

FILE HU



10 DOWNING STREET

From the Private Secretary

15 November 1983

BU

The Prime Minister is grateful for the very comprehensive briefing which your Department has provided especially during a period when the National Health Service has been a particularly live issue in the House of Commons. In this context she was interested in the examples used in your Secretary of State's speech during the National Health Service debate on 27 October about the scope for economies and greater efficiency in the NHS. She wondered therefore whether there was scope for greater use to be made of the comparative statistics of hospital performance to which Mr. Fowler referred briefly in his speech, to the effect that it cost one specialist maternity hospital three times as much to deliver a baby as another. I should be grateful if you could consider the availability of such material on comparative hospital performance and the scope for its greater public use to draw attention to good and bad practice. It would be helpful to have this advice by Tuesday 29 November.

Tim Flesher

Miss Ellen Roberts,
Department of Health and Social Security.



10 DOWNING STREET

Room

Do you have
the material marked
at X in the attached
letter. It is not
on file and DHSS say
they sent it to you
marked "Secret + Personal"

P.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Tim Flesher Esq
Private Secretary
10 Downing Street

30 November 1983

WPB

Dear Tim

You wrote to Ellen Roberts on 15 November asking whether there was scope for greater public use of information about the scope for economies in the NHS and about comparative performance within it.

The short answer is 'yes'. As the Prime Minister has noted, my Secretary of State has made considerable use of such examples in speeches in recent months. The material is drawn from three main sources:

- x/ (i) Information collected by our auditors in the course of their work with Health Authorities. This reflects the increasing emphasis which we, and they, have been putting on wider value for money audits of health authority activities. A list of examples of such savings was provided to Robin Butler by Sir Kenneth Stowe early in October.
- (ii) The results of the Rayner scrutinies which we have set up in the NHS. These are now beginning to report and are showing the prospect of significant benefits.
- x/ (iii) The performance indicators which we published at the beginning of October and which Sir Kenneth also sent to Robin. Performance indicators give detail of the comparative use of resources (manpower, finance etc) and levels of activity (patients treated, ambulance trips etc) between different hospitals, districts or regions. These published statistics show wide variations. There are often good reasons why such differences may exist. We are anxious therefore not to imply that a particular difference implies that one district is necessarily more efficient than another. What the statistics do is to give local management a basis for questioning their performance and seeking to improve it.

E. R.

It is in this spirit that we are now using the material available: as part of a process of questioning, both publicly and in regional accountability reviews, the effectiveness of the NHS and the scope for improvement. But it needs to be set in the positive context provided by the Griffiths report: not as part of a negative approach to the NHS but as identifying one of the major tasks for which we require stronger management and which authorities and their general managers, once appointed, will need to face.

Although much of the material I have mentioned is already available to you, you might find it useful to have the attached note which summarises the main strands both in the identification of waste and inefficiency and our approach to reducing it.

Yours
S A Godber

S A Godber
Private Secretary

ACHIEVING VALUE FOR MONEY IN THE NATIONAL HEALTH SERVICE

The National Health Service will spend £15½ billion this year. The taxpayer has a right to know if that money is well spent.

NEED TO IMPROVE MANAGEMENT

There are 4 common criticisms of the health service which the Government is determined to tackle:

- * Too many people in the chain of command - leading to duplication and diffusion of responsibility.
- * No clear management responsibility to identify and deal quickly with immediate problems.
- * Poor planning and control of manpower.
- * Poor and out-of-date information on costs, performance and efficiency.

GOVERNMENT ACTION ON MANAGEMENT

Action has been taken to deal with each of these criticisms:

The chain of command

One administrative tier has been abolished cutting the number of management teams in England from 251 to 193.

The money spent on people engaged solely on "management" is being reduced by 10 per cent.

Management responsibility

Through regional reviews the Chairmen now have to account annually to the Secretary of State for their plans and performance.

In the same way District Chairmen are held to account annually by the Regional Chairman.

Action on the report by Roy Griffiths will strengthen and reinforce the clear line of individual management responsibility.

Manpower

Regional authorities are now required to have specific manpower targets related to their service plans.

There is now a quarterly count of staff employed in the 14 regions instead of once a year.

Information on costs, performance and efficiency

Action taken by this Government includes:

- the publication this year of comparative performance indicators for each region and district;
- the introduction of Rayner type scrutinies;
- the use of commercial auditors;
- a review of management information (Körner Working Group).

Again this will be strengthened and reinforced by action on the Griffiths Report.

EXAMPLES OF WASTE AND SAVINGS ACHIEVED

National

In 1981/82 efficiency savings of £29 million were achieved. In 1982/83 authorities were asked for efficiency savings of £40 million (0.5 per cent). Savings from external audit in 1981/82 were estimated to be £12.6 million.

Local

Examples of waste are:

Overlap in nurses duty rosters - cost to the authority, £700,000 per annum.

Too many general stores - extra cost to authority, £80,000 per annum.

Failure to use central buying arrangements - extra cost to authority, £22,600 per annum.

Storing 8 incubators for 18 months - cost to authority, £11,000.

Examples of savings achieved are:

Review of catering services - savings to authority, £100,000 per annum.

Closure of hospital farm - capital saving of £275,000 plus elimination of £20,000 loss per annum.

Review of laundry services - saving to authority of £100,000 per annum.

Competitive quotations for supplies - saving to authority of £40,000 per annum.

Closure of extra dining room - saving to authority of £35,000 per annum (previously two dining rooms in 10 minutes walk of each other).

DIFFERENCES IN PERFORMANCE

(Taken from published Performance Indicators)

- One district pays four times as much per 100 items laundered as another.
- One specialist maternity hospital costs three times as much per delivery as another.
- Variation in ambulance service costs per 1,000 patient journeys in between £7,500 and £17,400 nationally. Cost in two neighbouring rural counties differs by 30 per cent.

EFFICIENCY IN DHSS

The Government is equally concerned to make the Civil Service more efficient and effective. Achievements in DHSS include:

A reduction in HQ staff of about 20 per cent between 1979 and 1 April 1984.

A reduction in the number of regional social security offices from 12 to 7 with savings of 1,000 staff.

A 20 per cent reduction in the unit cost of paying supplementary benefit.