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ECH

MR. WILLETTS

cc Miss Robilliard

**PRIVATE PROVISION OF NHS FACILITIES**

The Prime Minister saw over the weekend your note about Community Psychiatric Centres. She commented that if one gets underway in her constituency she would like to go to see it.

Could you keep this in mind please and also let Joy Robilliard know the details so that she can also keep it in mind?

DAVID NORGROVE

17 February 1986



MR NORGROVE

Prime Minister 2

DWS

14/2

14 February 1986

PRIVATE PROVISION OF NHS FACILITIES

If this gets under way - I should like to go and see it  
not

The Prime Minister asked this morning if it was true that private provision was always more expensive than services directly provided by the NHS. The future of the Friern and Claybury mental hospitals near her own constituency provide an interesting case study.

Community Psychiatric Centres - a privately run health care organisation - are offering to design, build, staff and operate new psychiatric facilities under contract to the NHS. The service would be free to patients but it would not be provided by an NHS "direct labour organisation". Instead, the private sector would do the job - as happens already in Germany, France and the US.

Community Psychiatric Centres argue that they can undercut any internal NHS project because:

- They don't employ their staff under the restrictive Whitley agreements. Their nurses are actually paid more than the NHS, but they work 40 hours, not 37½ hours, and carry out a wider range of tasks. They also bank up extra nurses who are on call to work at peak times. They have fewer ancillaries than the NHS. Their consultants would, however, remain employed on NHS rates of pay - it is higher pay for doctors which often drives up private health care costs.



- The hospital is run cost-effectively. Only one in 20 patients gets a tray meal; the rest go to one canteen which is shared with the staff. The building avoids "staff traps" - private areas where staff can take a rest.
- Space is not wasted on administrative and clerical support. In one project they are launching in Birmingham, their building has 1,000 square feet for administrative and clerical services; the NHS plans involved 8,000 square feet.

An extra attraction of their plans is that they can get their facilities operational in about half the time it takes to set up a project within the NHS. The patients can therefore be moved out of the old Victorian mental hospitals more quickly. The institutions can then be sold off and the receipts become available to the NHS much more rapidly.

This project may interest the Prime Minister, because her own constituency is involved. It also contains a lesson for the NHS as a whole - the principle of competitive tendering doesn't just apply to ancillary services. A few bold NHS managers are already trying competitive tendering for hip replacement operations, for example. This is a trend to be encouraged.

*David Willetts*

DAVID WILLETTS