

Outsourcing and competition in the NHS - 7 slides [\[full report\]](#)

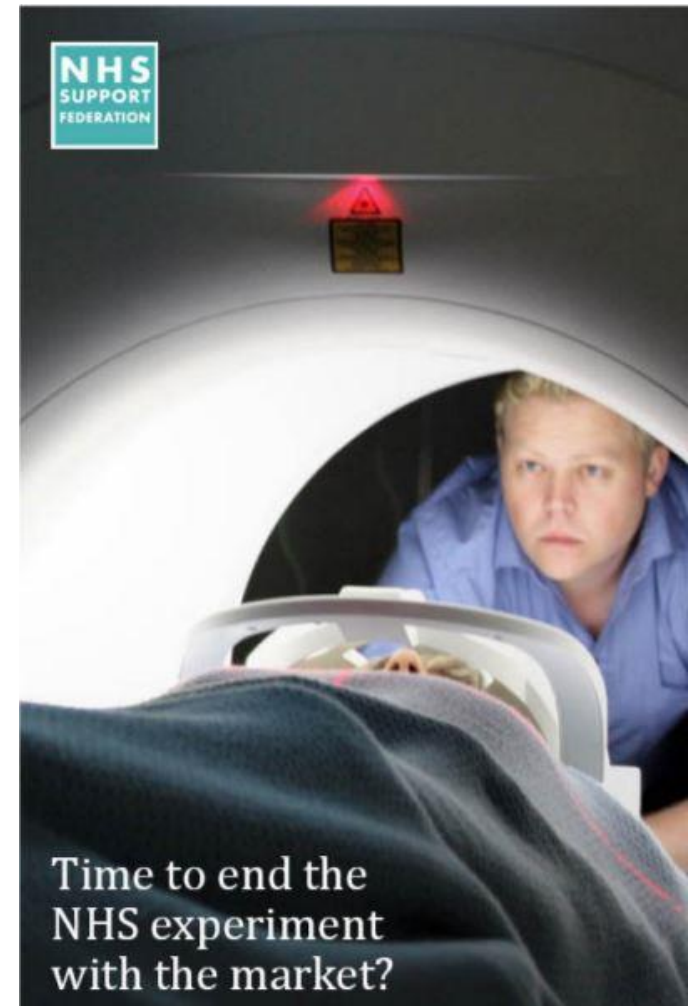
KEY MESSAGES

1. The private sector is playing a far more significant role in providing NHS services than the government admits - winning **70%** of clinical NHS contract awards (and **43%** of the total value of awards).

Last year their wins included the seven highest value contracts, worth £2.43bn between them, and 13 of the 20 most lucrative tenders.

Virgin won over £1bn worth in the last year. Private providers are gaining a strong foothold - 15 CCGs spent **over 25%** of their operating budget on non-NHS providers, the average is 15%.

2. The government has chosen to promote a models of integration that that is basd upon the existing competition rules and whih offers significant opportunities for the private sector. Companies are already adapting their strategies and re-focusing on opportunities within community-based care. The new contracts for integrated care organisations permit private companies, charities or the NHS to run them and/or subcontract to commercial concerns.
3. These developments come despite substantial evidence that tendering and the subsequent outsourcing of NHS care has undermined quality, cost NHS providers, wasted public funds and made services less secure.



New private sector growth in the NHS

Despite government claims of “no privatisation” in the NHS, billions of pounds are going to private companies to run NHS clinical services. **Virgin Care** were the biggest private sector winner over the last year collecting **over £1bn** in NHS clinical contracts.



£25bn

Total value of contracts awarded through tendering since the Health and Social Care Act came into force in April 2013.

£9bn

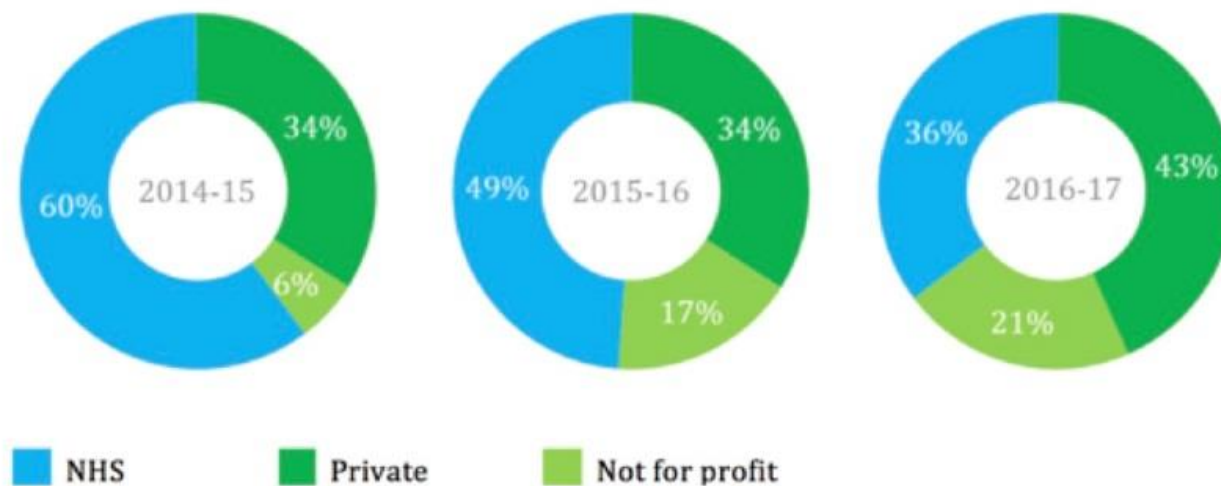
Value of NHS contracts won by the private sector since 2013/14

£3.1bn

Value of NHS contracts won by the private sector in 2016/17

Private companies winning a bigger share

For-profit companies won £3.1 billion worth of new contracts in the last year (16/17) - 43% of the total value of awards advertised. Overall, private firms won 267 awards – almost 70% – of the 386 clinical contracts that were put out to tender in England during 2016/17. They included the seven highest value contracts, worth £2.43bn between them. The private sector beat the NHS to 13 of the 20 highest value awards.



Catalogue of failures from outsourcing NHS care

Our report details a **catalogue of failures**, - dozens of examples since 2012, where private firms have taken over NHS services but then abandoned these contracts either because they cost them too much to provide, or they could not recruit enough staff, or went into administration – or, often, because of serious complaints about the quality of their service.

Coperforma was forced to give up the £63m contract to provide ambulance services in Sussex after the service fell into chaos leaving patients stranded and missing appointments.

Rated as “inadequate” by the Care Quality Commission, **Primecare**, announced in September 2017 that it would be handing back a contract to provide NHS 111 and GP out-of-hours services contracts.



Dozens of people were left with impaired vision, pain and discomfort after undergoing operations provided by the private healthcare company **Vanguard Healthcare** under contract with Musgrove Park Hospital, Taunton.

Circle pulled out of its 10-year contract to run Hinchingsbrooke hospital in Cambridgeshire – the first NHS hospital to be run by a private firm – after financial problems and heavy criticism from the Care Quality Commission



Companies poised to profit from new government plans

Virgin Care has won a ground-breaking £480m contract to coordinate over 200 health and social care services in Bath and Somerset - the first time that responsibility for providing statutory care services has been outsourced to a for-profit company. Similar contracts could be outsourced elsewhere, as all areas are now planning to integrate health and care services.



[\[full report\]](#)

The government's new integrated health plans – which will eventually contract one organisation to provide all care across an area and work to a fixed budget, could create more commercial opportunities, as much of the delivery of care will be subcontracted.

Companies could even take the lead role in planning and delivering care, prompting criticism and legal action from Stephen Hawking and campaigners who said it could lead to greater privatisation and a “US insurance style system”. Big international healthcare companies like **Optum** and **Centene** are already involved in developing these accountable/integrated care systems within the NHS – winning roles on the back of their experience with accountable care models in the US and Spain.

Other companies are also adapting their strategies. **Circle**, the company that walked away from a contract to run the NHS Hinchingsbrooke hospital, is now investing in rehabilitation care, intending to offer care beds outside hospital - to look after NHS patients that hospitals want to discharge.

Care UK, who won £596.3 million in NHS contracts last year is using its foothold in the NHS to market a self-pay business. They wrote to local GPs, who would normally have referred patients to Care UK for NHS work, marketing its self-pay option as a quicker alternative.

New 'era of cooperation' being undermined by Lansley legislation?

Attempts to merge health and social care services are intended to create cooperation and heal the fragmentation caused by compulsory competition. But the rules that led to the mass tendering of NHS contracts remain in place and private companies are adapting their strategies. Far from retreating, they see new commercial opportunities in the government's vision of integrated care.

COMPETITION ENFORCED



In 2013 rules were introduced to enforce competition for NHS contracts. NHS commissioners then had to advertise NHS contracts and consider bids from the private sector and charities to run NHS services - all part of the huge changes brought in by the passing of the Health & Social Care Act 2012.

OUTSOURCING INCREASED



As a result, the value of contracts won by the private sector to run NHS clinical services rose by 700%. The private sector could now bid to run virtually any aspect of NHS care. They won contracts to run an entire NHS hospital, aspects of emergency care, mental health, surgery, diagnostics and many services out in the community.

PROBLEMS EMERGED



Evidence of problems with outsourced contracts and the tendering process emerged, including: fragmented services, problems cost-cutting by providers, under-staffing, resources wasted on tendering and some contracts collapsed or were abandoned when companies couldn't make a profit.

NEW POLICY: REAL CHANGE?

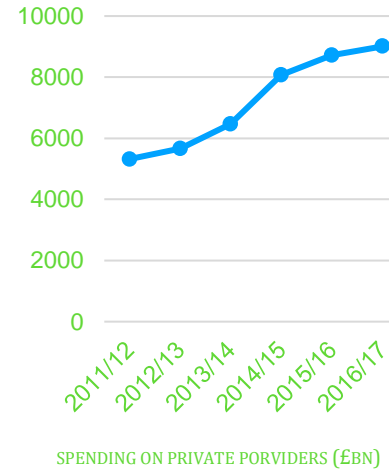
The Government has accepted the need to address the "fragmentation" created by the NHS market, but has left the competition rules in place. As its plan proceeds, eventually one organisation will be awarded a super-contract to organise all healthcare services in each area. This could be a private company, a charity or the NHS, but as yet none of these contracts have been awarded. Whichever organisations leads, they will likely pass on billions of pounds in subcontracts and so private providers remains highly interested in the new NHS.

Health Secretary denies big rise in funds to privateers

The Health Secretary recently told a parliamentary committee that spending on private providers was not huge, even though it has almost doubled since 2010. A survey of local NHS commissioners by the NHS Support Federation shows that they now spend an average of 15% of their operating expenses on employing private companies and charities to deliver healthcare. 10 CCGs spent over 25% of their budget

These figures are higher than the 11% figure shown in the national accounts - which expresses the spending on non-NHS organisations as a % of the overall DEL (Departmental Expenditure Limit).

Local commissioners spend most of their budget organizing healthcare whereas the national budget also pays for all administration and non-clinical functions. The scale of private sector involvement in the NHS is regularly downplayed in departmental and ministerial statements, but the H&SC Act has ensured that non-NHS providers have been able to establish a substantial foothold in local NHS provision.



£9bn

NHS spending on private providers nationally (2016/17)

7.7%

Share of whole NHS budget spent on private providers

£12bn

NHS spending on Non-NHS (includes charities)

11%

Share of the NHS budget spent on non-NHS providers

15%

Average spent by local commissioners on non-NHS providers