

MEETING REVIEW
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LONDON SW1A 2AA

From the Private Secretary

19 April 1990

**MEETING BETWEEN THE PRIME MINISTER AND
SECRETARY OF STATE FOR HEALTH**

The Prime Minister discussed the implementation of the Health Service Review reforms and the transfer of responsibility for community care to local authorities with your Secretary of State yesterday.

I should be grateful if you would ensure that copies of this letter are confined strictly to those with a need to know.

On the Health Service Review the Prime Minister said that Sir David Wolfson had recently made her aware of his concerns about the speed of introduction of the reforms. Lord Rayner had expressed similar concerns. Both considered that the health service was grossly inefficient; there was too much reliance on paper systems, leading to confused communications, duplication of effort and waste of resources. New computer systems had been introduced, but in some cases directed more towards providing management information than improving clinical services. On the one hand, the levels and use of IT would need to be improved if the new internal market arrangements at the heart of the reforms were to be introduced successfully. On the other, over-ambitious and extensive computer systems could disrupt delivery of clinical services, add to costs and public spending and bring the reforms into disrepute.

Sir David Wolfson and Lord Rayner both considered that the right response was to go gently on the introduction of new IT systems. If reforms of the scale and imagination in the Health Service Review were being introduced in a business, it would be normal to proceed slowly and to introduce new arrangements on a pilot basis. It was better to learn from experience in a few areas and to achieve early success where enthusiasm was high, than to indulge in excessive misdirected investment at the initial stage.

Your Secretary of State said he was well aware of the need for a "soft landing" in introducing the health reforms. His aim was to produce simple service-based information systems that got doctors and nurses directly involved. Better IT would be needed:

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but he fully agreed that the reforms must not be IT-led. It was important to get the role of IT systems in the new reforms in perspective. He was not sure that either Sir David Wolfson or Lord Rayner, whose experience was mainly limited to a small number of large hospitals in London, were yet able to fit that experience into the wider picture. He very much wanted to discuss Sir David's experience and would make arrangements to see him.

Your Secretary of State said he was in full agreement with the Prime Minister on the need for greater efficiency in the health service. Inefficiency was endemic: a great deal of investment and reform would be needed to solve longstanding problems including unnecessary duplication of tests, long waiting lists, poor use of consultants' time (through outpatients not turning up) etc. But going too fast would be counter-productive. He was considering how the co-operation of the Royal Colleges could be secured in introducing the reforms. He was also well aware of the public expenditure implications of introducing the reforms and how difficult the overall public expenditure problem was. But it would be important to ensure that the health programme had sufficient resources to avoid ward closures - which might be blamed on introduction of the reforms.

Summing up this part of the discussion, the Prime Minister said that it was important to bring the reforms in where they could be successfully implemented. She also agreed with your Secretary of State that it would be highly desirable to carry the Royal Colleges with the Government in implementing the reforms. This might point to proceeding in the first instance in a restricted number of areas. In this context, your Secretary of State should discuss Sir David Wolfson's concerns with him urgently.

The overall public expenditure position was extremely difficult, the tightest for a long number of years. It would be important to recognise this when your Secretary of State was framing his bids. At the same time, it would be important to deliver better value for money and to avoid actions which might lead health authorities to close wards etc. Reductions in manpower might make a contribution if pay costs rose too far. Your Secretary of State would consider whether the system of allocating money to individual health authorities needed any revision.

On the transfer of community care, the Prime Minister said that she was attracted to the idea of postponing the transfer of community care to local authorities, planned for next year. A radical package of measures was under consideration for the community charge for 1991-92. It would be better to avoid adding to the burden on local authorities next year. There was a danger that local authorities would raise their spending on community care but in an inefficient manner, while health authorities would still be spending large sums on caring for the elderly etc.

Your Secretary of State said that he and the Prime Minister had both had reservations about the original decision to transfer

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community care to the local authorities. But the proposed switch was popular, not least with the local authorities themselves. And provisions were already in the Bill to bring the transfer into effect. It would be very difficult to delay the implementation at this very late stage.

We spoke subsequently on the telephone. I explained that, after your Secretary of State had spoken to Sir David Wolfson he should report back to the Prime Minister setting out his views on the appropriate means of proceeding with the health service reforms. On community care you indicated that your Secretary of State would write to the Prime Minister proposing that a small group of Ministers should convene to look at the practicalities, and the financial and service implications of delaying the transfer of community care.

(B.H. POTTER)

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