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# Are we heading for a two tier healthcare system in the UK?

## Unlikely, because of limited capacity in the private sector

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Extrapolation from a recent poll suggests that about 16 million adults in the UK found it difficult to access healthcare services during the pandemic, and of these, one in eight opted to access private healthcare.<sup>1</sup> This could create the conditions for a two tier system, whereby those with the means to pay have access to healthcare more quickly than those who don't. This would jeopardise the high levels of support the NHS has enjoyed since its establishment and have serious implications for equity in access to healthcare services.

Compared with other countries, the UK has always had a smaller proportion of privately funded healthcare, accounting for 21.5% of total healthcare expenditure in 2019 compared with an average of 26% for countries in the Organisation for Economic Cooperation and Development.<sup>2,3</sup> This is because the NHS is a universal healthcare system giving citizens access to comprehensive healthcare services based on clinical need and not ability to pay.

About 7% of the population have private medical insurance.<sup>4</sup> Policies are mostly sponsored by employers and can be used to access certain specialist services. The number of private insurance policies peaked in 2008 at 4.4 million, but this has since declined to just under four million.<sup>5</sup> Even with this decline, claims on insurance policies still generate around half of total revenues for private hospitals.<sup>6</sup>

A further 20% of revenue comes from people paying for private healthcare out of their own pocket. Before the pandemic, the self-pay private healthcare market grew by about 7% a year between 2010 and 2019.<sup>7</sup> The remainder of revenue for the private healthcare sector comes from NHS funded patients, who accounted for about 30% of private hospitals' income in 2019.<sup>6</sup> Total revenue in the private healthcare sector actually decreased in real terms by 0.5% and 2.1% in 2018 and 2017, respectively, followed by a 3% increase in 2019.<sup>6</sup>

Over the next decade, the biggest challenge for the NHS is tackling the massive increase in the backlog of elective care that has developed during the pandemic. By December 2021, over six million people were waiting for treatment in England alone, two million more than before the pandemic.<sup>8</sup> Some fear these challenges could accelerate expansion of the self-pay private healthcare market and risk a two tier healthcare system as wealthier people seek to circumvent NHS waiting lists.

### Limited capacity

However, this may be realistic only in London and southeast England, where coverage by private medical insurance is already heavily saturated and unlikely to expand further. These two regions account

for just under half of all spending on medical insurance in the UK.<sup>9</sup> Forty eight of 190 private hospitals in the UK are in the greater London area.<sup>6,10</sup> They generate just under half of all revenue from privately funded patients nationally.<sup>10</sup> This is because most private hospitals outside London offer only high volume, low complexity procedures such as hernia and cataract operations,<sup>11</sup> whereas several hospitals in London have the facilities to provide more complex and expensive healthcare services. For most people living in other parts of the UK, the NHS is the only option for most complex types of care.

In reality, the private healthcare sector is facing many similar challenges to the NHS when it comes to increasing capacity, including covid-19 infection control protocols that limit the efficiency of theatres and loss of workforce because of staff sickness and self-isolation. They also share the same workforce as NHS hospitals and are recruiting from the same limited supply of healthcare staff—the UK has fewer doctors and nurses per head of population than most other high income countries.<sup>12</sup> Therefore it is not surprising that data from the Private Healthcare Information Network show that in the first half of 2021 the number of private hospital stays—whether funded publicly (233 000) or privately (310 000)—had not yet fully recovered to pre-pandemic levels.<sup>13</sup>

The potential for a two tier healthcare system has caused tension since the establishment of the NHS. Given the stagnation of the private insurance market and limited scope for more patients to self-fund because of rising living costs, a substantial shift towards a two tier system is unlikely over the next few years.

Instructive parallels can be drawn between what's happening in the NHS now and what happened two decades ago. In the early 2000s, it was not uncommon for patients to wait over a year for specialist treatment after referral from a general practitioner,<sup>14</sup> and the proportion of healthcare expenditure that was privately funded (25%) was even higher than it is now.<sup>2</sup> Substantial investment in the NHS slowly reduced waiting times over the subsequent decade. NHS England recently launched a similarly ambitious strategy to cut waiting lists to pre-pandemic levels within three years.<sup>15</sup> Now, however, lack of a properly funded long term workforce plan to deliver the healthcare staff required is a glaring omission that could slow or even derail the recovery.

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