

## Debate & Analysis

# Is the NHS a business?

### BUSINESS NEWSPEAK

If you go onto the NHS England website you will quickly come across, *Putting Patients First: The NHS England Business Plan for 2013/14–2015/16*.<sup>1</sup> Attend any hospital board meeting and the most popular buzzword is always 'business.' Trust board papers proliferate with 'business plans' for every conceivable hospital service. Even the newly-created boards of clinical commissioning groups (CCGs) constantly talk of the NHS as a 'business'.

The purpose of this article is twofold, first to refute the above claim and secondly, to argue that the NHS, despite ideological pressure, and legislation to the contrary, still remains a service. It is not a business in either the literal, or the popular sense of the word.

The dictionary definition of a business is, 'commercial activity, or a commercial organisation'. Commerce is described as, 'the activity of buying or selling, especially on a large scale' and commercial activity as, 'making, or intending to make a profit'. This set of definitions hardly describes the NHS.

The main purpose of the NHS is not to buy or sell. It certainly doesn't seek to make a profit from its activities, that is not its intention.

Indeed, the NHS is none of the above, so it is not a business in the actual sense of the word.

In 1948 when the NHS was established its founders had no problem with the title, it was to be what the name implied — a health service that would cover the nation. No one ever suggested calling it a business. A service is described as a, 'department of royal or public employ or of work done to meet some general need.'

The army, navy, and air force are quoted as examples of services. The NHS is indeed very similar in certain respects to the armed forces, they are both paid for out of taxation and both provide a service. Unlike the NHS though, we never hear of the army, navy, or air force referred to as 'businesses'.

So, by definition the NHS is not a business. It was never meant to be a business: it is a service.

### BASED ON HUMAN NEED

Neither is the NHS an insurance scheme. Insurance schemes cater for those who are at risk from some calamity or another, be it

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an injured pet, a fallen roof, or a lost mobile phone. The customer will pay in advance to offset any losses should the risk become a reality. All insurance companies when charging their premiums take into account the nature of the risk involved and the client will pay a premium according to the risk entailed. A 12-year-old Staffordshire bull terrier will cost more to ensure than a 2-year-old Labrador. A house in an area where there is a risk of high tides or that is subject to strong winds is more expensive to insure than one that is situated away from the sea or where winds are light.

Private health insurance is no different to other forms of insurance. A fit 20-year-old male will pay lower premiums than a 76-year-old woman.

The NHS is not an insurance scheme. It covers everyone and we all contribute according to our income. It is based on the premise that everyone at some time in their life will need health care.

It is based on universal need. That is, everyone who pays income tax contributes towards the NHS, but some who contribute may seldom use the service, while others may be dependent on it from the day they are born. We all pay in but some may take out more than others.

This is at complete variance with private insurance schemes that are businesses in that they seek to make a profit for their investors.

If we take the popular, rather than the dictionary definition of a 'business', that is, an organisation that buys or sells, or distributes commodities; again the NHS doesn't fit into this category. Businesses

that trade on the stock market, the great majority, invite investors to buy shares in the particular company. Shareholders do this to either grow their capital or to seek a return on their investment in the form of a dividend; they may do both.

People do not invest in the NHS as such; it is paid for by all of us out of taxation. We do not expect a return on our investment, other than it keeps us well when we are sick. Neither do we expect our investment to grow.

### THE THATCHERITE REVOLUTION

From its inception until 1990 the NHS operated as a fairly integrated service, it was both a purchaser and a provider. It bought what was necessary to provide health care. It paid GPs, who are independent contractors, it purchased drugs, it developed its own real estate, paid for new hospitals, took care of training for its staff, and was responsible for a myriad of other expenses. In return it provided the great majority of the health care that its budget would allow. Margaret Thatcher changed all that.

In 1990, a brainchild of the Thatcher era was introduced into the NHS: the purchaser-provider split. This major reorganisation did not turn the NHS into a business but it did create a market in health care. A service that had been integrated for over 40 years was turned into competing parts. In future the NHS would be split up between a purchasing sector and a provider arm.

The legislation that brought in this change was the National Health Service and Community Care Act 1990. The provider

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arm was to be secondary care, consisting mainly of hospitals and specialist hospitals. These were to be separate from the primary care sector, mainly GPs. In future those responsible for primary care would buy services from secondary care hospitals and specialist services. The means for doing the purchasing later became the prerogative of primary care trusts (PCTs). Hospitals in turn were later to become foundation trusts, with, allegedly, more power to operate and sell their services in this new marketplace. Despite major criticism from most health professionals this system has remained intact ever since, even surviving the 13 years of a Labour government.

This massive change may have put in place a mechanism whereby the NHS could become a business, but still fundamentally the NHS remains a service. It is still paid for out of taxation, it has no shareholders, it does not seek to make a profit, and it provides a universal service. The NHS still fits the criteria of a service, rather than a business.

#### PRIVATISATION: FULL STEAM AHEAD

In 2013, the NHS underwent yet another major reorganisation, the Health and Social Care Act 2012. This new legislation dramatically accelerated the pace at which the NHS was being turned into a full-scale market. These new developments further fragmented a universal service and opened wide the door to private companies who could now provide services previously carried out by the NHS. Private companies by definition would seek to make a long-term profit from such transactions. The private sector, voluntary sector, social enterprises, and NHS organisations could all compete for tenders for various aspects of health provision. Any qualified provider meant exactly what it said, and the NHS was now subject to full-scale competition in the market place. It was no longer a system whereby GPs, through PCTs, bought services from hospitals and the money, although recycled, stayed within the NHS. The majority of NHS expenditure, some 60%, was to be passed on to the newly-established area based CCGs made up of local GPs who would buy what services

they needed from a market place consisting of 'any qualified providers'. To date, since the Act became law, something like three-quarters of all contracts that have been put out to tender have been won by private companies. Money is no longer being circulated within the NHS, some is being lost in the form of profits for shareholders in the private companies that have won NHS contracts. The NHS as a provider is getting smaller by the day.

Yet even with these internal changes the NHS still cannot be described as a business. It has been turned into a market, although at the moment even here there are certain restrictions. There is a set price, or tariff, for every conceivable NHS procedure, from temperature-taking to hip replacement. This tariff cannot be undercut. No one can bid for a tender by offering a lower price than the NHS tariff. Given all these changes is it still correct to refer to the NHS as a service? In many respects yes it is.

So it is true to say that the NHS has now become a market and that the services provided by the NHS are diminishing by the day. Private company providers are rapidly on the increase but still the NHS remains the major provider. Despite the moves away from a publicly-funded publicly-provided NHS the organisation still remains more like a service than a business. The purpose of the NHS has not yet become that of a commercial organisation, that is, its intention is not to 'make or intend to make a profit'. Parts of the service may have been handed over, mainly to the private sector, and companies are seeking to profit from NHS contracts. All this undermines the NHS as a service, but that does not detract from the fact that 'a service' is what it still remains. The NHS may be in transition but it is not yet a business.

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#### Provenance

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#### REFERENCE

1. NHS England. *Putting Patients First: The NHS England Business Plan for 2013/14-2015/16*. <http://www.england.nhs.uk/wp-content/uploads/2013/04/ppf-1314-1516.pdf> [accessed 14 Mar 2014].