

SECRET

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Ian Whitehead is preparing a note for the weekend. You are meeting Mr Clark tomorrow week and can ask him if he is satisfied that it is safe to go ahead at the pace proposed

AT 10/4

PRIME MINISTER

HEALTH SERVICE REFORMS

Sir David Wolfson is coming in tomorrow to discuss the implementation of the health service review.

As you know, his line will be that there is considerable merit in the proposal from the Royal Medical Colleges that the review should be implemented in two out of the fourteen regions in the first instance. It is argued that the IT resources available generally are insufficient to allow the new market-based approach to operate.

Moreover, he is concerned that implementation of the reforms at a time of general financial stringency in the health service could discredit the approach.

Politically, he considers it would be better to delay implementation generally and to concentrate the resources available in two pilot regions in order to make a success of the health service review.

The view of Ian Whitehead (Policy Unit) is that there are political dangers in focussing on only two regions. The unions and indeed the medical colleges could bring their resources to bear, with the aim of making sure that the reforms did not work. Moreover, failure to introduce the reforms universally could lead to rapid demoralisation elsewhere, amongst those supporting the changes.

Ian Whitehead suggests that one possible half-way house would be to have a larger number of 'pilot' regions, say four or five (while excluding any in the Thames area). This would provide greater commitment to the reforms, while avoiding stretching the IT resources quite so far; and it would make it more difficult for the unions or colleges to frustrate the new approach.

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One other approach might be to introduce the reforms on a national basis but limit the extent to which the market was allowed to develop in the first year. This would be tantamount to untying the health service districts in principle but limiting the extent to which they could purchase services from other areas (for example) to say 10 or 15 per cent of the total budget.

Ian Whitehead is available tomorrow morning. Do you wish him to attend the meeting?

BHP

BARRY H. POTTER

10 April 1990

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