

Alert 10-178

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## NEW UK GOVERNMENT ANNOUNCES MAJOR HEALTHCARE REFORMS

*"Our aim is to free up provision of healthcare, so that in most sectors of care, any willing provider can provide services, giving patients greater choice and ensuring effective competition stimulates innovation and improvements, and increases productivity within a social market... Commissioners will be free to buy services from any willing provider; and providers will compete to provide services"*

UK Government White Paper

The new UK Coalition Government has released its much publicized White Paper "*Equity and excellence: Liberating the NHS*", outlining far reaching proposals to reform the socialised healthcare system in the UK through the UK National Health Service (NHS) over the next four years.

With further consultations, reports and primary legislation promised and set out step by step in a formal structural reform plan, the detail of the proposals is currently very high level. The stated objectives are ambitious and if instituted will have a far reaching effect on both the way the British public access the health system and the role of the private sector in UK healthcare, increasing opportunities for involvement of private providers of both clinical and support services in the provision of healthcare to NHS patients.

### Objectives and Efficiency Targets

The separate sections of the White Paper correspond with the main objectives laid out by the Government, on a basic level these are to:

- i. put patients and the public first by implementing a policy of "*no decision about me without me*";
- ii. improve quality and healthcare outcomes through the institution of a more 'lean structure', with better defined responsibilities;
- iii. achieve autonomy, accountability and democratic legitimacy with transparency and competition as key drivers; and
- iv. cut bureaucracy and improve efficiency; the targets set are challenging to say the least.

The Government recognises that the NHS cannot be exempt from measures such as those which are to be put in place in other sectors to confront the UK deficit and growing debt. Consequently, they have set robust targets such as:

- i. releasing up to £20 billion of efficiency savings by 2014, which are to be reinvested in achieving the overall reforms;
- ii. reducing NHS management costs by more than 45% over the next four years, to free up resources for front-line care; and
- iii. simplifying the number of NHS bodies (partly to combat the duplication of functions), reducing the Department of Health's NHS functions and abolishing superfluous regulatory bodies,

whilst committing to increasing NHS spending in real terms year on year.

## NHS Structural Reforms

The magnitude of the reforms announced to achieve these healthcare objectives and efficiency targets is considerable. In particular, the layers, responsibilities and accountability of NHS bodies are to be significantly restructured. Some of the key changes are:

### *Economic regulation and quality inspection*

The existing healthcare procurement regulator, Monitor, will have its powers scaled up to act as an economic regulator in a marketplace which should be considered prime for development and activity. Monitor will be given powers to oversee access, competition and price-setting issues in relation to privately as well as publicly funded healthcare. The Care Quality Commission will be the quality inspectorate across the board. Providers will have a two-part licence overseen by both Monitor and CQC.

Monitor will have *ex ante* powers to drive competition and open up the UK healthcare market, including requiring monopoly providers to grant access to their facilities to third parties, conducting market studies and referring potential structural problems to the Competition Commission for fuller investigation. Monitor will also investigate complaints of anti-competitive purchasing and act as arbiter. Monitor will, for example, investigate anti-competitive behavior where there is a failure to tender services or discrimination in favour of incumbent providers.

### *GP commissioning consortia*

Power and responsibility for commissioning services will be devolved to local consortia of GP practices with Primary Care Trusts being phased out. Legislation to this effect is expected in the forthcoming Health Bill. It is anticipated that these consortia will require significant assistance, including from the private sector in exercising these new commissioning functions.

### *NHS Commissioning Board*

A statutory NHS Commissioning Board will be created to support GP consortia in their commissioning decisions and will be responsible for those services such as dentistry, primary ophthalmic and community pharmacy which will not be devolved to GP consortia.

### *Local authorities' role*

Within local authorities, 'health and wellbeing boards' are to be created to integrate the local NHS services and the commissioning NHS consortia. This role is to be overseen at a national level also.

### *Existing NHS providers*

A significant indication of the scale of the reforms is that Foundation Trusts (typically established as independent non-profit structures running large teaching hospitals) are to increasingly fall outside state control. Legislation is anticipated that will remove borrowing limits; abolish the cap on the amount of income Foundation Trusts can earn from other sources such as private patients to reinvest; and enable Foundation Trusts to tailor their own governance arrangements. This relaxation of control is to be made so as to allow Foundation Trusts to be able to compete more freely with third party healthcare providers. This increased flexibility may also facilitate more flexible partnership arrangements with the private sector. 'NHS Trusts' are to be abolished.

## The New UK Healthcare Marketplace

Although the White Paper does not go so far as to indicate that privatisation of the NHS as such is being considered, the Government's tone is bold in as much as it advocates public choice and recognizes that resultant competition must include third party private providers.

The key themes of the White Paper are based on choice for the patient, flexibility for the commissioning consortia, encouraging competition and social enterprise. This, within an ambitious four year timetable, indicates that there will be room for unprecedented private, for profit and non-profit and third sector involvement in the reform of the UK healthcare system.

### *Any Willing Provider*

By April 2011 the Government wants to have in place an "*any willing provider*" structure and, again in parallel, individuals will be given a level of choice with regard to their care, down to the level of which consultant led team will assess and treat them. This strategy will have the effect of reducing barriers to entry by new suppliers and, as GP consortia are gradually introduced and more powers are devolved to them (currently the timetable envisages the NHS Commissioning Board making allocations direct to GP consortia in the Autumn of 2012), the effect on private and public providers is sure to be appreciable as regards choices the commissioning consortia and patients will be making.

A further point of interest is that if providers deliver excellent results, the commissioner will be able to pay a quality increment.

### *Information and Research*

The Government sees the open availability of 'information', as the key to better care and reduced costs. Consequently, aggregated, anonymised data on care and services are to be made available to allow intermediaries to analyze them and communicate them to the public. Lack of information has historically been an obstacle to the entry of private providers in the UK healthcare system.

Providers will be under clear contractual obligations, with sanctions, in relation to accuracy and timeliness of data. A kite mark, or similar accreditation system, is being proposed to ensure standardization of technical data systems, that providers meet the expected quality criteria and that requisite safeguards are put in place.

It is also proposed that the research sector will benefit from this 'information revolution', with new areas of research a major aspiration of the Government. There is an explicit acknowledgement in the Paper that a "*thriving life sciences industry is critical to the ability of the NHS to deliver world-class health outcomes*". In the same breath the Paper also recognizes that NHS resources are finite and therefore the role of the third party research institutions will continue to be promoted.

In parallel with this, the Government's intention is that the bureaucracy they have identified within the medical research sector is to be eliminated. An independent review of the regulation and governance of medical research is being commissioned.

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