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CJV

Prime Minister (1)

DEPARTMENT OF HEALTH & SOCIAL SECURITY
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Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1

This is, to say the least, not radical.

Do you wish the announcement at X to be made?

25th July 1982

Ms 27/7

Handwritten: Must - W... Work - do any... have

Handwritten: Jan Willie..

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(1) Note
Told David Clark
(2) PA

HEALTH CARE FINANCING

Last Summer the Home Affairs Committee agreed a proposal by Patrick Jenkin to announce the setting up of a working group to make a preliminary study of alternatives to the present method of funding health care mainly from taxation. (His letter of 22 July 1981 refers).

2. This study - by health department and other officials, with two private sector consultants- was received earlier this year. In brief it surveyed two broad alternative ways of financing health care, drawing on experience abroad:

- social insurance, ie funding from a state-managed insurance fund, as in some continental European countries; or
- private insurance, ie funding as for much health care in the United States through the private sector subject to some Government regulation.

The study has also identified a number of possibilities for increasing the role of private supply and finance within the present tax-based funding arrangements.

3. The study was intended to identify possibilities for fuller examination rather than to provide a basis for final decisions. I have discussed it with Nick Edwards, Leon Brittan, John MacKay (representing George Younger), and John Patten (representing Jim Prior). The issues for discussion now are what further studies we set in train, and what public statement we make at this stage.

E. R.

4. We are all agreed that the social insurance possibilities are not worth pursuing further. Expenditure from a social insurance fund would probably have to be classified as public expenditure and the contributions to it as taxation. It would be administratively complex and expensive.
5. We are also agreed that financing through private insurance might be a longer term aim to explore, but we are equally agreed that this is not the time to move in that direction - but our options should remain open.
6. We all have serious anxieties about the future financing of the NHS, which is facing severe pressure from an ageing population and the need to keep abreast of medical advances. We therefore see a need to study carefully various of the possibilities identified in the report which might increase private financing and supply within the present framework and in particular to investigate more fully the scope for:
- (i) raising more income from charges;
 - (ii) privatising some parts of the NHS, particularly the General Ophthalmic and General Dental Services;
 - (iii) reducing demand for treatment by charging patients the full cost of services received and reimbursing them subsequently;
 - (iv) giving further encouragement to the private health sector through fiscal concessions.

Studies of this kind might yield useful changes within the present system and should help to pave the way for more privatisation in the longer term if in due course we decide to go in that direction. We see most of any new measures that might result from the studies as being for implementation in the next Parliament - for the present one we are, for example, constrained by an electoral pledge not to introduce new charges.

7. It would be unnecessary and undesirable to announce the details of these studies. We have in mind a low-key written Parliamentary answer drawing attention to our creditable record on NHS growth, affirming our commitment to maintaining an efficient largely tax-financed NHS and saying that we would continue to review the scope for introducing more cost-consciousness, consumer choice and private provision.

8. I am copying this letter to all Members of H Committee, the Prime Minister, Sir Robert Armstrong and Head of the CPRS. I would be grateful for agreement to my proposals by 28 July if possible since I would like to make the statement before the House rises for the Summer.

Yes

Norman Fowler

NORMAN FOWLER

SECRET



Prime Minister (2)

R

Mus 28/7

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FROM THE SECRETARY OF STATE

28 July 1982

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
London SW1H 9AT

Jan Carter

mt

Norman Fowler sent me a copy of his letter dated 25 July to you on health care financing. *with mcs*

I am writing to say that I very much hope that we shall keep the door open as Norman suggests for future developments of the sort he describes and indeed that we shall allow ourselves freedom for such further moves as can be practicable.

I am, for instance, disappointed that no prospect is evidently seen of contractual cooperation between the NHS and the private sector to provide treatment for which there are long NHS waiting lists. Such an initiative could be both beneficial and popular.

For the longer term I am glad to see from Norman's paragraph 5 that we should explore financing through private insurance and very much hope that, as Norman suggests, we should keep our options open. It would seem, moreover, right to study this possibility vigorously.

I am copying this letter to all who received Norman's.

Jan Carter

SECRET

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28 JAN 1982