

Further privatisation is inevitable under the proposed NHS reforms

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The government's health reforms fulfil commonly accepted criteria for privatisation

Repeated government denials about NHS privatisation don't stand up to scrutiny. In response to widespread criticism of the proposed reforms of the NHS in England, the health secretary, Andrew Lansley, the prime minister, David Cameron, the deputy prime minister, Nick Clegg, and the chancellor of the exchequer, George Osborne, have repeatedly claimed that there will be no privatisation of the NHS in England. The Department of Health website even states that "Health Ministers have said they will never privatise the NHS" (<http://bit.ly/mtd8iF>). However, these claims and promises fail to acknowledge the evidence that privatisation is an inevitable consequence of many of the policies contained in the Health and Social Care Bill.

The meaning of privatisation is complex, covering a range of ideas in law, politics, economics, and philosophy. However, the World Health Organization has defined privatisation in healthcare as "a process in which non-governmental actors become increasingly involved in the financing and/or provision of healthcare services" (J Muschell, Technical Briefing Note on Privatization in Health, 1995, WHO/TFHE/TBN/95.1).

So the government's attempt to deny privatisation of the NHS by claiming that NHS services will remain publicly funded and free at the point of delivery does not escape the WHO definition if services are delivered by non-governmental actors, such as private and third sector (voluntary and community) organisations. This is clearly a stated objective of the reforms.

Some authors have tried to create a coherent taxonomy of the act of privatisation. S Commander and T Killick's classification of privatisation in five main types is widely quoted and listed below ("Privatisation in developing countries: a survey of the issues," in P Cook and C Kirkpatrick, eds, *Privatisation in Less Developed Countries*, 1988, Wheatsheaf Books). A more detailed typology of privatisation described by E S Savas concurs with all of these mechanisms ("A taxonomy of privatization strategies," *Policy Studies Journal*, 1989;18:343-55).

- (a) Divestiture or outright sale of public sector assets in which the state divests itself of public assets to private owners

- (b) Franchising or contracting out to private, for profit, or not for profit providers

- (c) Self management, wherein providers are given autonomy to generate and spend resources

(d) Market liberalisation or deregulation to actively promote growth of the private health sector through various incentive mechanisms, and

(e) Withdrawal from state provision, wherein the private sector grows rapidly as a result of the failure on the part of the government to meet the healthcare demands of the people.

The proposals in the Health and Social Care Bill fulfil all these criteria for privatisation in the following ways.

(a) The proposed legislation for all foundation trusts to become social enterprises is a form of “divestment by donation to employees,” which represents a mutualisation process. This policy places hospitals outside state control and out of the public sector. Kingsley Manning, business director of Tribal Consulting, which provides commissioning support to the NHS, has stated that this policy would result in “denationalisation through mutualisation,” which “could see the transfer of billions of taxpayers’ assets to employee controlled businesses” (Liberating the NHS: The Next Turn in the Corkscrew, Tribal Consulting, 2010).

(b) A key part of the bill involves the use of “any willing provider,” which will ensure contracting out to private and third sector providers. In addition there will also be contracting out of the management of commissioning to the private sector through the framework for external support for commissioning. This was initially introduced by New Labour and prompted the former health secretary Frank Dobson to state, “If this is not privatisation of the NHS, I don’t know what is. It is about putting multinational companies in the driving seat of the NHS.”

(c) Self management is consistent with the foundation trust model, which gives trusts greater autonomy in generating and spending resources. The abolition of the cap on the amount that trusts can earn from private income will stimulate a drive to increase income by treating more private patients. Foundation trusts will also be allowed to borrow money from the financial markets to invest.

(d) The bill is clearly a blueprint for creating an open market in healthcare. Monitor, as the new economic regulator of the NHS, has been tasked with actively promoting market competition by encouraging a plurality of providers from the private and third sectors. Mr Lansley has stated that “maximising competition is the first guiding principle” for his reforms, and he initially tried to introduce “price competition,” in a move to replace the current quasi-market of fixed pricing, but has since been forced to backtrack on this (www.andrewlansley.co.uk/newsevent.php?newseventid=21). Moreover, if the NHS is opened up to European Union competition law, as suggested in a recent analysis published in the BMJ (2011;342:d2071, doi:10.1136/bmj.d2071), the government could be rendered powerless to prevent services going out to tender in the European healthcare market.

(e) Section 9 of the bill removes the duty of the health secretary to provide comprehensive healthcare and is a classic example of removing state provision. In

addition, section 10 of the bill states that a consortium doesn't have a duty to provide a comprehensive range of services but only "such services or facilities as it considers appropriate." This withdrawal of state provision for many services will be accelerated by the quality, innovation, productivity, and prevention (QIPP) initiative of £20bn (€23bn; \$32bn) worth of efficiency savings (advocated by the private management consultants McKinseys under the previous Labour government). Waiting lists and waiting times are rising, which is associated with increased uptake of private healthcare insurance and the use of private providers.

The Health and Social Care Bill will therefore result in increasing privatisation of the English NHS according to all five of these criteria. In fact, this is in keeping with the "supply side" economic policies of this government, which promote privatisation throughout the entire public sector, as the prime minister promised in February this year ahead of the delayed white paper on reform of the public sector (Daily Telegraph, 20 Feb, "David Cameron promises public sector revolution," www.telegraph.co.uk/news/politics/8337237/David-Cameron-promises-public-sector-revolution.html).

The coalition government's repeated denials of NHS privatisation do not stand up to scrutiny. The public is being misinformed and misled about the objectives and consequences of the Health and Social Care Bill.

Notes

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