Underfunding, re-disorganisation and privatisation will not save the NHS – time for Labour to rethink

In its manifesto, the Government promised to recover services and 'transform' the NHS to make it 'fit for the future'. A 10-year plan (to be informed by Lord Darzi's report) is under preparation to tell us how this could be achieved, including shifts in services towards more community-based care, prevention of ill health and use of digital technology. Labour now claims to be making progress with restoring the NHS, yet after almost one year in office, improvements to date suggest much more needs to be done. Furthermore, a far-reaching reorganisation including the abolition of NHS England is being carried out in advance of the 10-year plan even being published. There is little so far to reassure the public that Labour has a grip on the crisis in health care, and some are speculating that the 10-year plan when eventually it does appear will ignore the system failures requiring urgent attention.

Structural reorganisation without assessment of risk and impact

Pre-election, Wes Streeting declared he had 'absolutely no intention of wasting time with a big costly reorganisation of the NHS'. The Darzi report warned that the 2012 Lansley reforms were 'a calamity without international precedent' not least because of the loss of experienced managers that negatively impacted on NHS performance. Darzi also pointed out that organisational change is often distracting, results in the loss of experienced leaders, takes time and attention away from work that directly impacts on patients and the public, and may have unanticipated consequences. Surprising then that the abolition of NHSE England was announced in March 2025 followed by a 50% cut to Integrated Care Board operational costs and advice that Trusts must shed jobs. A failure to assess the impact of so many management posts being axed raises further huge concerns with regard to the government's stewardship of the NHS. Recommendation 286 in the Robert Francis inquiry into Mid Staffordshire actually stipulates that an Impact assessment must be conducted prior to making structural changes. Labour should explain why it has disregarded this together with the clear warnings given by Lord Darzi, while embarking on major reorganisation in advance of presenting its 10-year plan. The staff reductions now being planned by trusts can be expected to have a further negative impact on services, just as NHS England has instructed all Integrated Care Boards to slow down any expansion of elective care services.

Positive gains to date are modest and far from transformational

Any progress with NHS performance is being talked up by NHS England, with at least one sympathetic commentator claiming nothing less than a 'remarkable turnaround'. Writing in the Lowdown, John Lister recently put Labour's achievements in context. While it is positive that the waiting list has fallen by almost 148,000 (2%) over a year, if this rate is maintained and not improved upon, it would take almost 34 years to get numbers back down to 2.5 million. Meanwhile, efforts directed at tackling waiting lists run the risk of reducing patient safety. Some reported improvements relate to actions taken by the last government rather than the present one. For example, the number of people waiting more than 18 weeks for treatment has been falling since it peaked in Decemebr 2023.

Improvement in time from referral to diagnosis of cancer is welcome, but this is only up by 2.1% comparing February 2024 and 2025. Urgent referral to first treatment time for cancer shows little change and was achieved within the NHS operational target for only around 67% of patients rather than the desired 85%. A&E waits of over 4 hours in core emergency departments decreased only marginally, while numbers of patients waiting over 12 hours (>60,000 a month) increased. Data from the Royal College of Emergency Medicine shows that this is likely to have contributed to 16,600

deaths over a year, up 20% from 2023. This shocking figure from the acute sector seems to be off the radar for government yet speaks volumes to the enormous pressures in the service both from lack of beds and difficulty discharging patients in the absence of community and social care support.

Social care reform put on hold

Tackling what is perceived as the 'politically difficult' issue of social care reform has been deferred for the duration of Labour's first term in office, with an independent review chaired by cross bench peer Louise Casey only due to report in 2028. Meanwhile, there is a mounting cost not only to individuals denied care, but also to the economy as a whole – an issue highlighted recently by the health and social care select committee. Further damage to a sector struggling to fill staff vacancies can be expected from Labour's immigration reforms. Social care providers will no longer be able to recruit staff from abroad via the health and care worker visa. This situation was described by the Chief Executive of Care England (representing adult social care) as "a crushing blow to an already fragile sector. The Government is kicking us while we're already down".

While the immigration changes are directed mainly at social care, there is also likely to be a negative impact on the NHS. General Secretary of the Royal College of Nursing, Prof. Nicola Ranger, said that the proposed immigration measures could 'accelerate an exodus of migrant staff'. Nurses, particularly those from overseas, are increasingly leaving the NHS due to a combination of factors, including immigration policies, low wages, and a hostile work environment. A recent survey of 3,000 migrant nursing staff showed that 42% were already planning to leave the UK. On top of the changes to immigration rules, the drastic cuts to disability benefits will also pile pressure on both the NHS and social care, bringing them an estimated £1.2bn additional costs.

Labour's obsession with use of the private sector

Alan Milburn's *Concordat with the Private and Voluntary Health Care Provider Sector* in 2000 established a policy framework committing the NHS and private sector to work together. It was claimed that this would deliver high quality care for patients and value for money for taxpayers, although this did not turn out to be the case. Despite this experience, Labour still insists on seeing the private sector as a valued partner with shared objectives, a view reiterated in the recent elective recovery partnership agreement. Mark Thomas of the 99% Organisation (and coming from a business background) points out that there are real problems with this approach. Businesses, unlike the NHS, would never hand over core services to key competitors, just as they would never be frank and open about their strategic aims with regard to being 'partners'. Investing in the NHS offers economies of scale, while required profit margins and sales and marketing costs for the private sector divert resources from patients. Importantly, there is an inevitable and damaging tension between a company's legal duty to maximise shareholder value and the objectives of the NHS to maximise the health of the population.

Hidden costs of outsourcing

Some recent striking examples show how using the private sector to 'help' (based on the deeply flawed 'spare capacity' justifcation), has had a damaging effect on the NHS. The Centre for Health and the Public Interest (CHPI) has continued to put NHS funding of cataract surgery in the private sector under the spotlight. The estimated amount of profit from NHS contracts leaking out to five private eye care companies in 2023/24 was £169 million. The profit margin for these companies was a staggering 32%, and out of the £536 million paid to them by the NHS in 2023/24, £68 million was used to pay interest on the high-cost loans taken out by the private equity investors to purchase these companies.

CHPI has previously demonstrated how cataract surgery contracts have distorted clinical priorities, summed up as 'very mild cataracts getting surgery at the expense of other patients going blind'. This has left NHS eye care departments as a 'poor service for poor people' while significantly undermining the training of the ophthalmology workforce. CHPI has also highlighted major conflicts of interest with over 100 NHS ophthalmic consultants owning shares or equipment in the private clinics in which which they provide NHS funded cataract care. The Royal College of Ophthalmologists has called for reform of commissioning to ensure that private sector capacity supports rather than damages sustainable NHS ophthalmology services.

A recent paper by Graham Kirkwood and Allyson Pollock also raised major questions about the benefit of NHS contracting out of elective orthopaedic surgery. The authors studied NHS funded hip and knee replacements from 1997-2023. When few patients were treated in the private sector (2003-2008), NHS admissions increased and waiting times halved. Following expansion of private providers, NHS admission rates fell and waiting times rose for all patients. Those from a more affluent background (with both fewer comorbidities and access barriers) were more likely to be admitted to NHS funded private providers and experience a shorter waiting period. The authors concluded that introduction of private providers into the NHS is associated with a contraction of in-house NHS provision, increased waiting times for all patients and a two-tier system operating in favour of the wealthy while leaving the poor behind. This exacerbates health inequalities which the NHS has a statutory obligation to reduce. They recommended much more critical scrutiny of the costs of outsourcing and its impact on NHS services.

Far from the private sector helping by adding additional capacity, contracting out may reduce overall activity and undermine NHS services. This is entirely plausible given that NHS surgeons and anaesthetists operating in the private sector have less time to work in the NHS. In addition, the private sector with its limited facilities and focus on rapid throughput cherry picks the less complex patients, leaving those needing more time and resources to the public sector. The Nuffield Trust has also warned that Government plans to speed up access to elective surgery will favour the wealthiest people in UK society, who are already over-represented in elective activity.

Further moves towards privatisation

Sir Jim Mackey, interim director of NHS England has announced two measures that herald a further tilt towards the private sector. Firstly, and contrary to the Labour manifesto commitment to roll back outsourcing, he has called for Trusts to outsource their facilities staff through wholly owned subsidiaries (SubCo) in order to reduce costs. In the past, SubCo have reduced costs through driving down staff terms and conditions, and avoiding the payment of VAT. However, Mackey has said he thinks all staff in SubCo should be maintained on NHS pay and pensions arrangements, while the treasury is actively looking to close the VAT loophole. Given this, it looks as if promoting SubCo may not be related to the prospect of immediate cost savings, but to them being able to dispose of NHS assets and raise capital. Wes Streeting has already made it clear that he is sympathetic to private capital being brought into the NHS, raising the possibility of a return to costly Private Finance Initiative deals.

Secondly, Mackey has stated that he supports the concept of Accountable Care Organisations (ACO). Long established in the USA and designed to reduce health care spending, an ACO is an organisation with responsibility for providing or subcontracting all the care required for a defined group of people, such as those living in a particular area. Although Sir Jim did not define what an ACO would look like in the NHS, a large Foundation Trust might be designated as such, with responsibility for all the healthcare in a city. Subjected to a Judicial Review backed by Doctors for the NHS, Keep Our NHS

Public and others, moves in 2017 to set up such bodies were stalled. However, the recent elective recovery agreement insists that private providers are an important part of NHS systems and 'should be involved in planning local services'. To raise the spectre of ACOs once again at a time of massive financial pressures (£6.6bn deficit), restructuring and merging of ICBs, raises the possibility that a large private health care company might be designated as an ACO to commission care and reduce costs by restricting services; it is already clear that major cuts to services are on the way.

We need our leaders to adopt a different vision for the NHS

The government currently shows some indication of moving towards reversing damaging decisions on winter fuel payments and the two child benefit cap. If this does happen, it will be because of intense lobbying from MPs under pressure from constituents. Similar pressure must be applied in relation to the NHS. Underfunding has to be addressed in order to rebuild services and prevent the economy from being further undermined. Given a cumulative underspend of £423 billion since 2009/10, the £26bn allocated in the last budget over two years should be recognised as wholly inadequate rather than signifying Labour's commitment to rebuilding the NHS as a public service. As Darzi pointedly remarked: 'it is not a question of whether we can afford the NHS. Rather, we cannot afford not to have the NHS'.

This will require that the Treasury abandon its arbitrary and absurd 'ironclad' fiscal rules and recognise the need for investment in the future of the country and its public services for meaningful growth to occur. The logic of such an approach is illustrated by the recent report on the outcomes of setting up Sure Start centres which generated £2 financial benefits for every £1 in costs. Myths around health and care services must be dispelled, for example that they represent a cost rather than an asset, that they are unaffordable, that privatisation brings efficiency and private providers are there to help the NHS, and that public health is solely about personal choice. There is a long way to go to restore services, but we should not forget that only ten years ago the NHS was rated as the best health care system among advanced countries. By no means has all yet been lost - the fightback must continue and be intensified.