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From the Secretary of State for Social Services ~~XXXXXXXXXX~~ Health

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

21 November 1988

Dear Nigel,

NHS REVIEW: CONSULTANTS' CONTRACTS

At the last Ministerial Group meeting on the NHS Review you asked how the better management of consultant contracts was to be achieved in practice. I thought it might be helpful to write setting out the approach I propose, along the lines which the Group have already agreed.

We have recognised that it is not the job of managers to tell consultants how to treat patients. As John Moore argued in an earlier paper, we must preserve both the freedom of consultants to take clinical decisions within the boundaries of accepted professional standards, and their 24-hour responsibility for their patients. At the same time, it is unacceptable for local management to have little authority or influence over those who are responsible for committing most of the service's resources. The decisions which the Group has now taken offer a comprehensive and practical basis for the exercise of that authority and influence, consistent with a consultant's accountability to his patients for his clinical decisions. I see management leverage applying at six key points which are set out below.

First, appointment: at present, consultant appointments are recommended by essentially professional Advisory Appointment Committees, whose primary consideration is the professional suitability of the candidate. We have decided to amend the Appointment of Consultants Regulations to enable the District General Manager to take part directly in the selection process. Professional suitability will and should remain a major criterion, but the general manager will be able to ensure that the chosen candidate is willing and able to meet the managerial as well as professional requirements of the post in question.

Secondly, each consultant - including those already in post - will have a detailed job description. This will equip District (or hospital) management to:

continue in receipt of their NHS salaries. These cases, though relatively few in number, have rightly attracted considerable public censure and have deterred managers from embarking on a dismissal in the first place.

Taken together, the proposals I have summarised in this letter represent a major step forward in increasing proper management discipline for consultants. We must expect that some of these measures will be strongly criticised and opposed in negotiation by the consultants' representatives, and we shall need to deploy our case in public with great care and vigour. Equally, we have to recognise that progress on, for example, the resource management initiative and medical audit cannot simply be imposed from above but depend on the active co-operation and enthusiasm of consultants themselves - as the Guy's example well illustrates; and the central theme of involving consultants in management will not hold water if we are seen to question their general competence or reliability. In my view we have now established a balanced package of measures in this area which offer the best prospect of real progress. To go further would be counter-productive to our wider objectives in the review.

I am copying this letter to the Prime Minister, Peter Walker, Tom King, Malcolm Rifkind and John Major, to Professor Griffiths and Ian Whitehead in the No 10 Policy Unit, to David Mellor and Roy Griffiths in my own Department and to Mr Wilson in the Cabinet Office.

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* ensure that the consultant's job covers, for example, responsibility and accountability for the use of resources;

* establish a set of clear, measurable benchmarks - such as the number and timing of outpatient clinics - against which they can monitor whether the consultant is fulfilling his contractual obligations.

Job descriptions, which will be subject to annual review, will be an essential tool for managing all consultants' contracts. They will be especially important to managing maximum part-time contracts. You will recall that "maximum part-time" consultants - 32 per cent of the total - are expected, like whole-time consultants, to devote "substantially the whole" of their professional time to their NHS duties; but that they are free within this constraint to undertake unlimited private practice and are paid only 10/11th of a whole-time salary. Detailed job descriptions will enable local management to spell out a work commitment commensurate with the contractual obligation. If this commitment is not then discharged management will be able to do one of three things: specify what the consultant must do in future to earn his salary, and hold him to it; agree a revised contract for x (ie up to 9) sessions a week, at x/11ths of the whole-time salary; or ask the employing authority (whether Region or teaching District) to take disciplinary action which might lead to dismissal.

Thirdly, doctors will be increasingly engaged in the process of resource management. This will enable hospital management increasingly to ensure that consultants are working within established budgets for which the consultants themselves are responsible.

Fourthly, local management will be able to ensure that the quality and cost-effectiveness of medical work is reviewed and improved through medical audit. We discussed this in detail at our last meeting.

Fifthly, general managers will have much greater influence over incentives to better performance through the changes we propose to the distinction awards system. Managers' influence will be increased by our decision to widen the criteria for future awards and to inject a much stronger managerial voice into the distinction awards process. The incentive effects of the awards themselves will be strengthened by making new and increased awards reviewable after five years and subject to completion of at least three years further service.

Sixthly, managers will be able to make much more effective and efficient use of disciplinary procedures than is possible at present. The new procedures will be more flexible, for example by introducing new local procedures for dealing with circumstances which warrant disciplinary action short of dismissal. Most importantly, we shall be speeding up the appeals procedure so that no consultant will be paid for more than nine months following dismissal. This will remove the present incentive for consultants dismissed by their authorities to spin out their appeals to the Secretary of State, sometimes for several years, in order to