

PRIME MINISTER22 NOVEMBER 1988NHS REVIEWLETTER FROM THE CHANCELLOR - 18 NOVEMBERA better service to patients

A better deal for patients is central to the review. The Chancellor has quite reasonably focussed on the need to set out firm prospects for improvements in waiting times, in the White Paper. But we should be wary of the Treasury's objectives here. This White Paper should not be directed at new centralist measures such as top-slicing. Devolving responsibility is the essential reform. It will lead to efficiency gains and cross-border patient flows. This trend, combined with fiscal incentives, will generate improvements in waiting times.

The public and private sectors

A GP budget is equivalent to opting-out but it is managed by GPs, rather than the consumer personally. A GP will then be able to buy services on behalf of his patients from the public or private sectors. Without this reform, patients would be many steps removed from the decision making process.

Yet again, the Treasury is attempting to destroy the concept of GP budgets in this review. The Chancellor alleges a serious flaw in the present proposals for GP practice budgets. But the Treasury is ignoring one important point. There will be no significant movement of patients from the private insurance sector back to the public sector. GPs will have an in-built incentive to maximise the number of patients covered by private insurance. More money will then be available for the

remaining patients. A GP will then attract more patients to his practice.

It is essential that we do not water down this reform any further. Assuming that elective surgery and out-patient clinics make up 30% of total hospital expenditure and assuming that a maximum of 10% of patients are affected by this reform, GP budgets will only constitute 3% of the hospital budget. If costs rise because of leakage to the private sector, we should not be too concerned about the marginal increase in cost.

- Questions:
- Will Kenneth Clarke allocate funds to GPs on a simple age-weighted capitation basis?
 - Will it be paid direct to the GPs by the Regions?

Professional and Employment Practices

The Chancellor is absolutely right. There is no need for an independent inquiry into the best use of professional resources. Self-governing hospitals and consultants contracts are the keys to devolving responsibility for pay and conditions. We do not need to divert valuable management time towards a pointless inquiry.

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