DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Minister for Health

Paul Gray Esq
Private Secretary
10 Downing Street
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25 March 1988

Dear Paul,

I enclose a draft of the Minister for Health's speech when he speaks at the Adam Smith Institute's seminar on "New Ideas in Health Policy" next Tuesday.

A copy goes also to Jill Rutter in the Chief Secretary's office.

Yours sincerely,

Jenny Harper

MISS J M HARPER
Private Secretary

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SPEECH BY MS(H) TO ADAM SMITH INSTITUTE: 29 MARCH 1988

"THE HEALTH SERVICE UNDER REVIEW"

1. The title of today's seminar is as apt as its timing. It was, I believe, arranged some months ago before we announced our intention to undertake a wide-ranging review of the National Health Service. I must therefore congratulate the organisers on their prescience.

2. The announcement of the Government's review does not however make my task in addressing you any easier. I must stress at the outset - to no-one's surprise, I would expect - that I shall not be using this opportunity to speculate about what might emerge from our work. Indeed, you would be right to be concerned if I were to give the impression that we had reached conclusions. We have not. The issues involved, as today's agenda testifies, are complex ones. We are proceeding as quickly as we can and we shall bring forward proposals in due course. But we shall only make proposals when we have given them very full consideration and, in the meantime, we will take careful note of the views that are put to us.

3. I should therefore like to welcome your seminar as an important contribution to the debate. To my regret, diary, will not allow me to listen to the other speakers but I shall be studying your conclusions carefully. I am of course aware of the Institute's discussion paper, "The Health of Nations" - a well chosen title, if I may say so - in which you set out a number of interesting ideas. I am sure many others will be heard today.

WHY A REVIEW?

4. In setting the scene for today's discussion, I would like to step back a little from the current debate and reflect briefly on how we reached our present position. It is a truism to say that the health service's current problems are the product of its success. But there is no doubt that success

itself generates more demand and that many of the problems we discuss are the refection of what the founders of the NHS would have seen as astonishing achievements.

5. The fact that the Government's review comes at around the time of the fortieth anniversary of the National Health Service has already been commented upon. The coincidence is an appropriate one. Those forty years have been years of enormous change, and it is entirely right - just as it was with social security - to take a fresh look at this part of the welfare state against the background of a very different world from the one in which it began.

6. The facts and figures speak for themselves. In real terms, we are now spending five times what we did in 1949 on the NHS. During the same period the number of hospital doctors and dentists has quadrupled. But it is perhaps the availability of new and better treatments - and the effect this has had on the nation's health - that is the most startling change of all.

When the NHS started, organ transplantation had not begun. Now we have more patients with successful kidney transplants that any other country in Europe: nearly 1,500 operations were carried out last year.

A less "glamorous" operation - but one of enormous benefit to more and more people - is hip replacements. As a result of improved anaesthetic and operating procedures, these are now available to people in their seventies and eighties. In 1967 some 5,000 hip replacements were done each year: by 1985 the figure was 37,600.

At the other end of the age range, improved monitoring procedures and preventative medicine means that some 3,000 babies are now living who would not have survived ten years ago.

7. All of these dramatic improvements have been made possible by great

advances in skill and technology, and by the skill and dedication of the people working in the health service backed up by an considerable increase in resources. Under this Government alone, the proportion of our gross domestic product devoted to the total of health care services has increased from 5.3% in 1979 to 6.2% in 1986.

But the dilemma facing all of us concerned with health care is that demand is continuing to rise as a result of increasing public expectations, wider ranges of treatment, advances in medical knowledge and the needs of an ageing population.

8. The Government therefore judged that the time was right for a wide-ranging review of the health service, concentrating on the acute hospital services where the greatest pressures exist, but also examining the relationship with the primary care and community care services. We are not wanting change for change's sake but we want to establish what it is we do best - and what we might do better.

AN INTERNATIONAL PROBLEM

9. What needs to be registered very firmly is that the problems and pressures which are so widely reported are not in any way unique to this country. A discussion with any of my counterparts in other Western countries quickly dispels that notion. Virtually every Western industrialised country is examining the way in which health care is delivered and financed and some, as Mr Timmins' excellent series of articles in The Independent recently showed, are looking to the UK to see what they can learn from us. Many have already taken measures to reduce costs. In West Germany a new Health Expenditure Law, to be adopted later this year will, I understand, relieve the statutory insurance scheme of responsibility to provide expensive dental work and medicines, pharmaceutical placebos and inessential hospital treatment. You will not be surprised to learn that this has invoked some adverse criticism in the press! The Norwegian Government has also been considering its problems in financing a wholly socialised and tax-funded system. The

recommendations from a Government committee include contributions from patients to hospital care, increased payments for doctor's appointments, and increases in charges for medicines. What the Norwegian Parliament will approve remains to be seen; but here we have an example of an advanced western country, deeply committed to the Welfare principle, finding itself of necessity taking a hard look at the current realities of health care provision.

10. Let me give you two further examples. The French social security system which includes health care, is understood to be facing serious financial problems. A recent report commissioned by the French Government proposes that the basic state health insurance should cover only "high risks" while" lower risks" would be covered by private medical insurance run by friendly societies or insurance companies. Such proposals would I suspect be regarded by many people in the UK as highly radical.

11. The Dutch health care service which is also part of the social security system is also facing similar problems. A recent report commissioned by the Dutch Government proposes that a two - tier system be introduced. This would consist of compulsory basic insurance covering about 85% of the total cost of health care together with voluntary additional insurance covering the remaining 15%. Both schemes would be run by private insurance companies.

HEALTH INDICATORS

12. Making comparisons with other countries' health care systems is a difficult science. It is therefore important to look at how much health care the system delivers as well as its structure and funding. John Moore recently drew attention to a lack of information about health outcomes in this country. His point was that the debate should not be solely about how much we are spending, but about how much health we are getting; in other words, the value for money we are achieving in terms of quantity and quality of services. He recognised that many factors - some of them hard to pin-point - can affect a

person's health. He illustrated the point by noting the apparently paradoxical examples of Greece, which spends the lowest percentage of its GDP on health care and yet has the highest male life expectancy, alongside Eire, which spends the highest proportion on health care and yet has the lowest male life expectancy.

13. John Moore went on to suggest that we needed a portfolio of health indicators - a 'health index' as he called it - which would assist us in measuring a range of aspects of the nation's health and to set long term policy goals. Such indicators might cover not just acute services but prevention and positive health care promotion, which must be important elements in any long-term policy. The preparatory work to establishing such an index is already underway in the Department.

OBJECTIVES OF REVIEW

14. I spoke earlier of the complexity of the problems that we and other countries are grappling with. Indeed, it is rare for two commentators to agree on exactly what the problem is, let alone agree on a solution. For this reason, we do not want to confine our thinking within a narrow terms of reference.

15. In bringing forward proposals, we will however want to keep in view a series of broad objectives. A key consideration will, as I have said, be the need to retain the strengths of the existing system. This is particularly important when considering arguments of comprehensiveness. We are determined to continue to ensure that no-one is denied treatment because of low income and that the needs of "vulnerable" groups - the long-term sick and the very elderly - will be met.

16. It will be essential to consider ways of improving still further the efficiency of health care delivery. This embraces a wide spectrum including clinical efficiency, resource management, income generation and the better use

of assets, including land disposals. A number of initiatives are already underway but we shall understandably need to build on them. The development of performance indicators has also shown that considerable variation still exists between health authorities. We must ask ourselves, therefore, what more we can do to raise the general level of performance to that of the best - and then go on improving.

17. One way to do this may be to give customers more choice, that is to say a better knowledge of the system and the choices available to them. Better informed GPs may be one key to this. One of our main objectives must be to widen consumer choice to the greatest possible extent.

18. Another way of increasing total health care resources may be to encourage further co-operation with the private sector. We hear a good deal of the UK's place in the European league table of health expenditure. What the critics fail to point out is the relatively small contribution that the private sector makes in this country to the total expenditure on health care.

19. One of the encouraging features of the current debate has been the very constructive discussions that have taken place around the themes I have outlined. I particularly welcome seminars of this kind which allow for an informed and rational debate. I wish you well and look forward to studying your conclusions.