

Private consultants reap rewards from UK National Health Service privatisation

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Private consultancy firms have been central to the coalition government's plans to carve up the National Health Service (NHS). One service they provide is supposed "consultation" processes, which end up concocting a financial case for the closure and privatisation of swathes of the NHS and handing it over to their clients in the private sector. They reap rich rewards themselves for services rendered.

A particular favourite in the coalition government's designs is the United States-based global management consulting firm McKinsey & Company, Inc.

Founded in 1926 in Chicago, McKinsey is one of the world's leading consultancy companies, with many of its top people passing through the "revolving doors" into the industrial, political and media elite. In the 1990s, the company turned its attention to the public sector, most notably helping to privatise services in former East Germany and advising John Major's Conservative Party government on the notorious privatisation of Railtrack.

The company's reputation nose-dived because of its close association with the energy company Enron, which plummeted from the symbol of McKinsey's philosophy of "creative destruction" into the disgrace of scandal and fraud. McKinsey was responsible for drawing up key sections of the Health and Social Care Act passed earlier this year, which repealed much of the 1946 legislation founding the NHS. It heralds the end of free and comprehensive health care in Britain and opens the floodgates to the NHS's £106 billion budget to private companies. According to *Business Week*, McKinsey's customers have included 15 of the world's 22 largest drug and health care companies.

McKinsey is also profiting directly. Clause 12 of the Health and Social Care Act states that the government,

via the secretary of state for health, will no longer have a legal "duty to provide" a comprehensive health service. Instead, the bill creates "clinical commissioning groups" (CCGs) empowered to arrange health care with whichever providers they see fit. McKinsey is now carrying out training and support for at least 25 of the new CCGs and giving advice to regional Strategic Health Authorities, for which it will receive millions of pounds.

A report in the *Guardian* last year showed how McKinsey is being paid for "consultancy services in support of the NHS transition programme" and acting as a "middleman" between the Department of Health and private international health corporations. The newspaper revealed the "existence of confidential emails between McKinsey and the government showing that the firm had helped the department to hold discussions last year (2010) about 'international players' running up to 20 NHS hospitals" and given "a free hand on staff management".

The *Guardian* outlined how McKinsey has advised the coalition government to take a "stealthy" approach to NHS privatisation because of what it calls "various political constraints." In other words, a slow and creeping programme of privatisation should be implemented in order to not enflame the huge opposition that exists to it.

More recently, a Freedom of Information request about NHS North West London Hospitals Trust revealed that some £7 million, including £3 million in fees to McKinsey, had been spent by NHS officials on constructing a case to justify the closure of four of the nine accident and emergency departments in north west London

Dr. Onkar Sahota, chairman of the Save Our Hospitals campaign, said, "I am truly appalled. Not

only are NHS NW London proposing to shut some of our most needed services, but they are spending £3 million of our money on McKinsey consultants. They are spending taxpayers' money on this firm so that they can tell NHS NW London that local residents do not want this to happen, I could have told them that for free.”

McKinsey representatives have found their way into the highest levels of government. Ian Davis was chairman and worldwide managing director of McKinsey (2003-2009) and previously managing partner of McKinsey's in the UK and Ireland (1996-2003). He is a non-executive member of the Cabinet Office Board, traditionally seen as the control room of government. The chairman and worldwide managing director of McKinsey therefore holds an unelected position in a body that decides government policy, how it will be implemented and who benefits.

Another regular visitor to Number 10 is Nicolaus Henke, head of Mckinsey's Healthcare Systems & Services Practice in Europe, the Middle East, and Africa and chairman of the McKinsey Health Institutes.

McKinsey special advisor Christina Lineen has been hired by Health Secretary Jeremy Hunt as his personal adviser. Lineen was also formerly head of communications at Circle Health, the first firm to be allowed to run an NHS hospital at Hinchingsbrooke in Cambridgeshire.

Dominic Casserley, a senior partner at McKinsey for 29 years, donated £10,000 to David Cameron's personal office during Cameron's bid for leadership of the Conservative Party in 2005. He made two donations of £4,000 to Tory MP Andrew Mitchell, in 2006 and 2008, and a donation of £6,000 to the Conservative Party in 2009.

Under the Health and Social Care Act, the supposedly “independent” NHS regulator Monitor, established in 2004, “will have a continuing role in assessing NHS trusts for foundation trust status, and for ensuring that foundation trusts are financially viable and well led, in terms of both quality and finances”. Its chair and chief executive, Dr. David Bennett, was a senior partner at McKinsey for 18 years.

The pro-Labour website *The Green Benches*, through a Freedom of Information query, has revealed “the persistent wooing of Monitor officials” by McKinsey and how the company “also improperly use private

channels to pitch for business”. In one particular case, McKinsey staff “canvassed Monitor officials to have an input into decisions over how to deal with Heatherwood and Wrexham Park Trust” and then became closely involved in the closure of Heatherwood and selling of its grounds.

Reacting to the disclosures about McKinsey's close relationship with the government, Labour shadow health secretary Andy Burnham declared, “The Government needs to tell us how much McKinsey has earned in total from this re-organisation, whether Ministers have followed proper processes in awarding contracts and whether any inside knowledge of policy has been used for commercial gain.”

However, the Labour Party is just as close to McKinsey. It sponsored David Miliband, Labour MP for South Shields and brother of the current Labour leader Ed Miliband, providing £10,000 for a speech at the 2010 Global Business Leaders Summit, and in March 2011, covered Miliband to the tune of £10,044 for travel expenses and accommodation in Singapore.

The role of McKinsey in the privatisation of the NHS can be traced back to the last Labour government. McKinsey staff became regular figures in the corridors of power following the election of Tony Blair in 1997 and served as senior advisers to his government, including former BBC director general Lord Birt, Confederation of British Industry chief Adair Turner and current Monitor chairman David Bennett, who headed Downing Street's Policy Directorate in 2005-2007!

In 2009, the company worked with the Labour government on health policy and recommended that the NHS should undergo £20 billion of cuts, including shedding 10 percent of its workforce.



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