

Let's be clear about what Lord Carter is saying: the NH...

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The [Observer has reported that](#):

Inefficient hospitals [are] 'wasting hundreds of millions of pounds each year'

and

Labour peer Lord Carter [is] to list poor NHS spending decisions, on items from gloves and pills to prosthetic hips

The aim is, apparently to save up to £400 million for the NHS by making more effective buying decisions that will reduce the product range used by NHS hospitals from more than 500,000 items to just 10,000.

Three thoughts follow. The first is that it is very obvious that Lord Carter is saying that splitting the NHS into hundreds of trusts each making their own buying decisions is hopelessly inefficient, as was always obvious.

Second, he is saying that if you create an inefficient system where cooperation is not allowed because that is contrary to the dogmatically imposed idea that competition produces optimal outcomes you will end up with excess cost.

And third, he is saying that imposing centralisation on the system could save a great deal, as I argued on this blog only last week.

But he may also be wrong in one respect: 10,000 product lines may be too few. Today's optimal supplier quickly ceases to be so if you make them sole supplier. That would remove competition where it is needed, amongst suppliers. And that would be daft, to be kind.

And there is a final point to note: the savings found total £400 million. Jeremy Hunt is requiring the NHS to find £22 billion of efficiency savings over the next five years. Only £21.6 billion to go.