

Does Price Competition Compromise Quality?

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What I feel I can add to this discussion

- I can **speak with knowledge** about the 20-odd spin-outs with which we work in Councils and former NHS
- I am also a County Councillor, & School Governor
- I am **Chairman of a SE** provider of publicly procured services
- **Intensive user** of public services for self and family – schools and health services
- Many hats, **multiple lines of sight**



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Role of Price Competition in Future Public Services is still not clear

Very difficult to predict just how much competition new public sector spin-outs will face.

In NHS depends on eventual **role of Monitor**

Debate currently **highly binary & zero-sum:**

Choice/Competition vs
Integrated Care /Monopoly

Much confusion **causing problems on the ground**



Competition in the 64 live Right to Requests coming out of the NHS

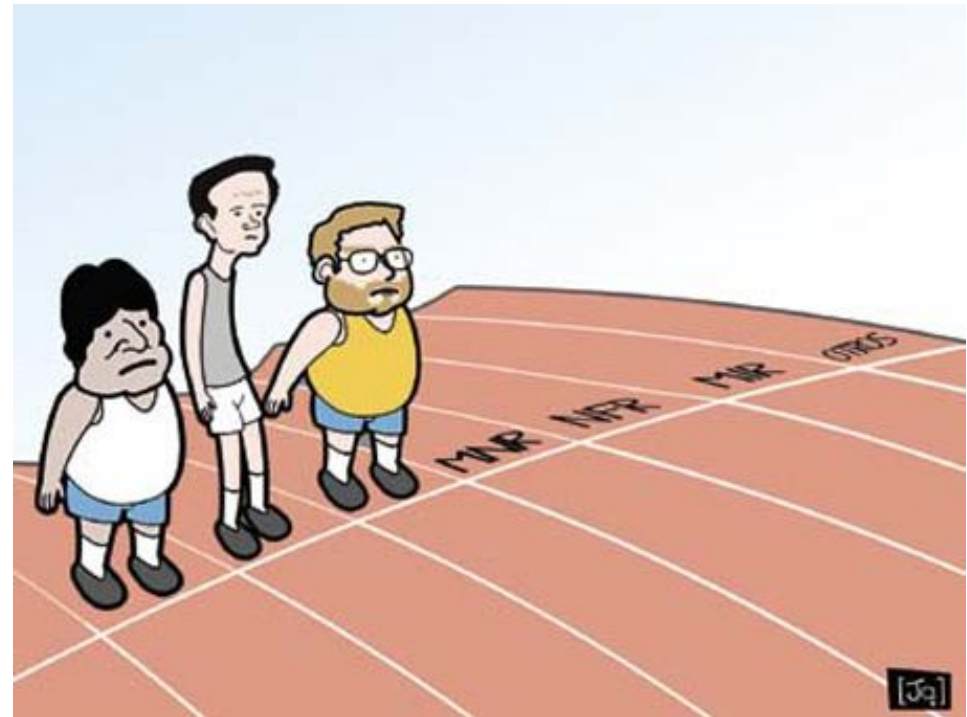
- Most of the NHS are 'Right to Requests' and **are non-acute**.
- Some are in fields where there is **already a market** e.g dental, podiatry, audiology
- Others are whole '**community services**' – groups of up to 40 different services where patient may get several inputs.
- Under AWP or AQP, the expectation was that **all or part of these services would be up for tender within five years**.
- **Not clear** what future of these will be – for good or for ill



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Some actually WANT competition

- I could put people in front of you from NHS SE who would **love the opportunity to compete** with the NHS & private on price in 3 years.
- Interestingly, many of the orgs I working with **had started preparing for competition**
- **Investing** in customer care, better management, better systems.
- Lack of eventual competition sends a **very different message** to these orgs.



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But price competition, in any form being viewed as damaging

- Fears about **cherry-picking**
- Fear about **viability of hospitals** if forced to compete on price
- Fears that price competition will be at **expense of quality**
- Fears that price competition **will prevent collaboration**
- Expect **some real constraints on price competition** in revised Lansley Bill.

Savage Chickens

by Doug Savage



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A more nuanced approach to competition and price?

- **Nobody** wants the Wild West
- Perhaps we need to think about competition on price **once providers reach important quality thresholds**
- Or once we **have accounted for the systems within which certain services are located** which makes them less cost-effective but essential
- **Overall need for reallocation direction** of resource to preventative and community services



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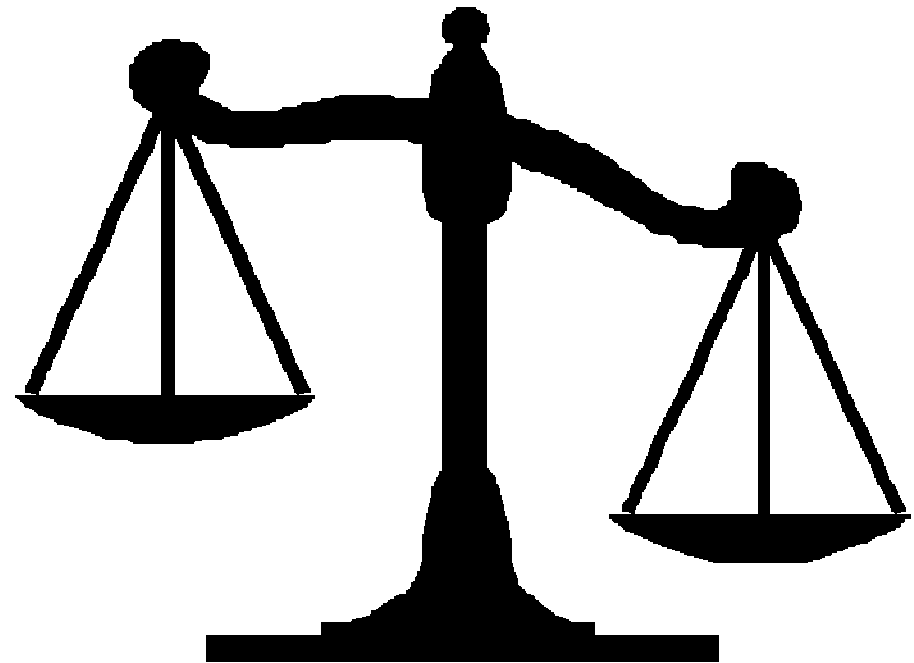
But we don't want Gosplan either

- NHS already blighted by **too much central planning**
- Eliminating competition on price **means other non-measurable factors determine resource-allocation** – e.g. Producer Interest, politicians, media.
- Price is a **useful tool of comparison**



Why price versus quality? Why not seek quality at a better price?

- Everyone knows that **costs will go up faster than resources**.
- Without price competition, commissioners will be **making guesses about which is best VFM** even when these not explicitly part of the decision
- **So why paper over this** and ensure costs are part of the real conversation – and decision?
- We **cannot assume that the NHS or any other provider will work to keep costs** down unless doing so is part of their staying viable as organisations.
- What good is competition on quality when **highest quality is unaffordable**?
- We won't know enough about **trade-offs** if we can't make final decisions based on cost?
- Why is it right to spend **vastly more** on something that can be delivered for less?



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How lack of competition can damage quality – a personal example

- **Wilf is 3.5 yrs old.** He has same words as average 1 yr old. He has been on NHS list for Speech Therapy for a year. Seen once now 16 in queue.
- **One org has a monopoly** on free care – where is its motivation to do things better, faster, cheaper?
- It could well be possible to give the resource to families to **self-procure** – but we don't know whether it possible or not because this is 'privatisation' – and not considered.
- **Equity fears** that Wilf might have a theoretical advantage over another 3 year old who can't speak properly trump the main question – **how does NHS help us to help him.**
- Price competition **might** mean ST could be provided without on-costs of PCT or that more kids could get it.



Mutuals and Private Sector Collaboration

- Finally on private sector collaboration with mutuals
- Much of this is **theoretical**.
- Few examples yet e.g.Circle
- Can outcomes of these be agreed which **satisfy all parties**?
- **Big potential wins:** more capital and know-how, more growth, more innovation, poss for more balanced orgs, help prep for competition
- **Risks:** culture clash, subversion of one set of interests by other, dilution of empowerment side of mutuals by the investors.



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Mutuals and Procurement

- My hope is that Maude's statement **will encourage more Mutuals and SE to form up and win their first contract** without great risk or difficulty
- **Early 'head-start' needed**
- I also hope that they will **not be protected from competition** on either price or quality beyond 3-5 years because this will block change



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Conclusions

- Overall – debate too binary – **there is a role for price competition**
- There is a **distinction between competition to win right to provide and competition between different current providers**
- This means even natural monopolies **can be subject to periodic competitive processes**
- Competition increases range and diversity of provision
- While mutuals might benefit from lack of early competition they **need ultimately to compete on price.**



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Thank-you for Listening

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