

The #NHS reform we need is to take the market right out...

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I've been tweeting a fair amount on the NHS this weekend. I've hardly been alone! The issue of NHS reform is now firmly back on the table - but certainly not in the way the government wants.

No one denies the NHS needs reform. Not because, I hasten to add, of the reasons the government gives. The NHS crisis is not an ageing population or healthcare inflation: those are things we have to afford come what may. The NHS crisis is that for over twenty years now politicians of all hues - and I make no exception for Labour here, some of whose Secretaries of State were disasters (starting with Milburn but with Reid running a close second) - have believed markets were the answer for the NHS. They've all been wrong. Markets cannot ever be the answer for the NHS, as I explain in the *Courageous State*, where I say:

There are, without doubt, certain conditions that must exist before any market can operate, even imperfectly. The first condition is that there have to be willing buyers for the products. Without such buyers there is no chance of selling products, let alone at a profit. Second, if abuse is to be avoided as a result of monopoly profits being made there has to be competition in the marketplace. If there were, for example, to be only one commercial supplier of an essential service, such as healthcare, then the opportunity for price abuse would be enormous. This is especially true when purchases of healthcare frequently arise in situations of high stress when the opportunity for finding an alternative supplier is limited (or to put it another way, the purchaser is almost invariably at a disadvantage to the supplier at the point when they must buy because they are in pain and far from being able to make an objective decision). Only competition and informed decision-making can, to some extent, limit that opportunity for abuse of the consumer and even then only if what is called oligopolistic behaviour can be avoided.

Oligopolistic behaviour happens when there are just a limited number of suppliers in the market and they can, whether explicitly or otherwise, cooperate to ensure that they can collectively earn monopoly profits that are exploitative. Precisely because informed decision-making on issues such as healthcare or pensions (for example) is very hard to

achieve the private supply of these services will always be open to considerable abuse, as the failings of pension privatisation have already proved.

But even if competition could help when informed decision-making was possible it is also true that competition also has a downside. This downside is that, by definition, competition requires that there is excess capacity in a market. There can be no such thing as effective competition if every single supplier in a market is operating at full capacity: in that case, there is no opportunity for choice (whether informed or otherwise) on the part of the consumer. That consumer is left, if all suppliers are operating at full capacity, having to take whatever opportunity might be available to them at the supplier's convenience, and at the supplier's price. However, this means that to be effective competition is dependent upon all market participants always working at less than full capacity, which means that competitive markets must always (whatever the theoreticians may say) be inherently inefficient in practice because all participants in the market must be underutilising the resources that are available to them if the consumer is to get the choice that they desire.

In other words, because we cannot afford duplication in health care and because we are bound therefore at the very least to have oligopolistic suppliers however health care is organised if we have a market for it and because consumers of health care (who I much prefer to call patients) will rarely make informed decisions so called health care markets are bound, inevitably, to deliver sub-optimal outcomes.

In which case we're better off kicking any pretence at market supply out of the NHS and instead organising it to ensure best quality health care is supplied.

That requires wide regional coordination covering all of health and social care under one management for a large population. How large? Probably 2 million or so to allow several hospitals with non-competing areas of expertise, widespread dissemination of best practice and as far as possible elimination of post code lotteries and variances between local authorities - who would none the less need to be well represented in the process alongside medics from across the NHS and not just GPs.

And if the focus is on care and cost is reduced by cutting out the vast amount of wasteful trading for internal costs which has inflated NHS admin ridiculously then we have the basis for a viable, coordinated, health care system that works from cradle to grave, from place to place and from need to need.

That's what Labour has to demand now. But it too has to drop its fixation with markets to deliver this. Because only then can we afford what we want.