Press Release

Changing patient choices driven by bigger role for private providers

Choice and competition have been at the centre of many of the most ambitious reforms of the last decade aimed at boosting quality and efficiency in the NHS. Yet there has been very little evidence on their impact. A report by researchers at the Institute for Fiscal Studies, commissioned with the Nuffield Trust as part of the new joint programme Understanding Competition and Choice, provides the first insights into how choice reforms implemented under the Blair government in 2006 and 2008 have changed where care takes place.

The report shows that there has been a significant fall in the proportion of patients being seen at their local NHS Trust since 2006/07: GPs are increasingly referring patients to a wider range of providers. This has been mirrored by a growth in Independent Sector Treatment Centres (ISTCs), introduced alongside greater patient choice under the last Government. ISTCs are privately-owned centres that treat NHS funded patients. Since 2006/07 ISTCs have taken on an increasing proportion of both outpatient and inpatient care, across a range of different operation and specialities.

- In 2010, most patients still received outpatient care from their nearest NHS Trust, and the overall volume of patients seen had increased for all types of provider (NHS and ISTC) since 2006. But there was a decrease in the proportion of patients attending their nearest NHS trust and an increase in the proportion attending ISTCs.

- By 2010/11, outpatient provision by ISTCs had gone from a negligible presence to accounting for 3.5% of all first appointments – almost half a million that year alone.

- ISTCs have increased their market share of inpatient admissions for a range of operations at the expense of patients’ nearest NHS trusts. In 2005/06 68% of hip replacements were performed at a patient’s nearest NHS hospital. By 2010/11 this had fallen to 54%, with a commensurate increase in the proportion treated at privately owned centres.

- The size and speed of this shift varied by operation. Elective unilateral inguinal hernia repair saw the fastest change, with 17% of all patients being treated in an ISTC by 2010/11.

- Choice appears to have made very little difference to the proportion of patients treated at an NHS hospital that is not the one closest to them. In 2006/07 23% of hernia patients were seen in an NHS Trust which was not their local hospital by 2010/11 this was 22%.

- In emergency care, where only NHS trusts provide services, there was hardly any significant change in where patients were treated.
• These changes in the location of care mean that by 2010/11 more GPs are referring to a wider number of secondary care providers. Referrals to ISTCs account for approximately half of the change in where GPs refer patients since 2006/07.

Given the debate around the Health and Social Care Act (2012) this research sheds crucial light on how choice and competition has actually been developing in the health sector. Importantly it suggests that that the expansion of NHS funded private provision has been instrumental in determining how greater choice has fed through into changes in treatment location for both out-patient and in-patient care.

The report also highlights a number of questions that remain unanswered. These include: whether patients or GPs are switching to higher quality hospitals; the relative role of patients and GPs in choosing to seek treatment at ISTCs; which patients have taken advantage of the new options; what is the effect of the growing role of private providers on inequalities of access to and use of NHS-funded services across different types of patients; and whether competition is driving up efficiency and standards for all NHS trusts. These questions will be the focus of future research as part of the joint IFS and Nuffield Trust research programme. We hope to provide solid evidence that will give policy-makers and commissioners a real insight into how competition and market mechanisms can work for patients in the English NHS.

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

“The use of private providers to treat NHS patients is no longer a marginal policy reform and deserves greater investigation. There has been a significant shift in market shares over the past five years from patients’ nearest NHS hospitals to private providers. For some procedures, almost one-in-five NHS-funded operations are now carried out by the private sector. However, despite these relative shifts, increases in the number of NHS-funded treatments over the last five years have been so substantial that the total number of patients treated at NHS hospitals has not declined.”

Responding to the report Anita Charlesworth, Nuffield Trust Chief Economist, said:

“Following reforms to patient choice in 2006 and 2008 and the expansion of Independent Sector Treatment Centres (ISTCs) since 2007, hundreds of thousands of hospital care episodes which might once have taken place at the nearest NHS trust are now taking place in the independent sector.

“Together, increased private provision and choice reforms have achieved major steps towards the Government’s goal of providing viable alternatives to existing providers and GPs, and patients are now exercising choice over where treatments take place. Interestingly the research finds little overall change in treatment patterns among NHS hospitals. The lack of change for emergency inpatient treatment also suggests that this would not be happening without the introduction of ISTCs.

“However, with volume going up across the board, NHS Trusts might not have been receiving signals from the market through reduced patient numbers. It is hard to see this pattern being sustained as austerity bites. As austerity bites, policy-makers and commissioners should be thinking carefully about how new providers and new powers of patient choice can change where patients
are being treated. Further research is needed to look for the best way forward.

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Notes to Editors:

1. *Choosing the place of care* will be published on the Nuffield Trust website at 00:01, 19th November 2012. It will be available to download for free at: [http://www.nuffieldtrust.org.uk/publications/choosing-place-of-care](http://www.nuffieldtrust.org.uk/publications/choosing-place-of-care). For embargoed copies or help arranging interviews, please contact: Bonnie Brimstone at IFS on 020 7291 4800 / 07730 667013, bonnie_b@ifsf.org.uk; or the Mark Dayan at the Nuffield Trust press office on 0207 462 0555 / 07779 227129.

2. The report is the first output from the joint Nuffield Trust and IFS programme *Understanding Competition and Choice*. The programme aims to unite the Nuffield Trust’s expertise in health economics with the IFS’ strength in financial and public spending analysis to generate real understanding of the impact of market and competition reforms in the NHS. Further information can be found here: [http://www.nuffieldtrust.org.uk/our-work/projects/role-market-mechanisms-health-care](http://www.nuffieldtrust.org.uk/our-work/projects/role-market-mechanisms-health-care).

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 is the UK’s leading microeconomic research institute and aims to promote effective economic and social policies by using rigorous quantitative analysis to better understand their impact.

5. The authors also gratefully acknowledge co-funding from the ESRC-funded Centre for Microeconomic Analysis of Public Policy at the Institute for Fiscal Studies (CPP, reference RES-544-28-5001).