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Independent sector providers took on more NHS-funded work as use of privately funded health care faltered

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Over the first decade of the 2000s, rapid growth in public health spending was matched by a slowdown in the growth of private health spending. At the same time, an increasing volume of publicly funded care was delivered by the private sector – meaning that the NHS became a major client for many private healthcare providers. Over the 2000s the number of NHS-funded hip and knee replacements rose by a half whilst there was fall in the numbers of privately funded procedures.

These are among the main findings of a new report published today by researchers at the Institute for Fiscal Studies and the Nuffield Trust. The report forms part of a joint programme of work between the two organisations entitled "Understanding competition and choice in the NHS".

The report illustrates the changing relationship between the public and private sector over the past decade, in both the financing and delivery of health care. These trends are particularly important in light of the changes legislated in the Health and Social Care Act 2012, which changed the way NHS healthcare is commissioned in England.

The main findings of the report are:

- Between 1997 and 2011, public spending on health grew more quickly than it had between 1975 and 1997. In contrast, growth in private health spending slowed significantly during the 2000s.
- The economic crisis has had an impact on both public and private spending but thus far the impact has been greater on private spending. Public spending on health care in the UK increased in both 2008 and 2009. Spending fell in real terms by 0.7% in 2010 and a further 1.2% in 2011. Private spending on health began to fall in 2008 – between 2008 and 2011 it fell by almost 6% in real terms.
- The role of non-NHS providers in delivering NHS-funded care in England increased markedly from 2006 onwards, reflecting explicit policy decisions. In 2006/07, the NHS spent £5.6 billion (in 2011/12 prices) on care provided by non-NHS providers. By 2011/12 this had increased to £8.7 billion. This spending covered a range of general and acute, mental health, community and learning difficulties services. Non-NHS providers include private, voluntary and local authority providers.
- Accounts data from Primary Care Trusts (PCTs) suggest that the single largest share of secondary care spending on non-NHS providers goes to Independent Sector Providers (ISTCs and other private sector providers) and that this has grown more quickly over the last 5 years than spending on services provided by the voluntary sector and local authorities. However, greater clarity is needed on how providers are classified to the voluntary and private sectors in these accounts.

- PCT spending on what are defined in the accounts as independent sector providers varies across the country. It was highest in Yorkshire and the Humber Strategic Health Authority (SHA) and lowest in the North East SHA. But it increased in all regions between 2006/07 and 2011/12.

Detailed data available for hip and knee operations show similar trends to aggregate and PCT level expenditure. The use of independent sector providers to deliver NHS-funded care increased rapidly after 2003/4. There is also evidence of some substitution between public and private funding, with people who might previously have paid to go private becoming more likely to use the NHS.

- The number of hip and knee replacements funded by the NHS rose by a half between 2003/04 and 2011/12.
- Over the same period the total number of hip and knee replacements has changed very little implying that NHS funded operations were taking up a growing share of the total whilst the number of privately funded procedures was falling.
- More than half the increase in the number of NHS-funded hip and knee replacements is accounted for by procedures conducted by private providers. These providers performed very few NHS-funded operations in 2003/04 but by 2011/12 performed almost 19% of all publicly-funded hip and knee replacements.
- For most private providers, the rise in demand for hip and knee replacements from NHS patients has been accompanied by a fall in the number of privately funded patients.

Elaine Kelly, a Research Economist at IFS and one of the authors of the report said:

"The changing pattern of the provision and financing of hip and knee replacements provides a clear example of how the relationship between the NHS and private sector healthcare providers has altered over the past decade. The total number of hip and knee operations has changed very little, but the number of procedures financed by the NHS has grown by 50%. In large part, the growth in the number of NHS-funded procedures has been facilitated by using private providers to deliver these operations. For private providers, this increase in demand from the public sector has helped offset declining demand from private patients."

Anita Charlesworth, Nuffield Trust Chief Economist and an author of the report said:

"The public sector's share of total health spending in the UK has grown, reflecting both deliberate policy decisions to increase public funding and a slowdown in private spending. Reforms under the last government to promote competition and patient choice have also resulted in a rapid increase in NHS spending on private providers. Whether spending on private providers will continue to increase as NHS spending is essentially frozen is less clear. There is a need to monitor whether the planned extension of choice into community services leads to an increased involvement of the voluntary sector or whether in response the private sector providers also expand into this area."

Ends

Notes to editors

1. "Public payment and private provision: the changing landscape of health care in the 2000s" will be published on the Nuffield Trust website at 00:01, 22 May 2013. It will be available to download for free at: http://www.nuffieldtrust.org.uk/publications/public-payment-private-provision-2000sFor embargoed copies or help arranging interviews, please contact: Bonnie Brimstone at IFS on 020 7291

4800 / 07730 667013, bonnie_b@ifs.org.uk; or Frank Soodeen at the Nuffield Trust press office on 0207 462 0555 / 07920 043 709.

2. This report forms part of a joint programme of work between the Institute for Fiscal Studies and the Nuffield Trust, entitled "Understanding competition and choice in the NHS". For further information see http://www.nuffieldtrust.org.uk/our-work/projects/understanding-competition-choice-nhs.

3. The Nuffield Trust is an authoritative and independent source of evidence-based research and policy analysis for improving health in the UK.

4. The Institute for Fiscal Studies (IFS) is the UK's leading independent microeconomic research institute and aims to promote effective economic and social policies by using rigorous quantitative analysis to understand their impact better. The authors gratefully acknowledge ongoing funding from the ESRC-funded Centre for Microeconomic Analysis of Public Policy at the Institute for Fiscal Studies (CPP, reference RES-544-28-5001).

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