

With a likely cost of £4 billion, the Health and Social Care Bill has all the hallmarks of an avoidable policy fiasco.

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This week sees the release of a highly critical report from the cross-party Health Select Committee on the Health Minister, Andrew Lansley's proposals to reorganise the NHS. The Committee's Chairman, the former Health Secretary, Stephen Dorrell, said that the NHS should focus on achieving efficiencies rather than on management upheaval. **Patrick Dunleavy** argues that the proposed NHS reorganization will be a policy disaster for the government, which may end up costing up to £4 billion – 1/5th of the amount needed to be saved by the NHS through efficiency gains.



In her much quoted book *The March of Folly*, the historian Barbara Tuchmann noted that:

“Wooden-headedness...plays a remarkably large role in government. It consists in assessing a situation in terms of preconceived fixed notions while ignoring or rejecting any contrary signs. It is acting according to wish while not allowing oneself to be deflected by the facts.”

The quote sprang forcefully to mind while watching the Health Secretary Andrew Lansley struggling last week to explain why the professional bodies for nurses and midwives had decided to join the British Medical Association in calling for the scrapping of the Health and Social Care (HSC) Bill currently about to return to the House of Lords. It bubbled up again today as the former Health Secretary Stephen Dorrell patiently set out again why his cross-party Health Select Committee has argued that the government's obsession with overhauling NHS management structures **is a distraction**, and that the NHS really needs to focus on substantive care problems and improvements, and not on yet another round of management upheaval.

The hallmarks of a 'policy fiasco', that is a completely foreseeable and avoidable policy disaster, are all over the current HSC legislation. Reviewing the bill last week, the first thing to notice is that the government itself admits that redoing the management structures will cost £1.8 billion, at a time when its QIPP programme of savings is asking for net NHS spending efficiencies of £20 billion. On its own admission, therefore, the alleged 'reform' will account for a tenth of the notional QIPP savings, of which in fact the Department of Health team under Jim Easton has so far only managed to muster some £4.5 billion (even if you believe the 'heroic' aggregation involved in this number).

Most outside observers are sceptical that the £1.8 billion reorganization cost number is anyway realistic. It includes obvious things such as the redundancy costs of firing all the management staff from England's 152 Primary Care Trusts – and then rehiring most of them to work on the same things in new bodies, which will probably be around 250 GP Commissioning units. The new bodies will supposedly take over responsibility for £88 billion of annual spending. The government number also includes costs from being left with IT systems that no longer work, buildings that are no longer needed and so on – that is the readily calculable and unavoidable costs of organizational change.

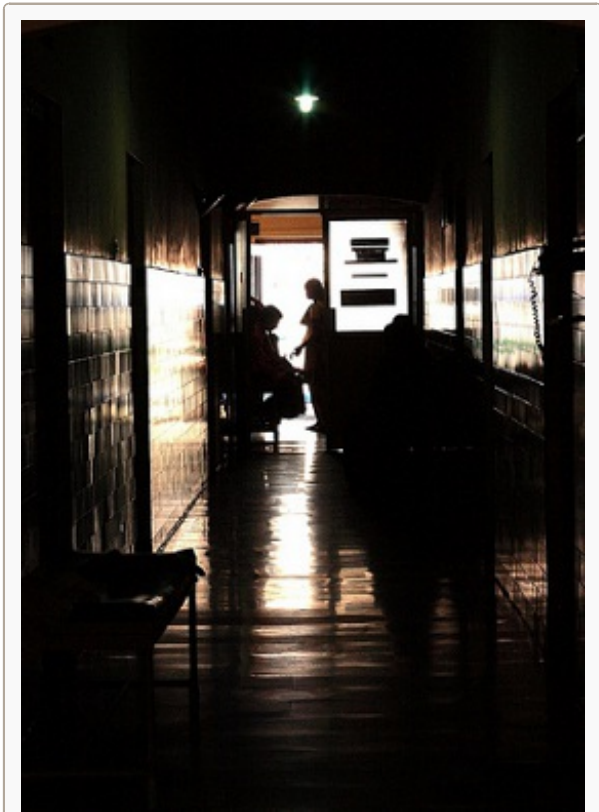
However, the Department of Health has never issued

any independent or professionally defensible listing of the full costs of implementation, even though two major reports in 2010 have shown that almost all reorganizations cost far more to implement than government admits. The NAO report *Reorganizing Central Government* showed that Labour governments spent £780 million on implementing 70 different reorganization changes in just over four years between 2005 and 2009, even confining attention to the most restrictive order of costs. The Institute for Government report on *Making and Breaking Whitehall Departments* (by Anne White and myself) showed that productivity slumps always occur in reorganizations and often account for the largest ‘opportunity costs’ of reform – along with staff regrading and pay realignment costs. The largest ministerial reorganizations cost £175 million, and even a small-scale reorganization like the initial creation of DEFRA cost £35 million.

At the time, after briefings with Francis Maude and other Tory shadow cabinet members, the coalition government took these serious cost warnings to heart, and broadly kept Whitehall structures the same (albeit with a few name changes and swaps of functions from one ministry to another). But meanwhile a weak and completely inexperienced Number 10 machine let Andrew Lansley wander off into the NHS undergrowth and busy himself with reviving all kinds of early 1990s ideas to create a ‘zombie new public management’ re-run all on his own. Well-informed external estimates, notably by [Kieran Walshe in the British Medical Journal](#), were that if we allow for the productivity losses inevitably associated with a major reorganization, implemented across England 150+ times, the full costs would be a minimum of £3.5 billion. In my detailed discussions with interested assessors, I now believe that this costing will be an under-estimate, and that the government’s plans have now reached a likely comprehensive cost ceiling of around £4 billion – for the following key reasons:

1. When managers across all PCTs lose their jobs and either retire early or spend the next two years reapplying for new positions with GP commissioners, they are bound to prioritize getting re-employed and then getting the organizational architectures of the GP commissioners built up from scratch. We know from past reforms that early pilot commissioners may do quite well, because they are atypical, consisting of those GPs and managers etc. who most want to make the new model work. During piloting they will try to look ultra-lean, but as glitches multiply more bureaucratic structures and safeguards of public money will get built in. Then when the second and third waves of reluctant commissioners get going, problems will multiply, costs will mount and a yo-yo period of adjusting to mean levels of performance is likely to rebuild the ‘iron cage’ of controls that the government initially thought it could dispense with. Implementing into a period of unprecedented austerity in NHS budgets only makes this cycle more likely to occur.

2. The critical spending interface in the NHS is with local government social care facilities, especially for the elderly and the treatment of non-communicable disease, like diabetes or strokes. Local authorities have built close links with PCTs, every one of which in England will be put on hold for two to four years as PCTs disappear off the map, and new commissioners come in and rewrite and disrupt previous care planning. (If they are not going to do this, and take advantage of new competitive freedoms to send their patients to different hospitals, why reorganize at all?) The result will be a moratorium on any progress in health and social care integration, despite David Cameron’s recent pronouncements on how the government wants to see services almost being unified under a single administrative command. Unless GP commissioners are also going to take over social care budgets, how on earth could such an outcome ever come about?



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3. Over the next ten years there are two critical dimensions on which substantive health care reorganization really could save £billions. The first is in the introduction of telecare, using modern IT, digital tools and social media in healthcare (e.g. creating integrated web-networks of family and professionals looking after elderly or disabled folk) and digital self-care (e.g. patients monitoring their own blood pressures, heart rates and performance on key indicators, with WiFi connections to health professionals if anything goes out of line). All of this requires the health-social care linkages to be close and co-operative – which we have seen above they will not be for around four years because of NHS management reorganization.

4. The other area of potentially major savings is in moving a great many facilities out of acute hospitals and into community and GP provision, allowing the numbers of major hospitals to be gradually run-down. The HSC bill throws this whole process into extreme jeopardy, because it strengthens community suspicions that hospital facilities will indeed be closed, but that the community or GP facilities needed to compensate will not be provided; or if they are initially provided for a time, they will be later cutback or withdrawn. Hence the always-difficult task of closing hospitals and modernizing health care provision will get that much more difficult. The introduction of a powerful regulator Monitor with an apparent mission to privatize, and the clauses in the bill apparently allowing hospitals to provide 49 per cent of beds for private patients only, will hugely strengthen local communities' suspicion of and opposition to any and every hospital closure for the foreseeable future. The on-costs of this for unnecessarily escalating NHS expenditures could be frighteningly large.

Britain has one of the strongest records in the western world for devising and persisting with large-scale 'policy disasters', which later have to be over-turned. There are a number of reasons for this - the over-large size of England as an administrative unit, so that every change impacts on 55 million people in the same way; the UK's 'fastest law in the west' tradition of legislating on political will alone, without proponents having to show any real cost benefit analysis or evidence – produced by the strong concentration of legislatively unchecked power in the executive; the overweening dominance of a still-amateurish Whitehall of generalists over professional staffs in sub-national agencies; and the strong adversary politics traditions stemming from the UK's long-history of disproportional elections and artificial Commons majorities. Coalition government was supposed to address these problems, but has patently failed in the case of the Lansley reorganization. At a likely net cost of £4 billion (completely wasted, not delivering a single net gain to British citizens), the Health and Social Care bill threatens to be financially as large as the poll tax fiasco under Mrs Thatcher. As ever, wooden-headedness comes at a very high price.

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