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

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NHS REVIEW

I attach briefing on the Review White Paper for Cabinet Ministers as requested at last week's Cabinet meeting.

I am copying this letter and attachment to the Private Secretaries of other Cabinet Ministers and to Trevor Woolley.

A J McKEON
Private Secretary

NHS REVIEW WHITE PAPER

Background and Summary

1. The Government's White Paper on the NHS, "Working for Patients", was published on 31 January 1989 following a year-long review of the NHS.

2. The White Paper concentrates on the hospital and family doctor service. It proposes a series of measures to improve the quality and efficiency of services. In particular:

- power and responsibility will be delegated much more to the local level, including greater flexibility in setting pay and conditions and over the use of capital;
- the role of the centre will be clarified by the establishment of a Management Executive with responsibility for NHS operations which will be accountable to a Policy Board chaired by the Secretary of State for Health;
- Regional and District Health Authorities (RHAs and DHAs) will be slimmed down and reconstituted. Local authorities will no longer have a right to appoint DHA members;
- hospitals will be able to apply for self-governing status, while remaining in the NHS. They will be known as NHS Hospital Trusts and will have considerable freedom over their use of resources;
- new funding arrangements will ensure that resources are channelled to those hospitals which attract most patients. Health authorities will be encouraged to buy the best service they can for their population whether from their own hospitals, other health authorities' hospitals, NHS Hospital Trusts or the private sector;
- hospital consultants will be expected to take more responsibility for their use of resources, and they will have fuller job descriptions. The system of distinction rewards will be revised;
- 100 new consultant posts will be created over the next 3 years in specialties with the longest waiting times;
- GPs in large practices will be able to opt to have their own budgets for buying a range of services direct from hospitals;
- indicative drug budgets for GPs will be introduced to put downward pressure on prescribing costs;

- the management of Family Practitioner Committees (FPCs) will be improved. They will become accountable to RHAs;
- what doctors call "medical audit" - quality control by peer review - will be extended to cover all hospitals and GP practices;
- 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;
- retired people will be able to claim tax relief on private health insurance.

Key facts on the NHS (UK base)

3. - the number of doctors and dentist increased from 42,000 in 1978 to 48,000 in 1987, an increase of over 14 per cent;
 - the number of nursing and midwifery staff grew from 444,000 to 514,000 during the same period, an increase of 16 per cent;
 - total gross expenditure on the NHS has increased from £8 billion in 1978-79 to £26 billion in 1989-90, an increase of 40 per cent after allowing for general inflation;
 - the NHS now treats over one and a half million more inpatients a year than in 1978, bringing the total to nearly 8 million.

Points to make

4. - this is the most fundamental review of the NHS in its 40 year history. The Government is keeping all that is best in the NHS whilst strengthening it to meet the challenges of the 1990s;
- the Government remains committed to the underlying principles of the NHS that is open to all, regardless of income, and financed mainly funded out of general taxation;
- the Government has put patients first. More local flexibility and competition in the provision of services means more choice and better quality services. Hospitals will have major incentives to attract more patients by improving services;
- this will reduce waiting lists further. As a result of earlier Government initiatives, half of all waiting list patients are already admitted to hospital within five weeks or less;
- hospitals will be freer to respond to local needs. NHS Hospital Trusts are not a step on the road towards privatisation - they will remain an integral part of the NHS;
- the role of GPs will be enhanced and patients who are not satisfied with the service will be able to change GPs more easily;
- staff working in the NHS will have stronger incentives to improve performance, greater control over their resources and greater freedom to innovate and respond to patient preferences.

Points to watch

5. - Action on Griffiths' report on community care?

The NHS review has focused closely on the funding and management of health services - hospitals and family doctors in particular. The interaction of health and social care in the field of community care needs further study. That work is well in hand.

- Won't cash-limited drug budgets harm patients?

No. Patients will continue to get the drugs that they need but, by encouraging more effective and economic prescribing, the Government wants to release more resources for other areas of patient care.

- Will the introduction of contracts restrict GPs freedom of referral?

This is not the Government's intention. By improving the information that is available to GPs and encouraging more contact between GPs and hospitals, the Government wants to enhance the role of GPs as gatekeepers to the hospital service.

- NHS Review White Paper a bureaucrat's delight?

No. The Government's aim is to produce a more effective and responsive service, by redistributing staff to the hospital level where possible and strengthening key functions.

- Isn't the White Paper preparing the NHS for the Private Sector?

The White Paper makes it plain that the Government remains committed to a public sector service that is available to all, regardless of income, and financed mainly out of general taxation. NHS Hospital Trusts will remain an integral part of the NHS.

- Will higher regional costs still be reflected in the allocation of resources?

Yes. The Thames Regions will receive a slightly higher funding than the rest - some 3 per cent higher per head of population - to reflect the higher costs of and demands on services in the capital in particular.