

VIEWS & REVIEWS

PERSONAL VIEW

For-profit companies will strip NHS assets under proposed reforms

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The unfolding cautionary tale of Southern Cross illustrates the fundamental problems with the outsourcing of public services to corporate bodies (*BMJ* 2011;342:d3535, doi:10.1136/bmj.d3535). Its crisis originated when it was bought by private equity firms, which buy companies, like Southern Cross, that own unmortgaged land and buildings. After selling, leasing back, or borrowing against these assets, they dispose of the company, now saddled with debt. Their aim is to extract rather than to add value. Any publicly listed company may be a target because its shares can be acquired on the stock market.

Southern Cross is now threatened by insolvency. Despite pre-existing concerns about inadequate staffing levels, it claims it can cut 3000 frontline posts without harming quality of care. If this is true, the company has previously been charging councils, and residents who fund their own care, for unnecessary staff. The directors have announced cuts in nursing, catering, and cleaning jobs, but not in management pay rates, where savings would not further prejudice care standards.

The reason that any commercial enterprise exists is to make profits, and the over-riding duty of the directors, enshrined in company law, is to maximise the money the company generates for its shareholders. Whether the company sells bread or breast cancer screening, its activities are a means only to a financial end. In contrast, NHS managers have no such constraints, and their duty aligns with the best interests of their patients and the wider community.

Private companies are constantly pressured by the stock market and shareholders to think in the short term and to maximise dividends, which in the case of outsourcing contracts come at the expense of spending on service provision. Their duty to their shareholders requires them to cherry pick the most profitable services at the expense of the rest, and to spend as little as they can get away with on service provision to maximise dividends. They have no interest in the social or ethical dimensions of healthcare. Large private providers often undercut public providers to achieve market entry, but the true financial and human costs emerge later when the public sector has to pick up the pieces.

To protect the quality of corporate sector provision the government must oppose these embedded perverse incentives by externally regulating every aspect of quality. Yet, in practice, it is unwilling to fund such regulators adequately in the face of corporate lobbying against “red tape,” so profits rise at the expense of quality.

We can expect these problems of outsourcing to corporate bodies to be multiplied many times over if the Health and Social Care Bill becomes law. Although the white paper talks of empowering general practitioners and local communities and facilitating patient choice, the content of the bill itself bears little relationship to these goals. Most commentary so far has been on the white paper and not the bill itself; an honourable exception is the analysis by Pollock and Price (*BMJ* 2011; 342:d1695, doi:10.1136/bmj.d1695). Because there has been little reporting on the substance of the bill, few are aware of the true content and direction of the changes proposed.

As the white paper suggests, the bill facilitates involvement of GPs in commissioning consortiums. However, it offers the same opportunity to any company which “wishes to be a provider of primary medical services” (clause s14).

Fifteen clauses (ss125-131, 168-175) collectively create a new insolvency regime for hospital foundation trusts. You might wonder why this is a priority in NHS reform. Clues emerge in clause s293, which removes the prohibition on sale of NHS assets, and s160, which allows foundation trusts to raise loans for the first time. The government remains mute about the purpose of these innovations, but their passage would enable private equity companies to buy NHS facilities and asset strip them. The bill bans the government from stopping them: clause 4, which adds a s1C to the National Health Service Act 2006 guarantees “that any other person exercising functions in relation to the health service or providing services for its purposes is free to exercise those functions or provide those services in the manner that it considers most appropriate.”

Disturbingly, clause s12 specifically enables privatisation of high security psychiatric services. What may we expect once these services are run by providers which prioritise shareholders’

pockets above public welfare? It was the privatisation of hospital cleaning that brought us deaths from meticillin resistant *Staphylococcus aureus*.

The government has failed to explain why the NHS, ranked overall second in health outcomes and first in cost effectiveness among seven developed countries (United Kingdom, New Zealand, Canada, Germany, Netherlands, Australia, and the United States, Commonwealth Fund, 2010, www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2010/Jun/1400_Davis_Mirror_Mirror_on_the_wall_2010.pdf), needs to involve profit making providers. Passage of this bill would move us towards a US-style corporate dominated system. The US produced the worst scores on these measures in this 2010 comparison and was ranked consistently lowest overall in previous Commonwealth Fund studies, in 2004, 2006, and 2007. The US achieves worse health outcomes than not only these developed countries but even impoverished Cuba (WHO, 2009, <http://apps.who.int/ghodata/>), and at an annual per capita cost (\$7410, 2009, <http://apps.who.int/ghodata/?vid=80201>) more than double the UK's (\$3285) and 10 times

Cuba's (\$707). The changes brought by the passage of the bill would be to a more expensive system that will deliver worse quality of care: the worst of both worlds.

If David Cameron honestly intends to avoid NHS privatisation, the Health and Social Care Bill must be amended to exclude for-profit corporate bodies from commissioning and service provision. If not, he signals clearly his choice to benefit potential shareholders at the expense of patients and taxpayers. Concerned readers should contact their MPs urgently to press for this change.

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