

# Britain: National Health Service faces funding crisis

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The Labour government has plunged the National Health Service (NHS) into a budgetary crisis. On December 2, Health Secretary Patricia Hewitt ordered “hit squads” into 50 health authorities and trusts in England to prevent further “overspending.”

The *Guardian* newspaper has forced Hewitt to release information under the Freedom of Information Act (FoI) detailing the financial crisis in the NHS. According to these figures, the government is forecasting a collective overspend of £623 million in the NHS by the end of the financial year. A quarter of all the country’s trusts are forecasting deficits that total £948 million in the year 2005/06. Surpluses in other parts of the NHS are expected to be £325 million, leaving a net deficit of £623 million.

The very creation of the NHS hit squads, known as “turnaround teams,” reveals the perilous state of the NHS and the lack of any strategic planning to resolve the crisis in a rational and progressive manner. The teams were selected following a two-day ad hoc tendering exercise involving City accountancy firms. The teams have been instructed to cut spending in the NHS, to reduce its deficit to £200 million by March. Health authorities have been told that this must be implemented without endangering patient safety.

Such a prescription supposedly aimed at ensuring patient care means nothing. The decision to slash budgets occurs at a time when health trusts are already carrying out cuts detrimental to patient safety, including ward closures and freezes on the recruitment of new staff and the reduced use of agency nurses to cover shortages.

A case in point is the Norfolk, Suffolk and Cambridgeshire Strategic Health Authority. The authority has intervened to prevent the East Suffolk Primary Care Trust from negotiating with unions to defer paying March salaries until April. The trust is not able to pay staff for the last month of the financial year and has been instructed to find the money by making savings elsewhere.

A *Guardian* newspaper report based on the information obtained under the FoI Act revealed “37 organisations were responsible for two-thirds of the gross deficit. They included: Surrey and Sussex Healthcare Trust (£41.2m); St George’s Healthcare Trust, Tooting (£34.5m); Hillingdon Primary Care

Trust (£25.7m) and Hampshire and Isle of Wight Health Authority (£24.1m).”

According to the article, the crisis is probably worse than the figures suggest. It cites the example of the Mid Yorkshire Hospitals authority that has forecast a deficit of £14.7 million, despite apparently receiving £19.9 million in support from West Yorkshire Health Authority.

The government released the information to Members of Parliament in an entirely routine manner, designed to prevent any discussion on the scale and origins of the crisis.

Sir Nigel Crisp, the NHS chief executive, gave the Commons Health Committee the financial dossier at the end of a three-hour session, denying MPs the opportunity to question him on its contents. Crisp said, “Any actions that the NHS takes to reduce deficits should not lower the quality of care provided to NHS patients.”

Hewitt sought to underplay the crisis by stating that the £623 million forecast deficit was equivalent to less than one percent of the NHS budget, which totalled £76 billion this year. Such reassurances fly in the face of what is actually happening in the NHS. The reality is that widespread cuts are being implemented in the NHS and are wreaking havoc on the ability of the organisation to provide any semblance of rudimentary patient care.

On December 11, the *Observer* newspaper revealed the contents of an email sent from the office of Sir Liam Donaldson, the chief medical officer. The email was written by Sandra Horsfall, Donaldson’s chief of staff, informing health service officials that the NHS finance director, Richard Douglas, “has imposed an embargo on all programme staff.” It orders an “embargo on all new commitments” for this year and “all future years” covering “all programme budgets (capital and revenue).”

She warns that anyone failing to follow the orders will “commit a disciplinary offence.” The email also states that cuts in spending are policy and that any statement from government officials to the contrary was to be dismissed within NHS departments.

Horsfall stated, “Commitment to spend by virtue of an announcement, including ministerial announcements, is not considered a commitment in this context.”

According to the *Observer* report, the email staff that “unless a contract is completely signed off, with all the finances finalised, then the investment should be stalled.”

The newspaper said that such an agenda could impact immediately on several planned NHS investments, including a programme to deal with alcohol problems among younger people, a scheme to tackle the rapidly growing incidents of sexually transmitted diseases such as chlamydia, and a plan to set up a national programme to screen for bowel cancer.

Every day brings reports featuring some new exposure revealing the depth of the crisis in public health provision in the UK. In the same week that the *Observer* made public the Horsfall email, it also highlighted the results of cuts in the NHS budget. These included GPs not referring patients for routine surgery across Swindon in Wiltshire for the next month, Patients in Oxfordshire being denied access to hernia operations and a cut in the number of beds at Airedale hospital, near Skipton, North Yorkshire.

On December 21, news emerged of the fate of a £750,000 MRI scanner that was installed in the Royal Cornwall Hospital in England in September last year by the Department of Health. The scanner was not used for most of the last year, as the hospital did not have enough money to operate it.

It has now emerged that private patients are being scanned to diagnose life-threatening illnesses in order to subsidise the cost of the scanner. This is occurring while NHS patients for the same critical scanning service to diagnose problems such as cancer are on an 11-month waiting list. A clinician at the hospital, Dr. Simon Thorogood, said, “The scanner did not come with the resources to keep it going, so it has sat idle to a fairly large extent since it was put in.”

This is just the tip of the iceberg. Over the past few months, health experts have been warning that a spending freeze and cuts could prevent attempts to deal with outbreaks of the deadly MRSA “super-bug” in hospitals and affect necessary contingency planning in the event of an outbreak of bird flu.

The budgetary crisis is a direct result of opening up NHS hospitals to the private sector. In May 2003, the government passed the Health and Social Care Bill, which established “Foundation Hospitals.” This ended the system of centralised oversight and accountability, enabling individual hospitals to raise finance from the private sector, and allowing them to determine their own wage rates and clinical priorities; a further break with the ethos of universal health provision established by the post-Second World War Labour government.

The government’s NHS plans contain a definite element of recklessness. Even some senior NHS officials who had previously supported government plans are now raising criticisms of the impact they are having. Among the adverse changes they point to is the “payment by results” system, under which hospitals are funded according to how many patients they treat. Such a scenario is a vicious circle and will result in many hospitals facing further financial crises.

also ~~Lasinformed~~ Professor Chris Ham, who led the Department of Health’s strategy unit until last summer, exposed the fact that the government was deliberately setting out to destabilise the NHS. Ham, who now heads Birmingham University’s health services management centre, referred to the government’s plans as “creative destruction.”

“The whole purpose of creative destruction is to say that unless you put a rocket under the NHS, it will just absorb these reforms and things won’t change. I feel that the direction is the right one,” he continued, “but I am very anxious about the lack of synchronisation between the reforms.”

Ham raised the spectre of general hospitals being forced to close or to cut services because their local primary care trusts opt to send their patients to be treated by the new private providers being brought in, ostensibly to bolster existing NHS services.

Ham added, “If you put together all the current reforms, it looks quite challenging and threatening to district general hospitals. The government has got itself into difficulty because it hasn’t got the reforms synchronised. If you are running a general hospital there is the prospect you will be losing work to GPs [general practitioners], and other providers start offering care in non-hospital settings. Put in public finance initiative factors [long-term debt repayments] as well and you are creating a very destabilised NHS.”

Hospitals are increasingly at the beck and call of private finance, with many owing millions of pounds. A hospital in London that was opened four years ago to a government-orchestrated fanfare under the Private Finance Initiative (PFI) scheme has now been declared technically bankrupt.

The Queen Elizabeth Hospital, in southeast London, is nearly £20 million in debt. An Audit Commission report found that this deficit could grow to £100 million in four years. Each year, the hospital has to pay back £15 million to the PFI firms.

Other hospitals in southeast London are also in the midst of a financial meltdown. This month, it emerged that Queen Mary’s hospital in Sidcup was £10 million overspent, Lewisham Hospital is £6.9 million in the red, and the primary care trusts in Bexley and Southwark have a £2 million overspend. In total, southeast London hospitals face a £32 million deficit.



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