J Haem Pract 2015; 2(1): 16-18. doi: 10.17225/jhp.00045

IN PERSPECTIVE

History illustrates the danger that privatisation poses to haemophilia

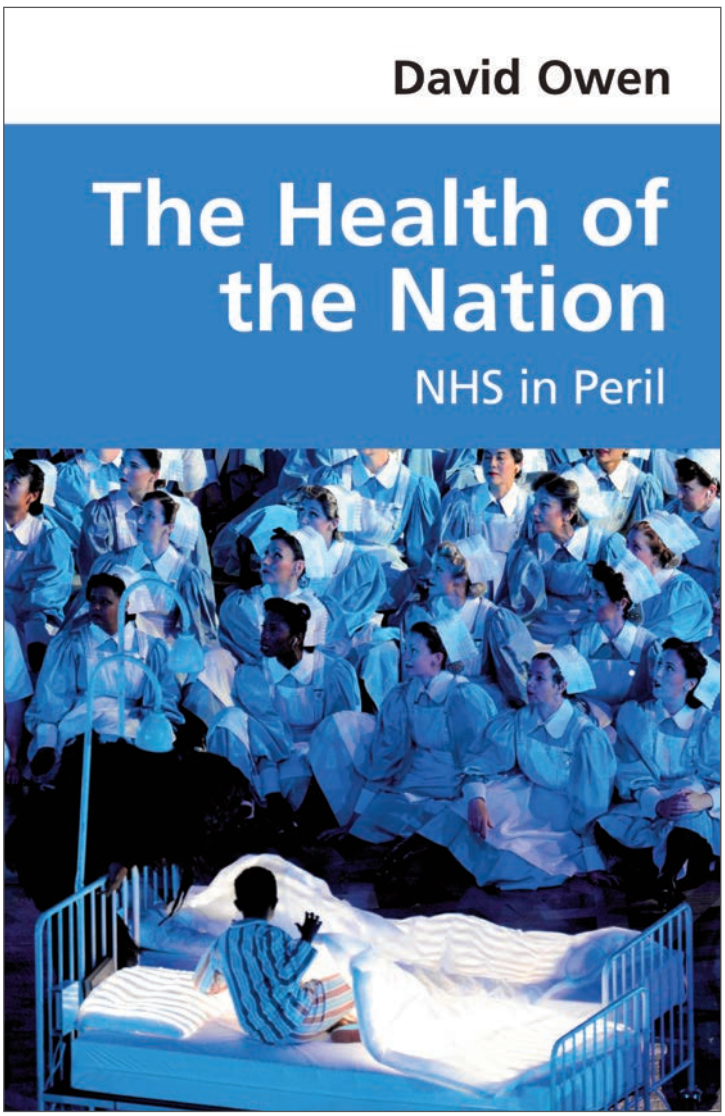
David Owen

David Owen was Labour Health Minister 1974-76 and now sits as an independent social democrat in the House of Lords. Before entering Parliament he trained as a medical doctor at St Thomas's Hospital, London, where he was Clinical Neurologist and Psychiatric Registrar. He has championed the NHS throughout its existence and is now a powerful advocate for its reinstatement to its original purpose. In this extract from his 2014 book The Health of the Nation, NHS in Peril, David Owen sets out the consequences of the 2012 Health and Social Care Act for the haemophilia community.

Key words: haemophilia, contaminated blood

There is much confusion in the debate over competition about the precise meaning of the term 'privatisation' in the context of the NHS. The main thrust of the Health and Social Care Act 2012 was for marketisation and commercialisation of the NHS, and Michael Gove claimed after he became Chief Whip that no privatisations had taken place. There was, however, one unequivocal and deplorable act of privatisation brought in by the coalition government, namely the sale of PRUK Ltd to the US private equity company Bain & Company, in which former presidential candidate Mitt Romney has been heavily involved for many years. It is now under foreign commercial majority control with the British government retaining only 20 per cent of its shares. This privatisation is unlikely to be the last, however, if the Conservatives continue in government after the next general election. When advertising for a new chair for NHS Blood and Transplant (NHSBT), for example, it was made clear that candidates should have privatisation experience. So not only is Gove's categorical denial on behalf of the government that they have never privatised any part of the NHS wrong, even on the Conservative definition of having to sell the asset, they have established a clear-cut precedent for further privatisation. When contract renewals come up there can be no doubt that existing contractors will come forward with proposals for a change of ownership, no doubt claiming that in the process they will keep the NHS logo.

PRUK Ltd was a Department of Health-owned company that held two separate but related subsidiary companies – Bio Products Laboratory (BPL) and an American company, DCI Biologicals Inc., bought by the Labour government in 2002. Together they formed a supply chain for the production and supply of plasma-based medical treatments. The privatisation went ahead despite vigorous protests that this was counter to the best interests of the NHS, proven by past experience with the supply of contaminated blood products to NHS patients.



Since the emergence of new variant Creutzfeldt-Jakob disease (nvCJD) in the UK, it has been a sensible public health policy of successive governments not to use UK plasma. A return to using UK plasma is theoretically possible in the next couple of years and having ownership of a US company could have been a way of creating and investing in the best technology so as to put this into

David Owen. The Health of the Nation. NHS in Peril. Methuen, 2014, extract from pp 127-135.

action in the UK when it again became feasible, relying on UK voluntary blood transfusion donors. But that is not the policy chosen and the reason was a narrow interpretation of NHS interests based on saving necessary short-term investment. BPL was formally transferred from NHSBT to a limited company, Bio Products Laboratory Limited, in 2010 to come within the PRUK 'group' and thereby under the same umbrella organisation as DCI Biologicals.

BPL has had Department of Health funding (through NHSBT) to remain solvent; from 2003 until its transfer in December 2010 it made a cumulative loss of more than £100 million and required over £95 million cash support from the Department of Health. A further cash injection to support the business of £58 million was given at the time of transfer, but there was insufficient investment.

The price of the sale of PRUK, quite apart from the damage to health policy, raises serious questions. The UK taxpayer spent £540 million in 2002 to establish the company. It was offered for sale at a suggested £200 million, £90 million now and up to £110 million payable after five years. That second payment may never be made, for its payment is contingent upon profitability over the next few years measured by post-tax profits. The UK government retained a 20 per cent share in the company and will make some capital gain when sold, but there is no guarantee of a UK presence in the ownership of the company into the future.

For tax efficiency reasons, private equity firms usually extract their profits not as dividends after tax, but as interest payments on long-term debt. The interest is tax deductible, and will be high enough to wipe out profits so as to minimise tax liability. PRUK appears to be structured in this way, for while its sales have soared since it was carved out from NHSBT in 2010, its audited accounts continue to record small losses rather than post-tax profits and its debt obligations are recorded but not in enough detail to understand.

On the face of it, therefore, Bain has bought PRUK for less than one sixth of its worth based on the money put in. In fact the US plasma source should have been worth far more than the initial £540 million, since the plasma trade has seen high growth since 2002. It also appears that more taxpayer funds may have been put in since PRUK was carved out into a blood products company. Bain will almost certainly wait five years to avoid second payments, during which it will build up the company with one objective: fattening it for a future sale. That is what private equity companies do, which is why I argued against health investment on the advisory board of Terra Firma.

Examination of the company's US products shows already the sort of short-termism one would expect. Also concerns have developed that DCI Biologicals Inc. as a commercial plasma supplier performs to market standards; these standards are low and its planned transformation into a high-grade source has yet to be and may never be undertaken.

DCI owns a series of harvesting stations in low-income US towns which buy plasma at market price: a base donation of $15 (with small bonuses for repeat donations, to a total of $200–$300 per month for eight donations) for an invasive procedure that takes between two and four hours excluding the frequently lengthy wait to be harvested. At these prices and in these circumstances only the desperate and derelict contribute to the supply: desirable donors do not frequent the areas where these collection stations are located and have better sources of income. We know from the plasma seller talkboard 'How much at DCI Biologicals' something about the donor base:

Post#130: 'Overall I would say its 65% legit people who need some extra help for gas and food and 35% to feed a habit but that could just be my branch.' [Albuquerque]

Post #149: 'I am a relocated ER RN selling plasma so I can get my license here locally – broke, single parent. Most of these people are mentally challenged addicts & alcoholics. Street people. The company definitely parks itself on skid row on purpose.'

Post #129: 'You have lost your mind if you think everyone they let in through there to give plasma is "suitable". As long as they claim to have never been an IV drug user or homo and can account for all their tattoos they are good to go. Problem is PEOPLE LIE.'

Post #169: 'The state health organization should close this place down!!! They are allowing people with prison tattoos to donate plasma and are not requiring any documents as to when and where tattoos were gotten. But ask for medical documents for a scar over 10 years old. This is supposedly the life saving plasma given to our mothers and children. OMG this is inexcusable and the FDA should step in and close this place down. All they are doing is funding the drug use in our community.'

When will Conservative and Liberal Democrat politicians learn from our own disastrous experience of contamination of blood supplies? Donors of doubtful background are very unlikely to answer honestly questions about their past health. With hepatitis, when we had no screening test donors had to be asked about being yellow or jaundiced. We had no way then, as now, of testing for the virus that infected so many NHS patients and relied on honest replies from our voluntary donors. Patients suffering from haemophilia need constant infusion of the clotting factor, which they do not have, to stop them bleeding and that clotting factor was only be found naturally in blood.

The nature of blood and plasma donations and supplies renders them vulnerable for transferring unknown or undetectable viruses that cannot be found on screening and cannot be killed before being put into a patient's

blood vessels. Among haemophiliacs, cases of AIDS were identified in Spain and America in recipients of prisoner plasma, which was also used in the UK. One of the few ways of reducing the risk is to take blood from people who are less likely to harbour viruses that will harm patients. This is best achieved by self-sufficiency and a readiness to pay for it. This is why in 1975 when minister in the Department of Health I adopted a policy, of which Parliament was informed, of investing for self-sufficiency in blood products and it was a tragedy that the policy was abandoned a few years later, initially without Parliament being told. The underlying ethical and moral arguments for self-sufficiency have never been better expressed than by Richard Titmus in his magnificent book The Gift Relationship. In the UK we do not pay donors, we rely on the voluntary spirit and a cup of tea after the blood is taken. We could if there was an emergency easily increase supply but we keep the NHSBT on a tight budget and if we can buy cheaper we do so. That is fairly safe if the suppliers are international pharmaceutical companies, but less so for smaller entities.

The major strategic concern for government ministers should be a more secure supply to the NHS of key products. The principal risks to the supply chain of products to the UK relate to the withdrawal of a major supplier from the UK market entirely. That is why we should have kept BPL and invested what was necessary in it. To take normal human immunoglobulin (IVIG) as an example, the NHS need is a small proportion of the global demand (around 7 per cent), and the government's own study before the sale admitted that demand will itself be subject to influences in the wider market in particular, multinational companies will consider how they can maximise their profits and, at times of high demand and limited supply, may wish to take their product elsewhere. EU procurement rules may limit the UK's ability to respond to this by price renegotiation.

This means that it is vital that Bain should be approached by any new government in 2015 and told in the case of them selling the government will wish to expand its 20 per cent share to percentage levels which could reduce the likelihood of any sudden withdrawal from the UK. New markets and medical uses for the product mean that we cannot assume that supply will always outstrip demand.

The current contractual requirement that suppliers to the NHS hold three months' stock provides insurance against temporary jolts to supply, and allows a little time to investigate the best response to a major longer-term shock, but that stockholding insurance would be far better if it was increased. Continued state ownership would have given a better security of supply. It is now essential that Bain are made aware by the government, as a shareholder, that it expects more investment, quality improvement and wider product range through research and development. Repeated outbreaks of fatal disease among haemophiliacs testify to the inadequate standards delivered by the 'self-policing' global commercial plasma industry. Participating companies prioritise cost minimisation so that they can afford to sell at the market price and still make a profit. Consequently, stringent protection for all users of those plasma products must be exerted and with a 20 per cent holding the UK government has a fiduciary responsibility to do so. The risks of the global plasma trade are well documented and the measures needed for safe practice are clearly established [1] so that there can be no excuse for a developed country, like the UK, as a shareholder and user, to expose the patients of a publicly funded healthcare service like the NHS to the risks of relying on anything less than the best and safest blood products. None of this appears to be happening, nor should anyone be surprised. In the vast area of commercial markets there is a place for private equity capital, as I saw when on the advisory board of Terra Firma, but not in a predominantly publicly provided NHS. PRUK was the wrong privatisation to the wrong company. Let us pray that NHS patients do not experience through continued negligence anything like the suffering of those of our fellow citizens treated for haemophilia who were transfused unknowingly with the hepatitis C virus or HIV with tragic consequences for their lives.

Reference

1. 'Blood Plasma Safety: Plasma Product Risks and Manufacturers' Compliance', statement by Bernice Steinhardt to the Subcommittee on Human Resources, Committee on Government Reform and Oversight, House of Representatives, 9 September 1998.