

# PFI Hospital Mayhem

A hospital foundation trust with massive PFI debts is looking for private bidders to take over its management. The Peterborough and Stamford trust's decision highlights the shaky state of many hospitals' finances, particularly where the Private Finance Initiative is hoovering up funds.

Peterborough and Stamford is the first foundation trust to seek rescue by private management. Foundation trust status is supposedly only possessed by hospitals with sound finances.

The only NHS hospital so far under private management is non-foundation Hinchingsbrooke, now being run by Circle. A campaign by trade unions and the local community recently helped see off plans for the George Eliot Hospital in Nuneaton to be run by a similar "franchised" management.

The George Eliot Trust abandoned its tendering competition for new management after achieving improved clinical and financial results with the help of another NHS hospital.

Circle's failure over two years to bring Hinchingsbrooke Hospital into profit had appeared to weaken the case for franchising and privatisation to rescue hospitals. Both the National Audit Office and the Commons Public Accounts Committee have issued critical reports on the Hinchingsbrooke deal.

Peterborough and Stamford's resuscitation of the franchising model is a desperate response to the scale of its problems. It pays £42 million a year to service its PFI debts, with the help of a special subsidy from the Department of Health. The Financial Times reports that over 33 years of the trust's PFI, Peterborough and Stamford will end up paying the private sector £2 billion for a new hospital at Peterborough worth £289 million.

Peterborough and Stamford has not ruled out mergers or arrangements with other NHS or private hospitals as an alternative to franchising its management.

## Hospitals in the red

With the financial position of NHS hospitals in England worsening, 65 out of 246 trusts recorded losses in the financial year just ended. Hospitals are in the front line of NHS England's imposition of £30 billion cuts by 2020. Payment per hospital patient is being reduced year by year and local clinical commissioners are planning to send fewer people for hospital treatment, potentially negating economies of scale. Within the shrinking NHS real-terms budget, resources are being switched to community care in the hope that this will staunch the increasing demand for hospital treatment.

Where hospitals have expensive PFI debts the day-to-day financial difficulties can become dramatically worse. Hinchingsbrooke has a PFI. So also does Barts Hospital in East London which is cutting services in order to manage a £50 million annual loss. In the same PFI boat, North Staffordshire University Hospital in Stoke-on-Trent had losses of around £28 million over the last year. Services at the troubled Stafford Hospital are being moved to North Staffs

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in the cause of greater clinical safety, but its rescuer's own difficulties are also driving the reconfiguration.

Cuts, mergers and reorganisations are being used to salvage the finances of hospitals. Health Secretary Jeremy Hunt forced through clause 119 of the recent Care Bill to give him the power to shut down viable hospital services to bail out struggling hospitals nearby. The clause cancels the legal precedent achieved in court by campaigners successfully opposing a reduction in services at Lewisham Hospital.

Lewisham was being told to sacrifice services as part of a salvage scheme for the South London Healthcare Trust, yet another casualty of PFI. Through Private Finance Initiatives, the private sector turns out to be problem rather than solution for the NHS.