UNISON

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## The privatisation of management at Hinchingbrooke Hospital

# If these companies are the answer …

**A briefing note by UNISON Eastern Region**

Hinchingbrooke Hospital in Huntingdon seems set to become one of the very first District General Hospitals franchised out to a profit-seeking private company.

The "franchise" to manage the district general hospital was controversially put out to tender by NHS East of England 18 months ago, on the flimsiest of evidence – and despite being reminded of the disastrous failure of the only previous attempt to franchise out management of a whole hospital to a private company.

After the only remaining public sector bid, from the Cambridge University Hospitals Trust, was withdrawn in February, blaming "the huge cost, both in time and money, of the bidding process", the short list of five private companies has now been whittled down to just three:

- Circle Health
- Ramsay Health Care, the British division of an Australian company,
- and Serco, the services company that runs the Docklands Light Railway


None of them has any previous experience of running such a large, busy general hospital. Each of them has a questionable record of involvement with the NHS.

UNISON believes none of them is suitable to take on the management of Hinchingbrooke, and we are concerned that the quality of patient care is being put at risk.

To make matters worse, it is clear that the private sector regards Hinchingbrooke as just a trial run for the privatisation of management in even more hospitals. Former NHS chief executive Mark Britnell, now working for city consultants KPMG, suggested in February that

"more than 20 organisations could follow Hinchingbrooke's lead in the next 12 months. Our own analysis suggests there are perhaps 20 or 30 organisations that will be in a level of distress not dissimilar to Hinchingbrooke over the next year or so." (Healthnivestor.co.uk, February 25 2010).

UNISON Eastern Region has been firmly opposed to this policy from the outset, and to any other plans which undermine public sector provision of health care and potentially undermine local access to a range of vital services.

**If these companies are the answer, then NHS East of England has been asking the wrong questions.**

## The hospital

Hinchingbrooke Hospital in Huntingdon is less than 27 years old, completed in 1983, and serves as the local hospital for a catchment population of 161,000 people in the Huntingdonshire area: the vast majority of its funding (96%) flows through the county's financially-challenged Primary Care Trust, NHS Cambridgeshire.

It has a total capacity of 310 adult beds, in addition to 25 paediatric beds and 12 SCBU cots on the site (run by the PCT), a £22 million specialist elective treatment centre paid for through the Private Finance Initiative (PFI) and officially opened by HRH the Princess Royal in November 2005, and two mental health wards run by the Cambridgeshire and Peterborough Mental Health Partnership Trust. Addenbrooke's Hospital runs a dialysis service on the site.

This scale and mix of services makes it more than six times bigger – and many times more complex to run – than the average private sector hospital in England.

Private hospitals average just 50 beds, and focus exclusively on elective treatment for non-complex conditions: they do not offer emergency surgery or medicine, and any patient developing complications will be transferred by ambulance to an NHS hospital. Private hospitals have relatively few full-time staff

(mainly nursing and support staff) with doctors mostly working only on sessional basis.

Hinchingbrooke plays a vital role: in 2007/08, the hospital treated more than 33,000 people in Accident and Emergency, delivered more than 2,500 babies, saw 127,000 in its outpatient clinics, and admitted more than 30,000 inpatients and day cases. The nearest alternative hospital facilities are around 20 miles away in Cambridge or Peterborough, 23 miles away in Bedford, or 30+ miles away in Kettering or Northampton.

Hinchingbrooke Health Care Trust (HHCT) has employed up to 2,000 staff, and has a budget of approximately £96 million in 2009-10: it is projecting a wafer-thin £400,000 (0.5%) deficit for the year, as a result of under-funding of its in-patient treatment, but is carrying accumulated debts of £40m.


## Private sector failure

The track record of private sector management attempting to take over and turn around NHS hospitals has been disastrous. It was a lamentable failure at Good Hope Hospital in Solihull.

There, a 3-year contract with Secta to manage the 550-bed hospital began amid a welter of optimistic publicity in September 2003, but was terminated eight months early, at the end of 2005, when the running of the hospital was handed to the management of Birmingham Heartlands Hospital Trust.

During the contract the company successfully jacked up its own fees by 48% in its first year, and by the time the acting chief executive, Secta's Anne Heast, finally cleared her desk, the Trust was in a far worse state than when she started – losing money at £1 million per month, heading for a £47 million deficit , and threatening to pull down the entire local health economy.

After this bitter experience of failure, it's hard to see why NHS East of England want to try again.

# The new shortlisted bidders

## Circle Health

Circle Health claims to be a different type of company, and has been proclaimed as basing itself on the 'John Lewis' model of 'partnership', with 2,000 clinicians.

But half of the company is owned by big financial institutions, and this is the source of the funding for a planned network of 30 new hospitals at a cost of almost £1 billion (Times Online 27 March 2010).

Its brand new £30m showpiece hospital in Bath, lavishly spacious, designed by Lord Foster 's team and feted by the media for its innovative design, has just 28 beds – less than 10% of the capacity of a very different hospital in Hinchingbrooke, and of course has no facilities for emergencies or for patients with complex medical or surgical needs.

And while Circle's boss Ali Parsa, an investment banker, talks a good talk, there is no evidence that his company – accustomed to the generous budgets and relaxed, stress-free environment of private medicine – is capable of managing anything on the scale of an NHS general hospital.

Their website also confirms that Circle has no real grasp or experience of a busy and pressurised hospital environment. The company is aiming to open"surgical clinics and GP centres" where its surgeons can perform consultations and procedures that do not have to happen in a hospital setting in specialities such as dermatology, ophthalmology, ENT and plastic surgery. This, claims Circle, "drives down the price of healthcare by avoiding the unnecessary infrastructure of a hospital".

In addition, Circle says it will offer "services such as diagnostics, chronic disease management and post-operative homecare" through a mobile infrastructure and in peoples' homes. Again no evidence of appropriate experience in running a large and complex hospital.

Nor does Circle's track record with NHS care inspire any confidence: in 2007 Circle Health took over Nations Healthcare, a company running three "independent sector treatment centres" with NHS contracts (Eccleshill in Bradford, Burton and Nottingham).

Nations had been the company in charge of Eccleshill when a patient, Dr John Hubley, died after surgery because the centre did not keep any emergency supplies of blood on site. The scandal was exposed on BBC's Panorama, and the coroner said at the inquest on Dr Hubley that he would most probably have survived if his operation had been carried out at Bradford Royal Infirmary, describing the centre's policies as "Mickey Mouse".

The takeover by Circle may have changed the management structure, but it has not substantially increased the performance of the treatment centres, which have delivered well short of the level of treatment stipulated in their £324m worth of NHS contracts. According to the latest official figures (April 2009) the Nottingham Treatment Centre was running at just 72% of contract, Burton at 76% and Eccleshill at 87%, leaving Nations 25% below contracted activity – equivalent to £82m of taxpayers' money for treatment not delivered.

Any similar shortfall at Hinchingbrooke, which – unlike the Treatment Centres – is obliged to operate under the so-called 'payment by results' system in which the hospital is only paid per item of treatment delivered, would leave the Trust even further adrift.

## Ramsay Health Care

Ramsay is Australia's largest private healthcare provider. It is part of the NHS Partners Network group of private health providers that challenged the procurement process at NHS Great Yarmouth & Waveney (along with Acevo).

Ramsay operates nine "Independent Sector Treatment Centres", and is the fourth largest provider of private hospitals in England, having bought 22 small hospitals from Capio UK for £193m in 2007.

Ramsay's managing director Pat Grier told the Guardian that his group had been attracted to Britain because of "significant growth upside due to the shift towards outsourcing NHS services to the private sector" (Guardian 28 October 2007).

More recently the company has been reported in *Healthcare Europa* as bragging over the way in which it has increased profit margins in the UK hospitals it took over from Capio, with Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased from 20% to more than 25% in the first year and again to over 30% in year two. (http://www.healthcareeuropa.com/articles/210003322)

Ramsay's ISTCs may be generating guaranteed profits for the company, but the latest official figures show that they are delivering as little as 66% of contracted activity in one unit, with five out of nine delivering less than 80%.

On this basis, of the total of £244m Ramsay is being paid for contracts, its ISTCs are being paid almost £56m for operations that are not delivered.

In Southampton the Ramsay-operated ISTC has been so unpopular that GPs have been directed to over-ride the principle of "patient choice" and refer elective patients only to the ISTC where services were running well below contracted levels, and not to the local University hospital where most patients had chosen to have their treatment (BMA News Review October 10 2009).

And while ISTCs are generally free-standing and purpose-built units, Ramsay has not shown itself any more desirable a partner for the NHS in its dealings with larger hospitals, in the form of the troubled South London Healthcare Trust.

Last July it pulled out of its ten-year contract to use the 25-bed Bromley Private Patient Unit at the Princess Royal University Hospital, declaring that "the contract was not proving commercially viable".

Nursing staff whose jobs disappeared with the contract were obligingly included in the bank staff for the Trust.

But since the contract had been paid up in advance, and there was no clause to prevent an immediate withdrawal by the company, the Trust, already facing debts of £147m, had to refund eight years rent to Ramsay (Bromley Times July 9 2009).


The swift decision to axe this arrangement two years into a ten-year deal is another indication that Ramsay would not hesitate to pull out of a contract to manage Hinchingbrooke Hospital if financial issues mean that the expected profits cannot be guaranteed: all of the risk would remain firmly with the NHS – and with local people who need health care at Hinchingbrooke.

## Serco

Serco is a large multinational corporation, employing 40,000 staff and turning over more than £2 billion. It appears to be even less appropriate as a potential management of a complex and busy general hospital than the other two shortlisted firms since it has no experience at all of any kind of hospital management.

Its own website claims that Serco employs just 300 "doctors and nurses" – a tiny fraction of the Hinchingbrooke Hospital workforce – in "a range of primary and community settings".

These turn out to be "'Out of Hours' Care, healthcare in prisons, nursing support as well as many major new health initiatives such as the Department of Health's programme to evaluate telehealth." So the company itself effectively admits to having no experience of managing clinical services in a major hospital.

Instead it is best known as a services company that runs the Docklands Light Railway, operates speed cameras, electronically tags young offenders, and has contracts with the Ministry of Defence, Home Office and Department of Transport.

Its most prominent involvement in the NHS includes its involvement as a partner in various Private Finance Initiative consortia, some of which have been "successful" in completing new hospitals (Norfolk & Norwich University Hospital and Scotland's Wishaw General Hospital) while one other (Leicestershire) has ended in an expensive failure, with the project cancelled as a result of spiralling and unaffordable costs, and Serco joining with its partners to sue for compensation.

The Norfolk & Norwich hospital scheme became a by-word for high costs to the taxpayer when the Octagon consortium including Serco managed to refinance its initial investment at lower interest rates. It netted a £115m windfall profit, of which just £34m was shared with the NHS Trust – in the form of reduced payments over a contract period that was extended by five more years. This deal was described in 2006 by the right wing Tory MP Edward Leigh, chair of the Commons Public Accounts Committee as the "unacceptable face of capitalism".

In each case Serco's involvement has centred purely on facilities management, and the delivery of non-clinical support services.

Other NHS projects in which Serco has been involved include the delivery of Out Of Hours GP services in Cornwall, which hit national headlines in 2007, when the firm was given 20 days by Cornwall and Isles of Scilly PCT to improve services after a rising tide of complaints of inadequate response to emergencies. An overseas GP had to be sent for further training after refusing to visit a sick 97-year old man, telling his son that he should wait to see his local GP the next morning.

The PCT was forced to review Serco's contract, which still had two years to run, and continuing concerns about the service reached Parliament with MPs holding a special debate on it in Westminster Hall. In a survey of 70 GPs by Falmouth MP Julia Goldsworthy 90% said they believed the quality of the out-of-hours service had worsened since SERCO took over, and nearly 80% said they were receiving more complaints about out-of-hours services. Formal complaints had risen seven-fold.

Serco was forced to make wide-ranging changes. "They ripped the call-centre apart, and put in some very up-to-date IT," its Cornwall medical director Dr Richard Clapp told *Pulse* magazine. Clinician hours were boosted by 10%, and the skill mix reviewed, with GPs taking on a greater role in triage.

More recently Serco early in 2009 set up a partnership with Guy's and St Thomas's Trust to deliver pathology services to a national and international market: the deal is worth £250m to Serco over the ten year contract. A Serco note to editors at the time of the contract describes the company's role, making no reference to managing clinical services: "We improve services by managing people, processes, technology and assets more effectively". (Press Release January 30 2009).


## Conclusion

From the available evidence it is hard to understand why any of the three companies on the shortlist got through any form of initial selection procedure, lacking as they do any remotely comparable or appropriate experience of managing a general hospital or substantial public sector organisation.

The two with any experience of delivering hospital clinical services have delivered well short of target levels of elective treatment in their Treatment Centres, where costs of treatment average more than 12% above the standard NHS tariff.

Serco has struggled to deliver Out Of Hours GP services in one of England's most rural counties, but has little in its track record to convince UNISON that they can manage or maintain standards in a large and busy hospital setting.

If these three companies are the answer, NHS East of England has been asking the wrong questions. UNISON urges the SHA even at this late stage to recognise that it does not have any viable bids for the Hinchingbrooke contract from the private sector. It should look instead at ways of drawing on best practice from proven NHS managers and the public sector.

Anything else would be an irresponsible gamble with front line care and patients' lives and well-being.



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