Competition in healthcare a UK perspective

Introduction.

The focus of this article is to look at how this idea can be applied to a public service like the NHS and how this “socialist” public service may act in the same way to stifle competition and create barriers to competition in the provision of healthcare in the U.K.

“In technical terms, an economic rent is the difference between what people are paid and what they would have to be paid for their labour, capital, land (or any other inputs into production) to remain in their current use. In a world of perfect competition, rent would not exist. Common examples of rent-seeking (which may or may not be illegal) include forming cartels and lobbying for rules that benefit a firm at the expense of competitors and customers.”

This is taken from a recent article in the Economist focusing on the idea of “Crony capitalism” whereby the rich elite seek to preserve and protect their interests through manipulation of regulations by lobbying governments and thereby pushing up the costs to incoming competition. In terms of its application to the provision of healthcare in the UK it may be that the “economic rent principle plays a role in how the NHS influences the development of competition in the UK healthcare market. It was the debate sparked by this article that led to the idea for an article on this matter.

Competition in healthcare? Benefits for the consumer?

The question that remains largely unanswered in healthcare is whether competition improves outcomes for consumers. The following information would suggest the case for competition in a publicly funded healthcare system like the NHS (National health service) remains unproven.

“The strategies that promote competition among HMOs (Health maintenance organizations) in the current market setting may not lead to improved HMO quality. It is possible that price competition dominates, with purchasers and consumers preferring lower premiums at the expense of improved quality, as measured by HEDIS (Healthcare Effectiveness Data and Information Set) and CAHPS (Consumer Assessment of Healthcare Providers and Systems). It is also possible that the fragmentation associated with competition hinders quality improvement.”

“...........considers several interlocking aspects of the current English choice policy: competition between hospitals, the responsiveness of patients to greater choice, the provision of information, and the use of fixed prices. The article concludes that there is neither strong theoretical nor empirical support for competition, but that there are cases where competition has improved outcomes.....”
The following text is taken from an article published in 1993 regarding the internal market and its role in attempting to introduce competition into the NHS. Despite this successive governments have continued to insist that introducing a “market” will reduce costs and increase efficiency. Ten years on there seems to be some evidence that this is occurring. “There was relatively little measurable change that could be related unequivocally to the core mechanisms of the quasi-market.”

However a review of the available evidence for the short period that fundholding in general practice in the UK was introduced in the early 1990s seems to show some effect “......the available quantitative evaluative evidence of the effect of (partial) fundholding on general practice. A total of 17 published quantitative studies evaluating fundholding were found, however, 8 of these were papers relating to 2 studies, therefore only 13 studies were reviewed. These studies examined the impact of fundholding only with regard to prescribing and referral behaviour. The results of these studies indicate that fundholders appeared to: (i) constrain their prescribing and referral costs; (ii) increase their generic prescribing rate; and (iii) not inflate their costs prior to joining the scheme.....

“Recent substantive reforms to the English National Health Service expanded patient choice and encouraged hospitals to compete within a market with fixed prices. This study investigates whether these reforms led to improvements in hospital quality. We use a difference-in-difference-style estimator to test whether hospital quality (measured using mortality from acute myocardial infarction) improved more quickly in more competitive markets after these reforms came into force in 2006. We find that after the reforms were implemented, mortality fell (i.e. quality improved) for patients living in more competitive markets. Our results suggest that hospital competition can lead to improvements in hospital quality.”

The rationing of healthcare.

“The search for efficiency in the new NHS is in conflict with the principle of equity and the most vulnerable groups in society are being denied access to healthcare. Decisions about rationing are currently made at a local rather than a national level resulting in variability of health service provision, an inconsistency which will continue with the development of primary care groups.”

Conclusion.

The NHS would seem to impose its own “economic rent” on the provision of healthcare in the UK by lobbying through Trade unions and the imposition of regulatory standards through bodies like NICE (National Institute for Health and Care) and SIGN (Scottish Intercollegiate Guidelines Network). Further research on the effects of these organisations and the lobbying of government by both Private individuals and trade Unions and similar bodies may be of benefit in determining whether they play a positive or negative role in promoting competition and or efficiency in the provision of healthcare in the UK.
“Competition is costly to create, requiring large investments in managerial personnel and information technology, and difficult to sustain because of the propensity of capitalists, through self-interest, to destroy capitalism. Problems such as quality, equity and the closure of excess capacity were well defined prior to the NHS reforms and have not yet been resolved following the reforms. Whether adversarial rather than collaborative relationships are more efficient in the health care sector is unknown. Indeed there remains little evidence to sustain the claims of political rhetoric that competition ‘works’ i.e. increases efficiency, enhances equity and contains costs. Despite this reformers seek to create competition and complete mission impossible.”

---

1 Our crony-capitalism index, Planet Plutocrat from The Economist March 15th 2014, The countries where politically connected businessmen are most likely to prosper
5 1 Policy and Development Directorate, King’s Fund, London
6 2 Health Services Management Centre, University of Birmingham,
10 Competition in the UK National Health Service: Mission impossible?