Prime Minister (1)

27 September 1982
Policy Unit

Do you wish us to arrange a meeting with Mr Fowler, after the NHS dispute is over? We would need a Treasury Minister, too. MLS 27/9

PRIME MINISTER

REFORMING THE NATIONAL HEALTH SERVICE

During the course of the NHS dispute, we have begun to alert public opinion to the huge and unmonitored costs of running the service. The NHS is said to be the largest employer in Western Europe. It is one of the least accountable for the day-to-day management of its staff and its cash. This is surely the moment to insist on urgent and practical reforms which permit what Keith Joseph calls the "interpenetration" of public and private effort.

Public opinion is ripe for sensible changes so long as they do not close off universal access to the highest quality of medical treatment; that is the humanitarian principle which has to be preserved - and not abolition of prescription charges and similar false shibboleths. People are ready for compromise and partnership.

The DHSS's own comparative study of contracting-out hospital domestic services has just reported that savings of up to 20% are possible.

Norman Fowler (letter to the Home Secretary of 25 July 1982) after rejecting wholesale adoption of social insurance or private insurance, has initiated departmental studies on extending charges, privatisation and fiscal concessions to private health insurance, and on curbing demand for unnecessary health treatment.

We believe that these studies must be pressed ahead and carried into action. But they are only part of a thoroughgoing overhaul of the NHS.

We asked George Bunton and his colleagues in the CPS Health Study Group to prepare a list of questions which they would like to ask the Minister and the Department. The attached twenty questions are based on theirs, although we have added a few of our own. If you don't ask these kinds of questions, who will?

We suggest:

1. an early meeting with Mr Fowler and Mr Clarke to discuss these questions; and
2. that the DHSS should give detailed answers, so far as possible, to these questions.

Some of these questions are rather muddled. I should sort them out before having a session with Norman Fowler etc.

FM

FERDINAND MOUNT

Mr Scholar NATIONAL HEALTH.

I entirely agree.
Can we have working party report, please!
After we have seen NF's reply to Ralph Howell, let us sort out the questions.

fm 1/10

MR. MOUNT

Reform in the National Health Service

The Prime Minister commented on your note about reform in the National Health Service:

> "Some of these questions are rather muddled. I think we should sort them out before having a session with Norman Fowler."

For myself, I think that the first two questions are for Treasury Ministers and not for DHSS Ministers; and that, on the third question, we can easily secure a copy of the inter-departmental working party's report: all I need to do is to telephone Norman Fowler's Private Office. Would you like me to do this? On the fourth question, the Prime Minister has already had lengthy discussions with Norman Fowler about NHS manpower. These have led the DHSS to agree to a proposal for an independent inquiry into NHS manpower. The Secretary of State will within a few days be letting us have a draft reply to the representations made by Mr. Ralph Howell MP on this subject. In this we will see the exact form of the DHSS proposal.

MCS

30 September 1982

TWENTY HEALTH QUESTIONS

Health Insurance

1. Do we have any plans prepared for extending tax relief on private health insurance? (Treasury to answer MLS)

2. Do we have any estimates of likely take-up and cost for extending tax relief on premiums to (a) everyone; (b) individuals earning below £8,500 a year (which would minimise dead weight); (c) retirement pensioners? (Treasury to answer MLS)

3. To reach sensible conclusions, can we see the report of the inter-departmental working party on alternative financing of the NHS? This was first pressed for by the CPS Health Group which was represented on the working party, but even they do not have access to it now.

no need to ask for this - we can get it anytime MLS

Costs and Staffing

4. In the lifetime of this Government, an extra 67,000 staff have been recruited into the NHS, making a total of 1,250,000 employees. Why? Have we now got an effective manpower watch? Are we satisfied that staffing establishments represent a realistic up-to-date estimate of what is needed?

Ralph Howell enquiry is the way forward here

5. MLS Doctors are overspending on the installation and sometimes superfluous duplication of new technology. What steps are being taken to monitor and deter this trend?

6. Have we established adequate cost controls on the purchase of drugs and other hospital goods, and on prescribing? Are we using the NHS's monopoly buying power with sufficient ruthlessness?

7. Are superfluous hospitals being closed fast enough?

Reorganisation and Planning

8. Are the objectives of the "reorganisation of the reorganisation" being achieved? What is the identifiable saving on the total costs of the NHS?

9. Have we really shortened the chain of command? Have we cut out enough of the top tier of bureaucracy? Are we still duplicating too many of the district functions - planning, nursing, engineering etc - at regional level?

10. Has the NHS made adequate provision to replace the treatment and support for patients which may have been lost as a consequence of the reductions in expenditure on universities?

11. What research is being done into comparative costings of hospital administration and treatment as between different types of NHS, private hospitals and abroad? Ought we not to make detailed unit costings and publish them? How much does it cost to take out an appendix in St Thomas's, in the Fitzroy-Nuffield, in Newcastle, in Hamburg, in Bordeaux?

12. Could not the NHS dispel some of the present atmosphere of distrust (eg over the closure of long-stay beds as part of its "community homes" policy) by publishing its long-term plans and explaining them to the public in detail?

Privatisation and Contracting-Out

13. Can we extend the study of contracting-out domestic services to cover all other ancillary services? Where we have agreed on those services for which contracting-out has been found to make savings, should we issue instructions to hospital authorities to put them out to tender?

14. Would it be desirable or possible to go further and contract-out the management of entire hospitals or groups of hospitals, as is already done in the case of some psychiatric hospitals?

15. Could some hospitals be sold outright to the private sector? For example, the new general hospital at Milton Keynes is standing empty because the health authority, having built it, cannot afford to staff it or run it. Or could the staffing and running be contracted-out?

16. Should we try to take an overall long-term view about the growth of (a) pay-beds within the NHS; (b) private hospitals outside the NHS, bearing in mind that in some parts of the country the recent introduction of new NHS pay-beds has made existing private hospitals no longer commercially viable? Should we beware of the danger of private sector over-provision and hence the risk of sudden closure of hospitals giving private medicine a bad name? Should charges for pay-beds to re-set to encourage or discourage their growth?

17. Should we consider full privatisation for the General Ophthalmic and General Dental services? Or should we just allow the existing de facto trend to privatisation continue by not upgrading the fees for NHS work?

Charges

18. Should we reconsider the introduction of charges for hospital in-patients and, even more so, for out-patients and visits to GPs? Has the DHSS any estimates (a) of how much money might be raised by different levels of charges; and (b) of how many frivolous or vexatious visits to hospital out-patient/casualty departments and to GPs are made?

19. Should pensioners be exempt from prescription charges when they have to pay dental and optical charges unless they are on supplementary benefit? If pensioners were treated the same way for prescription charges as they are for dental and optical charges, what additional revenue would be raised by the NHS each year?

20. From October, foreign patients are to be charged for NHS treatment. Clearly, therefore, it would not be impossible, as used to be alleged, to administer a universal charging system. How do the costs of administration compare with the revenue likely to be raised at various levels, taking account of agreed exemptions from charges?