Public payment and private provision: the changing landscape of healthcare in the 2000s

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Introduction

• “Public payment and private provision” was published in May 2013, as part of a joint work programme between IFS and Nuffield Trust
  – Examines the evidence of substitution between private-pay and NHS-funded care.

• The focus is on hip and knee replacement, procedures where AQP is already in operation
Independent Sector Providers

- Private providers that treat NHS patients.
- Provide certain types of elective care and treat less complex cases.
  - High volume, routine procedures.
  - Joint replacements, hernia repairs, diagnostics etc.
- Independent Sector Treatment Centres (ISTCs)
  - Block contracts, NHS patients only.
- Any Qualified Providers (AQPs)
  - 2007/8 and beyond.
  - PbR according to NHS tariff, smaller scale, NHS and private-pay patients.
Number of ISP hospital sites operating under AQP contracts (2004/5 – 2010/11)

Number of provider sites providing hip replacements for NHS-funded patients

Source: Hospital Episodes Statistics
The increasing presence of ISPs in NHS-funded secondary care

- The number of ISPs increased rapidly after 2007/08.

- Aggregate spending on ISP secondary care:
  - Increased from £2.1 billion in 2006/07 to £5.2 billion in 2011/12.

- The vast majority of this is channelled through AQP contracts:
  - 86% in 2006/07 and 94% in 2011/12.

- In this talk I will focus on hip and knee replacements, where:
  - Procedures are conducted by NHS and private providers in large volumes.
  - Both NHS and private providers treat NHS and private pay patients.
  - Data on privately funded procedures is available.
NHS-funded hip and knee replacements (2003/4 – 2011/12)

- NHS-funded knee and hip replacements increased by 52% and 45%, respectively, between 2003/4 and 2011/12.

Source: Figure 3.1, Arora et al. (2013)
Change in hip and knee replacements, by provider type (2003/4 – 2011/12)

- ISPs account for more than half the increase in NHS-funded hip and knee replacements between 2003/4 and 2010/11

Source: Figure 3.2 and 3.3, Arora et al. (2013)
What explains the increase in NHS activity?

- The increase in NHS operations may suggest that some patients are now having procedures that they would otherwise not have had or would have had much later.

- However, the rise in operations may also be explained by:
  - Demographic changes
  - Some patients switching from privately funded to NHS funded care

- Our estimates suggest that population aging accounts for a fifth of the increase in hip replacements and sixth of the rise in knee replacements
Examining substitution between NHS and privately funded care

- To what extent are patients that would have paid privately a decade ago now choosing NHS-funded care?

- For most procedures very limited information is available on the privately funded activity.

- For hip and knee replacements, we can address this question by comparing two data sources:
  - National Joint Registry (NJR): hospital level data on all hip and knee replacements conducted in England and Wales.
Three-year aggregates of hip and knee replacements recorded in the NJR and HES

- Between 2003/4 and 2011/12:
  - Little change in overall hip and knee implant sales (NJR).
  - 30% increase in NHS-funded hip and knee replacements (HES).

Source: Figure 3.6, Arora et al. (2013)
Private-pay procedures conducted by the NHS

Source: Figure 3.7, Arora et al. (2013)
Evidence of substitution from the privately-funded to NHS-funded sector

• The relative changes in the volumes recorded by the NJR and HES suggest that ISPs performed fewer privately funded procedures in 2010/11 than in 2005/06.
  – Larger growth in NHS-funded volumes compared to overall volumes.
  – 9,064 additional hip replacements in HES compared to 7,219 in NJR.

• This is also consistent with evidence from individual providers:
  – Decreasing volumes in independent private hospitals.

• All consistent with substitution between private-funded and NHS-funded procedures.
Conclusion

• Large expansion of ISP programme
  – AQP contracts
  – Fewer than 10 hospital sites in 2003/04, 104 in 2010/11.

• Large increase in volumes of elective procedures since 2003/4.
  – Over half of these increases at ISPs.
  – NHS still provide the vast majority of procedures.

• Evidence of substitution from private to public.
  – Increase in NHS-funded procedures, but overall volumes are largely unchanged.
  – Falling private-pay volumes in independent hospitals and NHS private wings.

• Despite large growth in role of private providers in the delivery of some procedures, the vast majority of care is still provided by NHS hospitals.
Implications for future reforms

- Current reforms allow for a further expansion in the role of NHS providers.
- Previous experience suggests that these new providers will enter the market and play a role in delivering patient care.
- However, growth rate in Independent Sector provision of secondary care likely to be slowed by:
  - NHS funding squeeze.
  - Capacity constraints in the private sector.
  - Economic recovery increasing demand from the privately funded patients.