OPENING THE HEALTHCARE MARKET
NHS, GOVERNMENT PARTIES & PRIVATE FINANCE INITIATIVE'S

Was it desperation, necessity or a real desire to learn to do things more efficiently which drove the NHS into the arms of the private, across a cultural divide?

With the NHS budget speeding through the hundred billion pound mark, the British government's embrace of the private sector could have been driven by all three in the quest to find solutions to an increasing financial burden and a political imperative not say 'no' to treatment for the vast majority of the population which relies on the NHS.

Partnering with the private sector started in the early 1990s when the ban on mixing private and public finance was removed, and the private finance initiative (PFI) was launched by the then Conservative government led by John Major. While there was some early hesitation from both sides of a very different cultural fence, it has taken off and been promoted by Labour (rebranded as public private partnerships (PPP)) in order to remove large public expenditure off its balance sheet, but it is being paid many times over through the periodic contract payments over the life of the contract.

Some of the first projects were hospitals, starting with the private sector building private wings to NHS hospitals, and then moving to designing and building the structures of the NHS hospital itself. The building contracts included fitting out much of the fixed items in the interior. Contracts were then widened in scope to include the operation of the non-clinical elements of the hospital, such as building maintenance, and stretched further to provide other soft services for fixed price contracts. This was seen as a way of encouraging the private sector to deliver buildings which would be low cost to maintain and run to its benefit, which in turn would minimise disruption to the operation of the hospital and create certainty of cost.

While no criticism would be listened to of the structure of these contracts at the time, there is now an undeniable realisation that the legacy of these projects is inflexibility and a cost which far exceeds a Government financed route.

Changes in healthcare which occur during the lifetime of such contracts (often in the region of 30 to 40 years) may require alterations to the buildings, and the need to do that could further push up the costs of these projects as the opportunity can be seized upon by the contractor to re-negotiate costs.

The primary healthcare sector has seen a similar circle being turned, but in a different scenario, with a Conservative policy being thrown out by Labour on an election promise, and then being re-introduced and pursued more vigorously under a different name.

The vast majority of primary healthcare is provided by general medical practitioners (GPs) who have surgeries throughout the country. The GPs are independent contractors, but the means of provision of care and the payment for the care is funded by the NHS.

Since the creation of the NHS in 1948, encouraged by the way that it is funded, private healthcare has decreased, meaning that most GPs are wholly reliant on the NHS for their income.

The concept of GPs having their own budget to manage themselves, as opposed to an open ended commitment to fund their work from the NHS, was introduced as a voluntary scheme by the Tories and labelled "fund holding practices".

With a promise to do away with fund holding, Labour came to power, but in 2004 introduced the general medical services contract for GPs. The similarity between this approach and fund holding practices was striking, but this time there was no choice. GPs signed up under protest to ensure continued NHS funding.

The reforms in 2004 were radical and required every practice to enter into a contract with the local health authority commissioner called a Primary Care Trust. This is the NHS government body at the local level. These contracts were in the main part set out by regulation, but gave the scope for changes in the details which had not been possible before. Also there was the possibility that a contract could be terminated, leaving a GP practice without any payment for providing NHS care. The contract gave the certainty as to what services a GP had to provide, and the hours in which those services must be available to the GP's patients. GPs welcomed the fact that they would no longer have to work at weekends and also be on-call overnight without extra pay.

Access to primary medical care has been a major driving force for the Government to make the changes which came about in 2004, as it is cheaper to see a GP or nurse than go to the accident and emergency department (A&E) in a hospital, which was the only alternative. Patients who have only an occasional need to see their GP complained that they were given appointments weeks away and told to go to A&E departments if they could not wait that long.

With its gateway system, there is little alternative for NHS patients to access the healthcare system except through their GP. Indeed, even those with private healthcare insurance cover, find their policies require that first visit to the GP, as it is so effective in keeping costs down, even if some have the experience that it is designed to keep patients out.

The NHS has offered some alternatives to the GP consultation with walk-in centres, out of hours services and minor injury units providing ready access to those patients who are not concerned to see "their" doctor, at the times and location offered by the GP.

The cost of the 2004 changes to the NHS was huge, which may have been designed to encourage GPs to sign up to the new contracts without complaint, or it was a serious miscalculation as to the work that GPs had been doing previously without pay, and now had to be done by somebody else at extra cost. Since that time the government has been using the contract to increase the efficiency of the delivery of services by GPs and to reduce the costs.

The other big change which came about in 2004 was to open up the primary healthcare market to the private sector, which was another way of encouraging GPs to raise their game.

Again a contract was devised (the alternative provider medical services contract (APMS)) but this contract was devised to be over a period of, , usually three years with provision to extend by another two years. The private sector sought this as an opportunity and it lured global healthcare players into the NHS. It has not been easy as GPs have felt threatened by these private sector providers, and not surprisingly the media have been quick to seize on any deficiencies in performance by the private sector. In addition the margins are tight, leaving little scope to cover the costs of an HQ and the management structure of an organisation.

Despite that, there are a growing number of contracts with private company providers, with some encouragement from the Government to PCTs to award some contracts to the private sector in order to encourage GPs to compete with the innovation which the private sector have brought to a largely traditional way of delivering services.

So not only has the Labour government encouraged competition between providers of NHS services, in a very real way it has created the markets in healthcare services which the Conservatives had not dared to tread when they first introduced a healthcare market funded by the NHS.

This article appeared in the French Chamber of Commerce Info Magazine in July 2009.

Justin Cumberlege
As ever, we welcome your feedback. Please e-mail your comments to me,
justincumberlege@cartercamerons.com