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(Original to follow by post)

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Dear Dr. Collins-Nakai and colleagues,

We are writing this open letter to Canadian doctors as representatives from the Canadian medical profession gather at the general meeting of the Canadian Medical Association. We understand that delegates to the meeting will participate in a critical debate tomorrow about privatisation of public health care.

Those in favour of privatisation often point to Britain as an example of how the private sector can "save" public health care. We are writing, as British doctors, to share what we have learned first-hand about the dangers of private sector involvement in health care, in the hopes that our colleagues in Canada can learn from our country's mistakes and reject private care and other market-style policies.

The British National Health Service (NHS), one of the earliest and most-studied publicly funded health systems in the world, has been under increasing threat from privatisation for some time. Similar but more recent systems in other countries are now being subjected to the same pressures to privatise.

The NHS has suffered from decades of underfunding relative to other developed countries. As a result, despite its inherent efficiency (before the imposition of market-based policies, administrative costs were less than 6%), critics were able to point to long waiting lists and ageing hospitals.

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To its credit, the current government has finally recognised the underlying problem and announced that spending will rise annually until it reaches the European average by 2008. Indeed, the annual health budget is already double that of 1997. So far so good. But although there have been some improvements, mainly in elective surgery, doctors and the public are puzzled that despite the extra funding there are still shortages in other parts of the service, with hospitals having to close beds and whole units to avoid financial deficit.

The answer to this puzzle is that much of the additional money is being diverted from its proper purpose – that is, providing front-line care – by the government's other policies. Presented to the public as "modernisation," these include payment by results, Private Finance Initiatives (PFI), competing providers, and the "patient choice" agenda.

Firstly, the money is going into private profit. Short-term improvements in easily counted and politically important areas like waiting lists are being achieved by expensive deals with the private sector. These include not only using spare capacity in existing private facilities, but now the establishment of "independent sector treatment centres" (ISTCs), often owned and staffed by foreign commercial concerns.

These ISTCs are offered long-term contracts with guaranteed income – at costs up to 40% higher than the NHS. They "cherry pick" the simple cases and have little responsibility for complications or followup. Their clinical governance arrangements are currently unclear and there are already concerns about the quality of care in ISTCs.

The removal of much elective surgery from the NHS is putting training in some specialities at risk. Because fewer of the low-risk cases are being seen in NHS hospitals, young surgeons are no longer getting the training they need. In addition, the concentration on short-term episodic care is diverting attention and funds from the majority of patients, whose needs are for the longer-term management of chronic disease or disability.

The concept was initially "sold" as a short-term measure to tackle the backlog until the NHS was able to take on all its commitments but it is now clear that the government intends the growing private sector to remain and compete with the publicly provided NHS, frequently on an unfair basis. The resulting "contestability" is seen by the government as producing a "creative discomfort" which will improve the service. There is no evidence to support this assumption. There is, however, mounting evidence of the problems it is causing. Yet, the government has said that it is quite prepared to see units and even entire hospitals close under the new competitive regime.

We believe that you have already experienced PFI (known in Canada as P3s or public private partnerships) for hospital construction. This is another example of governments choosing quick, politically useful results without concern for the long-term consequences. Inevitably PFI hospitals are more expensive, as borrowing is at a higher rate and there has to be profit for the shareholders. As a result, our first hospitals were too small. Now, although PFI hospitals must be at least as large as those they replace, many defects are appearing and the repayments – the first charge on the hospital's budget – are causing financial problems. It is difficult to find anyone in the UK now prepared to support PFI except those in government and those set to profit from it.

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Secondly, both financial resources and staff time are being wasted on the bureaucracy inherent in trying to run a competitive market system. The Conservative government introduced "competition" in the early 1990s, and as a result administrative costs doubled. The key feature was the splitting of the service into "purchasers" and "providers." While in opposition, the Labour Party opposed the market and PFI. But after gaining power in 1997, they retained both PFI and the artificial separation in which one part of the service (the "purchaser") has to buy services from the other (the "provider") which markets and sells them. This purchaser/provider split is the absolutely crucial factor. Without it a market cannot operate, but with it, the service is wide open to privatisation, as we are now seeing.

The hospital service, split into separate semi-independent "Trusts" with boards of directors under the Conservatives, is now to be even more autonomous, as "Foundation Trusts" enter the market with the power to borrow money and sell assets. To repay money borrowed, they will need to attract patients from outside their normal area. As all hospitals are scheduled to become Foundations within the next few years, there will be a very unstable competitive situation with the government accepting that some hospitals may be forced to close. Foundation Trusts will no longer be responsible to Parliament but to an independent regulator – interestingly, exactly the system which governs our now-privatised railways, telephone, gas, electricity and water industries.

"Payment by results" means that every item of treatment will be marketed, sold and billed for. The public sector will find it hard to compete with the private sector on this basis as the latter does not have to provide expensive emergency and intensive care. The private sector is also not responsible for teaching and training, the costs of which have not been factored into the tariffs.

The government rhetoric is that we must have a diversity of providers, which it justifies as promoting choice. But the public has demonstrated that its first priority is a good local hospital, without the need to "shop around." It is the system of local hospitals that is now in jeopardy.

This is indeed privatisation – in fact if not yet in name – although some have suggested that commercialisation is a better description, as even those parts which remain in the public sector are being forced to act like commercial enterprises. These reforms are driven by ideology and there is as yet no evidence that a competitive market improves outcomes in health care.

There is much more we could say. It is important to insist that any new and controversial system is piloted and independently evaluated before, rather than after, its general introduction and that the longer-term effects are fully considered.

Beware the recurrent reorganisations which we have suffered over the years, which have damaged the morale of both clinicians and managers whilst totally bewildering patients and harming care. The most cost-effective system is the simplest – an organisation with a budget to provide services for the people of its area and democratically accountable to them.

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In closing, do not be persuaded that any improvements in the NHS are due to the government reforms. The reality is that vastly increased expenditure has produced only modest results precisely because of privatisation and commercialisation's negative effects.

We welcome any opportunity to further share our experiences and research with you, and hope this letter can initiate a meaningful dialogue and exchange about these critical issues.

Yours sincerely,

(Original signed by)

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