

# What price consultants?

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RCOG Conference  
presentation 10.03.04

# The nature of the UK healthcare market

- Monopsonistic
- Segmented
- Asymmetric



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# Monopsonistic

- The NHS is a near monopoly employer of consultants
- The private sector is dominated by a small number of PMI carriers and hospital groups



# Segmented

- The NHS offers universal (though not comprehensive) health care to the whole population
- The private sector provides alternative and complementary health care to around 12% of the population distinguished largely by occupation or resources
- NHS treatment is consultant-led, private treatment is consultant-based



# Private practice as a marginal activity

- 30% of consultants do none
- 20% of consultants gross less than £10,000
- Implications for fixed costs



# The public sector discount

- The analogy of the legally-aided bar
- Principals versus junior staff



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# Asymmetric

- Consumers (patients) have little knowledge
- GPs and insurers act as agents

# What effects do these imperfections have on pay?

- There is a wide difference between rewards in the two sectors but:
- NHS consultant incomes are 60% lower now than they were in 1980 relative to other earners (NES and Wanless)
- Real private fees are lower than a decade ago (NERA)





# What should this tell us?

- The greater the degree of monopsony the lower the rewards
- The more segmented the market, the more disparate the rewards
- The more asymmetric the market the greater the rewards

# The NERA research

- The role of health insurance in comparator countries
  - Australia
  - Germany
  - Canada
- Cost pressures