The Private Sector in health care: the good, the bad and the ugly

An invited talk by Dr John Lister of Keep Our NHS Public and Health Campaigns Together to an audience at the Commissioning Live! Event, Spring 2016, Olympia.

The first thing to ask on the issue of privatisation and the NHS is – WHY do it?

We all know from the USA and other experience that the stock claims that "private sector and competition for contracts force prices DOWN and quality UP" do NOT work for healthcare.

And we also know that privatisation comes with added costs – the separation of a unified NHS into purchasers (or commissioners) and providers, with each devoting time to contracts and admin tasks rather than patient care.

What DOES work, as shown by the original NHS model, is integrating services under public ownership, and running them for **public health**, rather than **private wealth**.

The NHS in 1948 replaced a FAILED MARKET SYSTEM, which offered neither choice nor access to the majority of the population.

Bevan's NHS NATIONALISED the network of mainly small, private, charitable and municipal hospitals.

In this way it enabled them to work together … for the first time.

It enabled national standards of training, a career structure for doctors.

Healthcare was at last no longer a commodity, a service bought and sold – excluding or bankrupting the poor.

Now it was to be funded fairly and economically, through general taxation, free to all at point of use.

It was not insurance cover with conditions or qualifying periods. It did not include the costly bureaucracy of insurance funds separate from the provision of health care – which inflates overhead costs in most European countries.

It offered a full range of services for the whole population on the basis of clinical need, not ability to pay.

This was efficient.

It went beyond, SUPERSEDED the limits of the market.

It had low admin costs, and was hampered primarily by the lack of investment.

Five decades later Labour's investment programme from 2000 showed how performance could be increased if resources were made available.

- The burst of investment from 2000-2010 put Britain right at the top of the league tables of health services compiled by the Commonwealth Fund

When you have a system like that, with control and accountability – ***why change it?***

Ideology got in the way.

Thatcher's so-called reforms from 1989 to 91 separated purchasers from providers by creating new bureaucracy,

It brought in an internal market in which NHS providers had to compete with each other for contracts.

This increased overhead costs,

- fragmented the NHS,
- undermined planning,
- and reduce collaboration between health professionals.

- Counterpose purchasers and providers
- GP fundholders held onto millions in surpluses.

Thatcher's ideology, of course, bred Tony Blair.

Labour's expensive experiments from 2000 with the use of private providers meant more wasted overhead costs

ISTCs were paid inflated prices paid for delivering the most simple treatments.

And then of course the worst so far –

David Cameron's government brought us the Lansley-Letwin reforms, aimed at creating a much larger-scale competitive market.

And the Tories now have a majority and five years to let it rip.

NHS privatisation – by which I mean **private provision of services previously provided by the NHS** -- began in the 1980s under Thatcher

It began with breaking up NHS hospital teams,

Carving out so-called "Hotel services" – cleaning, catering, portering etc – and opening the way for private providers to take over these publicly funded support services and make profits – by reducing quality.

What fan of private provision today ever argues privatised hospital cleaning was a success?

- It's a by-word in failure.
- A laughing stock.

We had hundreds of crazy contracts – like the one which allowed 29 seconds to clean a bath.

And of course MRSA loves privatisation.

But that doesn't seem to have deterred some Trust bosses;

- Even as Leicestershire's hospitals wave a delighted goodbye of failed support service provider Interserve …
- Bosses of Barts Health, the country's biggest trust, have just put facilities management contracts worth £400-£600m out to tender.

Cheap and cheerless is what they will get.

They brought in private cleaners and caterers, but Thatcher and Major never tried to privatise *clinical services*.

Blair went much further –

- implementing PFI – by complete surrender to the private sector – with deals paying on average SEVEN TIMES or more the cost of a hospital
- Alan Milburn signed the Concordat – a deal with private hospitals to take winter elective cases, at **premium rates** of up to 40% above NHS costs
- private firms took over low risk diagnostics and surgery – with cosy long term contracts and on average **11% more funding** than the NHS
- From 2005 there were more moves to split off community health services and put them out to tender to "any willing provider" under the ludicrous title of "World Class Commissioning"

Labour also experimented with privatising hospital management.

They franchised out management of the 550 bed Good Hope Hospital in Sutton Coldfield in 2003.

But that 3-year contract was wound up eight months early:

- the company had successfully increased its own fees by 48% in year one,
- paying the chief executive £225,000 a year,
- but racked up huge debts for the trust, with a potential deficit of £47 million – in 2005.

Labour also set up the disastrous contract for Circle to run Hinchingrooke hospital in Cambridgeshire,

- That deal was eventually signed off by the coalition:

But that too led to a predictable early termination as Circle opted to cut its losses, and walked away – again with mounting deficits instead of the promised £30m savings.

Then came Andrew Lansley's 2012 Act

- smashing up the NHS management again
- 200 Clinical Commissioning Groups were now each required to contract out dozens of services to **"Any Qualified Provider".**
- Foundation trusts were encouraged to make up to 50% of their income from private medicine and commercial activity.

The reforms cost £3 billion

- and caused years of upheaval, leaving a trail of chaos:
- Competition lawyers and the Competition & Markets Authority were unleashed on the NHS. … helpful!
- can anyone see a benefit yet?

All the Act did was open more opportunities for private companies to slice off more of the NHS budget.

Many CCGs are now presiding over "innovations" which replicate previous private failures.

Privately-run Patient Transport Services (formerly non-emergency divisions of ambulance services) have notched up failures all over the country.

CCG's have faced massive problems getting out of failed contracts, while it seems the companies can simply walk away when things go wrong.

Now in London and elsewhere we have increasing use of private sector EMERGENCY ambulances,

- run by staff with much less training,
- less screening,
- and fewer skills.

Who thought that was a good idea?

In mental health we have addictions and alcohol services in many areas taken from mental health trusts with qualified staff,

- and handed over to so-called non-profit organisations,
- delivered by volunteers or low paid staff.

This **lower quality service** has destabilised the finances of specialist units delivering services for more serious and complex cases.

We've seen children's and adolescent services handed over to Virgin.

And we've got a new rise in the use of private sector secure mental health beds,

- which cost more
- often many miles from patient's home
- and deliver poorer quality than NHS specialist beds.
- They also have the perverse incentive to keep patients in hospital longer.
- These beds milk cash from the main NHS mental health trusts.

CCGs have also been dabbling in various

- 'innovative'

- "prime provider" or
- "lead provider" contracts,
- aimed at making use of private sector 'expertise' to coordinate services
- effectively contracting out commissioning.

Many of these plans, which cost millions to devise are hopelessly impractical, and have no regard for the longer term consequences for other local services.

- In Staffordshire, a group of CCGs decided to experiment by contracting out cancer services in a £700 million contract.
    - many private bids were withdrawn because of inadequate funding.
    - The private sector so-called lead provider which was awarded the contract, Interserve, has no clinical expertise, and depends on NHS providers to deliver the actual care:
    - but before the contract could even commence, the only cancer service provider in Staffordshire, the University Hospitals of North Midlands trust, pulled out from the consortium, again pointing to the lack of adequate funding to deliver services.
    - The situation is still unresolved
- In West Sussex, another irresponsible CCG wanted to put elective musculoskeletal services out to tender, and awarded the contract to BUPA,
    - Here it was BUPA which withdrew – pointing to the fact the CCGs had ignored – the potential impact of the contract in forcing the closure of two A&E units in the area.
- In Nottinghamshire, the CCG's ignored warnings from consultants of the consequences, and appointed Circle to take over elective dermatology services,

    - it triggered a mass exit of consultant staff unwilling to work for Circle,
    - and the collapse of specialist dermatology services in Nottingham.
- In Cambridgeshire another unworkable contract – this time for older people services in Cambridgeshire and Peterborough, despite big local campaign

    Contract was eventually awarded to the NHS led bid,

    - again after many private bids had been withdrawn.
    - But this too has collapsed after eight months
    - After hundreds of staff transferred.
    - The NHS lead trust is arguing that there was too little money in the contract to cover adequate standards of care.
    - Here too the situation is still unresolved over
        - costs,
        - blame
        - & what to do next

On community services, one of the leading contract companies, Serco won a high profile £140m contract in Suffolk,

- But they also found they could not make profits,
- or recruit staff
- and wound up seeking staff seconded from local trusts.
- They completed the contract with a loss, and made clear from early on they would not be tendering again.

In Cornwall, Serco won the contract for the Out Of Hours cover for GP services,

- But a succession of scandals over fiddled figures and inadequate staffing eventually led to them giving up the contract
- and then pulling out of any other tenders for clinical services.

But community services are seen as a big expansion area for the private sector:

- **105** private companies were given the nod by DH in 2013 to bid as Any Qualified Providers – *but not checked by Monitor*
- Up to 39 specific areas of community services are being potentially offered up for tender, either separately or in groups, by 200 CCGs.
- Competition between "Qualified Providers" presents patients and GPs with dilemma – with no measures of quality available.

The Tory cash squeeze on the NHS since 2010 is set to continue for another five years

- This increasingly means there's just not enough money in the system to guarantee that private contractors can generate profits.

In fact all are losing money.

This is not a stable situation.

More could walk away in the way Circle and other contractors have done, leaving the NHS to pick up the pieces

Perhaps the biggest problem from the creation of the competitive market has been the DISORGANISATION of the NHS,

- the fragmentation,
- parcelling up services as potential contracts for private providers.

So ***even if the private providers lose every bid,***

and the NHS provider wins what are often complex and underfunded contracts,

the NHS as whole still carries the cost of:

- bureaucracy and transaction costs
- wasted management time on issues other than patient care
    - wasted millions on McKinsey and other management consultants

For those who say there's something good in private provision of medical care perhaps the most common example they come up with is the cleanliness and comfort of private hospitals.

They often claim these can be compared with NHS wards and hospitals.

But this is largely illusory.

The private sector consists in the main of TINY hospitals

- average size 50 beds – equivalent to 2 NHS wards
- dealing only in uncomplicated elective procedures,
- and visited by far fewer people than NHS hospitals,
- very people in private hospitals have any medical illness,
- the hospitals are also cleaned by in-house teams,
- and each of their patients is funded with a higher budget than NHS patients – so you get nicer food, décor and curtains.

Private hospitals are untroubled by emergencies,

- and not saddled by the costs of maintaining 24-hour care,
- they provide no doctors on the staff or overnight,
- they poach their staff ready trained -- and often partly paid -- from the NHS,
- and with no emergency facilities they rely on the NHS to cope if their patients suffer any complications.

They *depend on the NHS* and the hidden subsidy of publicly provided health care.

The latest wheeze for privatisation has been the Cumberlege report on maternity services which proposed among other things

- personal budgets of £3000 or more per pregnant woman,
- to allow them to choose their own package of support
- possibly to include private provision of one to one midwife support.

So where are the Private midwifery services to come from?

Midwives are all trained by the NHS and almost exclusively work for the NHS.

- Any private provision could only be delivered at the expense of staff shortages in the NHS.
- And private antenatal and postnatal care would clearly strip funding for these services away from the NHS units,
- which of course would carry the costs and responsibility for supporting any complicated cases.

Once again the search for individual and private sector solutions works to **undermine collective provision**, and switch resources away from more serious cases to less serious.

The fact is that the private sector is not about to, or even hoping to take over the whole of the NHS.

Spending on private sector provision of services has increased, but is currently costing the NHS between £6billion and £10 billion a year in England – out of £100bn-plus.

But the private sector doesn't want to compete for

- emergency care,

- complex care,
- risky care,
- expensive services,
- or care for people with long-term and serious illnesses.

Private sector remains above all

- tiny,
- elective, selective
- exclusive,
- expensive,
- dependent on public subsidy.
- Most people needing the most health care are least in a position to pay the market price for it. They need a tax-funded system.

The NHS remains above all largely

- universal,
- popular,
- accessible,
- politically damaging for any government to openly undermine and challenge.

But despite this there's still an ideological drive to maximise potential markets for private health insurance

- by instituting wherever possible and increasing wherever possible charges for treatment,
- excluding services from the NHS
- and of course testing each of these to begin with on overseas visitors and migrants.

Clinical Commissioning Groups are now facing contradictory pressures as the financial crisis is increasing in the NHS.

The Health And Social Care Act requires them to put out more contracts for tender, but there have increasing problems monitoring the contracts they already have.

And now the financial pressures mean that they are required to link up in each area with providers and possibly others CCG's to develop Sustainability and Transformation Plans (STPs).

England is being divided into 44 STP "footprints".

- In other words ***competition is now not the only pressure on CCGs***.
- **This is an OPPORTUNITY FOR CCGS TO BREAK FREE of the pressure to privatise –**
- and to seek more productive ways of working with providers,
- planning services, and breaking down the barriers created by fragmentation and competition
- <u>This is potentially offering Commissioners a way out. But of course you need to be bold enough to grasp this chance. Bold enough to defy the government but stand up for the local communities you are supposed to care for and represent.</u>

  <u>I hope you will take this chance.</u>

Because remember: privatisation is like heroin:

- it's a nasty and expensive habit.
- An overdose could kill.
- It impedes proper functioning.
- It distracts from daily life.

To privatisation, like heroin, the answer from CCG's must be **just say no!**