CONFIDENTIAL

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

Duty clerk
No 10 Downing Street.

28 May 1983

We spoke.

I attach a copy of a paper on cooperation between the NHS and the Private Sector which was prepared in this Department and put to one of our regular meetings with Regional Health Authority Chairmen and Members on 30 March 1983. The paper would ~~[illegible]~~ previously have

been seen by senior officers within the Regional Health Authorities and discussed at their own multidisciplinary meetings.

There has been no subsequent action on this paper, following the 30 March meeting, involving our Ministers.

In case you need me I can be contacted on 01-693 0927

Yours

Claire Foster

RHAC (83)6

CO-OPERATION BETWEEN THE NHS AND THE PRIVATE SECTOR AT DISTRICT LEVEL

INTRODUCTION

1. Although the private sector of health care is comparatively small, the benefits to the NHS of a partnership with it are disproportionate to its size. The development of private facilities draws on other sources of finance and increases total health care provision in the country and, in so doing, helps to bridge the gap between the demand for health care and its supply. The independent sector can relieve pressure on hard-pressed NHS services, either directly or by allowing the NHS to direct resources to other areas.

2. The NHS has always made some use of facilities in independent hospitals and nursing homes as a means of providing services to NHS patients. This paper suggests a number of practical ways in which constructive co-operation between the NHS and the independent sector could be further encouraged at district level. The list is not intended to be exhaustive, or to be equally relevant to all districts, but to stimulate discussion on how district health authorities might make more effective use of non-NHS facilities to meet the needs of their localities.

USE OF PRIVATE SECTOR RESOURCES BY NHS

Treatment of NHS patients

3. The NHS already uses the independent sector for the care and treatment of NHS patients on a contractual basis. Some 3,000 beds are occupied by NHS patients, mostly for long-stay, convalescent, post-operative and terminal care. About 24,000 in-patient admissions and 116,500 out-patient attendances take place annually. Health authorities were asked in HC(81)1 to make increased use of the independent sector "whenever it can contribute economically and effectively to the care of NHS patients".

4. The possibilities include:-

a) Short-term use - to overcome temporary difficulties in the provision of NHS services (e.g. to tackle a long waiting list; to maintain a level of service while NHS operating theatres or other facilities are closed for repair or building work).

Longer-term contracts - enabling more effective use to be made of total resources (e.g. provision of a specialised service where it is more economic to use existing spare capacity of an independent body than to develop an NHS facility; use of independent sector provision for elderly people - see below).

c) Amenity beds - being designated in private hospitals or nursing homes with which a health authority has contractual arrangements. The amenity bed charges would accrue to the authority and offset part of the cost of the contract.

Care of the elderly

5. Health authorities could assess the scope for contracting with nursing homes (where charges average between £135 to £200 a week) for the care of elderly NHS patients, so 'freeing' NHS acute beds and enabling unsatisfactory geriatric accommodation to be closed.

6. Health authorities could make use of available independent sector capital by arranging for private companies to provide facilities which the authorities would contract to use. (We know of one company with extensive experience of running nursing homes in Canada, which is interested in a development of this sort).

Equipment

7. Difficulties in buying expensive items of equipment used in the diagnosis and treatment of patients could in some instances be eased:

a) In private sector premises - Several private hospitals and diagnostic centres have under used "high technology" equipment. NHS access could be on a time share cost per hour or cost per treatment basis .

b) In NHS premises - Independent sector capital might be used to provide expensive equipment for, say, a district general hospital on the basis of a leasing/rental agreement (or for joint use by a NHS and a private hospital).

Support Services

8. Many private hospitals have well equipped laboratories, some of which are underused. They could do laboratory investigations required in the diagnosis and treatment of NHS patients. At least one commercial organisation offering hospital laboratory services is keen to provide services to the NHS.

Staff accommodation

9. Health authorities might arrange for NHS staff accommodation to be provided by private companies. With new hospital developments this could involve new purpose-built housing units run on a commercial basis but with rents staff could afford. Existing staff quarters might be sold to private companies and also run on a commercial basis. Or the staff accommodation might be leased to the health authority, with or without private management.

USE OF NHS RESOURCES BY THE PRIVATE SECTOR

Equipment and supplies

10. Where a health authority has contracted with any person or body (including a voluntary organisation) for them to provide or assist in providing any services under the NHS Act 1977, the authority may, under Section 23 of the Act, make available - temporarily (including on loan) or permanently - "any facilities (including goods or materials, or the use of any premises and the use of any vehicle, plant or apparatus") provided for any NHS service, and "the services of persons ..... employed by the health authority in connection with it". The authority may do so on such terms as to payments as it considers appropriate. An advantage of co-ordinated purchasing is, of course, that there could be a beneficial effect on the prices charged to the NHS for contracted services.

Accommodation and services

11. Under Section 58 of the NHS Act 1977 (as amended by Section 10 of the Health Services Act 1980), health authorities can allow use of NHS "accommodation and services" for non-NHS purposes. Charges are for local determination and should normally cover the full cost, but a flexible approach may be adopted if this is of benefit to the NHS (e.g. for short-term arrangements where the health authority has spare capacity). An example of the ways in which Section 58 can be used is the provision of pathology and radiology services to private hospitals and nursing homes. Such arrangements offer a useful way of avoiding wasteful duplication of support services between the two sectors.

Disposal of NHS land and accommodation

12. Health authorities have been advised in the Land Transactions Handbook that there may be advantage to the NHS or that it may be in the public interest to allow surplus NHS property (land and accommodation) to be purchased by a body providing health services complementary to the services provided by the health authority. Any such priority sale would be by private treaty at a market value assessed by the District Valuer. The extent to which this guidance has resulted in sales to the independent sector is not known, though it is not thought to have resulted in many such transactions. The report of the inquiry into "underused" and surplus land published recently by HMSO points the way to increasing the availability of surplus NHS property for such purposes.

STAFF RESOURCES

Training

13. Health authorities were encouraged in HC(81)1 to explore with the independent sector ways in which they might co-operate in developing training and to consider joint training courses, seminars, and study days for staff at all levels. Some possibilities in relation to nurse training include:

a) a close nursing link could be developed between the independent hospital, the district school of nursing and/or the Regional Nurse Training Committee;

b) current proposals aimed at the professional development of newly-registered nurses could be implemented jointly by the district health authority and the independent hospital;

c) the two sectors could pool their expertise and facilities to provide "development" packages for the continuing education of their qualified staff.

Movement between sectors

14. There is advantage in the movement of trained staff between the public and private sectors; it should not be impeded by unnecessary restrictions. Representations have, however, been made by the independent sector that increasing difficulties are being experienced by their nursing staff who wish to return to the NHS. The Nurses and Midwives Whitley Council's agreement on re-appointment, for example, gives employing health authorities discretion to decide if credit may be given for service in independent sector hospitals when determining the commencing salary, but they are said often not to do so.

NHS PRIVATE PATIENT FACILITIES

15. There are 2,800 authorised "pay-beds" in the NHS from which health authorities in England obtain an income of £50 million a year. Of these 500 beds (including 250 for emergency admissions only) have been authorised since the dissolution of the Health Services Board. Although pay beds are not particular beds in a hospital, many hospitals do in fact set aside certain beds, often in a separate ward or wing, for the use of private in-patients. A number of these "private wings" offer a poor standard of decoration, furniture, and furnishings and several compare unfavourably with other in-patient accommodation at the hospital. This suggests that authorities are not spending pay-bed income on improving private patient facilities. The Health Service Commissioner has criticised the level of the (centrally determined) charges payable for some of these private patient beds as "unconscionable" in relation to the quality of the accommodation provided.

16. This suggests that consideration should be given to how standards can be improved - and income maximised. Possibilities which might be considered include:

a) Independent sector donations - The provident associations and other insurers might be encouraged to make donations to finance the upgrading of NHS private patient facilities for the benefit of their members generally. An attraction for them would be that NHS charges could be held below private "for-profit" hospital rates.

b) Independent sector management - Pay beds being managed for a fee by the independent sector, but remaining NHS beds for which the statutory charges would continue to apply.

c) Sale to the independent sector - A ward or wing being sold to the independent sector, which would run it outside the NHS but would have guaranteed access to the main hospital facilities.

CONCLUSION

17. Chairmen's views are invited on the suggestions made in this paper for increased co-operation between the public and private health care sectors. Chairmen may have other ideas for fostering co-operation. In addition, do Chairmen think that (i) Ministers could usefully table a paper on these lines when they meet DHA Chairmen shortly? (ii) that Regional Chairmen themselves might discuss these and similar suggestions with their own DHA Chairmen?

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HATTERSLEY DELIVERS ULTIMATUM

SHADOW HOME SECRETARY MR ROY HATTERSLEY TODAY ISSUED AN ULTIMATUM TO MRS THATCHER TO PUBLISH A GOVERNMENT DOCUMENT ON THE NHS - WHICH HE SAID ''WILL DESTROY THE TORIES' CARING IMAGE.''

HE SAID THE INTERNAL DOCUMENT, CO-OPERATION BETWEEN THE N.H.S. AND THE PRIVATE SECTOR, WAS LEAKED TO LABOUR PARTY OFFICIALS.

THE DOCUMENT, HE CLAIMED, PROPOSES:

::PUTTING ALL GERIATRIC CARE INTO THE PRIVATE SECTOR.

::PUTTING ELDERLY PEOPLE INTO PRIVATE HOMES.

::SELLING OFF WARDS AND HOSPITALS TO THE PRIVATE SECTOR.

:: ALLOWING THE PRIVATE SECTOR TO BUY SPECIALISED N.H.S. FACILITIES.

MR HATTERSLEY WARNED THAT UNLESS THE CONSERVATIVES PUBLISHED THE REPORT BY TUESDAY, LABOUR WOULD PRINT COPIES.

''IT IS GOING TO DESTROY THE CARING IMAGE OF THE TORIES,'' HE SAID AT ST GILES' HOSPITAL, PECKHAM, SOUTH LONDON, WHICH IS THREATENED WITH CLOSURE.

SHADOW HEALTH MINISTER MRS GWYNETH DUNWOODY SAID: ''WE WANT PEOPLE TO KNOW THAT FAR FROM BEING COMMITTED TO THE N.H.S., THE TORIES WANT TO SUBSIDISE THE PROFIT LEVELS OF THE PRIVATE SECTOR.

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