

Competition in the NHS: progress and prospects

Andrew Taylor
Director, Cooperation and Competition Panel

Nuffield Trust Annual Health Strategy Summit
24 March 2010

NHS Competition: progress and prospects

- What are we talking about: competition or competition regulation?

Some topics:

- patient choice based competition
- procurement and competitive tendering
- mergers
 - merger benefits
 - vertical integration
- a new access regime?



CO-OPERATION & COMPETITION PANEL
FOR NHS-FUNDED SERVICES

Patient choice based competition

- Acute elective care: patient choice is now embedded (or close to)
 - some glitches – eg PCTs trying to direct GPs
 - studies starting to be published that look at the impact of patient choice on quality of care
 - these studies are showing a positive relationship between more competitive markets and higher quality hospital care
- Primary care: patient choice present in a limited fashion, but restricted by:
 - practice boundaries – although these are to be abolished
 - PCT contracting as a condition of entry
 - some restrictive practices by some GPs
 - CCP researching links between extent of GP choice and quality of care
 - pharmacies / dentists – restrictions also present (eg control of entry regs)
- Community services: patient choice envisaged but not often seen
 - policy envisages more patient choice
 - only aware of a couple of examples (eg smoking cessation in W Midlands)
 - plurality of provider in this area (and associated with this, patient choice) seems to be a stepping stone to competing providers of integrated care



Procurement and competitive tendering

- EU procurement law and the NHS
 - Part B services, transparency, non-discrimination
- Procurement Guide
 - revised guide – published today – reflects latest legal advice to DH
 - opportunities not to competitively tender services are limited (eg only one possible provider, immediate clinical need)
 - likely to have a substantial impact on community services as new standard contracts reach the end of their 3 year term
- Great Yarmouth
 - was the tender discriminatory?
- Procurement practice in the NHS
 - CCP continues to see examples of poor procurement practice – this goes beyond 'he said, she said' stories



Mergers between NHS organisations

- Experience of mergers, both generally and in healthcare, is not great
 - one survey of 300 US hospital mergers concludes that:
 - few mergers involve the service consolidation necessary for significant cost saving, and
 - improved service coordination is rarely achieved.
 - few studies of UK hospital mergers, but one study finds that:
 - cost reductions were much smaller than anticipated
 - no positive impact on the recruitment and retention of clinical staff
 - time required to restructure organisations was always underestimated
 - negative effect on service delivery due to a loss of managerial focus
- Notwithstanding this, many mergers in the NHS are in the pipeline
 - CCP has developed a fast-track process to cope with anticipated number of community services mergers
- CCP in reviewing mergers:
 - assesses impact on patient choice and competition,
 - if adverse effects on patients and taxpayers as a result of the effect on choice and competition, we then assess whether there are offsetting benefits



Mergers – identifying possible benefits

- Clinical outcomes and patient volumes
 - CCP has commissioned a literature review by Centre of Health Economics at York – to publish next week
 - to serve as starting point for conversations about the extent to which increased patient volumes arising from a merger may lead to improved clinical outcomes
 - the review shows a fairly weak relationship between patient volumes and clinical outcomes
- Community services / Acute services mergers
 - CCP has commissioned a study of PCT provider arms to look at:
 - the services typically offered by provider arms,
 - extent to which these services are stand-alone or part of a wider care pathway,
 - average size of these different services
 - study will give a window on to the possible source and extent of integrating services between PCT provider arms and acute trusts



Mergers – identifying possible benefits

- Financial benefits
 - CCP starting to do some work in this area
 - are economies of scale available from hospital mergers?
 - analysis to date does not seem to show that larger hospitals are more efficient or have a lower cost base than smaller hospitals
- A market for management?
 - comparisons of quality across organisations
 - what leads one organisation to have higher quality outcomes than another?
 - can a merger lead to the transferral of superior management techniques from one organisation to another?
 - need convincing integration plans etc



Mergers – vertical integration, patient choice, competition

- Competition analysis of vertical integration between community and acute providers starts with patient flows
- Most common pathway is GP-Acute-Community
 - little impact on patient choice or competition from vertical integration while patient choice in community does not exist
 - need to think about what happens if patient choice did exist, does this prevent effective patient choice in community services from existing?
- Starting to see pathways that looks more like GP-Community-Acute
 - example of this is community-based MSK services
 - referral to the acute provider can happen from the community service
 - if the acute provider owns the community provider it can potentially control the flow of patients from the community service to the acute service
 - Does this impact on the ability of other acute providers to offer services in competition? (Is competition foreclosed?)
 - Does this affect individual patients' ability to choose their acute service provider



A third party access regime for the NHS?

- New provision of the Principles and Rules
 - acute providers will not be allowed to withhold the provision of services
 - acute providers will not be allowed to refuse to accept services from others
- Two caveats
 - where this is against the interests of patients and taxpayers
 - services must be offered on 'reasonable terms and conditions'
- Program of work for the CCP to advise on which services are caught by this provision, and how to determine 'reasonable terms and conditions'
 - understand that longer term, the intention is to extend the scope of this provision to allow for access to facilities and equipment as well as services

