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## US firm given £4bn NHS deal by Labour faces 'bribes' probe

By SHARON CHURCHER and GLEN OWEN, Mail on Sunday 09:06am 30th July 2006

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An American firm has been given a £4bn NHS contract

Labour has been savaged over its 'creeping privatisation' of the National Health Service after it emerged a firm handed a £4billion deal is at the centre of a massive fraud probe in America.

Tony Blair's backbench opponents were furious to learn the Texas-based company Novation is in the final stages of negotiating a contract to make it and its German partner, DHL, responsible for buying everything from bandages to hip implants for the NHS.

Now The Mail on Sunday can also reveal that Novation is being investigated by American prosecutors following accusations that it has accepted huge 'bribes' from medical manufacturers. The payments allegedly give it a financial incentive to buy the most profitable, rather than the most effective, equipment for hospitals.

The criminal investigation by the US Justice Department follows a number of legal actions against Novation. One led to the firm paying out millions of dollars in settlement after it was accused of conspiring to stifle sales of a syringe that shields health care workers from the AIDS and hepatitis viruses.

The firm earns its profits in America, as it will in Britain, by acting as a middleman between hospitals and equipment manufacturers. It promises manufacturers exclusive contracts for their products in return for large payments it terms 'administrative fees' - but which critics describe as blatant bribes.

The company won the deal to take over the NHS Logistics Authority - which was quietly put out for tender a year ago - by promising to make big savings for taxpayers.

A spokeswoman for Unison, the public-sector union that is balloting members on strike action over the move, said: "This is a major step towards the privatisation of the NHS. These companies report to their shareholders, not patients."

Many opponents see the hand of Ken Anderson - the Texan appointed by Mr Blair as the first commercial director of the NHS in 2003 after 16 years' experience of US healthcare - behind the deal.

But the Department of Health insisted Mr Anderson had not met any representatives of the company before the contract was awarded.

Officials took legal advice over the allegations against Novation before awarding it the contract and say they were satisfied there was 'no reason to

reconsider their position'.

However, American opponents of the firm lined up to criticise the deal.

"It is outrageous that the NHS would put a company that is under criminal investigation in charge of its purchasing," said Mark Leahey, executive director of the Medical Device Manufacturers Association.

"Patients and healthcare workers in our country have gone through hell as a result of Novation's practices."

The most damaging allegations centre on claims that the firm keeps new, life-saving technology off the market to protect its profits.

Texas engineer Thomas Shaw, who invented a retractable syringe to protect health workers from deadly infections, filed a writ in 1998 accusing Novation of conspiring to prevent hospitals buying his product. His firm, Retractable Technologies, received £80million in a settlement from Novation and other firms named in the case.

A Retractable Technologies spokesman said: "I can't believe the British Government hasn't heard about our case and the other cases.

"I can tell you now what this contract will mean to the UK. Patients and healthcare workers will be denied life-saving, innovative technologies and costs will be driven through the roof."

American health workers have also been voluble critics of Novation's practices. They include Julia Hipps, a nurse and mother of four in St Louis, Missouri, who contracted hepatitis C after she accidentally jabbed herself with an infected needle in 1999.

"At the time, Retractable Technologies had invented its safety needles but I worked for a hospital that issued us with traditional needles under a contract that it had with Novation," she said bitterly.

"I had to go through three years of chemotherapy treatment and though I am now in remission, I live in constant fear that the virus will flare up again and destroy my liver. I am very surprised that your health service is hiring Novation and I really hope they will reconsider.

"I wouldn't want anyone in Britain to go through my suffering.

Novation officials refused to respond to repeated requests for comment.

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I may be a dim scando, but is this deal in accordance with the EC Law?

**- Chris Finch, Sweden**

What is unbelievable about this is that no one is asking why a Texan is involved in this. The only state health care people most people get in Texas is a lethal injection! The USA spends double on health care that we do, with a result that even the richest Americans are still healthier than the poorest English.

**- Jane E, Reading UK**

How much did they give or lend to Labour?

**- Sue W, U.K.**

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