Po-CH/NL/0400

PART A

Part A.

SECRET

(Circulate under cover and notify REGISTRY of movement)

Begins: 21/1/88.
Ends : 26/1/88.

PO -CH /NL/0400
PART A

Chancellor's (Lawson) Papers:

PRIME MINISTERS INTERVIEW ON PANORAMA: THE NATIONAL HEALTH SERVICE SPENDING PROGRAMME

PO -CH /NL/0400
PART A

Reference .....

Secret

Chancellor

from: Miss M E Peirson
Date: 26 Jan 88

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Kemp
Mr Saunders
Mr Ryrmaz
Mr Call

Health finance - Charges

Attached are two notes on charges from DHSS — the remaining material promised last night.

MEP
26.1

DHSS: BRIEFING FOR POLICY UNIT

SECRET AND PERSONAL

Mr Podger (PS/SoS) (Copy No. 1)

From: John James FA1/2
Date: 21 January 1988

c.c: Miss Harper (PS/MSH)(2)
Mr Slater (PS1PS)(3)
Mr Nightingale (PS2PS)(4)
Mr Heppell (PG)(5)
Mr Hart (NHSMB Ops)(6)
Mr Mayne (PEFO)(7)
Mr Turner (PO) (8)

MEETING WITH PRIME MINISTER: 27 JANUARY

1. I understand that Mr O'Sullivan of the Number Ten Policy Unit has suggested that next week's discussion might be helped by some additional financial information. Specifically:-

a. What income would be raised by charges for hospital in and outpatient attendance assuming either the existing pattern of exemptions or exemption confined to low income groups.

b. What would be the deadweight cost of giving full tax relief on private insurance?

c. What it would cost to give full tax relief only to the over 65s?

d. What would be the effect on tax and on NI rates of financing from national insurance either the whole of the hospital service or the whole NHS?

2. Answers to b, c and d are being prepared and should be available by lunchtime tomorrow. The attached table summarises the answers to a. on stated assumptions. In view of the Chancellor's minute I have also included prescriptions.

3. I have not stopped to address the pros and cons of whether and if so how to volunteer the information. This will need thinking about.

6/1

SECRET

POTENTIAL INCOME FROM CHARGES

A. ON EXISTING EXEMPTION BASIS (70% OF CASES)

Charge		
£2	Visit to GP	100
£2	Hospital Attendance	28
£5 per stay	Hospital Inpatient	10
£5	Visit to GP	250
£5	Hospital Attendance	78
£5 per day	Hospital Inpatient	

B. ON LOW INCOME EXEMPTION BASIS (30% OF CASES)

Charge		
£2	Visit to GP	240
£2	Hospital Attendance	67
£5 per stay	Hospital Inpatient	22
£5	Visit to GP	630
£5	Hospital Attendance	274
£5 per day	Hospital Inpatient	113

22.1.1

SECRET

FROM: R B SAUNDERS

DATE: 22 JANUARY 1988

CHANCELLOR

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Sir T Burns
Dame Anne Mueller
Mr Kemp
Miss Peirson
Mr Turnbull
Mr Parsonage
Mr Sturges
Mr Call

THE NHS

The Prime Minister's meeting has now been rearranged for next Wednesday; you are having a pre-meeting on Tuesday.

Mr Moore's paper

2. This was circulated after our previous discussion. It is a tidied-up but essentially unchanged version of the earlier draft. It still concentrates in large measure on what has been done and is going on now, with only the sketchiest treatment of more radical ideas for the future.

3. The central proposal brought out in Mr Moore's cover note is his "Strategy for Health". It is meant to focus debate on health care in the widest sense - including prevention and primary care, and not just acute hospital services. But beyond that he tells us very little about it. We must be careful here. Such strategies can easily turn into a series of output (or even health outcome) targets whose non-delivery - even if they were unrealistically optimistic - would create new pressures for extra public expenditure. We need to know a lot more about the proposal before we can endorse it. You should therefore press Mr Moore to give further details of what he has in mind.

4. Mr Moore's other theme is encouraging growth of the private sector. The Treasury shares this objective. He has been briefing the press this week that he sees tax relief for insurance premiums as the way forward. This is something you will be discussing at the Overview meeting on Monday.

Your paper

5. The proposals you highlight are a mix of those which we can start work on quickly and of longer term ideas. The short term suggestions are:

- building on the internal market ideas and on recent developments on the ground in health authorities to develop better market mechanisms within the NHS

- publication of more and better information about the performance of individual health authorities

- further progress on charges.

All these are to a greater or lesser extent opposed by Mr Moore. DHSS are very lukewarm about the internal market, which they see as adding a lot of administrative overheads to no purpose. We think that is unduly negative and pessimistic. Competitive tendering - where successful in-house bids have cut costs by 20% - shows what can be achieved simply by giving a freer rein to market forces. DHSS are also negative on the second, publication of information. At official level, they tend to accept grudgingly the publication of service-wide information, but to argue that differentiating between different authorities would mean publication of a huge mass of paper to little purpose. We suspect that they are reluctant to highlight systematically differences between authorities.

6. The Prime Minister is said to see great political difficulties with extending charges. But they are in principle very important: they are the only price mechanism we have got; they help to reduce the "cliff edge" between public and private

provision; and they are a potential source of income. The big prize is prescription charges. 75% of prescriptions are exempt - 45% for the elderly, 10-15% for children. If we removed the exemption from the elderly above the income support threshold, £200m would be raised. Similar action in respect of children would add more. In contrast, increasing the charge by £1 with no narrowing of the exemptions would raise only about £50m a year. Given the present exemptions, hotel charges of £10 a week would raise only about £25m, but a £5 charge for a visit to a GP would raise around £250m.

7. Your longer term proposals are

- to get the medical profession more closely integrated into the management of resources. The review of consultants' contracts proposed in paragraph 19 of the DHSS paper is to be welcomed. One objective at the meeting must be to get this endorsed.

- compulsory private insurance. While we are not trying to draw up a long term blueprint for the NHS, we need to bear in mind how changes made now could evolve subsequently. We need an overall strategy - based, I suggest, on encouraging the private sector, and introducing more market mechanisms into the public sector, with the aim of eventually blurring the present very sharp distinction between the two. Any feel for such a long term strategy, however, is completely missing from the DHSS paper.

Other points

8. Cost improvement programme savings. Mr Moore's cover note (the last sentence of paragraph 5) seeks to claw back the agreement on using some of the cost improvement savings to finance next year's pay increases. This morning's press stories about how the cost of the Nurses Review Body recommendations will be met from the Reserve probably also emanate from DHSS. You should resist this. It is an important principle that health authorities

should make provision for at least part of the excess cost above the GDP deflator; we cannot agree to underwrite in full whatever the Review Body recommend. As part of the deal with Mr Newton in December, we dropped the Survey agreement that £80m of the increase in 1988-89 should be earmarked for pay. Mr Moore is now trying to go back on the rest of the Survey agreement - that half the CIPs savings (£75m) should be similarly earmarked, something which Mr Newton reaffirmed to the Chief Secretary as recently as last month.

9. Lotteries. If this comes up, you can say that we would regard local health lotteries as a further contribution to the income generation schemes, rather than some major initiative in its own right. By giving them any higher profile, we might start running the risk of having to underwrite any shortfall in revenue.

10. National Insurance Fund. Mr Moore does not seem to be running very hard the idea of switching the NIF surplus to the health service. This is presumably because he realises this would be a purely cosmetic operation with no effect on the resources available. You are fully familiar with the arguments here.

11. Vouchers. This may come up. When we looked at this idea last year, we concluded that vouchers were unlikely to be a useful mechanism for encouraging competition. The problem is that people's needs for hospital care are much less predictable than, say, for education. A voucher system might be contemplated simply as a way of subsidising private sector in order to reduce the "cliff edge". But if we wanted to do that, tax relief has a lot more going for it in administrative terms.

R B SAUNDERS

CONFIDENTIAL

PAYING FOR THE NHS THROUGH CONTRIBUTIONS

The standard contribution rates for 1988/9 are as follows:

Per cent of relevant earnings	National Insurance Fund	NHS	Total
Employee	8.05	0.95	9.00
Employer	9.65	0.80	10.45
Total	17.70	1.75	19.45

Meeting the whole cost of the NHS system would:

- add about 12% points to the total contribution rate (5½% and 6½% respectively for employees and employers if shared between them in the current ratio)
- give a total NHS contribution of nearly 14% (which could be split roughly 6½% and 7½% between employees and employers)
- reduce basic rate of income tax to about 17p in the £ (compared with an assumed rate of 27p for 1988/9).

If only the cost of the HCHS (hospitals cannot be separated out in the time were transferred to contributions this would have a somewhat smaller impact

- a rise of about 8½ percentage points on the total contribution rate (split roughly 4% and 4½% respectively between employees and employers)
- a total NHS contribution of just over 10 per cent (about 5 per cent for both employees and employers)
- a cut in basic rate tax to 20p in the £.

NOTES: 1. Because contribution revenue is buoyant as earnings grow, contribution rates could come down if NHS costs were held below the growth of earnings. Alternatively with constant rates NHS income would rise in line with earnings.

2. The adverse effect on labour costs of a shift to NI contributio could be reduced or virtually eliminated if the increase in rates was loaded on employees.

But Pay!! Mop

3. We have assumed the upper earnings limit of £305 a week continues to apply to employees' contributions but not to employers' contributions. Abolition of the employee's ceiling would partly reduce the regressive/effect of a shift to NI.

6241

CONFIDENTIAL

CONTRIBUTION AND TAX RATES IN 1988/89 IF COST OF NHS SWITCHED TO CONTRIBUTIONS.

	Existing Rate	Switch all of NHS New Rate	Change	Switch only HCHS New rate	change
Contributions*					
employee	9.00	14½	+ 5½	13	+ 4
employer	10.45	17	+ 6½ (approx)	15	+ 4½ (appro
Total	19.45	31½	+12 (approx)	28	+ 8½ (appro
Income Tax** Basic Rate	27	17	-10	20	-7

Notes

* per cent of relevant earnings. Increase in contribution rates could alternatively be loaded entirely on employees.

** pence in the pound

KEY DATA

NHS spending	£21.8 billion	
HCHS spending	£16.0 billion	
Total contributions	£30.3 billion	(G.B. only)
of which NHS	3.3 billion	(G.B. only)

Estimated Income Tax Revenue (at 27p in £) £48 billion.

hostage, like a 13 billion gap ie too much

CONFIDENTIAL

ESTIMATES OF THE COST TO THE PUBLIC SECTOR OF TAX RELIEF ON PRIVATE HEALTH INSURANCE

1. It is assumed that tax relief would be at the basic rate of income tax, that there would be no other concurrent policy changes (no reduction in NHS services, for example) and that the elasticity of demand for private health insurance would be - 0.5.

2. Estimates are provided for three options:

- tax relief for all
- tax relief for the elderly
- raising the income threshold for tax relief from £8,500 to £17,000 p.a.

The figures shown in the following table are estimates or guesstimates for 1988 assuming full adjustment in the first year.

ESTIMATES FOR 1988

	Cost of Tax Relief			
	Deadweight Cost £m	Extra Subscribers £m	Potential NHS Savings £m	Net Cost £m
Tax Relief For all	164	24	39	149
Tax Relief for those 65+	20	3	4	19
Raise Income Threshold to £17,000 p.a.	83*	12*	19*	75*

* guesstimates

CONFIDENTIAL

3. It is estimated that there would be an increase of 13.5% in numbers insured under all three options: ie of about 800 thousand persons under option 1, of 50 thousand under option 2 and of 400 thousand under option 3.

4. The actual savings to the NHS might be negligible because private insurance is used mainly to cover elective surgery and there are long NHS waiting lists.

5. Of course, if there were concurrent action to restrict access to NHS elective surgery*, the cost of tax relief and the NHS savings might be much larger. The private insurance market doubled in size between 1978 and 1985 with rising incomes and a perceived deterioration in NHS services.

* or levy charges.

CONFIDENTIAL

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CONFIDENTIAL

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3.25.1

SECRET

FROM: MISS M E PEIRSON

DATE: 25 JANUARY 1987

CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Kemp M. Scholar
Mr Saunders
Mr Parsonage Ms Hay
Mr Call

PEIRSON → CH/EX 25/1

HEALTH FINANCE

I have just heard from DHSS that they have given some information to the Number 10 Policy Unit, for briefing the Prime Minister for Wednesday's meeting. We had no prior warning of this. I hope to get the information in time to attach to this tonight, but if not you might at least like to know what kind of information has been requested, as follows:-

Some is now attached; rest to follow in morning

(i) the income which would be raised by hospital charges: DHSS say they are providing figures for outpatient and inpatient charges, and for GPs;

(ii) the deadweight cost of tax relief on private insurance, either for all or for the elderly only (DHSS say their answers are respectively about £160 million and £20 million); DHSS are also estimating the "saving" to the NHS - they are not allowing for the possibility that there would be no such saving at all - but say that it is far smaller than the deadweight costs;

(iii) the deadweight cost of extending the tax relief from those earning under £8,500 to those earning under £17,000 (ie double), which DHSS say they put at £83 million (I asked DHSS to let me know their source of statistics on the numbers of employees at those income levels enjoying private insurance - they say household expenditure survey);

(iv) the effect on tax rates if either the whole of the cost of the HCHS or the whole cost of the NHS, were switched to NICs: DHSS say that, on the assumption that all the effect were taken on income tax basic rate, the effect would be to reduce that rate from 27p to 20p (HCHS) and 27p to 17p (NHS). (This looks a little small – we are checking quickly – but allows for no second order effects.)

MEP

MISS M E PEIRSON

SECRET

Mr Podger (PS/SofS) - No.1

From: M G Lillywhite (FB) No.2

Date: 25 January 1988

c.c. Mr James (FA) No.3

PRESCRIPTION CHARGES

1. You asked for a note on options to increase the income from prescription charges; presently some £140 millions. This note is based on the paper prepared last September as part of the 1987 Public Expenditure Survey.

2. The following groups are at present exempt from prescription charges:

- pensioners (who account for about 45% of items)
- children under 16 (between 10% and 15%)
- people on low income (between 10% and 15%)
- pregnant and nursing mothers and people suffering from specified chronic medical conditions (about 5%)
- war pensioners, if the prescription relates to their war disability (less than 1%)

3. It was assumed that those groups who were exempt from dental charges would continue to be exempt from prescription charges: children, people on low income, and pregnant and nursing mothers. And that war pensioners and people with specified medical conditions would also continue to be exempt. The remaining group consists of pensioners. It was proposed that the very elderly, aged 80 or more, should be exempted because they are particularly heavy users of medicine.

4. We identified a number of options for extending charges to pensioners under 80. These were:

Option 1 Remove exemption - estimated yield (net of administrative cost): £150 - £160 millions.

Option 2 Remove exemption, but with reduced rates for prepayment certificates (or "season tickets") for pensioners - estimated yield £100 - £110 millions.

Option 3 Remove exemption, but with a general reduction in the prescription charge from £2.40 to £2.00 - estimated yield £100 - £110 millions.

Option 4 As for Option 3, but with reduced rates for prepayment certificates for pensioners - estimated yield £90 - £100 millions.

64/1

5. The PES paper, and therefore this note, was prepared on the basis of the present prescription charge of £2.40. A submission proposing an increase to £2.60 from 1 April 1988, reflecting the increase in medicine costs, is with Ministers. If approved, this will, of course, increase the estimated potential yields from each of the options set out in paragraph 4.

M G LILLYWHITE
FB
ROOM 610 FR.H.
EXT 4391

Ch/ reference to consultation on final page PPS 12/2.

PM - "PANORAMA" ON 25 JANUARY 1988

MPW 26/1

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF INTERVIEW GIVEN BY THE PRIME MINISTER, MRS. THATCHER, ON BBC "PANORAMA" PROGRAMME ON MONDAY, 25 JANUARY 1988

INTERVIEWER: DAVID DIMBLEBY

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INTERVIEWER:

Prime Minister, every week for the past few weeks, you have been at the despatch box in the House of Commons repeating time after time that your Government has spent more on the Health Service than any other government; that there are more nurses than there have ever been before and week after week, people read in their newspapers about closures of wards, about operating theatres not being able to go at full capacity because of a shortage of nurses.

Why are you so adamant that enough has been done and why do you refuse to do more to meet what seems to be an immediate crisis?

PRIME MINISTER:

But more is being done, Mr. Dimbleby.

Next year £1100 million more are being spent on the Health Service, added to the previous amounts. That is a lot more than we thought we should be spending this coming year when you and I last met in Downing Street in February 1986, a good deal more. It does not come from the Government - it comes from people.

On average, a family in Britain pays now nearly £30 every week to sustain the Health Service. Next financial year, they will be paying nearly £32 a week, so there are increasing resources going into the Health Service and have been every year since we have been in power, very considerable increases.

INTERVIEWER:

But despite the increases - and everybody accepts those figures that you give on increases - they say it does not tell the whole picture; it is an older population; there are more sophisticated operations to be done; and the kind of thing that they read about now is that in Barts Hospital in London, for instance, today, a ward looking after children with cancer having to close and they say it is the shortage of nurses, that is the problem.

Now, my question to you is: given the long-term proposals you have, nevertheless in the short-term is there not an argument for more money than you have promised so far?

PRIME MINISTER:

But we have an extra £100 million to get over a difficult period. Nevertheless, the £1100 million extra next year is over and above that.

You spoke about Barthomolew's closure of a ward. Yes, I was very concerned when I heard, very concerned indeed, and so I made enquiries.

There are two wards there dealing with children, one a cancer ward and the other of general needs, and they decided to close one. It so happened that they decided to close the cancer ward, but they have made a statement that no child suffering from cancer need fear, because it will be admitted; that child will be admitted to that hospital. So there is no difficulty about that.

What they are trying to do now is what they have done previously. They are trying to reduce the number of ear, nose and throat operations they have to do on children by putting those out, under the National Health Service, to a private hospital.

Yes, you are quite right. The reason is a shortage of nurses and we do have a shortage of nurses, particularly in some specialties in London, not all over the country. There are some 64,000 more nurses than there were when we came in, but there are some shortages in some specialties and it is because of that that we have already taken steps to try to do deal with it.

Management side negotiated with the nurses to say how much extra should be allowed for particular skills which are in short supply. Already more is paid for nurses doing geriatric work, perhaps not enough for nurses doing paediatric work, so we have already got that in hand.

But may I just say this: yes, we do hear about every difficulty such as that, although cancer children will still be admitted, but what we do not hear about are the 45,000 operations that are carried out every week successfully.

INTERVIEWER:

Well, I am not surprised you do not hear about those, because the people who complain are the people who cannot get their operations done. If people have an operation done, they are not going to be shouting about it.

PRIME MINISTER:

Yes, indeed. Believe you me, when you go around hospitals, they are very very grateful and when you tackle the patients they are not dissatisfied with the treatment they receive - they are very very grateful.

INTERVIEWER:

Not with the treatment, Prime Minister, but there is rising concern, as you know, in the country - reflected in opinion polls - about your Government, about the Health Service. They see this as the major problem your Government has to tackle.

PRIME MINISTER:

Yes, I think they are constantly seeing a particular difficulty as the one which I have indicated, but I have indicated that children with cancer will still be admitted and that other operations will be done as they have been done before, elsewhere, so it will in fact be dealt with.

PM - "PANORAMA" ON 25 JANUARY 1988

-5-

As you know, we are already trying to get down the waiting lists and we have a specific programme for it. It so happens that just this last week I was talking to a surgeon who I knew had a specific allocation to get his own list down. I said: "How is it going?" He said: "It is going very well! After the first nine months, I have got the time which patients previously had to wait down by half!" Now that was a special allocation - £25 million this year - to a number of surgeons and hospitals up and down the country and this is working. Of course, I want them down further!

INTERVIEWER:

Do you think the nurses and the doctors who complain - and we read about them and hear from them a great deal - are exaggerating?

PRIME MINISTER:

I think that we obviously hear about the difficulties. You do not always hear the true facts. I think people were even more worried about Barts when they thought that children with cancer would not be admitted, because they did not know about the statement that they would be. I think you often hear one side of the story. Indeed, only this last week I have had to enquire twice because I have been tackled in the House, and the story was very different when I got the facts, from that which was put in the House. I do not think they realise or give enough credit for the tremendous amount that the National Health Service does.

Let me give an example.

The acute services are fantastic. If ever there is a disaster, an accident, someone suddenly having a heart attack, a stroke, immediately the services swing into action. People cannot praise them enough. The acute services in emergencies are absolutely fantastic.

We are now tackling, therefore, the waiting lists. We are tackling them. We are putting in more resources and, as I indicated, 45,000 operations a week, and people somehow hear the bad news but they do not necessarily hear all the good - and this is good!

INTERVIEWER:

We know, as Ministers in your Cabinet have said, that this problem is not going to go away, and I want to talk to you in just a moment about the long-term, but can we just talk about the nurses for a moment?

Would you commit your Government - and would it not ease a great deal of the disruption there is at the moment - would you commit your Government, as you did last year, to accepting the recommendation on nurses' pay that is put to you?

PRIME MINISTER:

No. You cannot automatically commit a government to accepting any recommendation from any sources, including nurses' and the pay review body.

INTERVIEWER:

But this is meant to be a review body for the nurses. Is it not your responsibility to accept what they say?

PRIME MINISTER:

We, in fact, set up the review body for the nurses on the specific grounds that the Royal College of Nurses have never gone on strike. Therefore, they are entitled to a review body.

No, you cannot automatically say you will accept whatever they recommend for a very simple reason. If you have every review body coming in and you say you automatically accept it, and then there are other people in the public service, you have a bounden duty to look at the total burden on the tax-payer. It is not Government that pays - it is the tax-payer.

And just as everyone pays the nurses, pay the police, pay the teachers and nurses do not complain that they are paying too little tax - they complain they are paying too much - so you cannot just say "I will accept anything, whatever happens!" We will have to look at the whole thing when it comes!

INTERVIEWER:

Would you give an undertaking that the Government will meet any shortfall in the provision for nurses that results from your acceptance? Can you say even that?

PM - "PANORAMA" ON 25 JANUARY 1988

PRIME MINISTER:

We shall carry on in exactly the same way as we have.

I understand that you think we are in an enviable position. If we are in an enviable position, it is because of eight years' work. It is because of eight years' prudent finance. It is because of eight years of encouraging enterprise. It is because of eight years of growth, which have already enabled us to put the money spent on the Health Service up from £8 billion the day I walked in - the photograph you showed - £8 billion when I walked in, to £22 billion now, and it is no earthly good asking me will I accept this, that or the other. We shall carry on in the way that has given growth, in the way that has enabled more to be spent on the Health Service and more nurses and very considerable increases in pay.

INTERVIEWER:

Are you in danger of finding yourself in a Tory "Winter of Discontent" over the Health Service?

PRIME MINISTER:

Well I hope not, I hope not very much.

Just take nurses. There are 64,000 more than there were when we came in. Let me just give you one example - it one I sometimes quote in the House - that of a nursing sister, absolutely crucial in the Health Service.

Again, the day I walked in that front door, the nursing sister on the top of her scale was paid £4,900 a year, in 1979. In today's money, that would be equal to £8,600 - this is on the top of her scale. She is not paid £8,600 after eight years of Tory Government. On the top of her basic scale, she is paid £12,000 and also...

INTERVIEWER:

The Royal College ....says there is a chronic shortage of nurses despite this.

PRIME MINISTER:

And also, the standard working week when we came in was 40 hours. We reduced it to 37½.

Now that has not just come about. It has come about because of eight years of sound government which has got the growth which has enabled that increase.

I do not think myself that we have the right structure on the extra skills, on midwifery, on paedatrics and on various other skills which are short. We are already dealing with that and that will go to the review body, but you see, you cannot do anything unless you pursue the policies which enable people to get the growth.

INTERVIEWER:

You will understand I must keep moving through this interview.

PRIME MINISTER:

Yes, I do. You understand that I must put some of the facts!

INTERVIEWER:

Do you rule out meeting the nurses, as the Royal College has asked you to?

PRIME MINISTER:

I have met the Royal College of Nurses previously. If anyone really wishes to see me, I always say that they simply must go to the Minister concerned first, because there are 17 or 18 Departments, 17 or 18 Ministers. If I take it all on my shoulders, people only criticise and the Secretary of State for Social Services and the Health Service is meeting the Royal College of Nurses - I think next week.

PM - "PANORAMA" ON 25 JANUARY 1988

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INTERVIEWER:

There are people on your backbenches and indeed, it is said in your Cabinet, who would like to see a really radical review of the Health Service now and who complain that you and John Moore, your Secretary of State, seem to be dithering and uncertain what to do.

Why do you rule out a total review of the way the Health Service works, a complete inquiry into the whole thing?

PRIME MINISTER:

First, because it would take far too long, far too long.

There was an inquiry set up, a Royal Commission, in May 1976. It reported in July 1979. That is three years.

It said there was no magic wand. It came out and said: "We had no difficulty in believing one witness that the entire national income could be spent on health!" and also it realised that there has to be a limit. Three years!

No! We shall carry on and do things the way we have!

We are looking very carefully at why this vast extra amount which the tax-payers put into the Health Service is not perhaps giving as much as we would expect. It is giving a good deal more - let us face it - it is giving a great deal more, and it is giving a very good service, but not as much as people want or expected, and therefore, we are having a look at how some hospitals use the money much better than others.

Indeed, we are already looking at the demands that will come in future, but we know there has to be a limit and therefore we shall continue as we did in education: make our own inquiries, our own consultations. Believe you me, people flood in to see us and of course, John sees them. And then, when we are ready, we shall come out with our own proposals, just exactly as we have done for other things.

INTERVIEWER:

Given the scale of increase in demand for the Health Service, is it in your view inevitable that this country moves towards a much greater private element?

We are way behind France, we are way behind Germany, in the amount people spend privately on health care.

Do you want to see the National Health Service paid for by the tax-payer and the private sector paid for by people through health insurance? Do you want to see them come together and the private sector increase?

PRIME MINISTER:

You are quite right that all countries which have a National Health Service or a substantial part of their health care in National Health Service, are in difficulty, because the demands are far outrunning the capacity to finance, and I think most of us are having a look at it.

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You are asking me to come to a conclusion while we are still considering these matters and looking at all possibilities. That I cannot do. I can tell you that John Moore and myself are looking at them very carefully, because what I am concerned with is that people should have the health care. It is a tremendous relief in one's mind that if you have a congenital disease, if you have a sudden accident, if you are struck down by a sudden disease, something totally unexpected, that there is health care available, that it is very very efficient, and one wishes - if we cannot provide enough for people's expectations on the present system - one has got to go to the people and say that and then make some different provision. We are considering all of these things.

INTERVIEWER:

And tax relief on insurance is a possibility? Income tax relief?

PRIME MINISTER:

We shall consider all of these things. It is our bounden duty to do so. Just as we considered education, just as we considered Community Charge, just as we considered what to do with housing, we are now considering the Health Service, but please let me make it clear: the extra that has been put in could never have been put in without this tremendous growth we have had.

Now we shall look at the future - John Moore and myself and the whole of the Cabinet - as thoroughly as we have in other subjects and when we are ready - and it will be far quicker I believe than any Royal Commission - we shall come forward with our proposals for consultation and should they meet with what people want, then translate them into legislation.

INTERVIEWER:

Well let us come to this economy, which you describe as being the way in which the Health Service has had the funding that it has had.

Wages, first of all. Are you concerned that people in Britain are now in danger of putting forward wage demands that will lead to increased inflation, increased problems with the balance of payments; that their expectations now of the economy, after the growth we have had, are dangerously high?

PRIME MINISTER:

At the moment, the increases are going faster in the public sector than in the private sector, because the private sector is governed by the price it can get for its goods.

Yes, one is always worried if your wage costs are going ahead faster than those of your competitors.

PM'S INTERVIEW
PANORAMA
TRANSCRIPT

674/32

FROM: N TOWERS
DATE: 26 JANUARY 1988

RA. 26/1

1 MR ALLEN

2. PRINCIPAL PRIVATE SECRETARY

Transcript behind.

cc PS/Chief Secretary
PS/Financial Secretary
Sir Peter Middleton
Mr Anson
Mr Turnbull
Miss Peirson
Mr Culpin
Mr Bush
Mr R Evans
IDCS

PRIME MINISTER'S INTERVIEW ON PANORAMA: NATIONAL HEALTH SERVICE

No.10 have told us that the line they are taking today in briefing the Lobby, following the Prime Minister's interview last night on Panorama, is as follows.

2. The general intent is to play the Prime Minister's words long, and to preserve some vagueness over the precise form of any consultations which might take place.

3. The Lobby were told that any review by the Prime Minister would take several months, and that no decision had been taken on what form of document might emerge: Green Paper or White Paper, etc.

4. As the Prime Minister had indicated in her interview, tax relief on private health insurance would be one of many elements covered in the review. That was not to say that any change in this area was necessarily planned. And plainly, a review which took several months was most unlikely to be reflected in this year's Budget. No mention was made of other forms of tax concession which might be made in the health area.

Nicholas Towers,

N TOWERS