

TIME FOR CHANGE

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Improving value in the United Kingdom's National Health Service is an economic necessity, and while the government's unpopular plan may have been watered down, it may yet serve as a model of what other cash-strapped health systems must do. And where private providers can help, they will be in demand.

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When Britain's coalition government unveiled its ambitious overhaul of the 63-year-old National Health Service, the plan to improve patient care and curb costs was so bold that Sir David Nicholson, the health service's chief executive, joked, "You could probably see it from space." The proposal — which called for cutting layers of bureaucracy, giving local consortia of primary care physicians say over treatment decisions and allowing private companies to compete to provide patient services — sparked

fervent opposition. Government leaders subsequently made changes to offer reassurance that quality of care remains the chief priority in reforming an institution beloved in the United Kingdom for its historic achievement of providing free, high-quality medical treatment to everyone. Yet broad reforms are coming, and pharmaceutical companies and other healthcare businesses that gear up to offer quality services could have a lasting advantage.

The reform plan confronts a reality confounding health planners everywhere:



that something must be done about the soaring costs of giving ever more expensive treatments to an aging population that will need more and more care. Since 2000, NHS expenditures have risen 6% annually, and healthcare now accounts for about 17.5% of the U.K. government's total budget.

Critics, including physicians, patient advocacy groups and healthcare employees, as well as liberal political factions and labor unions, argue that the NHS can't be deregulated as other industries have been. Many feel — though with no evidence so far — that forcing NHS hospitals to compete with new private facilities could undermine care and increase inequality. What's more, physician surveys show that most doctors don't want the responsibility of planning and buying services for patients and don't think the reforms will improve quality. The proposals are also likely to result in job losses for about 53,000 NHS employees.

Yet change is clearly unavoidable. The nation's life expectancy, at just about 80 years, is among the world's highest, and longer lives translate into higher outlays on care. Though international studies often show the NHS as very cost-effective and fair, Britons have above-average mortality rates for some diseases, including cancer, and the United Kingdom has fewer physicians per capita than almost any other Western country. Finally, thanks to budget constraints, the NHS lags behind other health systems in providing access to the latest medical advances.

BLUEPRINT FOR CHANGE

The latest government proposals would promote competition by letting patients and commissioners choose "any qualified provider," and that will mean opportunities for nongovernmental businesses providing everything from elective inpatient services and mental health treatment to routine primary care. That could benefit private clinics that specialize in treatments such as hip replacements, which specialists are often able to provide at lower cost than an all-purpose NHS hospital could.

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Meanwhile, a more austere NHS budget could lengthen waiting lists for some treatments — and increase the demand for private health insurance to pay for care from nongovernment physicians and hospitals.

Another reform — to replace regional NHS entities that govern how care is provided with consortia of primary care physicians — will generate opportunities. Because the consortia will not only make hospital referrals but also purchase medical services and supplies, they could outsource such things as nonemergency ambulance services as well as administration of the consortia themselves. Suppliers should be



ILLUSTRATIONS BY STUART BRADFORD

prepared to bid for contracts with these new organizations locally.

NEW RULES ON MEDICINES AND INNOVATION

Reforms also would give the primary care consortia power to select medicines for patients, replacing the current regional system for allocating the annual NHS pharmaceutical budget. And while pharmaceutical companies' earnings from the NHS are capped and firms

must submit evidence to justify prices, that system has been faulted for failing to promote innovation — and the NHS contract with drugmakers will expire in 2014. The reform proposal calls for new value-based pricing that will link payments to cost-effectiveness and societal benefit. Pharmaceutical firms will likely have to submit evidence that new treatments are innovative and go beyond what is already available.

An NHS arm, the National Institute for Health and Clinical Excellence (NICE), has regulated which drugs and technologies NHS will purchase. To qualify for coverage, a treatment must be proved to cost no more than £30,000 (about \$48,000) per “quality adjusted” year of life that it saves — a criterion that led NICE to turn down several costly cancer drugs. Now NICE will no longer be the sole arbiter, and physicians will have discretion to prescribe based on a patient's clinical needs, though the local consortia will have a say. For pharmaceutical companies, targeting at this level will require an adjustment in strategies.

How private sector companies and nonprofits respond to the NHS overhaul may lead to innovative business strategies that can be used in other developed markets.



IMPACT BEYOND THE UNITED KINGDOM

Many other governments are watching the United Kingdom closely for clues about how to handle exploding costs. How private sector companies and nonprofits respond to the NHS overhaul may also lead to innovative business strategies they can employ across other developed markets as they search for the right formula to blend public and private approaches to healthcare. ■