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Contributing Voices

## Bankrupt Hospitals in England Turn to Private Sector

Robert Royce

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One of the key downsides of market-based health care — that if your costs regularly exceed your income you go out of business — is not typically associated with the National Health Service in the U.K. That is about to change. It has just been announced that the three hospitals that constitute the South London Healthcare Trust in London, England are to be effectively declared bankrupt, the board suspended, and the organization put under a special administrator. He or she will have just 45 days to provide the Secretary of State with recommendations on what to do with an organization that provides emergency and elective services to about 750,000 Londoners but has racked up nearly \$100 million of debt in 2011–12 alone.



Why is this of interest to U.S. readers, aside from

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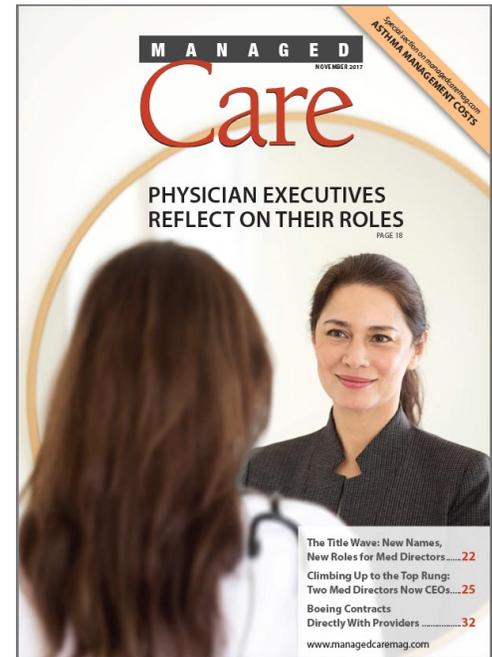
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adding to the long-running debate on the pros and cons of operating a market in health care? It is because one option is to privatize one or more of the hospitals. By privatize, I mean a whole range of options from franchising out the management to a private company to taking over the assets lock, stock, and barrel and then providing services back to the NHS.

There are plenty of other NHS hospitals/trusts in England that are in severe difficulties, so this is likely to be repeated up and down the country in fairly short order. The political fallout is likely to be considerable, coupled with howls of indignation from local populations (and hospital staff) as the new regime takes action to try to balance the books.

If any reader knows how to save large sums (SLHT's annual revenues are in the region of \$600 million, so they are spending \$7 for every \$6 they get in) without a lot of pain, that person should e-mail the Secretary of State for Health without delay! In the meantime the NHS is heading into unknown waters and commercial opportunities may well result that will be of international interest. For those brave (or foolhardy) enough to take on such troubled hospitals under a microscope of political and public scrutiny, there will be an opportunity to settle a another long running dispute: whether the private sector really is better at running hospitals than its public counterpart. Whatever the answer, I wish them luck. They will need it.

*Robert Royce, PhD, is Director of Strategy at Bark-*



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