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## ‘Arms race’ over £5bn NHS contracts

By Gill Plimmer



Private sector companies are engaged in an “arms race” to win £5bn of National Health Service work being tendered including hospitals, mental healthcare, pathology and GP clinics in a move that could transform the future of healthcare in Britain.

Around 160 large-scale contracts are currently being advertised to private sector bidders including seven that are worth more than £100m in value, according to research by Bain, the consultancy, commissioned by the Financial Times.

Bain said it had seen a “significant increase” in contract volumes, driven by financial pressures and the Health and Social Care Act, which came into force this year, giving commissioners more clarity on the ground rules for procurement.

The increase comes despite a series of scandals involving outsourced public sector contracts in recent months, including the alleged overcharging by [Serco](#) and [G4S](#) on prisoner tagging contracts. On Monday, NHS Direct – one of the providers of the troubled NHS 111 helpline – announced it was planning to pull out of its contracts because they were “financially unsustainable”.

Christian Mazzi, head of health at Bain, said: “Now the rules of the game are changing. We can compete for all of the NHS budget on equal terms. What was traditionally locked up in the NHS is going to become available to the private sector.”

The largest is a £1.2bn or £160m-a-year deal providing health services including end of life care for older people in Cambridgeshire and Peterborough – the biggest yet.

But there are also several smaller deals worth £16.5m to £30m a year that collectively add up to a significant shift in how the NHS operates, with tens of thousands of staff potentially being transferred to private sector providers as a result.

Private sector providers are confident more opportunities will come to market. Faced with a £30bn shortfall in the NHS budget over the next seven years, many trusts believe they have little option to work with the private sector, which pledges to invest in new technology, improve staff productivity and use economies of scale to deliver services at lower costs.

Mr Mazzi described it as “an arms race” as companies compete to get first-mover advantage and prove their credentials in the new market. “As this market begins to open up, whoever can prove first that they are effective in working with the public sector and creating value will be best positioned to become future leaders,” he said.

Although some of the tenders are second or even third generation contracts, there are sufficient new ones to suggest that privatisation is accelerating, Bain said. It cited everything from entire hospitals to individual services such as pathology, sexual health or musculoskeletal services being put out to tender in the next few years.

William Laing, of Laing & Buisson, the healthcare analyst, agreed that companies were involved in a “land grab” because the market is “opening up”. “There is a general sense that outsourcing is happening more . . . if you look at the procurement websites they are chockablock with contracts,” he said.

Although the privatisation of entire hospitals remains politically toxic, the takeover of Hinchingbrooke in Cambridgeshire by the private equity-owned Circle healthcare in a £1bn ten-year contract has paved the way for further deals.

“Potentially all the hospitals in special measures are followers of the first Circle example,” said Mr Laing.

Despite this, most of the contracts currently out to tender are in well-trodden fields for the private sector such as mental healthcare, which has been open to investment from the private sector from the 1980s.

But there are also services being put out to tender for the first time. Serco, for example, is hoping to secure further deals after winning last year’s groundbreaking £140m contract to run community services in Suffolk over the next three years. More than 1,030 NHS nurses and medics transferred to the company as part of the deal.

Increasing private sector involvement is also likely to be driven by the 211 new clinical commissioning groups, which are responsible for procuring around 70 per cent of the NHS budget. The CCGs replaced 150 primary care trusts on April 1.

Vernon Baxter, a private healthcare analyst and the editor of Health Investor magazine, said relatively few CCGs were sufficiently mobilised and prepared to commission large, co-ordinated contracts on the scale of the Cambridgeshire and Peterborough deal, making the outsourcing of smaller, individual services more likely in the short term. Some CCGs are also more willing to embrace the private

sector than others.

The Department of Health emphasised that the private sector was competing against the non-profit sector as well as social enterprises: "There is absolutely no government policy to privatise NHS services," it said. "The NHS will stay free for everyone, but it's right that patients should get the best service – regardless of who provides it."

But Dr Richard Taylor, leader of the National Health Action Party, which is opposed to the privatisation of the NHS, said the growing number of contracts provided "the starkest evidence yet that Andrew Lansley's Health and Social Care Act has changed NHS England from a provider of healthcare into a purchaser of services from private providers."

**Top of the tenders: Big deals companies are battling for include . . .**

**£5bn** - Total value of NHS work being tendered - including:



**£800m-£1.12bn** for elderly care provision

**July 2013** Cambridge and Peterborough want a provider to take on services including unplanned acute hospital care for the elderly and end-of-life care

**£814m** for home support and care homes

**May 2012** Birmingham wants a framework of providers for home support services and homes for the elderly and adults with mental health issues or disabilities

**£350m** for a youth detention centre

**July 2012** A contract to operate and manage a secure accommodation centre for young offenders in London, including the provision of education and healthcare services



**£267.9m** for housing the elderly

**May 2013** Westminster wants a provider to deliver care services and residential homes for older people

**£210m** for mental health team

**June 2013** Bristol wants to re-tender community adult mental health services because of low patient and staff satisfaction with the current provider

**£175m** for joint and limb disorders

**August 2012** West Sussex is considering setting up an intergrated musculoskeletal service



**£63m** for midwifery

**June 2013** Wiltshire is looking for a provider of a midwife-led service to support women and their families throughout pregnancy and labour

*All figures are for the total value of contracts. Source: Bain*

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