

CASH

PRIME MINISTER

NHS

This meeting is with the Policy Unit (Brian Griffiths, Norman Blackwell and John O'Sullivan) and Nigel. I suggest you use it as an opportunity to have a general debate and to decide how you want to take things forward with John Moore and the Chancellor.

Your work on the future of the NHS will need a firm framework both in terms of objectives and timetable.

On timetable, the key distinction is between changes which would require legislation and those which would not. Work needs to continue in parallel on both. You will also need to decide at some stage whether you are aiming to secure legislation in this Parliament. If you are, a Green Paper is likely to be needed by the summer of next year.

Changes not needing legislation fall into two main groups:

- (a) managerial measures directed at improving efficiency immediately, for example better data collection to help identify the laggards;
- (b) measures which lay the foundations for more radical changes, for example better management accounts which will be essential to a true internal market.

DHSS will say they are doing all this. But they need to set it out, and to attach a clear timetable.

Looking towards more radical changes, the key thing at this stage is perhaps to set the ground rules, for example:

- (i) a high standard of health care must remain available to all, regardless of income;

CONFIDENTIAL

- 2 -

- (ii) the objective must be to introduce the maximum market disciplines, whether directly or by proxy;
- (iii) the arrangements must be such as to give the consumers of health care the greatest possible choice;
- (iv) any changes must be made in such a way that higher health spending does not lead only to higher incomes for the suppliers of health care; hence, restrictions on supply will have to be relaxed;
- (v) responsibility, whether for medical decisions or for budgets, should be devolved to the lowest appropriate level.

I suggest that following your meeting I should commission a note as the basis for a meeting with John Moore and the Chancellor. John O'Sullivan would discuss with DHSS the ideas which you wish to see pursued.

DRW

DAVID NORGROVE

22 December 1987