



Enron NHS?

Foundation Hospitals and the backdoor
privatisation of the National Health Service



A Transport & General Workers Union
Briefing Paper. September 2002

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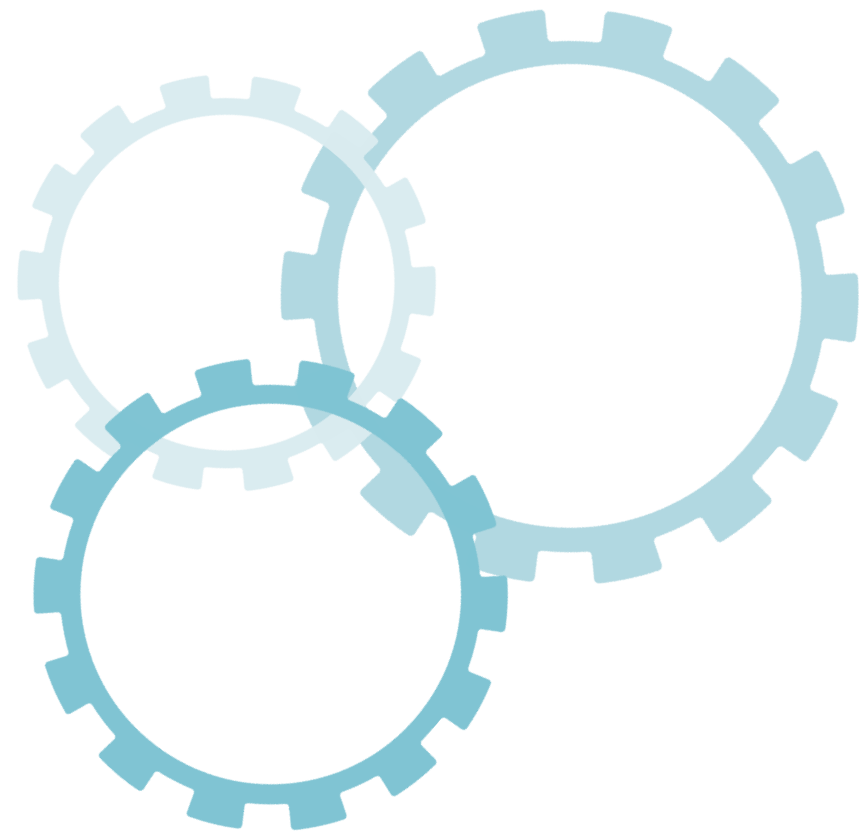
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Introduction by Bill Morris, General Secretary, Transport & General Workers' Union

Since July 2000, a new variant of NHS non-accountability has quietly been taking shape. Foundation hospitals have appeared on the policy radar.

While the detailed operation of these hospitals is still vague, the intention behind them is a dagger to the heart of the philosophy of universality, a philosophy that has sustained the NHS and our system of public services for over fifty years.

The T&G has considered some of the arguments advanced for the establishment of these hospitals: that they will be free from Whitehall control; that they can raise funds without government approval; that they will bring private sector expertise to the tired public service ethos. As this briefing paper, researched by Catalyst for the T&G demonstrates, foundation hospitals represent a full-blown assault on our public services and a giant step towards privatisation of the NHS.

Our public services define our society. How they are delivered, how they are funded and to whom they are accountable are integral to this definition. Together, they speak loudly about the society we aspire to. The NHS sits at the cornerstone of this ethos – publicly funded, publicly delivered and publicly accountable. It is the basis of our common capital and the embodiment of the contract between citizen and state. For generations of Britons, it has been the best, often the only, weapon they have against illness and inequality. It is Bevan's priceless legacy to this nation, and it is rightly world-admired.

Foundation hospitals will break our bond of common good. Free from Whitehall, free to raise funds, free to buy, sell and hire and fire, they will also be free of democratic accountability to either the taxpayer or the Secretary of State for Health. They will lock us into a health postcode lottery with brilliance concentrated in a few elite areas. They will inspire a two-tiered service, siphoning off of publicly endowed excellence as they lure the best nurses, doctors and equipment.

They are not the remedy for a NHS drunk on a cocktail of policy confusion. Let us be clear – foundation hospitals have not been developed to address staff shortages, or to make wards cleaner and or to ensure that clinical priorities are met. They are a Trojan Horse: for all practical, philosophical and political purposes they are part of the private sector but with the expectation that the British public will stand by with an open cheque book for when it all goes wrong. And as private sector enterprises their debts will stay hidden from the public sector balance sheet. It will be Enron meets Railtrack and the casualty will be the NHS.

Foundation hospitals go against every sinew of what the government is seeking to achieve. And having been persuaded to pay more in taxation for better public services, the British public will not consider it acceptable that their taxes then fund the expansion of the private sector.

For this nation, the NHS represents the jewel in the crown of the Beveridge legacy and marks the dividing line between Labour and the Conservatives. To dismantle the 1945 settlement of a universal NHS free at the point of use through the Trojan Horse of foundation hospitals is asking the British people to accept taxation without representation – and they may just say No.

Background

The idea that NHS trusts might earn special freedoms or autonomy was outlined in the NHS Plan of July 2000 and the proposals for Foundation Hospitals themselves were first detailed by the Secretary of State for Health in January 2002.

The government says its plans will help focus resources on the worst performing NHS trusts but it is not clear how this will be the case since, for example, Foundation Hospitals will be allowed to keep the proceeds from the sale of any excess land they may own. Currently such funds are redistributed to those parts of the NHS that need it most.

According to Bob Hudson, Principal Research Fellow at the Nuffield Institute for Health at the University of Leeds, the background to the government's Foundation Hospitals proposal lies in three strands of public policy. First, government believes that for fifty years the NHS has been subject to excessive day-to-day running from Whitehall. Second, the government wants to devolve responsibility for the daily management of public services to local managers. And third, the government wants to find a "third way" approach to the provision of social services somewhere between state run services and the private sector.

Foundation Hospitals are Alan Milburn's "third way" brainchild. They will lead to a clear and unarguable gap in healthcare provision. Hospitals that "have" will be given more, those that "haven't" will fall further behind.

"On practical grounds alone we should not proceed with Foundation Hospitals.... They will give special help to those least in need of help. They will promote local and regional inequalities, widen the performance gap and introduce a two-tier hospital service."

Frank Dobson MP – Writing in the Guardian, 4 June 2002

What exactly is a Foundation Hospital?

Foundation Hospitals will be run by NHS Foundation Trusts. Any NHS Trust that was awarded three stars in the 2002 NHS performance ratings can apply to become a Foundation Trust by November of this year. Successful applicants will be established as shadow NHS Foundation Trusts from July 2003.

The government says Foundation Trusts will be "a middle ground between the public and private sector... free from direct management by the Department of Health." The government also says "the new trusts will be able to make independent decisions on investment."

The new trusts will operate in a manner similar to healthcare companies in Europe and North America, able to raise money outside of normal Treasury public sector controls. They will, in effect, be hybrid concerns part way between the public sector and full-scale privatisation.

Foundation Hospitals will have all sorts of special freedoms denied to ordinary NHS Trusts.

"There are very real fears that we could have a two-tier system arising from the advantage being given to foundation hospitals,"

David Hinchliffe MP – BBC Radio 4's Today programme (quoted in the Guardian, 29 June 2002)

What sort of freedoms will Foundation Hospitals have?

Foundation Trusts will be:

- Free of legal direction from the Secretary of State for Health
- Free of certain demands from central government
- Free to retain any cash raised from the sale of hospital land
- Free to opt out of national pay deals
- Free to establish private companies
- Free to spend more on the most modern equipment
- Greater freedom to borrow and make capital investment decisions without Treasury approval

"NHS Foundation Trusts will operate in a quite different way from existing NHS Trusts."

Rt Hon Alan Milburn MP; Secretary of State for Health – speech 22 May 2002

Why shouldn't they be free to raise funds without Treasury approval?

As private sector enterprises the debts of Foundation Hospitals would not appear on the public sector balance sheet. This underlines the need for rigorous scrutiny and financial risk assessment. A situation cannot be allowed to develop whereby foundation hospital managers can take financial risks knowing that the Treasury would need to bail them out and the taxpayer would have to foot the bill. This would undermine the government's commitment to fiscal discipline.

There is a concern that Foundation Hospitals might be tempted to raise money by treating more fee-paying private or overseas patients rather than local NHS patients. Clinical and patient need, not income generation, must be their first priority.

Raising funds from the private sector would mean taxpayers money being spent on interest for private sector loans.

And it is worth remembering that the report on the funding of healthcare by Derek Wanless, the former Chief Executive of NatWest, was clear that compared with private provision, the funding of healthcare from general taxation was both fair and efficient.

Supporters of Foundation Trusts say they are just like Housing Associations but unlike the NHS, Housing Associations have an independent revenue stream in the form of rent from tenants. NHS trusts gets almost all their resources from the taxpayer. There is a risk that Foundation Hospitals would have no real financial discipline because they would know that in the event of financial trouble the government would always step in.

Foundation Hospitals are not like local authorities. Local authorities are required to make themselves accountable for their financial management to the voters at election time and to the Government at spending round time. Foundation Hospitals will not be required to be accountable to the taxpayers.

"The creation of a small number of foundation organisations does not address the problem of central control – if freedoms would improve performance then they are needed by all."

Dr Gill Morgan, chief executive, The NHS Confederation (quoted in the Daily Telegraph, 23 May 2002)

But in other respects isn't freedom a good idea?

It might be a very good idea if it encourages innovation and better healthcare but if such freedom is a good thing why not offer it to all NHS Trusts?

If NHS managers are stifled by too much bureaucracy, too many performance targets and too many central government initiatives then cut these..... don't privatise the service.

It is worth remembering the very best hospitals have prospered under NHS management. There are many great success stories, so why change a winning formula? Successful hospitals should be encouraged and copied. They should not be moved out of the mainstream NHS.

These new proposals are in danger of fragmenting the delivery of care. We need an NHS that is working in partnership with all its components. These proposals undermine collaboration, which is essential in the NHS."

Dr Beverly Malone, general secretary of the Royal College of Nursing – quoted in the Daily Telegraph, 23 May 2002

So what's wrong with the idea of Foundation Hospitals?

There are a number of problems with Foundation Hospitals.

To begin with they will be free to opt out of national pay agreements and to pay more to poach key staff from neighbouring hospitals. This would have a very negative effect on the local health economy. They would also be able to spend more on better equipment.

Non-Foundation hospitals would end up with fewer staff, older equipment and poorer and sicker patients, as those who could choose would opt for treatment in the better-equipped Foundation Hospitals.

Foundation Hospitals would reintroduce competition into the NHS, a feature of the Tory "internal market" which Labour rightly criticised.

Foundation Hospitals will be divisive. They will be seen as the elite with non-Foundation hospitals stigmatised and their staff demoralised.

Foundation Hospitals will be insular. They will not feel themselves to be full partners in the local health economy. Operating as quasi-private hospitals they might well opt out of local health planning.

Their very existence will lead to a less equitable, two-tier health service. A leg up for the Foundation Hospitals would be a handicap for the rest.

"We must avoid the danger of any hospital cherry-picking patients who can be treated simply and quickly to the disadvantage of patients with complex, chronic or intractable problems,"

Dr Ian Bogle, chairman of the BMA. – quoted in the Daily Telegraph, 19 April 2002

How would the performance of Foundation Hospitals be assessed?

There is a concern that there will be completely different ways of assessing Foundation Hospitals and non-Foundation hospitals. The government must make it clear that Foundation Hospitals will be subject to the same stringent monitoring and inspection as other NHS hospitals.

But it is not clear what would happen if a Foundation Hospital performed poorly or if it was the subject of a clinical scandal.

Once it becomes a Foundation Hospital its status is enshrined in law. Would it be downgraded if standards fell? At present there is no answer to this question.

"Foundation hospitals will promote competition, setting hospital against hospital."

Frank Dobson MP – Writing in the Guardian, 4 June 2002

What do other people think about the idea?

Former Health Secretary Frank Dobson MP has warned of a gap in healthcare provision as good hospitals get better while those that need more help fall further behind.

Adair Turner, a former Director General of the CBI and adviser to the Prime Minister has apparently urged caution against the rapid introduction of Foundation Hospitals in case they end up poaching staff from other hospitals.

The Chairman of the Commons Health Select Committee, David Hinchliffe MP has suggested that Foundation Hospitals could lead to a two-tier health system.

The Former Culture Secretary, Chris Smith MP has suggested that Foundation Hospitals are not a good idea locally or nationally and that most doctors and nurses agree.

Chris James, the Vice Chair of the NHS Alliance, has said that Foundations Hospitals could attract more money creating divisions between hospital trusts within a single health economy.

"NHS Foundation Trusts will help create a radically different health service."

Rt Hon Alan Milburn MP, Secretary of State for Health – Government press release, 27 May 2002

But isn't there something to be said for introducing private management into the health service?

Private healthcare companies tend to run small hospitals that offer limited services. The private sector has no experience of running large complex District General Hospitals. Put simply there is no profit to be made from running accident and emergency services or treating the long-term sick.

What about pay levels in Foundation Hospitals?

Foundation Hospitals will be free to opt out of national pay deals. They may choose to pay some people additional bonuses in order to attract staff in key areas such as specialist surgery. They may also choose to pay some workers in less high-demand jobs less.

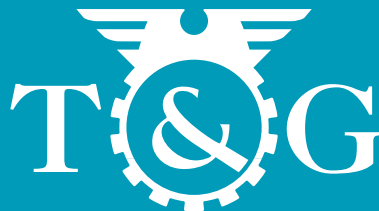
To deliver on the profitability they seek, Foundation Hospitals will demand "flexibility" when it comes to terms and conditions. This will see a return to the internal competition and elitism that so undermined the NHS ethos during the early years of the Conservative government.

Conclusion

- Foundation Hospitals represent a threat to a unified, integrated NHS that is free at the point of delivery for all patients. They are the first step on the slippery slope to a healthcare system run by private sector healthcare companies from Europe and the US.
- A programme of public service renewal, which sees the British people foot the bill but told to expect nothing in return, will erode support for the principle that taxation provides public services.
- Foundation hospitals are a Trojan Horse for private sector management, not just in the NHS but in other public services that will render them unaccountable and elitist.
- While Foundation Hospitals represent a small elite, non-Foundation hospitals will be perceived to be the poor cousins providing a second-class service. We should not countenance competition in healthcare. Everyone should have equal access to the best healthcare. You simply cannot have "earned autonomy" and social justice.
- Foundation Hospitals will be free to opt out of national pay agreements and to pay more to poach key staff from neighbouring hospitals. This would have a very negative effect on the local health economy. Non-Foundation hospitals would end up with fewer staff, older equipment and poorer and sicker patients, as those who could choose would opt for treatment in the better-equipped Foundation Hospitals.
- Too much financial freedom might encourage Foundation Hospital managers to borrow too much. Disguising their debt by moving it off the public sector balance sheet is the sort of behaviour that got Enron into trouble.
- Foundation Hospitals will see a rejection of reform based on the principle of co-operation between NHS institutions and facilities and a return to the de-facto competitive ethos that so undermined the NHS during the years of the last Conservative government.

Much has been achieved by this government in the field of healthcare. New hospitals are being completed, modern equipment is coming on stream, more doctors and nurses are being trained, and following the 2002 Budget we now have record funding and more beds. We have given them the tools, it is time to let the professionals get on with the job.

Transport and General Workers Union September 2002



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