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Prime Minister

NHS REVIEW: DRAFT WHITE PAPER

1. At the end of the Ministerial Group meeting on Tuesday, I undertook to circulate revised versions of parts of the draft White Paper in advance of Cabinet circulation tomorrow.

2. I attach for your agreement, and that of other members of the Group, revised drafts of chapters 1 and 13. The former in particular draws heavily on Bernard Ingham's helpful suggestions. I should be grateful for any comments by early tomorrow.

3. I am also attaching a revised draft of the section on GP numbers in Chapter 7. This is based closely on the Chancellor's draft, but I have not included his suggested references to the GP remuneration system. I do not entirely agree with them, they are not relevant to our proposals, and they would provoke a quite needless row.

4. We must settle a title. I have confirmed that "Fit for the Future" has been used before (Report of the Committee on Child Health Services, 1976). The same applies to "Patients First", which is among the suggestions made by Bernard Ingham yesterday. I am not opposed to "Better Health", although it is rather dull and sounds rather like a health promotion or keep fit brochure. I have thought about Bernard's other suggestions, but would myself prefer "The NHS: A Healthy Future". I should be grateful for your and colleagues' agreement. We do not have time to wait any longer for real inspiration. Failure to settle a title by tomorrow morning could jeopardise the printing timetable for a laminated cover.

5. I am copying this minute to the other members of the Ministerial Group, to Professor Griffiths and Mr Whitehead in the No 10 Policy Unit and to Mr Wilson in the Cabinet Office.

19 January 1989

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Draft (19.1.89)

CHAPTER 1: A BETTER HEALTH SERVICE FOR PATIENTS

Introduction

The achievements of the NHS

1.1 The United Kingdom enjoys high standards of health care. The Health Service has contributed to longer life expectancy, fewer stillbirths and lower rates of perinatal and infant mortality. There have been dramatic increases in the number of people treated in hospital. Transplant surgery is now commonplace. Doctors can carry out successful hip operations on people in their seventies and eighties. People are not only living longer but are enjoying a better quality of life.

1.2 The proposals in this White Paper aim to build on these achievements by providing an even better service for patients. The Government will keep all that is best in the NHS. It supports and will not change the principles of the Service. The service provided by the NHS is, and will continue to be, open to all, regardless of income, and financed mainly out of general taxation.

1.3 The NHS is growing at a truly remarkable pace. The number of hospital doctors and dentists has increased from 42,000 in 1978 to over 48,000 in 1987, and the number of nurses and midwives from 444,000 to 514,000. Total gross expenditure will increase from £8 billion in 1978-79 to £26 billion in 1989-90, an increase of 40 per cent after allowing for general inflation. Expenditure by the NHS will then be equivalent to around £35 for an average family of four, as compared with about £11 in 1978-79. This and improved

productivity mean, for example, that NHS hospital staff now treat over one and a half million more in-patients a year than in 1978.

The need for change

1.4 Throughout the 1980s the Government has thus presided over a massive expansion of the NHS. It has ensured that the quality of care provided and the response to emergencies remain among the best in the world. But increasingly the country as well as the Government has recognised that more needs to be done because of rising demand and an ever-widening range of treatments resulting from advances in medical technology. It has increasingly been recognised that the injection of more and more money is not, of itself, the answer.

1.5 It is clear that the organisation of the NHS - the way it delivers health care to the individual patient - also needs to be reformed. The Government has been tackling these organisational problems. It has taken a series of measures to improve the way the NHS is managed. The main one was the introduction of general management from 1984. ~~This has been particularly successful~~ and has ~~also~~ demonstrated the way ahead.

1.6 The new management information systems have provided clear evidence of a wide variation in performance up and down the country. In 1986/87, the average cost of treating acute hospital in-patients varied by as much as 50 per cent between different health authorities, even after allowing for the complexity and mix of cases treated. Similarly, a patient who waits several years for an operation in one District may get that same operation within a few weeks in another. There are wide variations in the drug prescribing habits of GPs, and in some places drug costs are nearly twice as high per head of

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population as in others. And at the extremes there is a twenty-fold variation in the rate at which GPs refer patients to hospital.

1.7 The Government wants to raise the performance of all hospitals and GP practices to that of the best. The main question it has addressed in its review of the NHS has been how to achieve that. It is convinced that it can be done only by delegating responsibility as close as possible to where health care is delivered to the patient - predominantly to the GP and the local hospital. Experience in both the public service and the private sector has shown that the best run services are those in which local staff are given responsibility for responding to local needs and are held to account for doing so.

1.8 This White Paper presents a programme of action, summarised in chapter 13, to secure two objectives:

* to give patients, wherever they live in the UK, better health care and greater choice of the services available; and

* greater satisfaction and rewards for those working in the NHS who successfully respond to local needs and preferences.

The Government's proposals

Key changes

1.9 The Government is proposing seven key measures to achieve these objectives:

First: **to maximise the Health Service's ability to respond to the needs of patients, as much power and**

responsibility as possible will be delegated to local level. This includes the delegation of functions from Regions to Districts, and from Districts to hospitals. The detailed proposals are set out in the next chapter. They include greater flexibility in setting the pay and conditions of staff, and financial incentives to make the best use of a hospital's assets.

Second: **to stimulate a better service to the patient, major hospitals will be able to apply for a new self-governing status as NHS Hospital Trusts.** This means that, while remaining within the NHS, they will take fuller responsibility for their own affairs, harnessing the skills and enthusiasm of their staff. NHS Hospital Trusts will be free to offer their services to other parts of the NHS and to the private sector. They will have an incentive to attract patients, so they will make sure that the service they offer is what their patients want. And in turn they will stimulate other NHS hospitals to respond to local requirements. NHS Hospital Trusts will also be able to set the rates of pay of their own staff and, within annual financing limits, to borrow money to help them respond to patient demand.

Third: **to enable hospitals which best meet the needs and wishes of patients to get the money to do so.** The money required to treat patients will be able to cross administrative boundaries. All NHS hospitals, whether run by health authorities or self-governing, will be free to offer their services to different health authorities or to the private sector. Consequently, a health authority will be better able to discharge its duty to use its available funds to secure a comprehensive service, including emergency services, by obtaining the

best service it can whether from its own hospitals, from another authority's hospitals, from self-governing hospitals or from the private sector.

Fourth: **to reduce waiting times and improve the quality of service, to help give individual patients appointment times they can rely on, and to help cut the long hours worked by some junior doctors, 100 new consultant posts will be created over the next 3 years.** These posts will be additional to the two per cent annual expansion of consultant numbers already planned.

Fifth: **to help the family doctor improve his service to patients, large GP practices will be able to apply for their own budgets to buy a defined range of services direct from hospitals.** Again, in the interests of a better service to the patient, GPs will be encouraged to compete for patients by offering better services. And it will be easier for patients to choose (and change) their own GP as they wish.

Sixth: **to sharpen up the efficiency and accountability of NHS management, regional, district, hospital and general practitioner management bodies will be reduced in size and reformed on business lines, with executive and non executive directors.** The Government believes that, in the interests of patients and staff, the era in which the £24 billion NHS has been run by authorities which are neither truly representative nor fully management bodies must be ended. The confusion of roles will be replaced by a clear remit and accountability.

Seventh: **to ensure that all concerned with delivering services to the patient make the best use of the resources available to them, quality of service and value for money will be more rigorously audited.** Arrangements

for what doctors call "medical audit" will be extended throughout the Health Service, helping to ensure that the best quality of clinical care is given to patients. The Audit Commission will assume responsibility for auditing the accounts of health authorities and other NHS bodies, and will undertake wide-ranging value for money studies.

1.10 The Secretary of State for Health will publish shortly eight working papers explaining in detail how major aspects of the Government's proposals are to be implemented in England. [Similar papers will be published as necessary by the Secretaries of State for Scotland, Wales and Northern Ireland.]

Putting patients first

1.11 People sometimes have to wait too long for treatment, and may have little if any choice over the time or place at which treatment is given. The Government has already done much to tackle this problem. Over the past two years, £60 million has been spent on a new initiative to reduce waiting lists and waiting times, allowing over 220,000 additional patients to be treated. As a result, half of all waiting list patients are now admitted from the list within five weeks or less. In 1989/90, another £40 million will be spent on this initiative.

1.12 The changes proposed in this White paper are intended further to improve the quality of the service that the NHS is able to offer to its patients. This applies not only to waiting times for treatment. The service provided on admission to hospital is sometimes too impersonal and inflexible. This is not what either the Government or those working in the Health Service want to see. The best NHS

hospitals provide more than clinical excellence. They provide a service which considers patients as people. The Government is determined that this is what all the NHS should provide.

1.13 The Government believes that each hospital should offer:

* appointments systems which give people individual appointment times that they can rely on. Waits of two to three hours in out-patient clinics are unacceptable.

* quiet and pleasant waiting and other public areas, with proper facilities for parents with children and for counselling worried parents and relatives.

* clear information leaflets about the facilities available and what patients need to know when they come into hospital.

* clearer, easier and more sensitive procedures for making suggestions for improvements and, if necessary, complaints.

* once someone is in hospital, clear and sensitive explanations of what is happening - on practical matters, such as where to go and who to see, and on clinical matters, such as the nature of an illness and its proposed treatment.

* rapid notification of the results of diagnostic tests.

* a wider range of optional extras and amenities for patients who are prepared to pay for them - such as a choice of meals, single rooms, personal telephones and TVs.

1.14 In short, every hospital in the NHS should offer what the best offer now. These improvements will bring greater appreciation and recognition from patients and their families for all the care that the Health Service provides.

The best use of resources

1.15 If the NHS is to provide the best service it can for its patients, it must make the best use of the resources available to it. The quest for value for money must be an essential element in its work. This becomes even more important as the demands on the Health Service continue to grow.

1.16 Those who take decisions which involve spending money must be accountable for that spending. Equally, those who are responsible for managing the service must be able to influence the way its resources are used. The Government believes that most decisions are better taken at local level. Parts Two and Three of this White Paper include a range of important proposals for strengthening local management and improving value for money in addition to those referred to in paragraph [1.9]. They build on the introduction of general management and on the proposals for the better management of the family practitioner service (FPS) set out in "Promoting Better Health" (Cm 249).

1.17 Among the most important aims behind these changes are:

* effecting a clearer distinction at national level between the policy responsibilities of Ministers and the operational responsibilities of top management;

* improving the information available to local managers, enabling them in turn to make their

budgeting and monitoring more accurate, sensitive and timely;

* ensuring that hospital consultants - whose decisions effectively commit substantial sums of money - are involved in the management of hospitals; are given responsibility for the use of resources; and are encouraged to use those resources more effectively;

* contracting out more functions which do not have to be undertaken by health authority staff and which could be provided cost effectively by the private sector; and

* ensuring that drug prescribing costs are kept within reasonable limits.

Public and private sectors working together

1.18 The NHS and the independent health sectors should be able to learn from each other, to support each other and to provide services for each other. Anyone needing treatment can only benefit from such a development. People who choose to buy health care outside the Health Service benefit the community by taking pressure off the Service and add to the diversity of provision and choice. The Government expects to see further increases in the number of people wishing to make private provision for health care, but at the moment many people who do so during their working life find the cost of higher premiums difficult to meet in retirement. The Government therefore proposes to make it easier for people in retirement by allowing tax relief on private medical insurance premiums paid by them or, for example, by their families on their behalf.

Scope of proposals

1.19 Everyone is entitled to better health services with higher quality and more choice, regardless of where they live. The White Paper's proposals therefore apply throughout the UK. The way in which they are implemented in England, Scotland, Wales and Northern Ireland will need to reflect the different organisational structures that have grown up in each country, in the light of their own distinctive health care needs and circumstances. Chapters 2-9 are written in terms which apply primarily to England. Those aspects which are particular to the other three countries are dealt with in chapters 10-12.

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Draft (19.1.89)

Revised Paragraph on GP Numbers

7.21 It is the Government's responsibility to ensure that there is adequate access to primary care services across the country; that opportunities exist for good doctors to enter general practice; and that there is a sensible, overall balance between the numbers of doctors in hospitals on the one hand and in general practice on the other. The Government proposes to take two further steps to enable it better to control the total cost of the service while ensuring that sufficient opportunities remain in general practice. First, it will seek reserve powers to control, if necessary, the number of GPs entering into contract with the NHS. Secondly, it will seek in due course to reduce from 70 to 65 the retirement age for GPs which has been introduced through the Health and Medicines Act 1988.

Draft (19.1.89)

CHAPTER 13: PROGRAMME FOR REFORM

13.1 The proposals in this White Paper offer a new and exciting challenge to all those who work in the NHS. They add up to the most significant review of the NHS in its 40-year history. They represent a wide-ranging opportunity to put the interests and wishes of the patient at the forefront of decision-making at all levels. They amount to a substantial body of change, which must be implemented with determination and commitment.

13.2 The Government is planning a programme of reform in three main phases:

* **Phase 1: 1989**

The Secretary of State for Health will establish a new NHS Policy Board and reconstitute the NHS Management Board as a Management Executive.

The Health Departments, and RHAs in England, will identify the first hospitals to become self-governing as NHS Hospital Trusts, and plan for their new status; will devolve further operational responsibility to Districts and hospitals; and will begin preparing the ground for GP practice budgets.

The Government will introduce Regulations to make it easier for patients to change their GPs.

The first additional consultant posts will be created; Districts will begin agreeing job descriptions with

their consultants; and a new framework for medical audit will begin to be implemented.

The resource management initiative will be extended to more major acute hospitals.

Preparations for indicative drug budgets for GPs will begin.

The Audit Commission will begin its work in the NHS.

* **Phase 2: 1990**

The changes begun in phase 1 will gather momentum. Devolving operational responsibility, changing the management of consultants' contracts and extending medical audit throughout the hospital service will near completion.

"Shadow" boards of the first group of NHS Hospital Trusts will start to develop their plans for the future.

RHAs, DHAs and FPCs will be reconstituted, and FPCs will become accountable to RHAs. Regions will begin paying directly for work they do for each other.

* **Phase 3: 1991**

The first NHS Hospital Trusts will be established.

The first GP practice budget-holders will begin buying services for their patients.

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The indicative drug budget scheme will be implemented.

DHAs will begin paying directly for work they do for each other.

13.3 The reforms in this White Paper will enable a higher quality of patient care to be obtained from the resources which the nation is able to devote to the NHS. The provision for spending on health in the coming financial year, 1989/90, announced in the Autumn Statement, included the likely costs of preparing for the reforms and for the legislation which will give effect to them. Over time, any extra costs should be offset by the improved efficiency which will stem from them. The total provision for spending on health will take account of the progress made in implementing the reforms - including the increased efficiency savings. The costs of implementing the reforms in future years will be considered in the annual public expenditure surveys.

13.4 A number of the changes proposed will require legislation, which will be introduced at the earliest opportunity.

13.5 Throughout this programme, the Government will hold to its central aims: to extend patient choice, and to delegate responsibility to those who are best placed to respond to patients' needs and wishes and to secure the best value for money. The result will be a better deal for the public, both as patients and as taxpayers. The Government will build further on the strengths of the NHS, but will not flinch from tackling its weaknesses. This is the way to give the NHS a healthy future.