Competition between commissioners: lessons from the Netherlands?

Nuffield Health Strategy Summit
25 March 2010

Gwyn Bevan
Department of Management, LSE
R.G.Bevan@lse.ac.uk

Competition between commissioners: lessons from the Netherlands?

- 21 years of purchaser / provider
  - 1989: internal market
  - 1997: 3rd way
  - 2000: targets & terror
  - 2002: internal market + patient choice
- Mutual Healthcare Purchasers
  - Choice
  - Choice & competition
    - NHS
    - Different packages

Purchaser / provider with competition (1989 -97)

- *Working for Patients* (1989)
  - Internal market
    - provider competition
    - choice by health authorities & GP fundholders
    - 'money follows the patient'
- Le Grand (1999)*
  - Little evidence of change

Incentives too weak & constraints too strong

*Competition, cooperation, or control? *Health Affairs*

Tuohy's 'accidental logic'*: NHS state hierarchical system

- Ministers accountability
  - Access & failures ➔ Autonomous providers & purchasers?
- Collegial decision making
  - GPs & specialists ➔ Effective purchasing / commissioning? Needs of populations? Patient choice?
- No need for information on prices & quality

* Tuohy (1999) *Accidental Logics*. Oxford University Press

Purchaser / provider without competition (1997 to 2002)

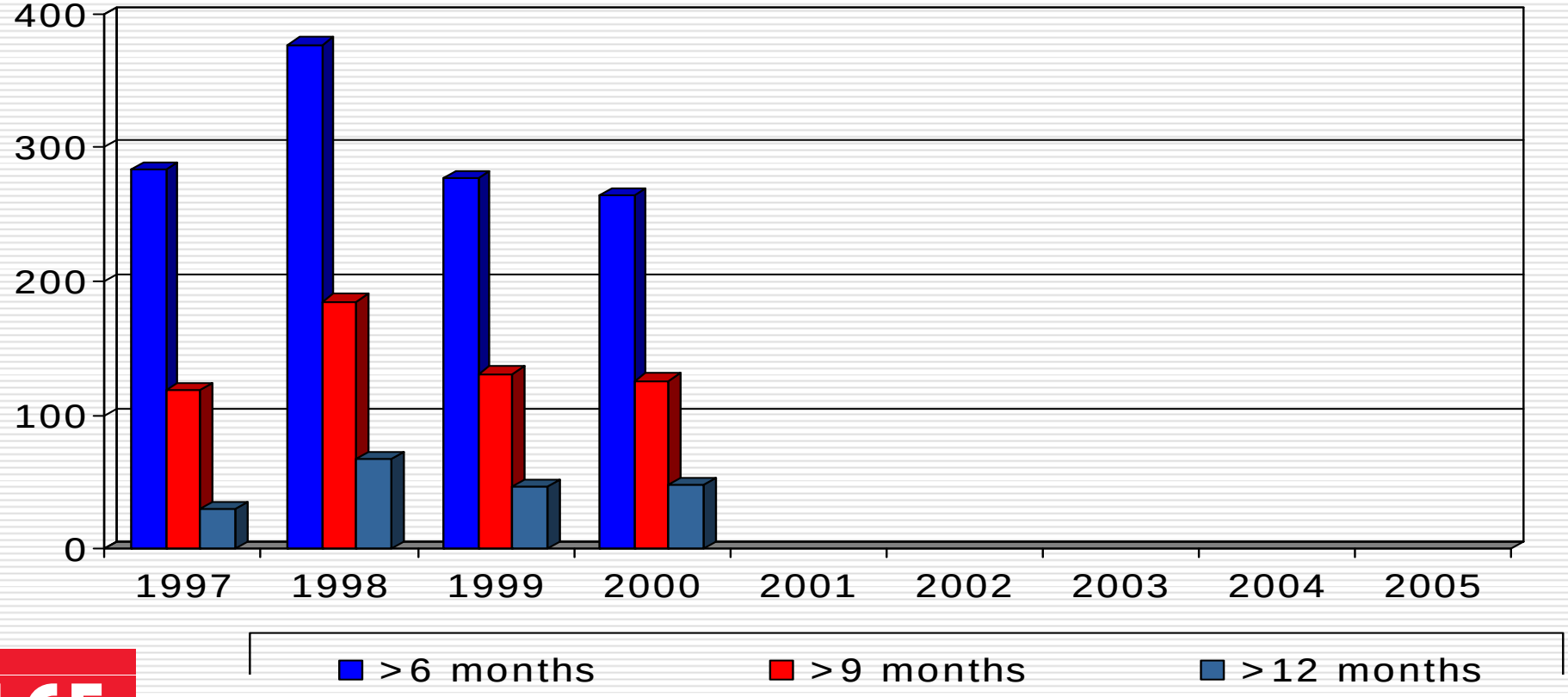
- *The new NHS* (1997)
  - 1997 to 2000: search for 3rd way
    - command & control ➔ producer capture
    - internal market ➔ fragmentation, inequity, instability & high transaction costs

Purchaser / provider without competition (1997 to 2002)

- *The NHS Plan* (2000)
  - 2000- 2005: command & control without producer capture by 'star rating' ('targets & terror')
    - threat of switching work often a weak lever to drive improvement in a local NHS trust, as was shown by failure of 'internal market'

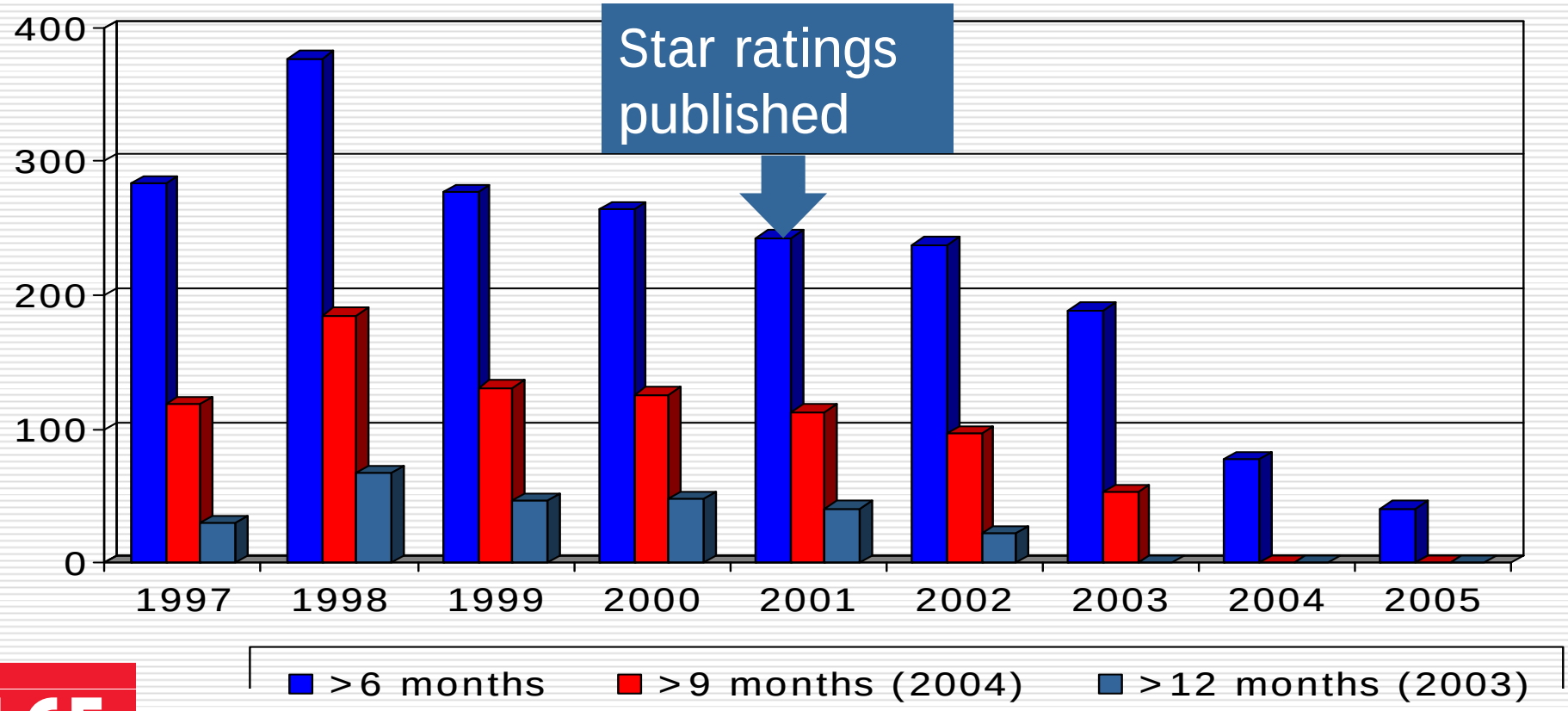
Purchaser / provider
No competition: 3rd way

Numbers waiting elective admissions (England) ('000s)



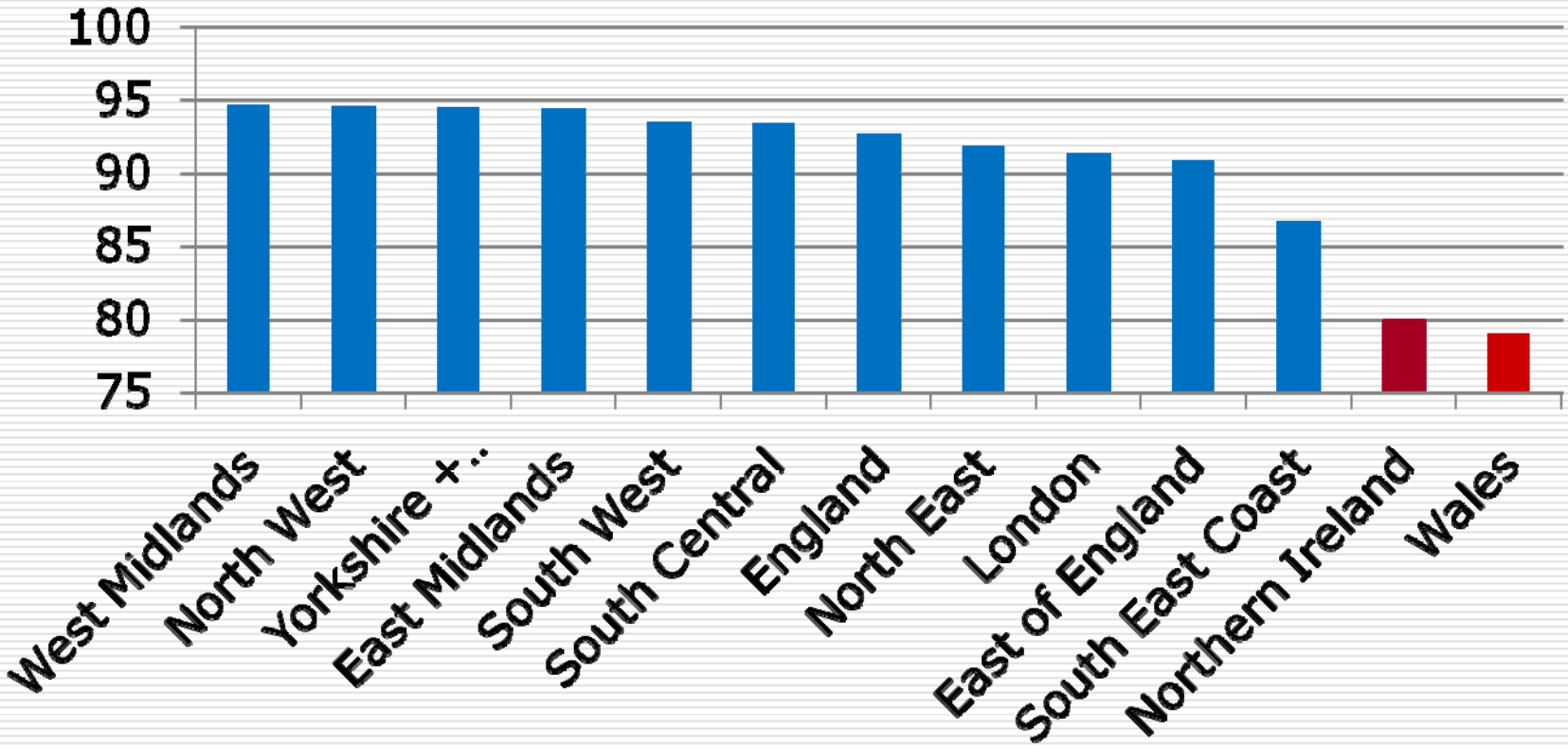
Purchaser / provider
No competition: star rating

Numbers waiting elective admissions (England) ('000s)



Source: Department of Health (2005)
http://www.dh.gov.uk/assetRoot/04/08/26/27/04082627.pdf

% waiting < 13 weeks for hospital admission (March 2008)



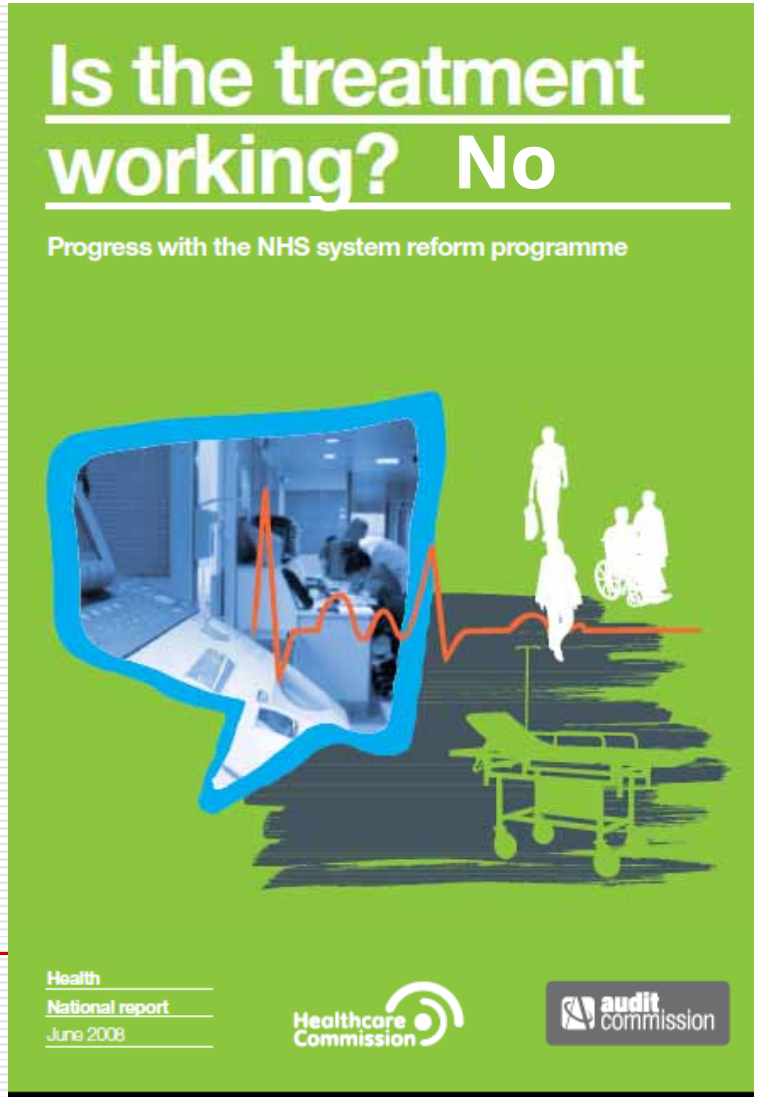
Source: Connolly et al (2010) *Funding and Performance of Healthcare Systems in the Four Countries of the UK before and after Devolution*. The Nuffield Trust.

Barber (2007) *Instruction to Deliver*

- Awful ➔ adequate
  - Command & control
    - public not satisfied
    - have to keep flogging the system
- Adequate ➔ good / great
  - quasi market & consumer choice
    - innovation from self-sustaining systems

Purchaser / provider with competition & patient choice (from 2002)

- *Delivering the NHS Plan* (2002)
  - Patient choice
  - World Class Commissioning
  - Provider diversity
    - FTs & ISTCs
  - 'money follows the patient'
    - Standard tariff (PbR) competition by quality



The impact of the NHS market: An overview of the literature*

- No good evidence reforms produced beneficial outcomes classical economic theory predicts of markets
  - provider responsiveness to patients & purchasers
  - large-scale cost reduction
  - innovation in service provision
- *NHS incurs transaction costs of market without benefits*

* Brereton & Vasoodaven (2010) http://www.civitas.org.uk/nhs/download/Civitas_LiteratureReview_NHS_market_Feb10.pdf

Continuing problems

- Failure to create true functioning market
  - political interference
  - weak purchasers
  - barriers to exit & entry
- Lack of a stable policy environment
  - Purchasing: 200 DHAs ➔ 100 HAs + 480 PCGs ➔ 300 PCTs ➔ 150 PCTs
  - GP Fundholding abolished ➔ PBC

Source: Brereton & Vasoodaven (2010)
http://www.civitas.org.uk/nhs/download/Civitas_LiteratureReview_NHS_market_Feb10.pdf

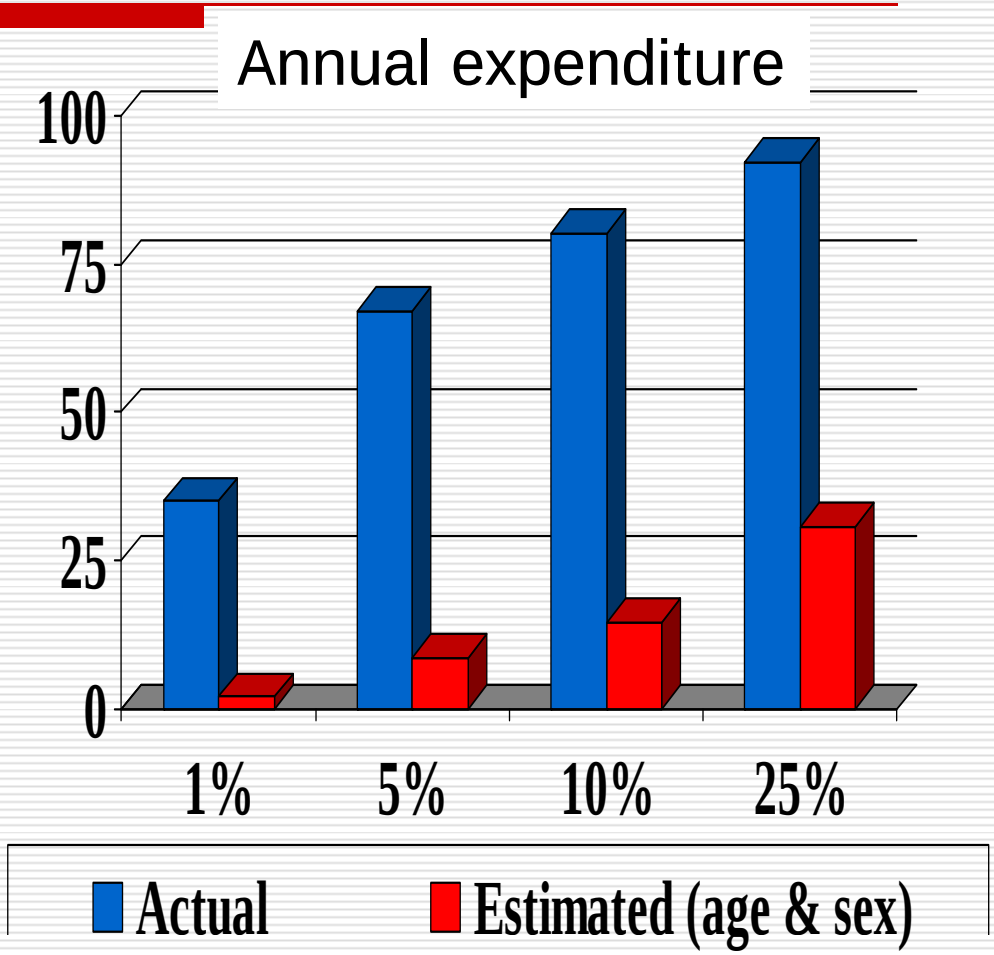
Choice & competition between Mutual Healthcare Purchasers?

- MHPs: Insurers without risk rating
  - the Netherlands by risk equalisation
  - England by lack of competition
- Options for choice of MHP
  - ☒ without competition (no incentives)
  - ☑ Competition NHS (MHP incentives)
  - ☑ Competition different packages (MHP & patient incentives)

LSE

Choice of MHP: Risk equalisation

- Formula funding based on analysis by small area ➔
- *Risk equalisation based on analysis by individuals*
  - ACRA research led by Nuffield (for PBC)



Source: Lamers and van Liet (1996)

Choice of MHP with competition

	Dutch	*English*
Market regulation		
Competition	☑☑	☒☒
Solvency	☑☑	☒
Consumer Protection	☑	☒
Sufficient numbers		
MHPs	☒☑	☒
Providers	☑	☑☒

Choice of MHP with competition by packages

	Dutch	*English*
Transparency		
☐ Insurance products	☑	☒

Reflections

The Netherlands

- MHP competition but as yet little selective contracting
- Model exported to Germany & Switzerland

England

- Little evidence of provider competition
- Model abandoned by New Zealand, Scotland & Wales

LSE

Can the English hare learn from the Dutch tortoise?

The Netherlands

- Corporatism, Etatism, Subsidiarity, Coalition government
- One policy
- Dutch procession of Echternach over 20 years

England

- State hierarchical system + majoritarian government
- blitzkrieg ➔ army of occupation in hostile territory*
- 4 policies in 20 years

*Shock (1994) Medicine at the centre of the nation's affairs, *BMJ*