

The role of competition and the market in the NHS

The BMA is committed to an NHS funded from general taxation providing care free at the point of delivery and advancing the social goal of providing healthcare fairly and transparently. The BMA wishes to reverse the current government's policy, and that of the main opposition parties, which actively promotes a market approach in the NHS, with its emphasis on competition and private sector involvement at the expense of co-operation and a public service ethos.

Is the NHS really being turned into a place where hospitals and doctors are forced to compete with each other for patients and private companies can make profits with NHS money?

"Our fundamental purpose is simple but hugely important: to restore the NHS as a public service working co-operatively for patients, not a commercial business driven by competition"

An NHS for the future (Labour Party Election Manifesto 1997)

When Labour took power it argued that 'competition prevented sharing of best practice' and that a market in the NHS created 'perverse incentives', 'soaring administrative costs, diverting effort from improving patient services' and led to 'NHS Trusts run as secretive commercial businesses'. **The BMA agrees so why has the Government changed its mind?**

Despite the promises made by the Labour Party and its stated views on the shortcomings of a market approach to healthcare, the NHS reforms of the last 10 years have seen Labour undertake a policy u-turn. Its policy now promotes a market model in the NHS, driving forward an approach to healthcare where co-operation is subordinated to competition.

"The NHS is also moving towards a more competitive model in the procurement of health services...In this environment of...increased contestability and competition..., there is a greater need to ensure rules and guidance exist to encourage competition and the effective operation of markets"

The Co-operation and Competition Panel for NHS-funded services (2009)

With this policy reversal the Government is creating an NHS where financial and business concerns often appear to trump the need for continuity of care and integration and where the private sector is encouraged to take over key parts of the NHS.

"I cannot imagine an NHS service in 10 years time that does not have significantly more private engagement at almost every level"

David Nicholson, Chief Executive of the NHS (FT, 3rd April 2008).

Where previously New Labour thought a market in the NHS led to fragmentation and variable quality it now believes that the market can improve quality and inspire innovation. The other main political parties also believe that competition in the NHS is a good thing and will lead to better value for money and a better deal for patients.

The BMA doesn't agree.

Where is the evidence?

The BMA has asked the Government to provide the evidence that shows the benefits of competition. The BMA has asked the Government to demonstrate how creating a market in the NHS will help patients receive better care. The BMA has asked why the private sector is being favoured over the public sector. **We believe there is a lack of evidence.**

What are the problems?

The BMA is concerned because what evidence does exist suggests that where patients' care is bought and sold, and where hospitals, doctors, nurses and carers have to compete with one another like businesses, we find poorer health outcomes for patients, lower quality care, rising bureaucracy and the erosion of relationships where co-operation is replaced with competition.

A number of studies have shown that competition appears to be associated with lower quality healthcare (higher death rates)² and that on balance the relationship between competition and quality of care appears to be negative.³ Commentators suggest that competition in healthcare too often works to the detriment of improving patient care with restrictions on the access of care, gaming, the shifting of costs on to fellow providers and the stifling of innovation⁴.

The BMA is concerned that current policy will lead to valuable time and money being spent on simply managing the market itself rather than delivering care to patients. In America the proportion of health funds devoted to administration has risen by 50% in the past 30 years⁵ and now stands at 31% of total health spending. The US experience is not unique and the development of markets in other health systems shows a related sharp rise in administrative costs including earlier attempts in the UK⁶ and in New Zealand⁷.

The Government has neglected the potential for its reforms to threaten the stability of the NHS and undermine the spirit of co-operation which is central to its success. Government's plans have seen taxpayers' NHS money handed over to the private sector and is often wasted as demonstrated by the poor value for money delivered by the private sector's involvement in the Private Finance Initiative and Independent Sector Treatment Centres (ISTCs).

The Government thinks competition will lead to more choice for patients but introducing choice to healthcare is a complex process with potentially unpredictable results. Again, the available evidence is not encouraging and suggests that choice is likely to increase costs, is probably more likely to increase than decrease inequalities and may or may not increase efficiency.⁸ Government's plans have seen taxpayers' NHS money handed over to the private sector and often wasted as demonstrated by the poor value for money delivered by the private sector's involvement in the Private Finance Initiative⁹ and Independent Sector Treatment Centres (ISTCs).¹⁰

Hospitals, particularly now, will be more worried about finances and making ends meet. The current reforms will mean short-term financial considerations will override investment in long-term strategies. And now, with hospitals forced to compete with each other, the BMA is concerned that money, not patients, will become the priority. And, of course, where the private sector is involved the focus will be profits, with taxpayers' money being taken out of the NHS and passed to shareholders. The behaviour that will naturally result will lead to the fragmentation of the NHS with NHS organisations discouraged from working together, therefore preventing co-operation and undermining transparency.

The BMA urges the Government to restore the NHS to a service based on:

- **public provision, not private ownership**
- **co-operation, not competition**
- **integration, not fragmentation**
- **public service, not private profits**

1 Department of Health, The new NHS: modern, dependable. 1997 (HMSO)

2 Proper, C., Burgess, B., Green, K. (2002) Does Competition Between Hospitals Improve the Quality of Care? Hospital Death Rates and the NHS Internal Market, unpublished mimeo, University of Bristol, CEPR & CMPO

3 Proper, C., Burgess, B., Abraham, D. (2002) Competition and Quality: Evidence from the NHS Internal Market 1991-1999 *CMPO*

4 Porter, M. E., Teisberg E. O. Redefining Competition in Healthcare. *Harvard Business Review*, June 2004.

5 Woolhandler S, Campbell T, Himmelstein DU. *Costs of care and administration in the United States and Canada. N Engl J Med* 2003;349:768-75

6 Health Policy Network of the NHS Consultants' Association. In Practice: The NHS market in the UK. *J Public Health Policy* 1995; 20(3):152-61

7 Coney S. Relentless unravelling of New Zealand's health-care system. *Lancet* 1996; 347:1825

8 Fotaki et al. What benefits will choice bring to patients? Literature review and assessment of implications *J Health Serv Res Policy* Vol 13 No 3 July 2008

9 See the BMA's Briefing on PFI – The Private Financial Initiative (PFI) and the NHS

10 See the BMA's Briefing on ISTCs – Independent Sectors Treatment Centres (ISTCs)