PRIME MINISTER

Time has been set aside on Monday to discuss these issues first with Nick Owen and David Willetts.

AT 19/7

19 July 1985

HEALTH POLICY

Your meeting on Monday could focus on two issues - better management and better politics.

Better management is Victor Paige's task. He has been the Chairman of the Management Board for 6 months. You could begin the meeting by asking him what he sees as his programme of action over the next year. An eight-point programme is attached. It should not be controversial or novel. But it needs to be pursued with determination. And we need to set clear internal objectives to measure progress.

Flag A.

The Health Service remains a big vote loser for the Government. Given our record, it ought not to be. But better management on its own won't change things: nobody loves a cost accountant. So you can then turn to Norman Fowler for the political presentation. The message has to be that better management brings better patient care. I also attach a note suggesting some possible presentational initiatives.

Flag B

Flag C is the Department's note.

David Willetts

DAVID WILLETTS

Business in schools - Health Management Units

Material in annual report

Operational matters

Poor quality work keeps
going out to lenders.
Outpatients - Appts - Better for Patients,

19 July 1985

HEALTH SERVICE MANAGEMENT: A PROGRAMME OF ACTION

Imagine that Victor Paige's pay was entirely performance-related. Against what criteria would we be judging his performance in a year's time? We propose the following eight-point programme.

1. **Convey a clear sense that the NHS is "under new management"**

The NHS is over-administered and under-managed. The Management Board needs a clear identity free from the embrace of the DHSS. And Victor Paige needs to find a Finance Director and a Personnel Director from the private sector. The morale of staff and patients will improve if there is clear purposeful management from the centre, and the local manager is given real power.

2. **Cut out bossiness from the centre**

Whitehall doesn't know best. About 5 years ago, the DHSS issued a brochure telling Health Service Administrators how to buy fruit. The DHSS sent out 500 formal communications of 19 different kinds to the Health Service last year. They are trying to cut this down. How about announcing a paper limit - the bureaucratic equivalent of a cash limit - publicly committing us to cutting the flow of paper from the

centre. The paper can go when the central functions (and civil servants) have gone. Ministers should set clear political priorities (eg the competitive tendering initiative). Victor Paige should set stringent financial and service objectives within an agreed budget. Managers should then be left to get on and run their own show, with a tough end-of-year review.

3. **Competition and the Private Sector**

Two crucial assumptions protect the NHS from normal competitive pressures:

- Each District should provide a full range of medical services within its own area.

- These services should be directly provided, not bought from sub-contractors.

Professor Enthoven's work shows how you can create a genuine market in health services by breaking out from these two constraints, but at the same time keep the essential commitment to a free and universal Health Service.

Encourage District Health Authorities to trade with each other. Then you don't necessarily need to run down popular hospitals in Districts which lose under RAWP (eg a London teaching hospital) in order to open new ones in Districts

which gain under RAWP (eg in Kent). Instead, Kent can buy services for its patients from Guys. Obviously the inconveniences of travelling mean that hospitals do have to follow population movements. But nevertheless, pushing forward the work on cross-charging should help defuse the politically dangerous issue of the London teaching hospitals.

This approach also offers a much more constructive partnership with the private sector. The principle of competitive tendering for cleaning and catering can be applied elsewhere. If a manager can buy 100 hip operations at a good price from a private hospital, he should be encouraged to do so.

4. Financial Information and Clinical Budgeting

The NHS needs better financial information. The DHSS are proud of their initiatives here. But there is a danger that we will go from inadequate information to the other extreme - hospital corridors awash with computer print-outs. They need to be reminded that the information is just a means to two important objectives:

- Clinicians - such as Michael Bewick of Dulwich Hospital - can then be given responsibility for running their own budgets.

- Fair competition from private sector contractors is impossible whilst the NHS cannot properly account for its own costs, notably capital.

5. Purchasing Policy

Too often the public sector is a soft touch when buying from private sector suppliers. Sometimes the NHS is just wasteful (10% off the annual energy budget finds you an extra £50 million for patient care). Sometimes work is done in-house which would be cheaper bought from private sector contractors (eg diagnostic packages for path labs). Sometimes they hold excess stocks (eg by double-banking at hospital and wholesale level). The shadowy Supply Council should go, and a member of the Management Board be given responsibility for procurement, and set a target for savings.

6. Productivity

The NHS has too many under-paid, inefficiently used staff. The new Personnel Director will have to cut through the elaborate Whitley Agreements governing terms and conditions of service, giving much more power to local managers. What is the timetable for such work?

Often the inefficiency starts with the doctors. If they won't carry out a steady programme of operations, operating theatres are under-used, and beds are only used erratically. This is a classic example of the need for a powerful line manager to step in, plan the use of operating theatres, and increase bed usage. Has Victor Paige identified this as a task for the local manager?

7. **Unused land and property**

Capital receipts have now reached £50 million a year. That's a good achievement. But we can do better. A Rayner scrutiny showed that almost one quarter of all staff accommodation is empty at any one time. How much can we get from selling off the surplus?

8. **An Audit Commission**

Given the success of the Local Authority Audit Commission, can we set up a similar organisation to investigate Health Authorities? Provided it was completely independent and impartial, it could be a great help in cutting down waste and spreading best practice.

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THE HEALTH SERVICE: POLITICAL INITIATIVES

The Waiting List

The length of the waiting list is the most widespread popular complaint about the Health Service. The following figures show what has been happening:

June 1978	610,000 (pre-strike)
March 1979	750,000 (post-strike)
September 1981	620,000 (low point)
March 1983	730,000 (post-strike)
March 1985	670,000 (provisional) } - Double-counting

John Patten is now in charge of the campaign to bring the waiting list down. This is not easy as the underlying trend is for the waiting list to rise in line with the number of consultants in surgical specialties - as each consultant keeps his target waiting list to help him bargain for funds and encourage patients to go private.

To raise the profile of the campaign, we could:

- Announce a special budget of, say, £50 million to be spent on relieving particular problem waiting lists (eg hip replacements). District Managers with long waiting lists would be free to spend the money buying

in operations from other Districts or from the private sector.

- Institute a clearing system, so patients can be offered a choice between, say, a local consultant with a long list, or a more distant one with a shorter list.

- Announce a public target for the waiting list in a year's time. This is not only good politics; it would focus the minds of NHS management wonderfully.

A Patient's Charter

Norman Fowler could launch a charter showing how he expected managers to give patients a better service. Often it is the non-medical care in the Health Service which worries people, and where managers can act without interfering with genuine clinical freedom. The charter might include the following items:

- Proper management of hospital out-patient departments (the biggest source of complaint after the waiting list). All appointment times to mean something. You get a full explanation for any delay of more than half an hour.

- Rearrange the schedule for in-patients so they don't all have to be woken at dawn to be washed and scrubbed

in time for the consultant's lap of honour. Offer a choice of waking times and meal times.

- Offer a wider variety of food, with scope for buying more expensive meals with one's own money.

- Encourage groups of "Friends" associated with individual hospitals. They could provide some free services (eg a reception for visitors and patients run by a volunteer at the main entrance to every hospital) and also raise funds.

Publicity and Presentation

Which of the following statements is more effective?

"We have increased real spending on the Health Service by 20% since 1979".

"The number of patients treated for kidney failure has increased from 4,500 in 1978 to 7,500 in 1982."

More of our publicity needs to be specific and local rather than economic and general.

The best managers in the Districts already realise that one of their main responsibilities is to improve local awareness of health services. I visited a District Health Authority

in Birmingham which has a free newsletter, (financed by advertising) explaining what they're up to. In Trent, they are good at closing expensive old hospitals without a political row, by consulting as much as possible in advance, and making it clear that the aim is to improve services by opening new efficient facilities. But we can all do better both at the centre and locally.

Richard Carlisle
Chairman

We also need to get much more public recognition of the waste and inefficiency in the NHS. Health Ministers understandably don't want to attack their own employees. But we can encourage outsiders (eg the organisations representing private caterers and cleaners) to report with horror the low standards of in-house NHS work they have discovered. Black propaganda is the only way to respond to the unions' campaign against private contractors.