

Rt Hon Andrew Lansley CBE MP  
Secretary of State for Health  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

22 February 2011

Dear Andrew

I am writing to seek clarity on your plans to turn the NHS into a “genuine” market with price competition.

The Health and Social Care Bill introduces a maximum rather than a fixed tariff, alongside the abolition of system management and the introduction of a full-blown market under EU competition law and commercial insolvency regime. These fundamental changes are of great concern to those who care about continuing the improvements of the NHS achieved under Labour. Experts and professionals from the BMA and NHS Confederation to the King’s Fund and London School of Economics have been particularly concerned about the plan to introduce price competition given the overwhelming evidence that it would lead to a race to the bottom, fragmentation of care and the destabilisation of high quality, highly-valued local services.

I was therefore interested and encouraged by recent communications from your Department denying the intention to introduce of price competition under your reorganisation.

Sir David Nicholson, in a letter to the service on 18 February, wrote that “there is no question of introducing price competition”. His deputy, David Flory, emphasised on the same day that allowing managed flexibility on price did not mean a move to price competition: “I want to stress that this flexibility is not intended to signal a move to price competition.”

Whilst I am aware you have tried to deny the intention, it is clear that introducing price competition was part of your purpose as long ago as 2005 when you told the NHS Confederation, “It [price competition] will enable GPs, if they are budget-holders, to be able to purchase actively, including negotiating offers on quality or price that help them better to utilise their budget for their patients.” Turning the NHS into a privatised utility market seems to have been your long-standing ambition.

Simon Burns indicated your continued commitment to price competition in a full-blown market in a *Newsnight* interview on 19 January 2011, when he said: “It is going to be a genuine market. It is going to be genuine competition.” Price competition was also announced in your-

- White Paper: “Where price regulation is necessary, Monitor's role will be to set efficient prices, or maximum prices, for NHS-funded services, in order to promote fair competition and drive productivity.” (*Equity and Excellence: Liberating the NHS*, page 38)

- White Paper consultation: “Monitor will be responsible for setting efficient prices, or maximum prices, for NHS-funded services, in order to promote fair competition and drive productivity.” (*Liberating the NHS: Regulating healthcare providers*, page 16)

Crucially, it is a central element of your legislation. Clause 103 sets out: “(1) If a health care service is specified in the national tariff (as to which, see section 104), the price payable for the provision of that service for the purposes of the NHS is— (a) the price specified in the national tariff for that service, or (b) where the national tariff specifies a maximum price for that service, such price not exceeding that maximum as the commissioner and the provider may agree.”

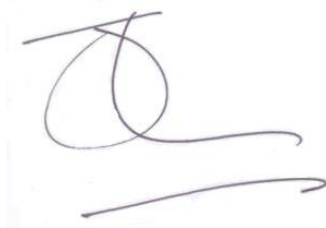
Of course, none of these plans were in your Manifesto or Coalition Agreement, but neither was the massive upheaval of the whole system.

Given the statements from your senior officials contradict your own views and legislation, you have a duty to make clear your intentions for the future market you are creating. As you know, I am committed to responsible opposition and will back Government moves that I believe will improve policy and the NHS for patients. If in the light of the chorus of criticism you have changed your mind on this matter, then clearly a change to the legislation is required and I look forward to Tory-led Coalition MPs on the front and backbenches supporting our amendments to the bill to prohibit competition on price.

I would also welcome your MPs’ support for Labour’s amendments to ensure that quality of care, integrated services and proper public accountability are put at the heart of the NHS, rather than Prime Minister’s ideological “new presumption” that markets are better than democracy and clinically-led planning.

If, on the other hand, you intend to pursue this price competition as a key part of your plan to turn the NHS into a genuine market then I suggest you inform your officials, and expect the Opposition, along with independent experts and professionals, to continue to expose and oppose the deeply damaging results this will have for NHS services.

Yours ever

A handwritten signature in blue ink, appearing to be 'John Healey', with a long horizontal flourish extending to the right.

**John Healey MP**  
Shadow Health Secretary