



Purchaser Provider Split in the UK

February 28 2005
The Old Mill
Toronto

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<http://www.healthandeverything.org/>



No Need to Take Notes

- This presentation and other material can be found at the web site
- www.healthandeverything.org

For more information you can write to me at sholom@glouberman.com



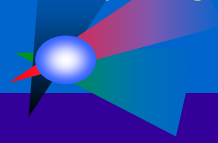
WHO World Report 2000

	UK	USA	Canada
Per Capita Expenditure on Health	26 th	2 nd	10 th
Overall Health System Performance	18 th	37 th	30 th
Fairness of Health Distribution	2 nd	32 nd	18 th
Fairness of Financial Contribution	8 th	54 th	17 th



Three Snapshots of the NHS

- 1987: Thatcher's Reforms
- 1997: The Blair Reforms
- 2005: A May Election Looms



1987: Single Centralized System

- **14 Regions.**
 - General manager (RGMs) with authority over
- **192 Districts (Average pop 250,000)**
 - General managers DGMs with budget and authority
 - responsible for health of local population.
 - Includes Units
 - Acute (UGM), Community (UGM), Mental Health (UGM)
- **Doctors**
 - GPs independent contractors to the NHS
 - Specialists contracted to regions but work in districts
- **Funding: Historically Based Annual Budgets**



Strength of the NHS (1987)

- A deep national affection for the NHS
- Comparatively comprehensive
- Reasonably equitable and accessible, irrespective of the ability to pay
- Good record on cost containment
- Relatively good standards of care and treatment
- Effective personalised primary care doctor system
- Low administrative (transaction) overhead costs



Weaknesses of the NHS (1987)

- Low over all level of investment in healthcare
- Under-investment in capital, medical technology and staff remuneration
- Lack of consumer responsiveness and of consumer choice
- Long, (and getting longer), waiting times and waiting lists for elective surgery
- Clinical productivity penalised by the system
- A centralist public bureaucracy market forces are valued by the conservative government
- Widely varying efficiency levels
- Effectiveness unmeasured



The Thatcher Reforms (1987)

- Enthoven and Managed Competition
 - Market forces will increase quality and efficiency
- Purchaser Provider Split
 - Districts purchase services for their population
 - As an Afterthought: Doctors in group practice can hold funds to purchase
- Hospitals and Community Units
 - become providers of services
 - and become independent Trusts

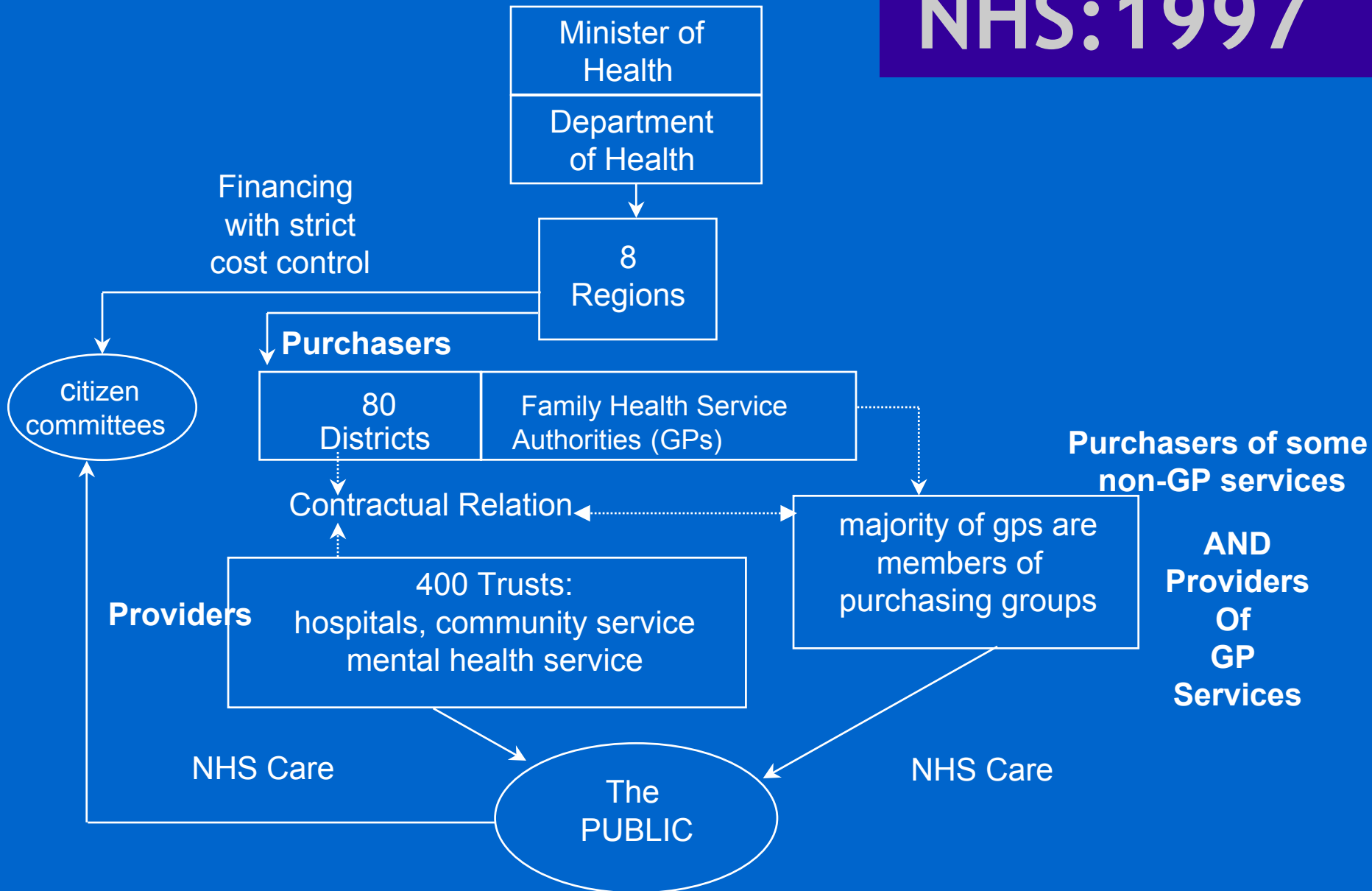


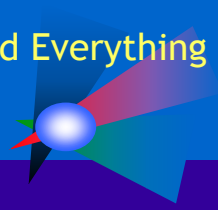
King's Fund Predictions 1987

- Two hospitals will become trusts before the 1991 elections
- GPs will not agree to purchase services
- Central authority will be reinforced despite the claimed decentralization
 - From bureaucracy to hypocrisy



NHS:1997





(1987) Report Card (1997)

- Deep affection
 - Comparatively comprehensive
 - Reasonably equitable
 - Reasonably accessible
 - Cost containment
 - Relatively good standards of care
 - Effective primary care
 - Low admin costs
- ↓ **Fear for future of NHS**
 - Comparatively comprehensive
 - Reasonably equitable
 - ↓ **Accessibility worse**
 - ↓ **Financial problems emerge**
 - Relatively good standards of care
 - ↑ **More effective primary care**
 - ↓ **Admin costs rise**
 - ↓ **purchaser Provider problems increase**



(1987) Report Card (1997)

- Low investment
- Consumer confidence eroding
- Long waiting lists
- Perverse incentives for clinicians
- Large Public bureaucracy
- Not enough competition (Tories)
- Varying efficiency
- Unmeasured effectiveness

- ↑ **More investment**
- Consumer confidence eroding
- ↓ **Longer waiting lists**
- Different Perverse incentives
- ↓ **Large Ineffective Purchasing bureaucracy**
- ↑ **GP purchasing improves**
- Varying efficiency
- Unmeasured effectiveness



Lessons from the Thatcher Reforms

- There are always unexpected consequences when one tries to change a complex system
- Changing the structure is rarely sufficient
 - It is necessary and more difficult to change the dynamic relationships in a system



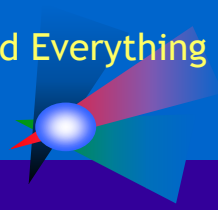
Some 1997 Numbers

- Emergency admissions rise 5% per quarter during 1997
- Waiting lists growing by 5% per annum
- Drug bills rising by 9% per annum
- Labour gains a landslide 179 seat majority



The Blair Reforms 1997

- Collaboration replaces managed competition
- No more GP fund holding
 - Involve all GPs in commissioning (not as individuals)
 - In Primary Care Organizations for 100,000
 - Take over community service trusts
 - **Commission all health services**
- Health Authorities
 - to develop Health Improvement Programs (HIPs)
- New Providers
 - Diagnostic Treatment Centres
 - Foundation Trusts
- Strong central control over quality and access:
 - NICE for guidelines, CHI for inspection
 - Targets



(1997) Report Card (2005)

↓ Fear for future of NHS

- Comparatively comprehensive
- Reasonably equitable

↓ Accessibility worse

↓ Financial problems emerge

- Relatively good standards of care

↑ More effective primary care

↓ Admin costs rise

↓ Purchaser Provider problems increase

↓ Fear for future of NHS

- Comparatively comprehensive
- Reasonably equitable

↑ Accessibility better

↓ Admissions go up

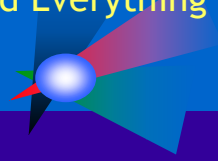
↓ Financial problems larger

- Relatively good standards of care

↓ Community Care at risk

↓ Admin costs rise

↓ Purchaser Provider problems get worse



(1997) Report Card (2005)

↑ More investment

- Consumer confidence eroding

↓ Longer waiting lists

- Different Perverse incentives

↓ Large Ineffective Purchasing bureaucracy

↑ GP purchasing improves

- Varying efficiency
- Unmeasured effectiveness

↑ More investment

- Consumer confidence eroding

↑ Shorter waiting lists

- Different Perverse incentives

↓ Small Ineffective Purchasing bureaucracy

↓ New Agencies increase pressures

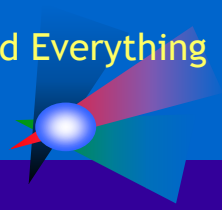
- Varying efficiency
- Contradictory measures of effectiveness



Some Cautions

- We become so excited when we think we understand a new idea, that we think it should be implemented.
- Do not understand new ideas too quickly
- How simple solutions expand to respond to the complexity of the environment
- Purchaser provider split has lots of risk
 - While the UK introduced the split, the US was creating managed care to integrate purchasers and providers

For More About the UK



Tenth Annual



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