

# Virgin Care: A case study in how private corporations loot the UK's National Health Service

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The *Health Service Journal* (HSJ) recently exposed a scandalous handout given to private healthcare company Virgin Care by a Clinical Commissioning Group (CCG) in the county of Surrey, England.

This brings to light how private companies are plundering the National Health Service (NHS) with impunity like never before, with the blessing of central governments.

The Health and Social Care Act 2012 replaced the secretary of state for health's "duty to provide health care" with a "duty to arrange," and provided the basis to create 211 Clinical Commissioning Groups, which are allowed to purchase care from any "qualified provider."

The Surrey Downs Clinical Commissioning Group accidentally disclosed in its October public finance papers a backdoor payment of £328,000 to Virgin Care, owned by billionaire business mogul Richard Branson. This would not have come to public knowledge were it not for the mistake on CCG's part.

The removal of the report from the Surrey Downs CCG website—after the HSJ made enquiries about the settlement—testifies to the ongoing conspiracy to keep the population in the dark about the scope of the influence of private companies. Surrey Downs CCG later stated that this "level of detail should not have been included in the report."

In 2016, Virgin Care lost its bid to provide children's health services across Surrey—a contract worth £82 million. It then sued NHS England, Surrey County Council and six CCGs in Surrey, arguing that there were "serious flaws in the procurement process." Surrey Downs CCG handed over the payment as a part of their liability in an out of court settlement with the private company. The amount paid by the other parties to Virgin Care remains undisclosed, but some reports suggest that

the private company could have received more than £2.5 million from the NHS.

This spring, it was reported that Virgin Care was in dispute with East Staffordshire CCG over arrangements in the seven-year prime provider contract for frail, elderly patients, people with long-term conditions and intermediate care. In October, the HSJ reported that Virgin Care was demanding an extra £5 million from East Staffordshire CCG.

The anger felt by people nationwide against this daylight robbery is such that a petition, demanding Branson hand back the ill-gotten money to the struggling NHS, reached well over 100,000 signatures within few weeks.

Virgin Care, Virgin Care Services Ltd, Virgin Care Ltd, VH Community Services Ltd and Virgin Care Corporate Services Ltd are some of the subsidiaries of Virgin Healthcare Holdings Ltd based in the UK. Virgin Healthcare Holdings Ltd is a subsidiary of Virgin Group Holdings Ltd, belonging to Branson and his family.

To "legally" avoid taxes, Virgin Group Holdings Ltd is based in the British Virgin Islands tax haven. It "loans" Virgin Care the money to invest in the care industry in the UK. In return, Virgin Care transfers money to a mother company as loan repayments.

The NHS Support Federation pointed out "this type of corporate set-up has potential for reducing or eliminating the tax liabilities of operating companies; a company in the UK could always report a loss due to loan repayments to sister companies thereby never having to pay tax."

Branson's care companies have been reporting losses since 2012—the year that Virgin Care came to prominence for winning a lucrative £450 million NHS contract in Surrey.

This begs the question of why Virgin Care places ever

more bids on NHS contracts if it supposedly loses money on them. Despite its reported losses and paying no tax, the company has been aggressively competing to win NHS contracts and exploiting opportunities opened up with the introduction of the Health and Social Care Act.

The Act laid the foundation for the acceleration of the privatisation of the NHS, which began through the backdoor during 13 years of Labour rule from 1997 to 2010. Under the Act, it is mandatory for CCGs to put services out to competitive tender if they can potentially be provided by organisations other than the NHS.

Surrey is a small county in England with a population of just 1.1 million. With the population of the UK at around 60 million, the scale of the rich pickings available to the NHS nationally is vast.

According to the NHS Support Federation, over the period of April 2013 to January 2016, £16 billion in NHS clinical contracts were awarded through the market and the private sector has won nearly £5.5 billion worth. The Federation point out that “in total around £30 billion worth of NHS contracts have gone before the market, although just over half this value has been awarded.”

Published accounts by the Department of Health demonstrate that NHS commissioners spent 7.7 percent of their budget on private sector providers in 2016/17.

Over the last five years, Virgin Care alone has won over £2 billion worth of NHS contracts to run NHS and local authority services ranging from primary care services—including GP services, walk-in centres and community-based NHS services—to adult social services. Virgin Care boasts of having 400 services across the country and treating more than one million people a year.

Last year, it won a £700 million contract to run health and social care services in Bath and North Somerset. This was the first NHS contract under which adult social care was privatised.

The latest is the £104 million contract that Lancashire County Council gave to Virgin Care to run the county’s 0-19 Healthy Child Programme for the next five years. Virgin Care was chosen as the preferred provider over the Lancashire Care NHS Foundation Trust, which currently provides these services before its contract expires in March next year.

Trusting their political paymasters in government to create endless opportunities to make inroads into the public provision of health care, this year Virgin Care started their own independent clinics that function entirely separately from NHS or Local Authority services. Patients have to pay for appointments to see health care

professionals in these clinics.

Virgin Care is not alone in this plunder. Capita, HCA, Circle, Serco, Care UK, Interserve, The Practice, Inhealth and Alliance Boots are among the private operators providing NHS services ranging from direct patient care, elective surgeries, laboratory services, pharmaceuticals, cleaning and maintenance, logistical services and supplies to primary care.

The NHS, which has seen the lowest ever funding increase in its entire history and billions of funding cuts imposed as “efficiency savings” over the last seven years, is not placed on a level playing field when it is compelled to bid against the private sector for the contracts.

NHS trusts are saddled with massive deficits and are burdened by the crippling impact of the Private Finance Initiative (PFI). Under PFI—massively expanded under the 1997-2010 Labour governments of Blair and Brown—private companies were able to build and maintain hospitals and reap enormous profits, payable to them for decades hence.

The combined deficit of NHS trusts stood at £770 million in the last financial year. Over the last six years, private firms have made a record £831 million pre-tax profit from PFI contracts, which otherwise would have been spent on patient care.

When NHS trusts win contracts and deliver care they are forced to make savings and reinvest in patient care, while private companies winning contracts are allowed to make profits and transfer them to tax havens without difficulty, as revealed in the case of Virgin Care.

Numerous reports have exposed how private health companies, including Virgin Care, jeopardise patient care and safety in order to make profits. Some of the practices include replacing trained staff with untrained staff, stopping care packages on which vulnerable patients depend, persuading staff to take home sexual health testing kits to use on friends and family to help make the numbers up, and forcing patients to attend extra appointments to boost profits.

*For further information visit [NHS FightBack](#) and the [NHS FightBack Facebook page](#) .*



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