

MANAGEMENT AND COMPETITION IN THE NHS

SECOND EDITION

Chris Ham



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Management and Competition in the NHS

Second Edition

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To Matthew

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Introduction to the first edition

The New National Health Service: organization and management was published in 1990 and provided a description of the reforms announced in *Working for Patients* and an introduction to the NHS (Ham, 1990a). This new book is a sequel and, in writing it, I have departed significantly from the original format. In part, this is because I have since collaborated in the production of a guide to the NHS (Ham and Haywood, 1992) which covers much of the same ground, and in part because it seemed more important at this stage to go beyond description and to seek to evaluate the reforms. The change of title reflects this different approach.

For the last six years I feel I have lived and breathed the NHS reforms. From Margaret Thatcher's decision to set up a review of the NHS in 1988, through publication of *Working for Patients* in 1989 and the anticipation of the reforms coming into operation in 1991, there can have been no more exciting time to be a health policy analyst. Add to that the experience of observing the 1991 reforms in action, and it has been an unprecedented period in the development of the NHS.

During those six years I have been involved in the process of reform in a variety of ways. Initially, at the King's Fund Institute, I worked with colleagues to analyse the options facing the government and to make an initial assessment of *Working for Patients* (Ham *et al.*, 1989). This included a major study of the performance of health services in Europe and North America (Ham, Robinson and Benzeval, 1990).

Leading on from this, I contributed to the implementation of the reforms through my work at the King's Fund College with civil servants, health service managers and health care professionals. This work focused in particular on the development of the role of district health authorities as purchasers and it resulted in a series of reports on experience as it emerged in different

parts of the NHS. These activities have continued since my move to the Health Services Management Centre at the University of Birmingham in 1992. Through a combination of research, consultancy and seminars I have maintained a close interest in the evolution of the reforms at all levels. In the course of a typical working week, this means spending three or four days in the field, working with purchasers, providers and others, both learning about what is happening in the NHS and passing on the benefits of this experience to those charged with making the reforms work.

In view of the rapid pace of change, I decided at an early stage to write up my observations and reflections on what was happening on a regular basis. The result has been a series of articles, papers and reports commenting on the reforms and trying to make sense of their impact. This book draws together many of the ideas from these publications but it seeks to go beyond them in two ways: firstly, it attempts to assess the impact of the reforms as a whole, not simply individual elements within them; secondly, and more ambitiously, it draws on experience gained since 1991 to identify the lessons that emerge and to suggest what needs to be done to take the reforms forward.

In writing the book, I have drawn on the results of my own work and that of other academics. This is not, however, the product of a traditional research project. Rather, it is an attempt to pull together data and intelligence from a wide variety of sources, to paint a picture of the background and development of the reforms, and to make an initial assessment of their impact. This task has not been made easier by the limited amount of research evidence available (the government always refused to support evaluation of the reforms), nor by the evolutionary nature of the changes. In time, some of the judgements will need to be revised in the light of further experience and as new data become available. Nevertheless, at the time of writing they represent my best assessment of developments so far.

I have received valuable support from my colleagues at the Health Services Management Centre, Anne van der Salm and

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Deirdra Keane, in the preparation of this manuscript. I am also grateful to Philip Hunt, Chris Robinson and Angela Sealey of NAHAT for their comments on a draft of the book. I would like to thank my family for allowing me to steal the time to do the writing. The book is dedicated to Matthew (age 4) who has been especially understanding. It is a family joke that his first words were 'white paper'.

Chris Ham
April 1994

Introduction to the second edition

In preparing the second edition I have concentrated on updating the text to take account of developments in the last three years. In so doing I have drawn on the results of published research as well as my own writings. As before, *Management and Competition in the NHS* seeks to provide a clear and brief introduction to the origins of the NHS reforms, their implementation and impact. The book also analyses the future of the reforms in the light of developments in both the Conservative and Labour parties towards the NHS. Chapter four has been completely rewritten to take account of these developments and to reflect the growing importance of primary care and the continuing debates about health care rationing. As an introduction to the reformed NHS, the book does not attempt to be comprehensive. Rather, it seeks to describe the way in which the main elements within the reforms have been implemented, and to summarize their effects. Readers seeking additional information can do so by following up the references and suggestions for further reading.

Once again, I would like to thank my colleagues at the Health Services Management Centre for their support in preparing the book, especially Anne van der Salm, Sarah Stewart and Kieran Walshe. I would also like to thank my family for their tolerance of my addiction to writing. Any faults and errors are of course my responsibility.

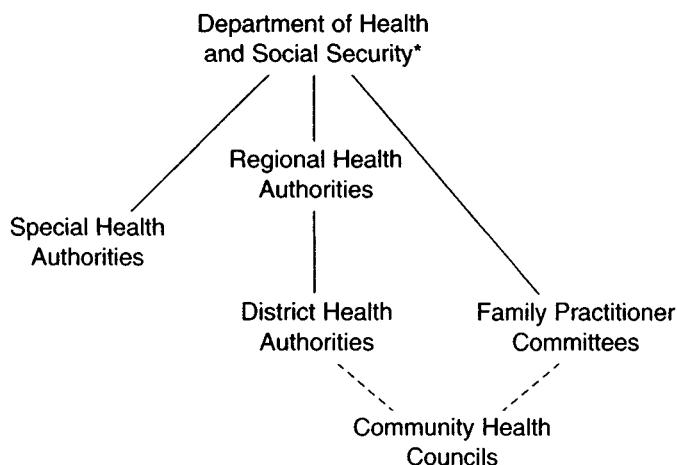
Chris Ham
March 1997

1 The Background to the NHS Reforms

The establishment of the NHS in 1948 was a bold attempt to make health services available to all citizens through a system of public finance and public provision. It was universal in its coverage and sought to be comprehensive in terms of the services that were available. To encourage the use of these services, there were no charges for treatment, at least initially, and it was the aim of the founders of the NHS to ensure that all necessary services were readily accessible in each area. The principle of equity was firmly enshrined in the structure of the NHS, meaning that care was to be provided on the basis of clinically defined need rather than ability to pay or other considerations. NHS finance was raised through a combination of taxes and insurance contributions, in the course of time supplemented by nominal charges for prescriptions, dental treatment and eye tests. A private health care sector continued to operate alongside the NHS but it remained a minor part of total health service finance and provision until the 1980s when it grew rapidly in response to the constraints imposed on the NHS.

The NHS in the 1980s

It was in the 1980s that the future of the NHS came under the critical scrutiny of Margaret Thatcher's governments. Administrative reorganizations in 1974 and 1982 sought to tackle weaknesses in the organization and management of health services whilst preserving the basic framework that had been put in place in 1948. Figure 1 illustrates the structure of the NHS in England as it emerged from the 1982 reorganization. In this structure, district health authorities were responsible for running hospital and community health services and family practitioner committees administered the contracts of GPs and other independent contractors. The performance of district health authorities and



**The DHSS became the Department of Health in 1988*

Figure 1: The structure of the NHS in England, 1982–90 (Source: Ham (1992a)).

family practitioner committees was supervised by regional health authorities and the Department of Health and Social Security. The result was a classic example of a centrally directed planning and management system involving hierarchical relationships between different levels of management and increasingly sophisticated efforts to get the organization right.

The first significant departure from this approach came with the *Griffiths Report* of 1983. This left the structure of the NHS unchanged and instead sought to respond to evidence of variations in efficiency and the lack of attention to quality through the introduction of general management. In essence, this was an attempt to make the NHS more businesslike (Roy Griffiths was Deputy Chairman and Managing Director of the Sainsbury's supermarket chain) through the adoption of management methods drawn from industry. The Griffiths reforms reflected a wider set of changes in the public sector during this period designed to control the growth of public expenditure, ensure that there was value for money in the use of public funds, and improve the quality of public services.