The recent news that the independent sector provider Circle was withdrawing from the contract to run its franchise for Hinchingbrooke Hospital was disappointing to everyone who has followed its efforts to turn around a struggling district general hospital.

Having inherited a £10m (€13m; $15m) deficit in February 2012, Circle managed to reduce this to just £1.3m by April 2014. Year on year efficiency savings of 6% were made over two years, and Circle spent millions of pounds at Hinchingbrooke to improve performance and raise patient satisfaction.

Local patients and the public will therefore be disappointed that Circle does not think the contract is viable under the current terms and conditions and that it intends to hand the contract over to another organisation.

The news inevitably attracted much attention, and it is now vital that Cambridgeshire and Peterborough Clinical Commissioning Group, the Trust Development Authority, and Circle work together to ensure a smooth transition to protect and maintain patient care. The issues this throws up are far beyond the management control of any single organisation.

All providers are under strain
But what are the lessons that need to be learnt from Circle’s withdrawal? The first is that the NHS provider sector is under huge strain. Last November the National Audit Office highlighted that 22% of NHS trusts and 28% of foundation trusts were in deficit at the end of 2013-14.1 Trusts and foundation trusts had to be given an additional £1.8bn of revenue funding between 2006-7 and 2013-14 to help maintain provider stability. The amount required has grown year on year since 2010-11, reaching £511m by 2013-14.2

The truth of course is that Circle’s failure followed from the failure of NHS management in the hospital. But it is the NHS that will now have to take over, in the wake of private sector failure, and do something about the poor care being given to Hinchingbrooke’s patients.

Hopefully, this episode will see an end to the idea that it is appropriate to hand over the running of the NHS to the private sector. It was the Nobel prize winning economist Herbert Simon who distinguished between facts and values in administrative decision making. He drew a clear distinction between the factual means of decision making based on information and the values that drive the nature and quality of the decision.4 At a time when it is the selfless dedication of NHS staff that is keeping our emergency services afloat it’s easy to recognise the values of impartiality, accountability, trust, equity, probity, and service that drive the public sector.5 The values that can often be attributed to the private sector ultimately relate to generating profit and shareholder return.

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**YES**

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**NO**

Hinchingbrooke is a failed experiment in the importation of the private sector to run an NHS hospital. The full scale of the failure has yet to emerge. But the accolade of private management producing the first NHS hospital to have its care rated as “inadequate” by the Care Quality Commission (CQC) is not something the proponents of privatisation will have welcomed.3 The truth of course is that Circle’s failure followed from the failure of NHS management in the hospital. But it is the NHS that will now have to take over, in the wake of private sector failure, and do something about the poor care being given to Hinchingbrooke’s patients.

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**Can private providers be trusted to run NHS hospitals?**

The private company Circle is withdrawing from managing the NHS’s Hinchingbrooke Hospital. **Stephen Collier** says that all NHS providers are feeling the strain and that independent providers have an important part to play, but **Gabriel Scally** wonders whether a profit motive is compatible with the NHS’s values.

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services increasing, challenges in out of hospital care, and pressure on the level of tariff payments it is inevitable that providers of NHS services are finding the going very tough.

NHS England’s Five Year Forward View of care services recognised the need to change the way that care is delivered throughout England. The above numbers and the developments at Hinchingbrooke bring this into sharp relief. If solutions cannot be found to the growing pressures of demand faced by the acute sector then a creaking model will finally crack.

**Private providers are necessary**

The second lesson is that problems at Hinchingbrooke are not a reason to decry the role of the independent sector in the NHS. To focus attention on privatisation risks drawing attention away from the urgent requirement to find ways of delivering services to NHS patients that reflect their needs. In many areas of the country the independent sector is being commissioned to deliver a range of services, including acute elective services, diagnostics, clinical homecare, dentistry, primary care, community services, and specialised care. Increasing numbers of patients are exercising their right to choose the provider they want for first outpatient referral and decide that they want to be treated by an independent sector provider.

Independent sector providers are also working in partnership with publicly owned providers to redesign services and ensure that patients are receiving the best available service. At Good Hope Hospital in the West Midlands a partnership was agreed with the independent sector provider Healthcare at Home to offer an alternative to hospital based treatment.

The resulting service gives patients the option of being treated in their own home when it is deemed clinically appropriate. Since its launch in November 2012 the service has saved nearly 11,000 bed nights, reduced cancelled operations by 43%, reduced length of stay for medical patients from 10.8 to 8.6 days, and enabled Good Hope to close a 32 bed inpatient elderly care ward, releasing savings of £1.2m. This important contribution to patient care from an independent sector provider is reflected in work conducted all over the country. Employing or contracting with tens of thousands of staff, the independent sector is now an embedded and important component of the modern NHS, and in considering what Hinchingbrooke means for the independent sector’s role in the NHS it is vital that the benefits of partnering with independent sector providers are not overlooked.

The final lesson is to ensure providers will commit to a smooth handover in the best interests of patients. Circle has made a clear commitment to maintaining good quality care while the transfer takes place and, just as in the case of a change of senior management team at a struggling NHS trust or foundation trust, will want to focus exclusively on continuing to offer patients the care they need.

Fortunately, examples of independent sector organisations withdrawing from contracts are incredibly rare. The NHS holds tens of thousands of contracts with independent sector providers for a whole range of services and the overwhelming majority are delivered to a high standard and with excellent levels of patient satisfaction. The regulator Monitor also provides reassurance to patients and commissioners that proper safeguards are in place to maintain services should a service need to be transferred between providers.

Over the past few years Hinchingbrooke has attracted considerable attention, which makes Circle’s decision to withdraw from contracts a service need to be transferred between providers.

**Management accountability**

The issue of management accountability is also important. NHS managers are accountable only to the NHS and are subject to what are left of the checks and balances that constitute the public healthcare system. Private management parachuted into a NHS facility is accountable to its own company management and ultimately to the shareholders of that company; certainly not to the public service within which it might work. That major difference from NHS staff undermines both trust and credibility.

Part of the problem with Hinchingbrooke may, of course, be that the pro-private sector hype distracted from objective reality. Only a few months after Circle was awarded the contract by the Tory led coalition government its performance at Hinchingbrooke was described as “a stunning example of just that innovation can achieve.” The prime minister at questions in the Commons in March 2014, said, “Hinchingbrooke hospital in Cambridge is now providing much better services because of the changes that we have made.” Reality is also difficult to judge if private companies running NHS services are exempt from Freedom of Information Act requirements on grounds of commercial sensitivity.

**Private sector run services are inferior to the NHS**

Of course, a conclusion based on a single case must be treated with caution. But evidence shows that services run by the private sector are inferior to NHS services when they are placed on a level playing field. The CQC review of learning disability services throughout England after abuse was uncovered at the Winterbourne View care home showed that compliance with key standards among private sector providers of assessment, treatment, and secure services for people with learning disabilities was less than half the level of that in NHS facilities.

We must also remember that serious management failure is not confined to the private healthcare system. The lesson of Mid Staffordshire has been a hard one for the NHS. The Francis inquiry identified failure of the trust’s board as the primary cause. Yet, rather than investing in strengthening governance and management in the NHS, the government responded by boasting of its decision to get rid of 19,000 administrators and managers. As a report for the King’s Fund pointed out in 2011, the major risk to the system is that a large number of NHS organisations either do not have leadership development as a priority or, even if they do, they don’t have the resources and ability to do much about it.

The complexity of the current NHS needs more skilled management than ever before, not less, and that’s only to understand the system, let alone make it work in the interests of the patients and the staff who treat them. The comment of Roy Griffiths, the Sainsbury’s boss brought in by Margaret Thatcher’s government to report on NHS management, that “if Florence Nightingale were carrying her lamp through the corridors of the NHS today she would almost certainly be searching for the people in charge” might be just as true today as it was in 1983.

If NHS management isn’t good enough or plentiful enough then let’s make it better—not place our trust in commercial interests with the financial bottom line as their major concern and a bounded desire for a slice of public funding to be taken as profit.

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