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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon David Hunt MBE MP

From The Secretary of State for Wales

CONFIDENTIAL

4th September 1990

David Hunt

PES 1990 - CROSS BOUNDARY FLOWS

It is with considerable regret that I find I must make an additional bid of £27m; £27.9m; £28.8m in this year's Survey. The reasons for this are as follows.

As part of our NHS reforms the cost of providing patient care will, from 1 April 1991, be met by the Health Authority with primary responsibility for the patient and not, as now, by the Authority actually providing the treatment. For a number of reasons there have always been a substantial number of patients resident in Wales who have been treated in England. The inflow of English patients to Wales is much smaller, and Kenneth Clarke and I are agreed that, by next year, the net cost to English authorities of providing in-patient hospital care to patients from Wales will have reached £20 million. We are also agreed that - under the new system - responsibility for meeting these net costs will transfer from him to me.

In addition to this £20 million I should also be faced under the new charging system with net additional costs relating to: outpatient services, certain inpatient services such as blood products and capital charges. Hence my bid of £27m; £27.9m; £28.8m.

In my correspondence with Kenneth (see my letters of 21 May and 18 June - both copied to you at the time) I have argued that the appropriate way to deal with this situation would be for the funds that he already has in his baseline to cover the net costs associated with the new charging system to be transferred from the Department of Health to the Welsh Office.

/In my...



In my view this remains the fairest and most sensible way of dealing with the problem. The Department of Health have secured the resources concerned in successive Surveys. If no such adjustment is made then, as I have been at pains to point out in the correspondence, they will secure a windfall gain (on our present estimates of £27 million) whilst the Health Service in Wales will be faced with an inescapable requirement to find the equivalent resources simply to maintain present standards of patient care.

In his letters to me (of 11 June and 30 July - which again you have seen) Kenneth has indicated very firmly that he is not prepared to make the transfer of resources I am seeking. Faced with this - and I must say I am puzzled that neither you nor your officials have felt it necessary to intervene on my behalf - I have no alternative but to make this additional bid.

As I made clear at the outset it is with very considerable regret that I find I am forced to do so. I am very conscious of our agreement at the July cabinet to pare our bids down to the absolute minimum. This is a bid which should not be necessary. No additions to service are involved and all the offsetting savings required to meet it can be readily identified. Unfortunately none of these savings are within my control. And, as you will know from my letter to you of 23 May, I already face a very serious problem in funding the Health Service in Wales next year.

I am sending a copy of this letter to the Prime Minister and to Kenneth Clarke.

Yours ever

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Parliament Street
LONDON
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PART 44 ends:-

ms/ENV to CST 28.8.90

PART 45 begins:-

SS/Wares to CST 4.9.90