

NHS trusts with largest deficits are least able to end costly private sector deals

August 11 2015

NHS trusts under the most serious financial pressures are the least likely to be able to terminate expensive private sector deals, warns an expert in *The BMJ* this week.

Mark Hellowell, a senior lecturer at the University of Edinburgh, says dealing with the problem of PFI payments "is likely to need a coordinated response from central government to ensure that trusts are reimbursed for their related costs."

He describes how, in 2013, Northumbria Healthcare NHS Foundation Trust borrowed £114m from the local council to pay off private contractors who built and ran Hexham General Hospital, saving £14.3m over 25 years.

Other NHS bodies are likely to want to replicate such an approach to easing their [financial pressures](#), but how feasible is this, asks the author?

He points to a number of potential obstacles for trusts that would like to follow this example.

Firstly, only a small number of foundation trusts have the finances to fund the large amounts required to terminate a PFI deal, he explains. Thus, trusts with the largest deficits, for whom the savings associated with termination are most important, are the least able to pursue this option.

Secondly, the Hexham termination was possible only because of a local county council's willingness and ability to provide a loan. Given the tight financial constraints faced by local authorities in the coming years, few trusts are likely to have this option, he warns.

Thirdly, the termination fee may be so high that any savings would be negligible or even non-existent. For some trusts, he says, securing financing on such a scale may not be financially feasible.

If contract termination is not the answer to ending the financial pressures created by PFI schemes, then what is? He believes the simplest and most effective response is to adjust the payments made to trusts by commissioners to ensure that they are adequately compensated for their costs, including capital costs.

He points out that private finance has been the only option for new hospitals since 1994. And while he acknowledges that mistakes were made by individual trusts in the commissioning of large scale PFI projects, "most of them had no choice but to use PFI for what were widely recognised as non-discretionary investments."

In this context, he concludes that "failing to reimburse trusts for their capital costs seems inequitable, and in an era of unprecedented spending controls this has the potential to compromise patient care."

More information: Borrowing to save: can NHS bodies ease financial pressures by terminating PFI contracts? The *BMJ*.

www.bmj.com/cgi/doi/10.1136/bmj.h4030

Provided by British Medical Journal

Citation: NHS trusts with largest deficits are least able to end costly private sector deals (2015, August 11) retrieved 27 April 2024 from <https://medicalxpress.com/news/2015-08-nhs-largest-deficits-costly-private.html>

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