

Does Price Competition Compromise Quality?

Craig Dearden-Phillips MBE

Founding Managing Director, Stepping Out

For Neil Stewart Associates 26.5.2011



FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

What I feel I can add to this discussion

- I can **speak with knowledge** about the 20-odd spin-outs with which we work in Councils and former NHS
- I am also a County Councillor, & School Governor
- I am **Chairman of a SE** provider of publicly procured services
- **Intensive user** of public services for self and family – schools and health services
- Many hats, **multiple lines of sight**



stepping **OUT**

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Role of Price Competition in Future Public Services is still not clear

Very difficult to predict just how much competition new public sector spin-outs will face.

In NHS depends on eventual **role of Monitor**

Debate currently **highly binary & zero-sum:**

Choice/Competition vs
Integrated Care /Monopoly

Much confusion **causing problems on the ground**



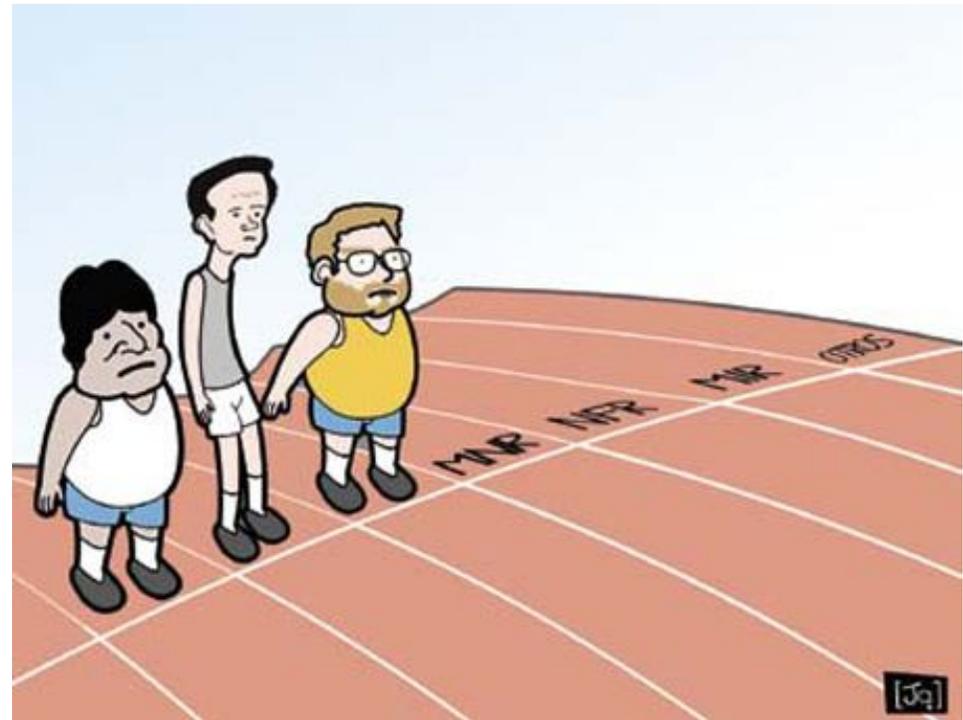
Competition in the 64 live Right to Requests coming out of the NHS

- Most of the NHS are 'Right to Requests' and **are non-acute**.
- Some are in fields where there is **already a market** e.g dental, podiatry, audiology
- Others are whole '**community services**' – groups of up to 40 different services where patient may get several inputs.
- Under AWP or AQP, the expectation was that **all or part of these services would be up for tender within five years**.
- **Not clear** what future of these will be – for good or for ill



Some actually WANT competition

- I could put people in front of you from NHS SE who would **love the opportunity to compete** with the NHS & private on price in 3 years.
- Interestingly, many of the orgs I working with **had started preparing for competition**
- **Investing** in customer care, better management, better systems.
- Lack of eventual competition sends a **very different message** to these orgs.



stepping
OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

But price competition, in any form being viewed as damaging

- Fears about **cherry-picking**
- Fear about **viability of hospitals** if forced to compete on price
- Fears that price competition will be at **expense of quality**
- Fears that price competition **will prevent collaboration**
- Expect **some real constraints on price competition** in revised Lansley Bill.

Savage Chickens

by Doug Savage



stepping
OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

A more nuanced approach to competition and price?

- **Nobody** wants the Wild West
- Perhaps we need to think about competition on price **once providers reach important quality thresholds**
- Or once we **have accounted for the systems within which certain services are located** which makes them less cost-effective but essential
- **Overall need for reallocation direction** of resource to preventative and community services



stepping **OUT**

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

But we don't want Gosplan either

- NHS already blighted by **too much central planning**
- Eliminating competition on price **means other non-measurable factors determine resource-allocation** – e.g. Producer Interest, politicians, media.
- Price is a **useful tool of comparison**

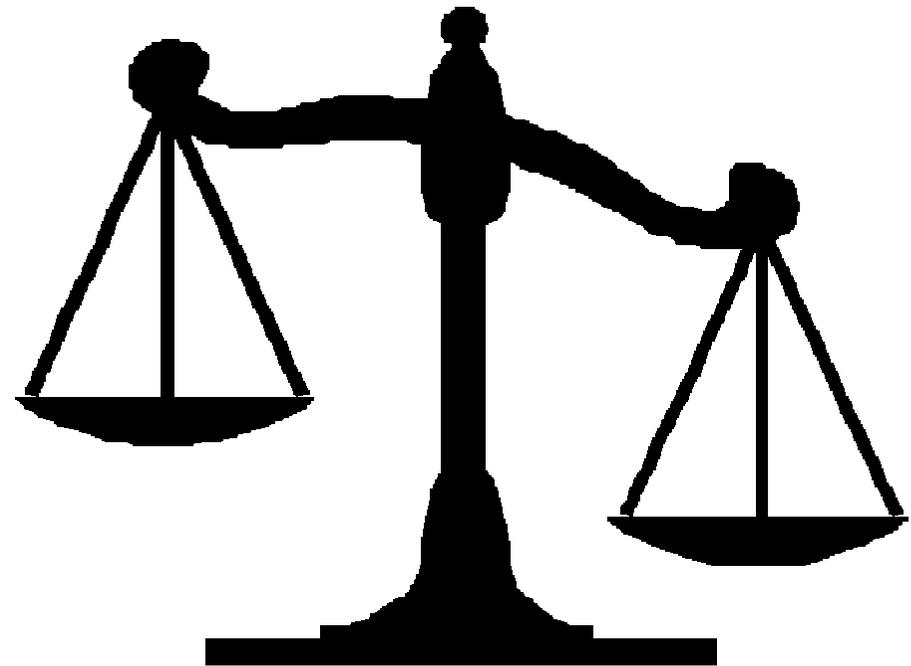


stepping **OUT**

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Why price versus quality? Why not seek quality at a better price?

- Everyone knows that **costs will go up faster than resources**.
- Without price competition, commissioners will be **making guesses about which is best VFM** even when these not explicitly part of the decision
- **So why paper over this** and ensure costs are part of the real conversation – and decision?
- We **cannot assume that the NHS or any other provider will work to keep costs down** unless doing so is part of their staying viable as organisations.
- What good is competition on quality when **highest quality is unaffordable**?
- We won't know enough about **trade-offs** if we can't make final decisions based on cost?
- Why is it right to spend **vastly more** on something that can be delivered for less?



stepping **OUT**

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

How lack of competition can damage quality – a personal example

- **Wilf is 3.5 yrs old.** He has same words as average 1 yr old. He has been on NHS list for Speech Therapy for a year. Seen once now 16 in queue.
- **One org has a monopoly** on free care – where is its motivation to do things better, faster, cheaper?
- It could well be possible to give the resource to families to **self-procure** – but we don't know whether it possible or not because this is 'privatisation' – and not considered.
- **Equity fears** that Wilf might have a theoretical advantage over another 3 year old who can't speak properly trump the main question – **how does NHS help us to help him.**
- Price competition **might** mean ST could be provided without on-costs of PCT or that more kids could get it.



Mutuals and Private Sector Collaboration

- Finally on private sector collaboration with mutuals
- Much of this is **theoretical**.
- Few examples yet e.g.Circle
- Can outcomes of these be agreed which **satisfy all parties**?
- **Big potential wins:** more capital and know-how, more growth, more innovation, poss for more balanced orgs, help prep for competition
- **Risks:** culture clash, subversion of one set of interests by other, dilution of empowerment side of mutuals by the investors.



stepping
OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Mutuals and Procurement

- My hope is that Maude's statement **will encourage more Mutuals and SE to form up and win their first contract** without great risk or difficulty
- **Early 'head-start' needed**
- I also hope that they will **not be protected from competition** on either price or quality beyond 3-5 years because this will block change



stepping
OUT

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Conclusions

- Overall – debate too binary – **there is a role for price competition**
- There is a **distinction between competition to win right to provide and competition between different current providers**
- This means even natural monopolies **can be subject to periodic competitive processes**
- Competition increases range and diversity of provision
- While mutuals might benefit from lack of early competition they **need ultimately to compete on price.**



stepping **OUT**

FROM GOOD PUBLIC SERVICE TO GREAT SOCIAL BUSINESS

Thank-you for Listening

To get in contact

Craig Dearden-Phillips MBE

Tel 0845 474 6005

Email: craig@stepping-out.biz

Web: www.stepping-out.biz

Twitter: @DeardenPhillips

