Britain: National Health Service hospital faces privatisation

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A National Health Service (NHS) hospital could soon become the first to be run by the private sector.

Britain's Department of Health gave the go-ahead to plans to invite bids from the private sector and NHS bodies to manage Hinchingbrooke Hospital under a seven-year franchise and give it a "sustainable future."

The government has said that it will be a management-only franchise: The NHS will retain the assets and staff will not be transferred to the new operator. But this simply means that the private sector will be offered a risk-free or cost-plus management contract, with the taxpayers effectively guaranteeing profits.

Hinchingbrooke is a district general hospital with all major services, including accident and emergency and maternity services, serving a wide catchment area. It has an excellent clinical record, exceeding or meeting its performance targets. The government's pretext for privatisation is that the hospital, which has an annual revenue of £73 million, has failed to turn around a £40 million deficit, accumulated over several years.

It is inconceivable that the hospital can be made "financially sustainable" without huge job losses, cuts in services and reduced access to health care for working people and their families.

This is not a one-off decision. Henceforth, all "financially challenged" hospitals, mental health, community, ambulance and Primary Care Trusts (PCTs)—and other failing public services such as education—face privatisation.

The deficit at Hinchingbrooke is the inevitable outcome of New Labour's market reforms. The Labour government which came to power in 1997 pledged to remove the Conservatives' "internal market" in health care, but it has instead continued and expanded these market mechanisms.

With the mantra of patient choice, it has fostered competition within the NHS by ensuring that hospitals would be paid on a fee-per-service basis rather than a block allocation, vastly expanding costs throughout the NHS and paving the way for hospital insolvencies.

Hinchingbrooke Hospital's deficit has several sources, whose roots lie in just these policies. As a 26-year-old hospital with 310 beds, it was a low cost provider to Cambridgeshire Primary Care Trust (CPCT).

The introduction of Payment by Results (PbR), whereby hospitals were reimbursed on the basis of a national average price for their services, meant that Cambridge Primary Care Trust had to pay more for their patients treated at Hinchingbrooke than previously, without receiving any extra funding from the NHS. CPCT forced the hospital to reduce the amount of work in line with the funding available. It became a victim of its own efficiency.

Hinchingbrooke compounded the problem by providing incorrect forecasts, which led to it being surcharged under the transitional funding arrangements that were meant to smooth the move to PbR.

Then the hospital commissioned a £22 million new treatment centre, in line with broader government policy to expand patient services via its controversial and hugely expensive Private Finance Initiative, with the support of the nearby PCTs. Under the Private Finance Initiative, a hospital essentially leases its premises and supporting services for 30 years from the private sector at vastly inflated prices.

When the new facilities opened in November 2005, the PCTs found they could no longer afford to send their patients to the treatment centre, leading to a £5 million loss in income for Hinchingbrooke. Instead of generating additional income, the new facilities became a financial millstone around its neck.

The hospital's income also fell for a number of other reasons. The East of England—following government policy—decided to divert 60,000 patients a year to private sector providers, further reducing the money available for NHS providers.

The CPCT developed plans to send 2,500 patients to private hospitals for treatment at a cost of £2.3 million a year. Two other hospitals in the region, Peterborough and Cambridge, were able to achieve Foundation Trust status ahead of Hinchingbrooke—another government

objective—and so lock in the PCT to purchasing health care under PbR to ensure their own financial viability, further depriving Hinchingbrooke of income.

Finally, Hinchingbrooke's main purchaser, CPCT, inherited a massive debt of the PCT with which it merged. The East of England receives 10 percent less funding per patient than the rest of England, despite having some deprived areas.

According to John Lister, in *Caught in the Crossfire: The Plight of Hinchingbrooke Healthcare Trust*, a report written for the trade union UNISON, just raising the region's spending to the national average would have added £800 million to the budget, wiping out CPCT's deficit and Hinchingbrooke's problems.

As a result of this lower-than-average funding, in 2007 CPCT was forced to announce new plans to reduce its own costs and scale down the use of hospital treatment, further destabilising Hinchingbrooke.

Hinchingbrooke is the victim of government policies designed to produce failing hospitals. Moreover, it was government policy until 2006-07 to reduce a hospital's income by the same amount as the deficit as a deterrent and punishment to hospital—in deficit, a double whammy.

The hospital implemented a vast cost-cutting regime, including closing 17 percent of its beds, cutting the length of stay for elective treatment, freezing posts, and laying off agency staff to try to break even. But it could not pay off its accumulated deficit, particularly after its plans to sell off land adjacent to the hospital worth £12 million fell through.

There are now six hospital trusts with a significant accumulated deficit facing privatisation. According to Sally Gainsbury in the *Health Service Journal*, the Department of Health expects to cull up to six health care trusts a year under the new failure regime, which is triggered if trusts have not turned around their deficit within a year, via service reconfigurations, closures and cuts. This could amount to 92 trusts in total.

Such a prediction is likely to be optimistic in view of the government's ballooning budget deficit and the austerity measures to which all the major parties are committed after next year's general election.

The threat of a private sector takeover will also be used to whip health workers into line, fire staff, rip up contracts, slash services and ride roughshod over local opposition.

John Appleby, chief economist at the King's Fund, commented, "They are anticipating a massive redistribution of NHS resources; they will get to a point where they create huge consolidation and monopoly."

The proposals for a franchise to run Hinchingbrooke go much further than a previous attempt to privatise a hospital, when the Tribal Group was given a management contract to run Good Hope Hospital in Birmingham in 2003 for three years. In that case, private sector management proved to be much worse than its public sector counterpart. The deficit soared along with the higher private management costs, and the contract had to be terminated eight months early.

But with the East of England Strategic Health Authority claiming that accident and emergency and maternity services will be maintained at Hinchingbrooke, a virtually risk-free contract is still not enough for the private sector. It wants a completely free hand to gut services.

Mike Parish, chief executive of Care UK, an independent provider of operations and services to the NHS, told the *Financial Times* that if the NHS wanted the hospital to be run as it was now, with staff retained in NHS employment and with "significant restrictions around the changes that can be made, people like us would not be interested."

Stephen Dunn, director of East of England Strategic Health Authority, reassured the private sector that it had nothing to worry about. "That is why the Department of Health is working with us to clarify some of the finer points of detail, and this can act as a model for future transactions," he said.

Other NHS entities, including neighbouring Foundation Trusts and a team of Hinchingbrooke's senior managers, are also swirling around looking to cash in from the NHS's "internal market."

The claim that there is no money to provide decent health care and public services must be rejected. Hundreds of billions have been handed over to the banks, without any strings or even the pretence of going through the banks' books, much less any public consultation or accountability, yet health care must face the "sanctions of the market."

The government's plans have aroused fierce anger from local people, who have mounted demonstrations opposing privatisation. UNISON's response has been to reject the plans to transfer control to the private sector in favour of another public sector entity. Notwithstanding its criticisms of the internal market, it accepts New Labour's internal market as a fait accompli.