Private providers skim millions from UK health budget

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In December 2002, the Labour government of Prime Minister Tony Blair published "Growing Capacity: Independent Sector Diagnosis and Treatment Centres", arguing that the National Health Service must acquire additional capacity from the private sector.

In 2003, the government invited health corporations to bid for the running of Independent Sector Treatment Centres (ISTCs), on the pretext of alleviating the pressure on an overburdened NHS, cutting waiting lists and offering "choice". The introduction of ISTCs, at a projected total cost of over £5 billion, was a significant step towards the privatisation of the NHS.

Approximately 23 ISTCs were established in "Phase 1", at a cost to the NHS of £1.7 billion. No limit on their number was planned with Phase 2 from March 2005, with £2.75 billion to be spent on elective treatment and £1 billion on diagnostics.

Billions in public money has been siphoned off into the hands of the 10 ISTC providers that currently operate. This figure includes hundreds of millions paid to the ISTCs for surgeries that have never even been performed.

A recent Freedom of Information Request by the *Daily Telegraph* found an ISTC in Barlborough, near Chesterfield, was paid £98.3 million in the five years to April 2010, but carried out operations worth £84.6 million. This resulted in a £13.7 million shortfall.

Another ISTC, the Derbyshire and Eccleshill, was paid £45.1 million, but only carried out work worth £37.8 million, a £7.3 million shortfall.

These centres only performed 85 percent of the work for which they were paid, the same percentage cited by the Department of Health up until September 2008 for the work that has been carried out nationwide by ISTCs. Extrapolating from the figures at Barlborough and Derbyshire and Eccleshill, it is estimated that the ISTCs have received around £50 million a year and a total of about £260 million over the last five years for work never performed.

The claim that buying "bulk" services from the private sector would be cheaper than going outside the NHS on an operation-by-operation basis has been discredited. It was a massive financial boon to the private sector and has resulted in treatment being more costly. The successful bidders were firstly awarded fixed five-year contracts with minimum payment guarantees, and for each procedure they were paid a premium 11 percent higher than the national NHS tariff.

The expansion of ISTCs has also threatened the provision of services by NHS hospitals. Under the terms of the ISTC contracts NHS services already in place could still be cut, to be eventually replaced by private clinics.

In addition the ISTCs have not even significantly enhanced the capacity to carry out routine operations. A parliamentary report on the ISTCs in 2006 commented, "ISTCs have not made a major direct contribution to increasing capacity, as the Department of Health has admitted. It is far from obvious that the capacity provided by the ISTCs was needed in all the areas where Phase 1 ISTCs have been built, despite claims by the Department that capacity needs were assessed locally… We are concerned that the Department has attempted to misrepresent the situation".

Research published in 2009 by Professor Allyson M. Pollock and Graham Kirkwood of the University of Edinburgh is a damning refutation of the claim that ISTCs have represented value for money. The report, "Is the private sector better value for money than the NHS? A Scottish case study," challenged a statement made in June 2008 by the Scottish Regional Treatment Centre, evaluating a 10-month period of treatment. The finance director for NHS Tayside said the ISTC had delivered 11 percent better value for money than NHS hospitals. Director David Clark said, "the private sector can provide just as good, if not better, care than the NHS but at a

significantly lower cost."

The Scottish contract was awarded to a UK subsidiary of a South African health care firm, Netcare, by the NHS Tayside Health Board-contracted Amicus Healthcare. Its contract was to provide elective procedures over three years for up to 8,000 NHS patients at a cost of £18.7 million.

The research by Pollock and Kirkwood found that "Netcare is paid up to 90 percent of the monthly referral value regardless of the volume of referrals made. Second, the health board pays regardless of whether patients who are referred receive actual treatment unless it can prove that the Scottish Regional Treatment Centre failed to carry out a treatment. Netcare may have been paid up to £3 million for patients who did not receive treatment."

"The Scottish Regional Treatment Centre treated only 32 percent of annual contract referrals in the first 13 months of operation, at 18 percent of the annual contract value. If the same patterns apply in England, up to £927 million of the £1.5 billion may have been paid to ISTCs for patients who did not receive treatment under the wave one ISTC contracts."

The report concludes, "The release and analysis of the contract in Scotland provides no evidence to support the claim that the Scottish centre is efficient or good value for money".

Another means for the ISTCs to rake in money is the fact that they are authorised to select low risk patients for treatment first. The Pollock/Kirkwood report states, "Our analysis also shows that ISTCs are performing the easier procedures within the contract. For example, data from the Information Services Division show that only 6 percent of referrals contracted for joint replacement and 11 percent for general surgery resulted in actual treatments, compared with referrals for minor procedures, which have much higher rates of treatment completion of over 80 percent."

It adds, "An NHS study by Clamp and colleagues showed a 19 percent reduction in the number of total hip and knee procedures done by junior doctors in an NHS hospital in Derby after the opening of a local ISTC."

Dr. Richard Vautrey, deputy chairman of the British Medical Association's (BMA) General Practitioner committee, has criticised the use of ISTCs, stating, "The idea by both the previous Labour government and the Coalition that by using the private sector, it will somehow reduce costs and drive up quality is completely at variance with the evidence. The evidence is that costs go up and quality goes down."

Even more public money is set to be handed over to the private sector under the coalition government's Health and Social Care Bill. An increase to 14 percent in the premium given to the ISTCs for each operation is being considered.

This ramping up of payments to the private sector is being carried out without any information being disclosed by the Department of Health as to why the private sector were entitled to an 11 percent premium in the first place. In their 2006 parliamentary report the committee of MPs report that the Department of Health "has declined to disclose the detailed figures which it used to establish the NHS Equivalent Cost on the grounds that 'to release information on the detailed process would jeopardise the ability of the Department and the NHS to secure the best value for money in the next round of procurement'."

The fact that a parliamentary body is not able to even investigate what is mass profiteering by private health firms operating within the NHS testifies to the stranglehold that the private sector now has over public health provision in the UK.

Public hospitals are threatened with closure by the expansion of ISTCs, set up explicitly in competition with existing NHS units. One of these is run by the West Hertfordshire Hospitals NHS Trust, which is already £43 million in debt. The chief executive of the trust said an ISTC introduced locally "would cost the local NHS around £15 million in income and would necessitate the closure of its facility in St Albans, as it would become redundant".

A February 2008 Confederation of British Industry report, championing the cash cows of the ISTCs, raised concerns at "Resistance to reform and the continued protection of traditional NHS provider interest… With the threat of an ISTC being introduced into an area diminished, NHS providers are likely to revert to former practice."