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PRIME MINISTER

NHS REVIEW
[Draft White Paper
Chapters circulated by the Secretary of State for Health on 12 and 13 January and by Secretary of State for Wales on 11 January]

1. This is the last meeting arranged for the group. It provides a final opportunity to discuss the style of the White Paper and to make sure that the policy is correctly set out, before the proposals go to E(A) on 24 January and to Cabinet on 26 January. All arrangements are being made on the basis of publication on 31 January.

2. This draft is an improvement on its predecessor. It has been restructured as you asked, and most of the points made by the group appear to have been taken into the text. Some exceptions are set out below.

3. First, you may wish to pick out any major points which still concern you. Possibilities include:

i. Chapter 1. This is the key part which you asked should set out the rationale of the Government's reforms and of the key proposals, so that readers would know what the Government had in mind even if they read no further. It is now much better. But you will wish to consider whether there are still some improvements which could be made.

ii. Central Management of the NHS. The description in paragraphs 2.4 and 2.5 of the relative roles of Ministers, the policy board and the NHS management board is important.

iii. Funding of Core Services. You were concerned at the last meeting that the White Paper should include criteria by which the funding of core services should be determined.

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Paragraphs 4.17 and 4.18 are similar to what was said before but shorter. You will wish to consider whether you are content.

iv. Scotland, Wales and Northern Ireland. The territorial chapters need discussion, first so as to make sure that they are working to the same timetable as England for self-governing hospitals and GP practice budgets, and second to make sure that they carry conviction (particularly relevant to Wales).

4. Second, you may wish to work through the text chapter by chapter to pick up any drafting or other points which the group may have. Some comments are set out below.

5. Third, you may wish to ask Mr Clarke about his plans for presentation. Particularly important are:

i. Title. I understand that Mr Clarke has not yet decided on the title. A decision is now needed. One possibility might be: "The National Health Service: The Way Ahead".

ii. Cover and Illustrations. You may wish to ask Mr Clarke what these will be like.

iii. Consultation Documents. Mr Clarke is planning a popular version of the White Paper. He is also preparing a number of consultation documents, which will be ready by the day of publication but not issued until a day or two afterwards. It is important that these should all be cleared with Treasury and represent agreed policy.

also very important for the popular version to be cleared with you. RCC

iv. General Presentation. We understand that Mr Clarke is planning a series of media briefings together with meetings with special interest groups and the NHS management on 31 January.

You also need to consider whether you wish to play a part in the 31 January media presentation; DoH seem to be assuming that you will not.

v. Parliament. Mr Clarke will be making a statement in the House. We understand that he may want to tell Parliament soon that the White Paper will be issued on 31 January, since it will not be possible to keep it secret. If he raises this you may wish to make sure that he clears his lines with the Lord President.

6. Finally, the next step will be for Mr Clarke to revise the text in the light of discussion and to circulate the White Paper to E(A) by next Friday, 20 January, at the latest, in preparation for the discussion on 24 January. You may wish to invite him to circulate it to all members of Cabinet at that time, so that they can have the weekend in which to read it. There will be very little time between E(A) on 24 January and Cabinet on 26 January.

MAJOR POINTS

7. You may wish to begin by concentrating on any major points which still concern you. Possibilities are as follows.

CHAPTER 1

8. It is very important that this chapter should be as good as they can get it. The present text is a substantial improvement, particularly in its opening. It has taken on board a number of the themes which you stressed. But you may think that it could still be improved:

i. patients as taxpayers. It does not appear to make the point explicitly that patients as taxpayers are paying for the NHS and are therefore entitled to expect an efficient, considerate service and better choice.

ii. value for money. The need to emphasise the benefit to patients applies particularly to paragraphs 1.12 to 1.14 on an effective health service. This section might make the point that getting better value for the taxpayers' money is of direct benefit to patients because it means that more people can be treated and waiting times can be reduced.

iii. structure. It might be better if the passage about 'putting patients first' (paragraphs 1.8 to 1.11) came before the summary of key proposals (paragraph 1.7). This would establish early on the thinking behind the proposals, before spelling out what they are.

iv. numbers. The numbers ought to be as up to date as possible. It looks odd only to be able to quote the 1986 figure for doctors, dentists, nurses and midwives in paragraph 1.3, and the 1986/87 figure for the average cost of treating patients in paragraph 1.5.

v. The new role for the Audit Commission is an important reform and ought to be mentioned in paragraph 1.14.

vi. Paragraph 1.17 does not seem to fit in. You might ask whether it could be dropped.

CENTRAL MANAGEMENT OF THE NHS

9. You emphasised at the last meeting that Ministers could not be expected to manage the NHS or to answer for every detail of the running of the NHS on the floor of the House. The Policy Board, chaired by the Secretary of State, would be responsible for strategy on the NHS, its objectives, its finance and the monitoring of the Management Board. The Management Board, chaired by the Chief Executive, would be responsible for all operational matters, within the policy framework laid down by the Secretary of State.

10. Paragraphs 2.3, 2.4 and 2.5 appear to differ from this approach in a number of respects:

i. accountability to Parliament. The text still says that Ministers must be accountable to Parliament and the public not only for the spending of huge sums of money but also "for the services which they finance" (paragraph 2.4, second sentence). This seems to lay Ministers open to questions of detail about those services in Parliament.

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and there is still confusion from failing to call it the Management Committee, as agreed at the last meeting. PRCG.

ii. Management Board part of the Department of Health. The last sentence of paragraph 2.4 says that the NHS Management Board, chaired by the chief executive, has to be part of the Department of Health. This contrasts with the logic of what was said at the last meeting, which was the Management Board should be part of the NHS.

iii. responsibility for management. Paragraph 2.5 (second indent) says that the Policy Board, chaired by the Secretary of State, will consider all strategic management issues for the NHS. This seems to carry some risk of confusion, as to who is responsible for management.

iv. appointments to the Management Board. Paragraph 2.5 (third indent) seems to indicate that the Chief Executive will himself select and appoint members of the Management Board. This seems odd. One legitimate function for the Secretary of State might be to approve and appoint the people who are to be responsible for operational management of the NHS.

11. This is a confused area which it is important to get right. One underlying problem is that in legal terms the NHS comprises a number of distinct entities - the Department, the Regional Health Authorities, the District Health Authorities, each of which is a separate statutory body - which do not easily form a management entity. As Mr Clarke indicated at an earlier meeting, however, it would require legislation to alter this; and the group has not considered any proposals on what might take the place of the present structure. You may at least want the White Paper to set out a clear account of the relative responsibilities of the Policy Board and the Management Board, on the lines perhaps of paragraph 9 above. If you wished there could then be further work on the issue, before the legislation next session was introduced.

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CORE FUNDING

12. At the last meeting you questioned the proposed arrangements for funding core services through an annually negotiated contract. You asked Mr Clarke to consider whether the White Paper could include some indication of the criteria by which funding would be determined, so as to avoid perpetuating existing inefficient patterns. You may wish to ask Mr Clarke what his thinking on this now is.

SCOTLAND, WALES AND NORTHERN IRELAND

13. In considering these chapters, you will want to ensure that differences between the proposals for the regions and those in the rest of the White Paper are readily explicable and do not cast doubt on the commitment to the fundamental reforms throughout the UK.

Scotland

14. You may want to ask about the following apparent differences between the proposals for Scotland and those for England.

a. The list of practical improvements for patients in paragraph 10.4 does not include a better complaints procedure or optional extras, as the English list (Chapter 1.10) does. Conversely the Scottish list contains one improvement - ensuring that all outpatients are seen by a consultant - which the English list does not.

b. For England, the objective is to establish a substantial number of self-governing hospitals by 1991 (paragraph 3.22); for Scotland, it is for "at least two" to attain self-governing status by 1992 (paragraph 10.5).

c. The Scottish Health Policy Board in Scotland is to be abolished (paragraph 10.18) mainly because 'broad issues of policy can be dealt with more effectively by Ministers directly'. This does not seem to fit well with the Policy Board in England. Paragraph 10.17 also says that the

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Government are 'considering ways of discharging the central strategic management role more effectively', whereas for England of course the White Paper makes definite proposals.

d. Similarly, the Scottish Chapter says only that the size of the Health Boards will be reduced (paragraph 10.20) whereas definite proposals are made for the Health Authorities in England.

e. Scotland has the SHARE system of allocation to Health Boards which is apparently similar to the RAWP system in England. Paragraph 10.24 says only that it 'may' be possible to abolish SHARE, and implies that any such move could be some way off.

f. Paragraph 10.15 says that the Secretary of State will 'keep under review' the current arrangements for audit of the health authorities, which are now undertaken within the Scottish Office. This seems a clear difference from England, where the audit function will move from DOH to the Audit Commission.

Wales

15. You will want to probe the following apparent differences between the proposals for Wales and those for England:

i. On the development of self-governing hospitals paragraph 4.i of the Welsh Chapter says that "it will be possible by the early 1990s for a major acute hospital" to become self-governing provided that it satisfies certain tests. There seems a distinct difference of flavour from Chapter 3.22 which says that in England the Government's aim is to establish a substantial number by 1991.

ii. The timetable for GP practice budgets in paragraph 4.iii is that a 'number' will be in operation by 1992 'subject to suitable arrangements being worked out with the

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appropriate health authorities'. Chapter 6.16 says that for England the Government's aim is encourage a 'substantial number' by 1991.

iii. Paragraph 4.vii says that the Secretary of State will examine the case for bringing hospitals and the FPS in Wales under common management.

16. There are also three proposals for Wales which have no counterpart in England:

i. a 'full corporate strategy' to be published in 1992 (paragraph 3);

ii. a 'programme to improve the quality of acute care and other services' (paragraph 4.iii);

iii. the establishment of a value for money unit under the NHS Directorate (paragraph 4.ix).

Northern Ireland

17. The Northern Ireland chapter is less specific than those for Scotland and Wales and there are fewer apparent discrepancies with what is proposed in England. But you may want to probe the following:

i. What underlies the reference in paragraph 12.2 to the Government's 'health strategy' for the Province, especially the reference to the need to 'streamline' acute hospital services?

ii. Paragraph 12.4 is much less specific than the sections on England and Scotland about practical improvements for patients, referring only to a guide on the subject not yet issued.

iii. There is no timetable given for the development of self- governing hospitals (for which only a 'small number' of hospitals would qualify - paragraph 12.10) of GP practice budgets (paragraph 12.13), or for the replacement of the PARR system, apparently the equivalent in Northern Ireland of RAWP (paragraph 12.18).

iv. Although local authorities would no longer be represented on Health Boards they would have a 'stronger' advisory and consultative role (paragraph 12.17).

CHAPTER-BY-CHAPTER DRAFTING COMMENTS

Chapter 1

18. Main points on this chapter are above. On points of detail:

i. para. 1.6. The second sentence has been taken from the Scottish text considered at the last meeting, except that it now refers to giving staff a more stimulating measure of responsibility, rather than a more satisfying one. Given the need to bring out the benefit to staff and win them over, you may think that 'satisfying' was better.

ii. para. 1.7. The fourth indent refers to encouraging GPs to compete for patients. Would it be better to refer to increasing patient choice?

Chapter 2

19. In paragraph 2.1,, rather than refer to an annual budget "well in excess of £20 billion", it might be better to give the actual figure.

20. In paragraph 2.3, rather than refer to local management being accountable "for its delivery of the Government's objectives", it might be better to say "for its service to patients".

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21. Paragraph 2.16 refers to the fact that nurses benefit both from London supplements and London weighting, without indicating that this is in any way unsatisfactory. Might it be interpreted as endorsing this state of affairs?

22. Paragraph 2.22 deals with funds for capital investment as though they come exclusively from the Exchequer. Might there be a reference to the private sector (eg Bromley?)

Chapter 3

23. It is important that there should be no misconception that self-governing hospitals will 'opt out' of the NHS. This point is implicit in paragraph 3.1 but you may want it to be made more strongly.

24. The last sentence of paragraph 3.7 is making the right point - that no one will be denied urgent treatment - but seems badly put. It is important that there should be no impression that the Government has contemplated arrangements which would allow people to be turned away.

25. The last sentence of paragraph 3.18 is similarly making the right point, that self-governing status must not be misused to prevent necessary closures, but in a rather negative way. It might better read: "The NHS must not be obliged to retain hospitals at the expense of introducing new and better facilities elsewhere for its patients".

26. You will wish to note the last sentence of paragraph 3.21 which, as you asked, explicitly refers to the possibility eventually of merging FPCs and DHAs.

Chapter 4

27. There are a couple of small points which you might raise:

i. Para. 4.7 in its last sentence refers to 'local financial "crises"'. Could this be misinterpreted?

ii. Para. 4.27 might be strengthened by making the point explicitly that hospitals will also be given an incentive to take on more work.

Chapter 5

28. The main point on this chapter is that it does not include any reference to the possibility of joint inquiries, involving both management audit and medical audit. This point was made at the last meeting. You will wish to ask why it has not been taken into account.

Chapter 6

29. You will want to consider especially paragraphs 6.8 - 6.10 on the determination of budgets for GP practices. These proposals are new. They follow the discussion at the previous meeting and move, as was agreed, towards a formula approach, though retaining some flexibility. They do however make the system look complicated, and an alternative would be to have a briefer discussion in the White Paper, with more detail left for the technical paper promised in paragraph 6.10.

30. Paragraph 6.13 says that practices within the scheme will be 'free' to spend half of any savings. The group has agreed that it is important to give GPs incentives to save costs, but you might ask whether the word 'free' is quite right. As an obvious point, any such spending must improve services to patients.

Chapter 7

31. The statement in 7.8 that the Government believes that advertising by GPs should become the norm is new, but you may be content to agree it.

32. Paragraph 7.14 still contains, in a watered-down form, the statement that expenditure on drugs will increase. At its last meeting the group wanted to delete a more explicit statement to this effect. You may wish to ask why anything at all need to be said on this point.

33. Paragraph 7.16 says that a practice may exceed its indicative drug budget for reasons which are 'entirely acceptable'. It is of course important to reassure public opinion that the new arrangements will not deprive patients of drugs they need, but you may wish to consider whether the right tone has been adopted on this point.

34. Paragraph 7.19 says that the FPC can keep half the underspend on indicative drug budgets. You may wish to consider whether the text should say what happens to the other half, to avoid misunderstanding.

35. Paragraph 7.24 says both that FPCs will be freer to determine their Sub-Committees and that the number of Sub-Committees will be reduced. You could ask Mr Clark if he is confident that these two statements are consistent.

Chapter 8

36. In paragraph 8.4, lines 9-10 say that the 'actual managers themselves have no direct say in this decision-making process'. Even with DHAs operating as at present, this seems likely to be an exaggeration. It might be more accurate to say that final decisions are taken not by managers but by members of the authorities.

37. The last inset but two in paragraph 8.6 says that local authorities should no longer have an 'automatic' right to appoint members of DHAs. The group have considered it important to take away the local authority power of appointment, and you might ask Mr Clarke to explain the meaning of the word 'automatic'.

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Chapter 9

38. This chapter still lacks the key Treasury passage on tax relief. You may wish to ask where this stands.

39. The group earlier considered the possibility of Government regulation of the private sector, although no decision was reached on it. The nearest reference to the point in this Chapter is in paragraph 9.7 which says that health authorities will need to be satisfied before they use private sector facilities that they offer adequate standards of medical care. You will want to consider whether more needs to be said on this point.

40. The paragraphs on joint ventures in 9.10-9.13 are important and seem positive in flavour. Paragraph 9.11 would seem for example to open the way to a scheme of the type the Treasury were earlier resisting for Bromley. You will want to check whether a Bromley-type scheme would be permissible under these paragraphs. You may also want to ask where matters stand on the Bromley scheme itself.

Chapter 13

41. This chapter seems more like a briefing note than a conclusion to the White Paper. It is all the odder to add to it a final paragraph on public expenditure which has relatively little to do with the earlier paragraphs which are about the timetable for implementation. You may wish to ask whether the chapter is needed. Public expenditure could be dealt with elsewhere, for instance in Chapter 1. You may wish to ask how the discussions between the Chief Secretary and the Secretary of State are getting on. It is getting late in the day to have public expenditure aspects unresolved.

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Cabinet Office
13 January 1989

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