

# Greater choice and competition in the NHS now provides a mature set of solutions whose time has come

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*The government's proposals for yet another wholesale restructuring of the NHS have predominantly been greeted with scepticism by the media, the Labour opposition and NHS stake-holders. But drawing on his own experience in advising previous Labour governments, **Julian Le Grand** argues that Andrew Lansley's proposals mainly represent a sensible evolution of previous strategies, while also advancing choice and competition further in key respects that have not yet been attempted.*



The proposals by the Conservative-Liberal Democrat coalition for the National Health Service have been described as 'revolutionary' and 'the biggest change to the NHS since its inception'. But this is to ignore history. In fact, many of Andrew Lansley's key proposals have their origin in policy reforms initiated by John Major's Conservative government in the 1990s and subsequently developed by Tony Blair's Labour government (to which I served as an adviser in 10 Downing Street).

In particular, the proposal to give GPs greater commissioning powers has a well-established precedent in the GP fund-holding scheme introduced by Kenneth Clarke and William Waldegrave in 1991. Initially, this covered only elective surgery, but it was extended in some cases to cover all hospital and community health services: so-called 'total purchasing'. Research into its effects concluded that it was broadly successful, leading to reduced hospital referrals, reduced emergency care, improved co-ordination of services, and some innovative patterns of care. Of course there were problems – chiefly, increased transactions costs. But there were few of the dire consequences predicted by some of the more extreme critics of the current proposals.

I was initially somewhat sceptical of the GP fund-holding idea, but became persuaded of its merits as I watched its success in practice. Along with my LSE colleague Howard Glennerster, who had undertaken pioneering research into the scheme, I tried to convert the Labour Party to the idea when it was in opposition. We came close to doing so (apparently within two votes on the relevant committee), but not close enough. When Labour won in 1997, and Frank Dobson became Health Secretary, GP fund-holding was abolished.

When I became health policy adviser to Tony Blair in 2004, we were able to re-introduce a version of fund-holding, so-called 'practice-based commissioning'. But this never really took off. It was a weaker version of the scheme, with GPs holding indicative budget rather than real budgets. After the 2005 election, there was no real drive behind it. Still, a little progress was made. Practice-based commissioning consortia were set up, some of which will undoubtedly form the basis of the commissioning consortia proposed by the current government. (Meanwhile, I had returned to the LSE).

There are other strong elements of continuity between the coalition government's proposals and those of previous administrations. There are firm commitments to the policies of patient choice and to foster competition amongst providers. All NHS hospitals are now to become foundation trusts, an issue that nearly brought down the Blair Government. Moreover, some of the more absurd restrictions on foundation trusts that were a product of the compromises necessary to get the idea through Parliament are now being lifted. There is even a commitment to extend the patient budget experiment where patients can choose how the budget on their care should be spent. This is an idea that I proposed to Tony Blair in the last paper I wrote for him, and which is now being piloted by the Department of Health.

Of course, there are big ideas in the new White Paper that go well beyond anything the Major and Blair governments tried to do, including



- establishing a commissioning board,
- abolishing strategic health authorities and primary care trusts,
- turning Monitor, the overseer of foundation trusts, into an economic regulator, and
- turning foundation trusts themselves into mutuals or social enterprises.

Some of these things previous governments contemplated, but did not dare to try. Andrew Lansley is to be congratulated on his boldness in taking them forward. But, overall, these are proposals that represent evolution rather than revolution – although no less impressive for that.

To learn more see:

Julian LeGrand, ***The other invisible hand: delivering public services through choice and competition*** (Princeton, NJ: Princeton University Press, 2007).

*Further reading:* This post was mentioned by Delia Lloyd at the **Politics Daily** blog on 29 September in her article '[Now it's Britain's Turn for a Health Care reform battle](#)'