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21 April 1988

The Rt Hon John Moore MP
Secretary of State for Social Services
Department of Health and Social Security
Richmond House
79 Whitehall
London SW1

A handwritten signature in black ink, appearing to read 'John Moore'.

HEALTH INDEX

As you know, I have been concerned about the references in recent speeches by you and Tony Newton to the development of a "health index", and, in particular, the implication that this is connected with the current Health Review.

Better quantitative information on output and performance can of course help cost-effective management of the resources devoted to health care. However, there is an obvious danger that a health index could just generate demands for more public expenditure in this field, particularly if it was used to set unrealistic targets. In your speech to the BMA Council, for example, you referred to the index's having a value in helping to set long-term policy goals for health care. I know that you acknowledged that the factors making up the index would have to be affordable. But these goals might be prohibitively expensive to achieve or large sums of money wasted in pursuit of unattainable objectives. Even if we set no explicit goals, there would still be the risk that the index would be used by pressure groups to argue that we were not spending enough to ensure an acceptable standard of health for the nation.

Before proceeding further we therefore need to examine carefully the potential value of a health index and have a much clearer idea of what it would seek to measure, how it would be constructed and how it would be used. We should not, for example, under-estimate the difficulties of establishing an index on a sound technical base. We would clearly not want to produce anything incapable of standing up to close critical scrutiny. I understand that your officials are shortly to begin a feasibility study and I hope that the Treasury will be fully involved in this work. In the meantime I think it would be best if nothing further were said about it until



the work has been completed, and certainly nothing to associate the development of a health index with out current Review.

I am sending a copy of this letter to the Prime Minister.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a large flourish on the left side.

NIGEL LAWSON