Will a market deliver quality and efficiency in health care better than central planning ever could?

James Gubb and **Stephen Smith** are convinced that market forces will improve the NHS, but **Neal Lawson** and **Jonathon Tomlinson** have their doubts

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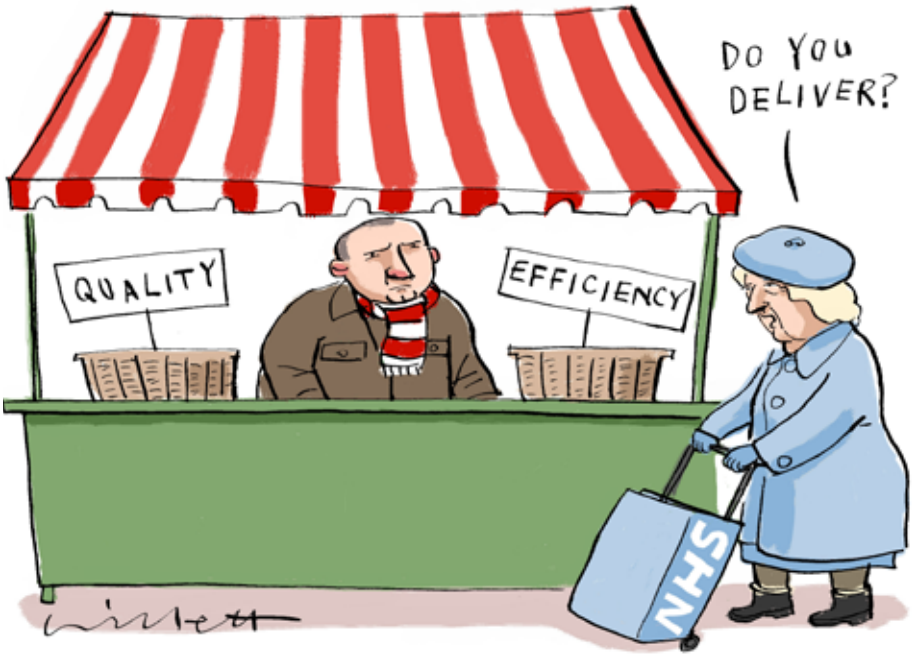

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YES Between 1997 and 2007, NHS productivity fell by 4.3%. In the same period, average productivity across private sector industries increased by 23%.[1] The driver of that increase can be summed up in one word: competition.[2] To take a specific example, regulatory reforms that introduced competition into UK electricity, gas, and water industries resulted in productivity growing by over 10% a year during the 1990s.[3] Although health care is inherently more social, similar progress is possible.

When prices are controlled studies have found a significant and positive relation between market concentration (a proxy for the level of competition) and higher quality on indicators such as mortality, patient satisfaction, and patient safety events.[4] Specific to the NHS, researchers have also found that competition has a large effect on improving independent benchmarks of the quality of management in hospitals and, in turn, efficiency.[5] And, in the US, research has shown that the more efficient a hospital is, the greater the average efficiency of

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NO Markets or targets? That's about as good as the choice gets for people working in the NHS. You—the doctor, nurse, secretary, cleaner, or manager—can't be trusted to do your job properly without daily interference from the top or competition. There is no such thing as public service ethos, no calling, and no duty to the public to serve. There is certainly no ingenuity or ability to be innovative or make commonsense decisions based on the evidence before your eyes, the experience you have gained, or the training you have gone through. Instead, you are either so stupid that you have to be directed by targets, audits, and inspection or so venal that you are motivated only by success and profit. It's a grim picture.

I don't know if there was ever a golden

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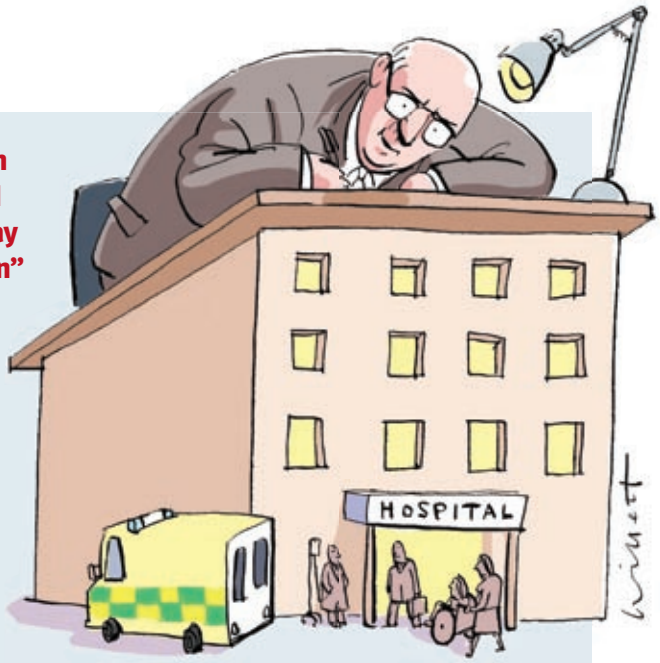

neighbouring hospitals is likely to be.[6]

Markets and competition can reflect and respond to myriad individual preferences in a way no other economic system can; and, through the possibility of losing business and incentive to gain more, providers are motivated to constantly provide a better deal. The door, too, is always open to those with new ideas.

In central planning, however, the absence of these signals and incentives constrains innovation to whatever the system can offer (how many clinicians have found it easy to change working practices in the NHS?); workforces tend to be demoralised; and there is no satisfactory mechanism by which needs and preferences are revealed and met.[7] In the past decade the government prioritised coronary heart disease, cancer, and waiting times in the NHS. All have improved quite substantially, but in other areas performance has remained static or got worse: think audiology, mental health, and long term care for elderly people.[8]

However, this is not an argument for a free market in health care; it is an argument for markets over central planning. There are two absolutely vital things a market can't do that the state (that is, central planners) can: regulate and ensure universal coverage.

Health care is no ordinary "good." Firstly, it is subject to numerous market failures: a lack of "consumer sovereignty," monopoly, and incomplete information, to name a few.[9] But, more importantly, it is truly a hallmark of a free, fair, and just society that health care is available to all of us regardless of wealth or status. Free markets will never guarantee this, which is why the NHS garners such support and why health care is collectivised to some extent in every developed nation.

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The issue, then, is whether the innovative and customer focusing attributes of markets can be harnessed to progressive ends; whether they can operate effectively in frameworks dedicated to universal coverage and preserving solidarity.

European countries, such as France and the Netherlands, with historically greater commitment to equality than the UK, have long proved this can happen; and outcomes are typically better for it.[10] The same can happen here if competition works along the right lines. Emerging evidence is already showing the market in elective care has improved waiting times disproportionately in deprived areas, for example.[11] We should be rolling such reforms forward, not back.

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age for the NHS; I suspect not. But I'm unsure the past 30 years will go down as a new golden era. Starved of funds until the turn of the century, the introduction of the internal market, the remorseless marketisation, and tireless interference from the top have meant that even when the spending taps were turned on no one felt good about it.

There is no easy answer to the management and running of an important and complex organisation like the NHS. That is why simplistic solutions like the market carrot or the target stick don't work. It's an organic and social entity with a rich culture. We need to treat it much more carefully. We should start with a presumption of trust; that people who work in it do so for good reasons. Professionalism matters and should be encouraged. But we also need to recognise that the private sector is not going to just go away—it's always been part of the NHS but its role should be heavily restricted to non-staff supply issues such as equipment and buildings. Government won't go away either, but its ability to meddle should also be limited. The final tool through which we can manage our NHS is through voice. This should be greatly expanded. It would mean a plethora of initiatives such as co-production to let staff and patients have a say in how services are run and direct and indirect democracy. It would not be easy either, but over time it would be hugely productive and enterprising.

We want competing things from the NHS. We want as much equality as possible but we also want as much diversity as possible. Equity in health should not need explanation but diversity allows innovation, localism, and the input on the ground that can transform the service. But difference and universalism clash. This is a paradox we are going to have to live with. But we will if it is our paradox—and not a problem faced solely by ministers who try initiative after initiative to show that they are in control.

The NHS is a prized institution precisely because it is not a market, because within it we are all equal. It needs to move beyond a bureaucracy to become much more a democracy in which the people who make it work and who use it exercise control over it.

Competing interests: NL is chair of Compass, an organisation promoting left wing debate, and author of *Machines, Markets and Morals: the New Politics of a Democratic NHS.*

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Will a market deliver quality and efficiency in health care better than central planning ever could?

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YES

Markets already exist in health care, working to deliver innovation alongside quality and efficiency. They exist at many levels—between competing individuals, systems, and organisations, both public and private. Although many of these markets successfully deliver and innovate, such as those in medical devices and drugs that generate a substantial proportion of the UK gross domestic product, several of the existing markets are imperfect.

Adam Smith said that a perfect market exists where there is perfect information and perfect competition. The two exist harmoniously as the person with absolute knowledge of the market is free to make choices that not only address entirely his own self needs but those of the market simultaneously. In *Wealth of Nations*, he wrote: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.[1]"

In this way prices are driven down and quality up by multiple competitors striving to innovate to increase the value of their commodity. That is not to say that Adam Smith was a proponent of an unregulated or free market. He also insisted that there be universal education and social policy to help people who are poor or infirm: "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable." [1]

Getting the balance right between state intervention and markets has been the dilemma for the NHS since its inception. The division in the UK between primary and secondary care and the use of that divide to restrict access and reduce cost is an old model guaranteed to deliver poor health outcomes and patient dissatisfaction. It is an artificial medical divide because—for both patients and medical teams—a clinical condition is a continuous concept that does not break down into simple primary and secondary care intervals. We need to create new vertically integrated systems that ensure quality but drive down the use of expensive secondary care, while increasing community and primary care with its benefits of prevention and early diagnosis.

"Prices are driven down and quality up by multiple competitors striving to innovate to increase the value of their commodity"

In this case, improved health outcomes and the satisfaction of patients' needs are best served by advancing choice between competing vertically integrated systems.

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NO

Last week the Turkish advocate at my practice turned to me and said, "Dr Jonathon, these doctors are drinking the blood of their patients." It was the second time an advocate had used that phrase. The first time was in 2004 when I was working in Afghanistan. For as long as anyone could remember, local doctors had visited villages by motorbike with a backpack full of colourful injections. Whatever symptoms were presented, the treatment was an intramuscular injection—at best, sterile water; at worst, coloured water rich with pathogens. Patients often ended up with abscesses and occasionally died from septicaemia. A common treatment offered by pharmacists was "serum," a litre of saline, or "power serum," the same with added colouring or vitamins. Patients, most of whom were inevitably dehydrated, would lie down in the back of the pharmacy and receive the intravenous infusion. After 30 minutes or so they would feel refreshed and grateful. The only lasting effects were financial.

"The therapeutic relationship that depends on patients trusting doctors to be motivated by their best interests and not by profit is being undermined"

In the absence of effective medical care Afghan people were grateful for whatever they could get and were unable to judge the merits or risks. Doctors charged whatever the market would tolerate for as many prescriptions and investigations as they could get away with. The poorest and least educated paid with food, livestock, or even children (usually child brides) if the illness was judged to be severe enough.

This is in no way unique to Afghanistan, and Médecin Sans Frontières volunteers report the same abuse the world over. In the UK, all general practitioners will recognise the challenge of looking after patients with medically unexplained symptoms who expect scans and drugs when they are in pain. We use our most important tool, the therapeutic relationship, and make rational use of investigations. Despite this many of my Turkish patients go home and pay for a scan. The most obvious problem with this is that almost every scan will show an abnormality that rarely explains the pain. Unfortunately, it's next to impossible to convince the patient that that is the case, and so the demand for inappropriate investigations, drugs, and sometimes even unnecessary surgery continues.

Markets in health care make the link between cutting off legs and making a profit. Competition between hospitals leads them not only to compete to cut off the most legs but also results in the highest healthcare costs in the US.[1,2] Whether competitive tenders in the UK go to general practices or global corporations, the profit motive that had been minimised by the NHS is now stronger than ever. The therapeutic relationship that depends on patients trusting doctors to be motivated by patients' best interests and not by profit is being undermined.[3-5]

Last week a frail and anxious 80 year old patient brought in a letter he had been sent, unsolicited from a commercial company, offering a full body scan to check for cancer or heart disease. He wanted to know what I thought.[6] He already has ischaemic heart disease and prostate cancer and is under regular hospital review. I told him that there were people, some of them (sadly) doctors, who drank the blood of their patients. He may be frail, elderly, and anxious, but he knew exactly what I meant.

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Patient consent not required (patient anonymised, dead, or hypothetical).

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