

United Kingdom Health Care System

Until the mid 1980s, the system prevailing in the English (then still UK) National Health Service (NHS) was, and had always been, widely cited as one of “command and control”. Primary care doctors and dentists were self-employed but predominantly contracted to the NHS, but most other employees within the system were salaried and most hospitals were owned and managed by the state.

The Department of Health was allocated funds from central government, and in turn allocated budgets, weighted by demographic and mortality data, to 14 regional health authorities. These were responsible for the strategic management of health care services in a geographically defined area, and were collectively supported in this by a total of 192 district health authorities.

Over the past twenty years, efficiency concerns have been at the core of the reforms in England, together with measures to promote greater consumer empowerment. Under the Conservative government in 1991 a so-called “internal market”, where purchasers would agree contracts with competing providers, was introduced. It was thought that the competitive nature of this market would provide the necessary incentives for the providers to provide a better service, and thus improve efficiency. The purchasers in the internal market were the district health authorities, which were allocated budgets to purchase hospital care services, and general practitioner (GPs) “fundholders”, who held budgets to provide primary health care and purchase some hospital care services for their patient list members.

1997 saw the election of a Labour government that had campaigned hard on the slogan of saving the NHS; the new government proceeded to embark on a number of major system reforms. These included the replacement of fundholding GPs with 303 (and subsequently 152) Primary Care Trusts (PCTs), which provided primary care and commissioned most secondary care. Becoming fully operational in April 2004, they are financed by weighted capitation and comprise GPs located in a particular area, supported by nurses, midwives, health visitors, social services and other stakeholders. District health authorities were also replaced by 99 health authorities, later merged into 28 and later still just 10

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Strategic Health Authorities (SHAs). Since PCTs are now the principal purchasers of secondary care, other than retaining commissioning responsibilities for highly specialized health services, the role of the SHAs is merely one of monitoring the performance of PCTs and hospitals.

Despite their part opposition to the internal market, the Labour government arguably moved to create an even more radical version of this system in the early part of the new millennium. Key to this was the creation of NHS Foundation Trusts (FTs) in 2004, with a long-term goal of transforming all NHS hospitals into FTs; by August 2008 103 Acute and Mental Health FTs were in operation in England.⁹ FTs are independent hospitals (but still part of the NHS) that have greater autonomy in the way that they run and deliver services, competing with other hospitals for business from the PCTs. No longer directly accountable to the Minister for Health they have some additional freedom to borrow and raise money to invest in services to improve their performance.

Local citizens are intended to have a direct say in how FTs operate by registering as members who can then elect governors.

The private sector has become an important source of investment in the NHS. Much recent capital investment in NHS hospital trusts has also been directed through a private finance initiative (PFI), where firms have been contracted to build facilities and operate non-clinical ancillary services.¹² Although this reduced the immediate outlay on new hospitals to the exchequer, PFI has continued to attract criticism amid reports of profiteering by private consortia, and arguments that binding long-term contracts for hospital services with punitive penalties for change are not prudent in a rapidly changing health system. Moreover, borrowing from the private sector may ultimately prove more costly than public sector borrowing.