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bc HMT
Mr Willetts

cc MASTER SET

10 DOWNING STREET

From the Private Secretary

22 July, 1985.

Dear Steve,

HEALTH POLICY

The Prime Minister held a meeting today to discuss the National Health Service. Present were the Secretary of State for Social Services, the Minister for Health, Mr. Patten, Sir Kenneth Stowe, Mr. Victor Paige, and Dr. Acheson. Also present was Mr. Willetts.

The Secretary of State for Social Services said the last four years had seen significant improvements in the performance of the NHS. The number of treatments being delivered was rising steadily. The Government was getting across its record in Parliament, but was still failing to do so outside. In particular, it was essential to improve presentation at the local level, including that from the regions and districts themselves. A significant change in the culture of the NHS had been achieved; for example, manpower planning was now accepted, and progress was being made in competitive tendering and in the disposal of surplus property. Nevertheless, a great deal remained to be done. The Government's ability to diagnose weaknesses in the NHS was as yet not matched by its ability to deliver the improvements identified. He hoped the NHS Management Board would be able to put this right.

The Prime Minister urged Mr. Paige and the Management Board to approach their task with vigour. It should be apparent to all that the NHS was "under new management". The Board should be prepared to consider radical solutions and, if necessary, should seek reinforcement from private sector management. It should set clear but demanding targets for its managers to achieve, and their performance in delivering them should be monitored. She wondered whether there was adequate provision for training Health Service Managers in British business schools. She suggested that the NHS could benefit from external efficiency audit along the lines of that provided by the Audit Commission for local authorities.

Mr. Paige set out the principal tasks facing the Management Board:-

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(i) It had to put in place the General Managers at all levels. Most of the General Managers at regional and district level had now been appointed, and the priority was now to do the same for the units. This involved around 600 appointments, one of the largest management recruitment efforts ever.

(ii) Management and clinical budgeting should be put in place so that the managers and doctors could measure the resources they were deploying.

(iii) Further economies in manpower should be pursued.

(iv) There should be a drive to reduce waiting lists.

(v) The potential savings identified by Rayner scrutinies should be pursued.

(vi) Management of the NHS estate should be improved.

(vii) The procurement function should be improved.

In discussion, it was argued that the Supply Council, which had been set up in 1980, was not working effectively. Procurement of the control of stocks could not only be made more efficient, but could be used more purposefully to encourage British companies. The Minister for Health said the Board wished to appoint a Director of Procurement, possibly on secondment from the private sector, for three years.

In discussion the following points were made:-

(i) Competitive tendering was now saving £15m a year but could contribute even more. One of the difficulties was that cases where private contracts fell below standard were frequently publicised, while poor standards produced in house attracted no attention. It was essential to publicise examples where outside contractors had produced better results at lower cost.

(ii) Changes were needed in the contracts of consultants to ensure that they performed the duties expected of them. This would undoubtedly be controversial though it would be preferable if it could be achieved in agreement with the BMA. One possibility was that consultants could be appointed on fixed term contracts.

(iii) The General Managers were now being appointed on fixed term contracts, and their pay contained a performance-related element. Managers had been taken out of the Whitley system.

(iv) The basis for merit awards for consultants should be reconsidered to reward not just academic excellence but also effective use of NHS resources.

(v) The RAWP policy was questioned. Instead of moving resources out of London, a system of cross-charging could be introduced which would encourage regions to send cases to London where facilities and staff already existed. The political implications of suspending the RAWP process were noted.

(vi) Outpatient services were identified as the weakest part of the NHS. Lack of proper appointment systems were making people wait far too long.

(vii) The importance of mobilising voluntary effort through Hospital Friends was emphasised.

(viii) It was increasingly difficult to carry out surgery to current standards in small hospitals. Nevertheless, the closure of such hospitals was frequently fiercely contested even though they were often put to good alternative use.

Summing up the discussion, the Prime Minister said the NHS Management Board should pursue the improvements in performance as vigorously as possible in order to release more resources for patient care. After 6½ years in power, people were rightly expecting the Government to be moving beyond the point of identifying weaknesses to the stage where it was delivering improvements. At the same time the Government and NHS should seek to improve the presentation of their record, especially at local level. Ways of injecting the Audit Commission approach into the NHS should be examined.

Yours sincerely

Andrew Turnbull

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Steve Godber, Esq.,
Department of Health and Social Security.

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HEALTH POLICY

A. HEALTH SERVICE MANAGEMENT: A PROGRAMME OF ACTION

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

2. Cut out bossiness from the centre.

3. Competition and the private sector.

4. Financial information and clinical budgeting.

5. Purchasing policy.

6. Productivity.

7. Unused land and property.

8. An Audit Commission.

B. THE HEALTH SERVICE: POLITICAL INITIATIVES

1. The waiting list.

2. A patient's charter.

3. Publicity and presentation.

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HEALTH POLICY: POINTS ARISING FROM BRIEFING MEETING

1. Local contracts.

2. Basis of merit awards.

3. Rôle of Griffiths and Supervisory Board.

4. Reappointments to DHAs.

5. Weaken DHA Boards: strengthen Chairman/Manager link.

6. Training hospital managers.

7. Competitive tendering.

8. Out-patient departments.

9. Mobilising Friends/volunteers.

10. Lunch.