



cc [initials]
Skup.

Treasury Chambers, Parliament Street, SW1P 3AG
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18 November 1988

Paul Gray Esq
10 Downing Street
LONDON
SW1

Dear Paul,

NHS REVIEW

At the Prime Minister's meeting on 8 November, the Chancellor said he would circulate his main comments on the papers which were on the agenda but not discussed.

A better service to patients

The Chancellor considers this to be of very great importance. It will be essential for the public presentation of the review to contain a credible package for improving the service provided to patients. The issue of waiting times is central. He was therefore disappointed by the absence of firm proposals in paragraph 10 of the paper. He thinks that the White Paper will need to hold out a much more solid prospect of progress towards reduced waiting times.

The Chancellor was also concerned about the emphasis which the paper places on broad issues of health policy. This review is about the organisation and delivery of health care. He thinks it will greatly confuse the Government's message if wider health policy considerations are introduced into the White Paper. The proposed emphasis on the work being done to develop a portfolio of health indicators is a case in point. The Chancellor has accepted that this should be taken forward and indeed welcomes the prospect of improved measures of health outcomes. But the work is still at an early stage of development and careful consideration will need to be given to its eventual use. He thinks its inclusion in the White Paper would be misunderstood, and he would prefer it pursued in a more low-key way.



The public and private sectors

In discussing whether we should seek to "blur the distinction" between the public and private sectors, the group has agreed that it is essential to distinguish public and private provision of health care from public and private finance. The Chancellor strongly favours blurring the distinction between public and private in the provision of health services. A publicly-funded National Health Service should be encouraged to buy services from the private sector where it is more cost effective. He would therefore prefer to see a stronger steer from the centre in promoting competitive tendering for clinical services than is proposed in the paper. On this point, he is reluctantly prepared to agree with the Secretary of State's approach, in view of the assurances given previously, although it would obviously have been better had such assurances not been given.

On the other hand the Chancellor feels it is essential to maintain the distinction between public and private financing of health care. The dangers of blurring this distinction are illustrated by the proposition in paragraph 4(i) that GPs with their own practice budgets should be able to send patients to private as well as public sector providers. This implies that GPs will be able to use public money to refer their patients privately, even where those patients would otherwise have paid for themselves. For practices with large numbers of private patients, this could mean a substantial substitution of public for private financing. This would result in higher public expenditure on health care, and reduced private expenditure on it.

This is a serious flaw in the present proposals for GP practice budgets. There are two possible ways of addressing it. The first would be to prohibit GPs from using their practice budgets to refer patients privately. But the Chancellor thinks this would be contrary to established Government policy. That leaves the second alternative, which would be to find some way of reducing GP practice budgets in line with the proportion of their patients who use the private sector. If it can be done, this would both deal with potential abuse and tackle the related problem that GPs with a large proportion of patients who use the private sector would get far too much if the budgets were based simply on capitation. But it is not easy to see how such a system could work, since GPs do not as a matter of course hold the relevant information about their patients. He would like to hear the Secretary of State's views on how this problem can be tackled.

Professional and employment practices

The Chancellor does not agree that an independent inquiry into the best use of professional resources in the NHS is right. We shall be making significant proposals affecting the way



consultants work, in terms of both their conditions and their involvement in hospital management. A separate inquiry could well get into the same territory and would - at best - give the impression of muddle, with the criticism that if we are prepared to have an independent inquiry on this point, why not other aspects of the Review.

I am sending copies of this letter to Private Secretaries to the Secretary of State for Health, the Minister for Health, the Secretaries of State for Scotland, Wales and Northern Ireland, Sir Roy Griffiths, Sir Robin Butler, Mr Wilson (Cabinet Office) and Mr Whitehead (Policy Unit).

*Yours,
Moir*

MOIRA WALLACE
Assistant Private Secretary



NATIONAL HEALTH

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