

# The commercialisation of GP services:

## a survey of APMS contracts and new GP ownership

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### ABSTRACT

#### Background

Alternative provider of medical services (APMS) legislation enables private commercial firms to provide NHS primary care. There is no central monitoring of APMS adoption by primary care trusts (PCTs), the new providers, or market competition.

#### Aim

The aims were to: examine APMS contract data on bidders and providers, patient numbers, contract value, duration, and services; present a typology of primary care providers; establish the extent of competition; and identify which commercial providers have entered the English primary care market.

#### Design of study

Cross-sectional study.

#### Setting

All PCTs in England.

#### Method

A survey was carried out in March 2008 gathering information on the number of APMS contracts, their value and duration, patient numbers, the successful tender, and other bidders.

#### Results

A total of 141 out of 152 PCTs provided information on 71 APMS contracts that had been awarded and 66 contracts that were out to tender. Of those contracts awarded, 36 went to 14 different commercial companies, 28 to independent GP contractors, seven to social enterprises, and two to a PCT-managed service; one contract is shared by three different provider types. In more than half of the responses information on competition was not disclosed. In a fifth of those contracts awarded to the commercial sector, for which there is information on other bidders, there was no competition. Contracts varied widely, covering from one to several hundred thousand patients, with a value of £6000–12 million, and lasting from 1 year to being open-ended. Most contracts offered standard, essential, additional, and enhanced services; only a few were for specialist services.

#### Conclusion

The lack of data on cost, patient services, and staff makes it impossible to evaluate value for money or quality, and the absence of competition is a further concern. There needs to be a proper evaluation of the APMS policy from the perspective of value for money and quality of care, as well as patient access and coverage.

#### Keywords

commercial sector; competition; primary health care.

### INTRODUCTION

Since 2004, across the UK, commercial for-profit providers have been able to tender for NHS-funded GP services under the Alternative Provider of Medical Services (APMS) contract. Neither Scotland nor Wales have implemented APMS contracting, but the contract form has been used increasingly in England. However, the Department of Health in England does not collect data centrally. Research on the APMS system is ad hoc and evidence on take-up by the private sector is contradictory.<sup>1–4</sup>

The policy of using alternative providers rests on the assumption that competition for contracts between different providers will improve performance<sup>5</sup> as, according to economic theory, competition is the crucial determinant of performance.<sup>6,7</sup> There are, however, widespread concerns about the quality of patient care, costs, accountability, high staff turnover, and fragmentation of services when commercial providers are introduced.<sup>5,8–10</sup> In the absence of routine data about the use of APMS contracts and the extent to which competition takes place, a survey of primary care trusts (PCTs) was conducted under the Freedom of Information Act. The objectives were to:

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- examine the availability of data on bidders and providers, patient numbers, services, contract value, and duration for APMS contracts;
- provide a typology of the new entrants into the emerging primary care market;
- establish the extent to which there is competition for APMS contracts; and
- identify which commercial providers have entered the English primary care market.

## METHOD

Making use of the Freedom of Information Act, each of the 152 PCTs in England was written to between 4 and 13 March 2008 to ask for details on APMS contracts. Information was requested on the number of APMS contracts awarded or currently out to tender and, for those with APMS contracts, the successful tender (including company status, for example, private or public limited company), other bidders, contract terms including value and kind of services, number of patients, and duration of contract. Reminders were sent 2 months after the initial request and the deadline for outstanding responses was July 2008.

From the survey data a typology of providers was constructed. A subset of commercial providers was also identified and company websites of all those commercial firms tendering for APMS contracts were searched to gain additional information on how many contracts for GP practices have been issued to for-profit enterprises.

## RESULTS

As of 21 July 2008, responses were received from 141 out of 152 PCTs (overall response rate of 93%). However, the responding PCTs did not always disclose information for all of the questions.

## How this fits in

Several surveys on the use of alternative providers of medical services (APMS) in England suggest that, although GP-led providers are usually successful in winning contracts, private commercial companies have begun to establish a presence. This study shows that, increasingly, APMS contracts are not only being awarded to large, for-profit multinationals, but are also subject to no competition. This is the first published study to systematically identify the providers of APMS tenders, competing bidders, the services provided, patient numbers, and the length and value of contracts.

### Availability of information on APMS contracts

#### Number of PCTs awarding APMS contracts

Table 1 shows that as of July 2008, of the 141 PCTs that responded, 49 had awarded one or more APMS contracts, giving a total of 71 APMS awarded contracts. Sixty-six contracts were out to tender. Of the 49 PCTs, only 41 provided data on contract value; in the South West and North East regions just a third of PCTs awarding APMS contracts supplied such data.

#### Patient numbers, contract value, contract duration, and services

Data detailing the number of patients covered by contracts, as well as contract value, duration and the services covered are outlined in Table 2.

For 14 of the 71 (20%) contracts, the patient numbers were not disclosed or were not available (for example, if the contract was for a walk-in centre). Of those contracts for which there was information, patient numbers ranged between one (for a patient support programme) and several hundred thousand (for PCT-wide out-of-hours services). Half of all practices under APMS contracts had them for between 1000 and 5000 patients. The average

**Table 1. Number of APMS contracts awarded and out to tender by SHA region in England (by July 2008).**

SHA	Responses (total number of PCTs)	PCTs holding APMS contracts	APMS contracts awarded	APMS contracts out to tender	Annual contract value range in £ (number of contracts with value disclosed)
London	26 (31)	10	15	2	0.24–2 million (6)
East of England	14 (14)	7	9	4	0.17–0.26 million (6)
South East Coast	7 (8)	3	3	4	0.28–0.60 million (2)
South Central	9 (9)	4	6	8	0.25–2.4 million (4)
South West	13 (14)	3	3	6	ca. 12 million (1)
East Midlands	8 (9)	4	6	3	0.4–0.63 million (3)
West Midlands	17 (17)	7	15	5	ca. 0.12–0.66 million (11)
Yorkshire and the Humber	15 (15)	2	2	4	0.29 million (1)
North East	8 (11)	2	3	0	0.28 million (1)
North West	24 (24)	7	9	30	0.006–1.3 million (6)
Total	141 (152)	49	71	66	0.006–12 million (41) <sup>a</sup>

<sup>a</sup>In eight cases only a range was given, not an exact figure. APMS = alternative provider of medical services. PCT = primary care trust. SHA = strategic health authority.

**Table 2. Patient numbers, value, duration, and services under APMS contracts.**

Contract details	Number of contracts
<b>Patient numbers</b>	
0–999	7
1000–2499	11
2500–4999	24
5000–10000	9
>10000	6
Not disclosed	14
Total	71
<b>Contract value, £</b>	
1–199 999	6
200 000–499 999	17
500 000–999 999	8
1–10 million	9
>10 million	1
Not disclosed	30
Total	71
<b>Contract duration, years</b>	
0.5–2	4
3–4	16
5–6	25
7–9	2
≥10	11
Not disclosed	13
Total	71
<b>Services offered</b>	
Essential, additional, and enhanced	48
Out of hours	9
Walk-in clinic	3
Specialist	7
Not disclosed	4
Total	71

practice size for those APMS contracts for which there was information on patient numbers (excluding out-of-hours services and the special case of the support programme for one patient) was 3206 patients. On the basis of the available information, it was calculated that 1.14% of the patient population were covered by APMS contracts (out-of-hours and walk-in services were excluded for this calculation).

For 30 of the 71 (42%) contracts the contract value was not disclosed. Of the 41 for which this information was disclosed, exact data are given for 33 contracts; the remaining eight only stated a range. Annual contract values ranged from £6000 (the above-mentioned patient support programme) to almost £12 million (out-of-hours services). Some PCTs released only the annual contract value, although others gave the value over the whole period of the contract. For 13 of the 71 (18%) contracts no information was disclosed on contract duration. The duration varied considerably from <1 year to being open ended. Almost one-third of contracts were for 5–6 years; some had break clauses or the option to extend. Due to the massive lack of data it was not

possible to derive an estimate of the value of all APMS contracts.

The services contracted for under the APMS system do not usually differ greatly from General Medical Services (GMS) or Personal Medical Services (PMS) contracts and included essential, additional, and enhanced services. Nine contracts were for out-of-hours services, three included walk-in services, and seven were for specialist services, for example, for substance and alcohol misuse; services for asylum seekers, refugees, and persons who were homeless; or for prison health. Four contracts did not disclose which services were offered.

### Typology of providers

Four categories of providers were identified (Table 3). Half of all APMS contract tenders were awarded to nationwide or multinational commercial companies (36 out of 71); 28 contracts to independent contractors, either set up by a single GP or in partnership; seven contracts went to so-called 'social enterprises' or community interest companies, that is, non-profit organisations; and two to a nurse-led PCT managed service. One contract was a hybrid case, shared by three different providers, of which one was GP-led and the other two were commercial.

### Competition and bidders

PCTs provided information on bidders for 30 of 71 contracts. Of those 30, 12 involved no competition either because the tender was waived or there was only one provider tendering for the contract (Table 3).

Ten of the 30 contracts for which there was information on other bidders were awarded to single-handed GPs or partnerships. In five of the 10 contracts there was no other bidder; in three cases it was in competition with other local GPs, non-profit organisations, PCT services, or NHS trusts; in only two practices did an independent GP beat commercial contractors to secure an APMS contract.

Information on other bidders was only received for five contracts won by non-profit organisations or PCT-managed services. In four of these instances, there was no competition with other providers because the tender was waived or restricted to the particular type of organisation. The authors were only aware of one case in which a non-profit organisation beat three commercial providers to win the contract.

Of the 36 practices that were awarded to a commercial company, there were data on bidders for just 14 contracts. In three of these 14 instances there was no other bidder, in two further cases there was competition among commercial companies only; the remaining nine contracts included other commercial companies, GP-led providers, non-profit organisations,

**Table 3. Typology of APMS providers and availability of data on other bidders.**

Type of successful bidder	Number of providers/contracts	Bidders not disclosed (%)	Bidders disclosed	No other bidders (%)	Bids by winning type only (%)	Bids by different types (%)
Independent GP	27	17 (63)	10 (37)	5 (50)	3 (30)	2 (20)
Social Enterprises/CICs/Not-for-profit	7	4 (57)	3 (43)	2 (67)	-	1 (33)
Nurse-led PCT managed service	2	n/a	2 (100)	2 (100)	-	-
Commercial firms	34	20 (59)	14 (41)	3 (21)	2 (14)	9 (64)
Contract shared by different providers <sup>a</sup>	1	-	1 (100)	-	-	1 (100)
Total	71	41 (58)	30 (42)	12 (40)	5 (17)	13 (43)

<sup>a</sup>Contract shared by one GP cooperative and two commercial companies. APMS = alternative providers of medical services. CIC = community interest company. PCT = primary care trust.

PCT provider services, and NHS trusts as bidders.

### Commercial providers

Table 4 lists the corporate providers of primary care in England identified from the survey and additional information on other contracts gathered from their company websites. From this a further 50 primary care contracts in England were identified; however, the authors do not know whether or not these contracts are APMS contracts.

## DISCUSSION

### Summary of the main findings

This study confirms that APMS contracts are being used widely by PCTs and are often awarded to

commercial for-profit providers of health care. Although only 1.14% of patients were under APMS in those PCTs where patient numbers were disclosed, a large number of PCTs had at least one APMS contract and many were out to tender at the time of the survey.

Although the commercialisation of primary care and the use of alternative providers is a centrally driven policy, the Department of Health collects no central information on competition, ownership, cost and services, and coverage of APMS contracts. It is difficult to summarise the findings on APMS contracts in a succinct way as they vary enormously by definition; often they are catering for very specific situations, for example, prison health, care for people who are homeless, or support programmes for

**Table 4. Commercial providers of primary care in England, number and type of contracts, value and length.**

Provider	Number of contracts (of which APMS)	Value of APMS contracts, £ (number for which disclosed)	Length of APMS contracts (range)
APMS Medical Solutions	Not known (1)	Not disclosed	3 years
Aston Healthcare	9 (1)	480 000 (1)	25 years
AT Medics	11 (6)	ca. 450 000 (1)	2–5 years
Atos healthcare	4 (2)	ca. 2 million/year (1)	3 and 7 years (with option for 2 more years)
Care UK	Not known (4)	250 000 and 630 000 (2)	3–6 years
Chilvers McCreia	40 (9)	190 000–632 000 (8)	3 years — annually reviewed open-ended contract
FMC Health Solutions/One Medicare	7 (2)	293 000 (1)	10 years (with 5 year break clause) — open ended
Go To Doc (GTD) Ltd	2 (2)	Not disclosed	5 years
Badger Harmoni Ltd	20 (2)	Not disclosed	3 years plus 1 or 2 years extension
IntraHealth	11 (2)	173 000 and 1.4 million (2)	open ended and 5 years
Nestor Primecare Ltd	9 (1)	ca. 6.8 million (1)	3 years
Qube Medical Ltd	Not known (1)	500 000 (1)	3 years plus 2 years extension
Take Care Now (TNC) Ltd	Not known (1)	Not disclosed	3 years plus 2 years extension
United Health UK	Not known (2)	Not disclosed	5 years
Total	113 (36)		

Sources of information: respective company websites for number of overall practices (updated in December 2008) and Freedom of Information Act requests in relation to APMS contracts (between March and July 2008). APMS = alternative providers of medical services.

individual patients. However, in the majority of cases the services offered do not vary much from standard GMS or PMS contracts.

In spite of the introduction of markets being premised on theories of increasing efficiency through competition and good information, almost half of all contracts for which information on bidders was disclosed were awarded in the absence of competition, including contracts to the corporate sector. In particular, GPs or social enterprises are more likely to win a contract in the absence of any competition or when they are competing with each other. This raises serious concerns about the existence of a 'level playing field'.

#### Strengths and limitations of the study

Although the response rate of 93% compares favourably with 80% for an Freedom of Information survey of the King's Fund on APMS contracts,<sup>1</sup> this study is limited by the complete lack of information from 11 PCTs and the non-disclosure of some requested information by other PCTs. Given the urgency to make these findings available it was decided to stop chasing the outstanding responses after 4 months. In spite of the legal obligation of public authorities to respond within 20 working days, most of the PCTs responded outside of this time, often only after being sent reminders.

It is difficult to obtain a precise picture of the cost of APMS contracts as so many PCTs did not disclose all information. Some 20% of the responding PCTs did not disclose information on patient numbers, 18% did not disclose the contract length, and 42% did not disclose the contract value of APMS contracts, mainly invoking commercial confidentiality (in only two cases this could not be told as the contract details had yet to be finalised).

The emergence of hybrid organisations of primary care makes it difficult to classify providers according to company types, especially as GPs are becoming corporate owners.<sup>4,11</sup> This survey revealed that there are at least 14 commercial providers in the English primary care market. The authors know of eight other commercial companies that have tendered for APMS contracts but have not been successful so far. It is also tricky to be sure about the 'independent' contractor status of some GP partnerships, as they might constitute a newly emerging commercial company. It is possible that commercial companies put the name of a GP who is eligible for GMS contracts as the lead on the contract in order to gain access to NHS pensions for all staff.

The absence of data on unsuccessful bidders for APMS contracts (in 58% of the responses this information was not disclosed) means that neither competition nor the extent to which local GP

partnerships are being displaced by large commercial companies can be assessed.

#### Comparison with existing literature

Previous surveys of APMS usage have underestimated both its prevalence and the involvement of commercial companies.<sup>1,2,4</sup> This article categorises the emerging new class of 'entrepreneurial' GPs as commercial companies that have a clear profit focus and are trying to expand their business across regions. In previous studies, such companies have been classified as GP-led.<sup>4-11</sup>

#### Implications for future research

The lack of data on cost, patient services, and staff means that it is impossible to evaluate either value for money or how quality is being ensured. This loss of transparency and accountability for public funds and services must be of critical concern. There needs to be a proper evaluation of the APMS policy from the perspective of value for money and quality of care, as well as patient access and coverage. Furthermore, this study revealed a need for an evaluation of the Freedom of Information Act as a means of accessing information on key features of the NHS by the public.

#### Competing interests

The authors have stated that there are none.

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