



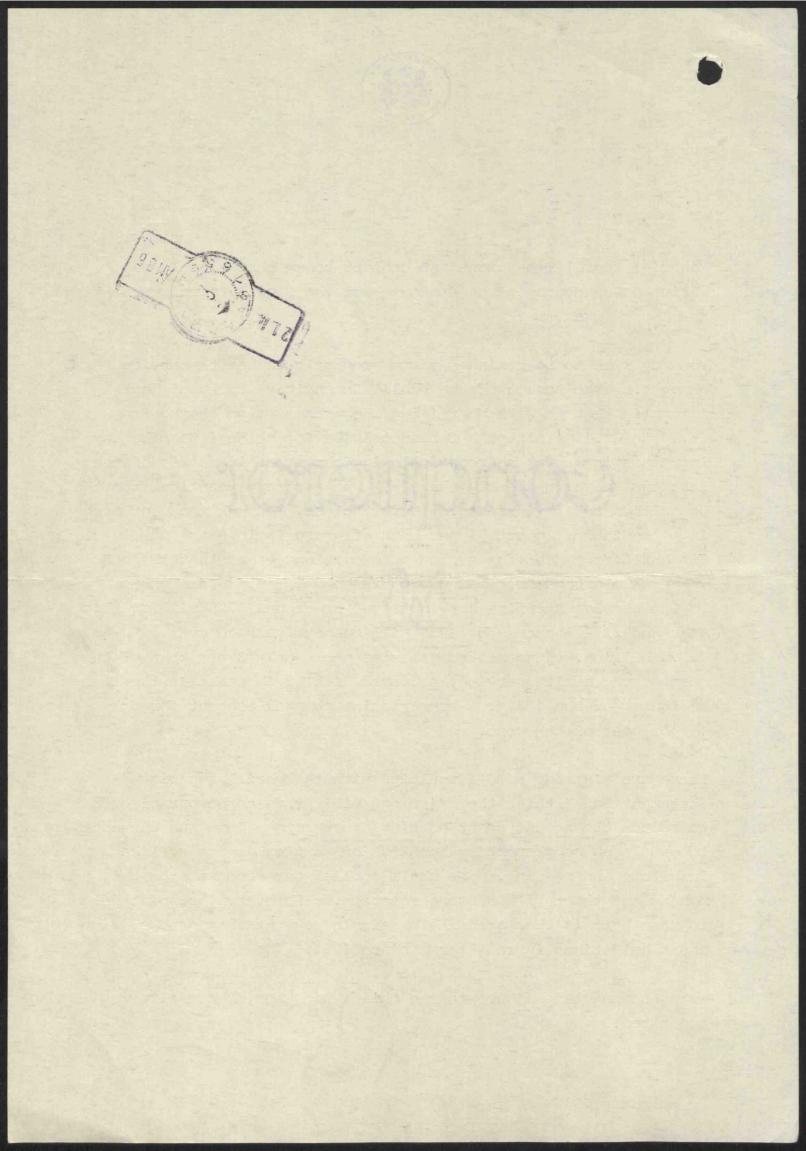
PRIME MINISTER

You will recall I mentioned at Cabinet today that I would be making an announcement on Monday about the Social Security Uprating and NHS charges.

You may like to be reminded of my proposals on health service The result of the Public Expenditure talks of last Autumn is that we will be raising the prescription charge from £2.00 to £2.40 - although fortunately we do not need to make any increases in dental charges following the steep increases of the last two years. Clearly there will be a strong reaction from the Opposition to the increase. Nevertheless, I think that our case is presentable: about 75 per cent of prescriptions are now dispensed free, and the system of exemptions means that the most vulnerable groups such as pensioners do not pay. In addition, health service spending has increased by around £700 million this year and will increase by £950 million next year to over £15.5 billion. Income from charges meets only 3 per cent of the cost of the health service, compared with 51 per cent at the beginning of the 1960s. Prescription charges account for only 1½ per cent of the cost.

There are a number of difficulties with the social security statement but I think the major one will prove to be our efforts to reduce the amount spent on single payments - lump sum payments to people on supplementary benefit for particular needs, like furnitute and bedding. We shall publish our proposals on this on Monday and there will be some reaction. However, the point for us to make here is that spending on single payments has gone up five and a half times in real terms since 1981.

I am copying this minute to the Chief Whip whom I have already consulted.



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PRIME MINISTER

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Mr. Fowler has decided <u>against</u> announcing higher prescription charges on Monday. He fears the contrast between a 1 per cent social security uprating and a 20 per cent increase in prescription charges.

DHSS are looking for ways of finding money other than from prescription charges, to reduce the size of the increase.

A new level of charges has to be announced by 12 March.

DLS

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David Norgrove

21 February 1986

Personal



With the Compliments
of the

Chief Secretary to the Treasury's
Private Secretary

Treasury Chambers, Parliament Street, SW1P 3AG SECRET



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MILOIL

T Laurence Esq Secretary to the Secretary of State for Health and Social Security Alexander Fleming House Elephant & Castle London SEl 6BY

4 March 1986

Deal Tony

FAMILY PRACTITIONER SERVICES EXPENDITURE 1986/87

Your Secretary of State today discussed with the Chief Secretary your Secretary of State's letter of 28 February. The Chief Secretary emphasised that although he was concerned about the proposal to increase prescription charges by less than had been agreed in MISC 120, his priority was to ensure that the agreed totals for the health programme both for 1986/87 and for 1987/88 were delivered. He was particularly concerned about 1987/88 where the gap appeared to be very large. Providing your Secretary of State could deliver the agreed plans to the Chief Secretary said he would be content to leave to his judgement the precise level of prescription charges.

Your Secretary of State said that he did not believe an increase in prescription charges to £2.40 was politically acceptable. An increase to £2.20 could be justified by reference to the increase in drugs prices and he believed this was as far as it was sensible to go. He had undertaken to find alternative savings of £10 million from further action to reduce the price of generic drugs. He emphasised however that the difficulties of obtaining small savings from this source should not be underestimated.

In discussion it was noted that the negotiations on the PPRS also gave rise to a further possible overspend of

some £9 million. The Chief Secretary emphasised that he could not find this sum from the Reserve either; and he was very concerned to set in hand contingency planning to assess the costs and alternative courses of action open to the government were the PPRS to break down. Your Secretary of State said that in his view the Government would be in a considerably worse position if the PPRS did break down. In the short term at least expenditure on drugs would be uncontrolled except where it was governed by the use of powers enacted in 1939 which were of doubtful legality.

After some further discussion, it was agreed that

a. your Secretary of State should announce an increase of prescription charges to £2.20 on the basis that he guaranteed to find savings to meet the 1986/87 planning total - i.e. a further £10 m in price reductions on generic drugs and the further £10 m scored in PES as "unallocated" savings;

b. there should be a further meeting to discuss the PPRS. This should be preceded by discussions at official level to identify as far as possible the potential costs and courses of action open to the Government if the PPRS broke down;

c. there should be a further meeting to discuss the position in 1987/88. The Chief Secretary asked your Secretary of State to consider further what measures could be taken to eliminate the prospective overspend of £105m which he could not accept should left until the next Survey to be discussed.

I will be arranging both the meetings referred to above shortly.

R J BROADBENT

PRIVATE SECRETARY

STATEMENT BY MR BARNEY HAYHOE - 10MARCH 1986

CHARGES FOR FAMILY PRACTITIONER SERVICES

Press DIC PU

The 1985 Public Expenditure White Paper (Cmnd 9702)
Included plans to increase spending on the NHS
overall by £1 billion in England during 1986-87.
Family Practitioner Services' expenditure continues
to increase to meet service pressures, demographic
and social changes, advances in treatment of all kinds
including drugs. The Government have provided for an
increase of £250 million in England in 1986-87. All
but a small part of this will be met from taxation and
national insurance. The remainder will come from
increased revenue from charges to patients. The
proportion of the cost of the NHS met through charges
is expected to fall slightly in 1986-87 to 3.02 per cent.

- 2. There will be no change in dental and optical charges. The prescription charge will rise from £2.00 to £2.20. The four-monthly and annual season ticket fees will increase in the same proportion, to £12.00 and £33.50 respectively.
- 3. The existing range of exemptions from charges will continue, including the present exemptions from the prescription charge for those suffering from certain specified conditions.
- 4. I am today laying the necessary Regulations before the House so that these changes will come into effect at the beginning of April. My rt hon Friends, the Secretaries of State for Scotland and Northern Ireland, will be taking the equivalent steps. A note providing full details of the changes is available in the Vote Office.

673

Mr. Patrick Cormack (Staffordshire, South): Will my right hon. Friend give thought to the manner in which exemptions and season tickets are publicised? Will he spend a little money on a good graphic designer, because many people are not aware that they are entitled to a season ticket or exemption?

Mr. Hayhoe: I am grateful for my hon. Friend's constructive comments. I reiterate that pensioners, children under 16, expectant and nursing mothers, those in receipt of supplementary benefit or family income supplement, and those on low incomes are entitled to exemptions, and, as I have said, these account for three out of four of prescriptions.

Mr. Michael Meadowcroft (Leeds, West): Is the Minister aware that his reason for putting up prescription charges by more than double the rate of inflation runs wholly counter to his expressed policy in introducing the restricted list and shows the failure of that policy? Could we not expect to have increases that are lower than the rate of inflation when the Government are supposed to be saving through the restricted list? Does not the Government's method of trying to limit access to muchneeded medicines through the size of one's purse, which method they have presumably rejected for dental charges because they have not put them up, show that they accept that increased costs have a deterrent effect on people seeking treatment? Why will the Government not accept the same conclusion on prescriptions?

Mr. Hayhoe: There is no evidence to suggest that there is a deterrent effect. The hon. Gentleman has it wrong about the limited list. It was introduced by my predecessor, who said that he hoped it would bring a saving of £75 million in a full year. I am advised that it is on target to achieve that saving. The increase that I have announced today will bring in about £7 million, about one tenth of the amount that is being saved as a result of the restricted list. When I say saved, I mean saved on the drugs bill, thus making the funds available for patient care in other sectors. Of that there is no doubt.

Mr. David Sumberg (Bury, South): Will my right hon. Friend remind the House that nearly three quarters of all prescriptions are issued free, will he confirm that that will continue, and will he also remind the House that, as a result of the exemptions, the poorest in our community continue to pay no charge for the products that they use?

Mr. Hayhoe: My hon. Friend is right. It is worth underlining that in view of the rather specious opposition that we are getting from Labour and alliance Members. Three quarters of the population pay no prescription charges, and that means that the poorest within our community are wholly and fully protected by these arrangements.

Mr. Willie W. Hamilton (Fife, Central): Will the Minister re-emphasise that it is £2·20 per item, not per prescription, which means that the great majority of people who are not exempt will pay £6·60 for three items on a prescription, and that that will be a considerable hardship for people on low incomes who are above supplementary benefit level? Does he not recognise the danger of that situation, in that people will tend to go to the chemist and prescribe their own medicines, or get them prescribed for them by the chemist?

Mr. Hayhoe: The hon. Gentleman is wrong in saying that the majority of people who go to a chemist with more than one item on a prescription will pay in the way that he specified. The majority of people, as I have said on three or four occasions, are exempt—75 per cent. are exempt. I confirm that what he said about the number of items on a prescription is correct.

Mr. Robin Maxwell-Hyslop (Tiverton): My right hon. Friend has referred to people on what he has termed low incomes who are entitled to reimbursement—not to free prescriptions. How do people in this category who are not in receipt of a specific pension recognise themselves as being entitled to reimbursement?

Mr. Hayhoe: There is an NHS leaflet available which gives that information. I shall gladly send a copy to the hon. Gentleman. It is freely available, and I am surprised that he has not seen it.

Mr. Kevin Barron (Rother Valley): In answering my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson) the Minister said that parts of my hon. Friend's speech were a travesty of the truth. Does the Minister agree that it was a travesty for the then Leader of the official Opposition to make promises to the nation that there would be no increase in prescription charges and then, within seven years, to increase those charges by 1,000 per cent.?

Mr. Hayhoe: The tragedy at the moment is that the Opposition have pledged to remove all the charges, which would amount to about £500 million a year, but they do not say, in this area or in any other where the extra money is to come from. The Opposition are very quick to say that they will spend money, but they will not say where the resources will come from.

Dr. Michael Clark (Rochford): Will my right hon. Friend say whether the expected revenue from these higher charges in 1986-87 will be a greater or smaller percentage of the total NHS drug charges than the present charges in the current financial year?

Mr. Hayhoe: There will be a slight reduction, and overall, taking NHS spending as a whole, there is a small reduction in the percentage of the total NHS costs now being met by charges.

Mr. Harry Ewing (Falkirk, East): Is it not a disgraceful use of figures for the Minister to justify a 10 per cent. increase in prescription charges by saying that the cost of drugs and medicines has risen by 10 per cent., bearing in mind that when the Opposition argue for increased spending on the NHS, the Government use the Treasury inflationary figure of 5 per cent.? The figures put forward by the Minister are not only disgraceful but are an additional tax burden on sickness, for which the people will not readily forgive the Tory Prime Minister and her Government.

Mr. Hayhoe: I reject the hon. Gentleman's emotive comments. I made the comment about the relationship with the rising costs of medicines because that is factually correct. As the hon. Gentleman knows, I regularly supply figures to the House, and particularly to the hon. Member for Holborn and St. Pancras (Mr. Dobson), based both on the retail prices index and on NHS prices and pay.

Mr. Tony Baldry (Banbury): Did my right hon. Friend see a report last week from the British Medical

[Mr. Tony Baldry]

Association, which said that doctors felt that many of the shortfalls in the NHS could be met by cutting out waste in the NHS? Will my right hon. Friend have discussions with the BMA on how essential savings can be made in the durgs bill, not least by cutting out over-prescribing?

Mr. Hayhoe: I am glad to say that one of the first, if not the first, official engagement that I had as Minister for Health was to attend a conference with leading representatives of the medical profession and the pharmaceutical industry about prescribing. My information is that, following the introduction of the limited list last year and the great publicity that was given to these matters, more responsible prescribing is now taking place more widely in the NHS.

Dr. Roger Thomas (Carmarthen): Is the Minister not using a twin-headed coin? He blames today's rise on the fact that doctors are prescribing more expensive medications, yet the Minister's predecessor made sure that many cheap but effective remedies are not available. For example, simple antacids are now replaced by acid blocking drugs costing ten times as much as the antacids.

Mr. Hayhoe: If the hon. Gentleman is seeking to rerun the arguments about the selective list, he must recognise that the changes were made as a result of decisions taken by a distinguished and authoritative group of medical and pharmaceutical experts. These changes, as I said a moment ago, are achieving a £75 million a year saving in the drugs bill, and these extra resources are being used for patient care in other areas.

Mr. Charles Kennedy (Ross, Cromarty and Skye): Does the Minister accept that although the exclusion of dental and optical charges is much needed and very welcome, his defence of increasing prescription charges by twice the rate of the retail prices index needs to be further explained? On previous occasions the Minister has refuted my argument by saying at the Dispatch Box that the accurate measure of inflation in the National Health Service is the retail prices index, rather than the internal National Health Service rate. However, he has defended this statement by using the internal National Health Service rate of increased drugs charges to justify this increase. Does that indicate a change in Department of Health and Social Social Security or Treasury policy, and if not, why not?

Mr. Hayhoe: It indicates that either the hon. Gentleman is seeking to misrepresent what I have said, or that he has misunderstood it.

Mr. Richard Hickmet (Glanford and Scunthorpe): Does my right hon. Friend agree that the Opposition's reaction of outrage is synthetic and bogus, that it is motivated, as usual, by political objectives, that the Government are committed to providing free drugs for pensioners, children, and pregnant women and nursing mothers and that in those circumstances the Government's policy is entirely to be applauded?

Mr. Hayhoe: I think that my hon. Friend has put it in a nutshell.

Mr. David Winnick (Walsall, North): Is the Minister for Health aware that there is nothing phoney in the Opposition's condemnation of the 1,000 per cent. increase

in prescription charges since this Government took office? The Minister always refers to the number of exemptions from prescription charges, but will he confirm that a large number of families, by no means high income earners, are not exempt? Therefore this further increase in prescription charges is a tax on the sick. The Minister should therefore be thoroughly ashamed of himself for having come to the House to justify yet another increase.

Mr. Hayhoe: I do not accept that argument for one moment. The reality is that the percentage of the total cost of the National Health Service that is being met by charges is within tenths of a percentage point of what it was during the last full year of the previous Labour Government.

Mr. Peter Bruinvels (Leicester, East): Although I regret these increases, which will affect 25 per cent. of sick people, will my right hon. Friend confirm that only 5 per cent. of sick people claim a season ticket? Should not my right hon. Friend encourage all surgeries to make leaflets available to patients informing them of their entitlement? Perhaps Saatchi and Saatchi ought to be used to publicise this fact. If one fell ill, one would be able to apply there and then for a season ticket. That is the way to keep down prices.

Mr. Hayhoe: Of course I am glad to recommend the wider use of season tickets by those who need a steady supply of medicine. However, that does not apply, happily, to a substantial number of our fellow citizens. The increase from £2 to £2.20 that I have announced, together with the widespread exemptions, will not place a heavy additional burden upon those in the community who will have to pay the increased charge.

Several Hon. Members rose—

Mr. Speaker: Order. I shall call the three hon. Members who have been rising, but may I ask them to put brief questions. I call the hon. Member for Workington (Mr. Campbell-Savours).

Mr. D. N. Campbell-Savours (Workington): Why should 15 million people have to pay an increase that is twice the rate of inflation? Is there not an irony in the fact that the Minister stood at the Dispatch Box as a Treasury Minister only a year or two years ago and asked for the indexation of capital gains tax and capital transfer tax at a rate that was equal to the rate of inflation? Is it not obvious that although the Minister wants to secure justice, in his view, for those who are paying taxation on very large incomes and very large tranches of wealth, he does not want equally to protect those who are not in such a privileged position?

Mr. Hayhoe: If I were to take the hon. Gentleman's figure of 15 million people who are to pay, in total, over the year an additional £7 million, it would mean that in fact those people were paying 1p a week more.

Mr. John Ryman (Blyth Valley): The Minister said, quite wrongly, that there is no evidence that increased prescription charges deter patients from asking for prescriptions. There is an abundance of evidence in northeast England about that. Will the Minister have a word with the chairman of the northern regional health authority? He would show the Minister his annual report, which cites specific examples. Will the Minister also have a look at the enormous profits that are made by pharmaceutical firms from supplying drugs to the National Health Service?

Mr. Hayhoe: I am prepared to consider any evidence on the first issue which the hon. Gentleman gives to me. Secondly, I am glad to have his implicit support for the measures taken by my predecesser, which much reduced the moneys flowing to the pharmaceutical companies. As I think is well known, discussions and negotiations between the Government and the pharmaceutical companies are continuing. I hope that a satisfactory agreement to all concerned will result.

Mr. John Home Robertson (East Lothian): The Minister is claiming much credit for the exempted patients, but will he say a little more about the consequences of the exempted drugs being taken out of the NHS? What does he say to those of my constituents who are still complaining to me that they cannot obtain on the NHS the drugs that they need? I have made representations on this issue to the Minister at the Scottish Office with responsibility for the Health Service, and the results have not been satisfactory.

Mr. Hayhoe: These matters are considered by a highly authoritative specialist and expert committee. It is right and proper that my right hon. Friend and I take the advice of that important and distinguished committee and not seek to double guess it on matters on which its competence is widely understood and recognised.

Mr. Dobson: The Minister sought to justify the 20p increase in prescription charges on the ground that it was in line with the increase in the cost of drugs. Will he confirm that in 1979 patients used to meet 10 per cent. of the drugs bill and that the implementation of the proposition that is before us will mean that they will meet about half of it?

To return to something which I raised earlier and which the Minister appears to have misunderstood, when does he expect to be able to announce the result of the review of the categories of person who suffer from certain specific conditions which are currently exempted? When does he expect that review to be completed?

Finally, when the *Daily Mail* reported the Prime Minister having said in 1979,

"We have no intention of increasing prescription charges," was the *Daily Mail* lying, or was the right hon. Lady lying?

Mr. Hayhoe: The hon. Gentleman referred to certain specified conditions. As I made clear in my statement, this follows a review of all these matters. I would not be making such a statement without having reviewed

carefully every item in it. I have no plans to change the present exemptions from the prescription charge for those suffering from certain specified conditions. As I have said, my right hon. Friend the Prime Minister has made it abundantly clear that no responsible Government could ever promise not to increase prescription charges. The important feature is that the exemptions remain. However the hon. Gentleman seeks to obscure the realities of the present condition, the mere existence of that wide range of exemptions will make his efforts null and void.

Mr. Speaker: I hope that the hon. Member for Holborn and St. Pancras (Mr. Dobson) was not accusing the Prime Minister of lying.

Mr. Dobson: I would not wish to do so, Mr. Speaker, but the right hon. Lady was reported in the *Daily Mail* as having said——

Mr. Speaker: Order. I ask the hon. Gentleman to withdraw that allegation.

Mr. Dobson: I shall have to say, Mr. Speaker, that the *Daily Mail* was lying.

STATUTORY INSTRUMENTS, &c.

Ordered

That the draft Child Resistant Packaging (Safety) Regulations 1986 be referred to a Standing Committee on Statutory Instruments, &c.

That the Local Government Reorganisation (Property etc.) Order 1986 (S.I., 1986, No. 148) be referred to a Standing Committee on Statutory Instruments, &c.

That the draft Ports (Finance) Act 1985 (Increase of Grants Limit) Order 1986 be referred to a Standing Committee on Statutory Instruments, &c.—[Mr. Lennox-Boyd.]

WELSH AFFAIRS

Ordered,

That the matter of the Roads Programme and the Transport Infra-structure in Wales, being a matter relating exclusively to Wales, be referred to the Welsh Grand Committee for its consideration.—[Mr. Lennox-Boyd.]

BUSINESS OF THE HOUSE

Ordered,

That, at this day's sitting, the Motion in the name of Mr. John Biffen relating to Privileges may be proceeded with, though opposed, until half-past Eleven o'clock or for one and a half hours after it has been entered upon, whichever is the later, and if proceedings thereon have not been disposed of by that hour Mr. Speaker shall put the Question on any Amendment which may have been moved, and shall then put forthwith the Question on any other Amendments selected by him which may then be moved, and on the Main Question or the Main Question, as amended.—[Mr. Lennox-Boyd]

Common Agricultural Policy

4.6 pm

The Minister of Agriculture, Fisheries and Food (Mr. Michael Jopling): I beg to move,

That this House takes note of European Community Documents Nos. 4963/86 including Addenda 1 to 5, 10174/85, 4075/86, 8480/85, 5098/86, 10492/85, 4130/86 and 4150/86; and supports the Government's intention to seek an agreement on 1986-87 farm support prices and related measures, including a Community Milk Outgoers Scheme, which maintains the process of reform, and, in particular, which tackles the problems of surpluses and costs in the Common Agricultural Policy, which makes the policy more market-orientated and which does not unfairly disadvantage the United Kingdom, taking account of the interests of British agriculture and its associated industries, of consumers and of taxpayers.

I am pleased that this year we are able to have a full day's debate on the farm price proposals. They are important proposals and it is useful to have this debate early in the negotiations so that we can take full account of the views of the House.

I know that there is the disadvantage that the proposals have been available for only a short time, but I hope that this will not cause excessive problems of difficulties.

The background to the Commission's price proposals for 1986-87 is important and I shall remind the House of it. Last year the Commission set in hand a wide-ranging review of the common agricultural policy by issuing a green paper called "Perspectives for the CAP". This looked at the policy in the context of production and markets for commodities and examined wider issues, including some environmental and related matters.

Fundamental to the green paper was the need to get markets into better balance and the wider implications that such a policy would have. During the autumn the Commission issued two memoranda on beef and cereals and finally in December a document setting out its conclusions on this debate. It identified a number of priorities, in particular: first, the need to reduce production of surplus commodities and so alleviate the budgetary burden; secondly, the need to diversify, and to improve quality; thirdly, the need to sustain rural structure and to safeguard the environment;

Fourthly, the need to contribute to the development of agriculturally based industries and to enable agriculture to advance technically. These are broadly the priorities which we support, but they also included as a priority the need to deal with the income problems of small and family farms, an issue to which I shall be returning later.

At present, the Commission has not made proposals on the structural or environmental issues. These will be important and the Agriculture Commissioner has said that a socio-structural package is being urgently prepared. It is likely to include proposals for early retirement, for taking land out of production, for forestry and for compensating farmers who use environmentally sensitive methods. The Commission sees this as forming an important counterpart to the tough measures proposed on farm prices. The House will wish to note their relevance and I am sure will want to consider them as soon as they are available.

The Commission's farm price proposals issued last month provide the specific measures to implement some of the major ideas emerging from the perspectives exercise. The main features of the proposals are a price freeze for the major commodities and substantial measures affecting intervention and other aspects of support.

Although the overall effect of the proposals is tough, against the background of massive surpluses and growing budgetary costs they are not a fully appropriate response to the problems we face. In its green paper the Commission stressed the importance of a long-term price policy rigorous enough to have a real effect on production. The proposal for a price freeze falls well short of the needs of the situation. While we strongly support the Commission's determination to have a process of reform, there are important aspects where they have fallen short.

The sector which demands major action urgently is cereals. For this, as in other sectors, price policy needs to be central to the Community's strategy. The simplest way is through the level of the support price itself. This is the way that appeals to me: it gives the clearest signals to farmers and traders—especially if maintained over a number of years; it reduces the cost of support and costs to consumers and it avoids discrimination. But last year Germany refused to agree price cuts and the Commission has chosen to follow another approach this year.

The Commission's proposal is a complex package of measures, some of which fall within its own competence through management committee procedure. The effect is that, while intervention prices for the main grains would be frozen at this season's levels, the overall value of support would be substantially reduced for many producers.

There are three key elements. First, in order to qualify for intervention at the full price, grain would have to meet a tighter quality specification, and tougher discounts would be applied to grain not meeting specification. Secondly, intervention would be available only between December and April rather than throughout the year. Thirdly, a co-responsibility levy would be charged on all grain sold off farms, subject to a rebate on up to 25 tonnes.

Sir Geoffrey Johnson Smith (Wealden): Does my right hon. Friend agree that the co-responsibility levy, apart from its impracticability, puts in jeopardy any serious introduction or consideration of a set aside scheme, which is surely a far better, fairer and more practical way to ensure correct production levels?

Mr. Jopling: I agree with a good deal of what my hon. Friend says, although I do not think that it would be impossible for a co-responsibility levy to run side by side with a set-aside scheme, but perhaps I could come to that later in my speech.

The combined effect of the package could be to cut by 10 or 11 per cent. the price paid on delivery into intervention for the lowest quality wheat or barley which is still acceptable.

Mr. Brynmor John (Pontypridd): The Commission certainly does not agree with the Minister, as it says in paragraph 18 of document 8480/85:

"set aside or land diversion is judged to be expensive and difficult to administer."

That shows that the Commission does not favour such a scheme.

Mr. Jopling: We are told that the Commission is currently working on the possibility of a set aside element in the cereals package for the future.

I am under no illusions about the effect that a series of measures of this kind would have on the arable sector in this country, following all the problems of the 1985