soon as possible, and community pharmacist services will correspondingly be phased out.</p>
31 July 2006	<p>The transition period is extended for an additional month to allow for an expected increase in demand in Wales for oxygen services from summer holiday visitors.</p>
Summer 2006	<p>Disagreement relating to charges for Air Products services leads to ongoing discussions to find a resolution.</p>
1 September 2006	<p>The transition period formally ends and Air Products is officially the sole provider of the single integrated Home Oxygen Therapy Service in Wales.</p>
February 2007	<p>One year on from the start of the new contract, a small number of LHBs indicate some progress in the development of local specialist assessment services.</p>
March 2007	<p>The Assembly Government liaises with the Department of Health's Commercial Central Contracts Management Unit, which is leading negotiations with Air Products to try to resolve issues being disputed across England and Wales in relation to the new contract.</p>
July 2007	<p>The broad terms for a negotiated settlement receive Ministerial approval in England and in Wales; details in relation to the wording of the settlement are being worked through.</p>
September 2007	<p>The Assembly Government announces £1.65 million to support the commissioning of specialist clinical assessment of patients who may require oxygen services.</p>
October 2007	<p>On 31 October 2007, the settlement agreement is signed on behalf of the Secretary of State for Health, the Welsh Ministers and Air Products.</p>

Appendix 2 - New enhanced tariff of payments to community pharmacists

Service Element	Old rate £	New rate £	Variation
Visit to patient during normal Monday to Friday trading hours for the purposes of: <ul style="list-style-type: none"> ■ set up and instruction for a new oxygen patient ■ delivery of oxygen sets, cylinders or masks ■ collection of equipment at the end of treatment ■ repairing or replacing faulty equipment 	30	34	+13%
Visit to patient on Saturdays, Sundays and Bank Holidays when the pharmacy is already open for trading for the purposes of: <ul style="list-style-type: none"> ■ set up and instruction for a new oxygen patient ■ delivery of oxygen sets, cylinders or masks ■ repairing or replacing faulty equipment 	30	54	+80%
Requests for emergency delivery of oxygen and the repairing and replacement of faulty equipment Monday to Friday between the regular closure time of the pharmacy and the regular opening time the following morning	35	85	+143%
Requests for emergency delivery of oxygen and the repairing and replacement of faulty equipment Saturdays, Sundays and Bank Holidays when the pharmacy is not open for trading.	35	113	+223%
Requests for emergency delivery of oxygen and the repairing and replacement of faulty equipment on Easter Sunday.	35	165	+371%
Collection of oxygen equipment by the patient or carer from the pharmacy during normal trading hours	10	10	-
Excess mileage for journeys over a 10 mile round trip.	-	40p per mile for total journey less 10 miles	-
Monthly rental for each oxygen set in use	-	2.60	-

Source: Community Pharmacy Wales