

MR. WILLETTS

cc Mr. Wicks ✓

Mr. Ingham ✓

NHS SPENDING

In mounting a campaign to convince people about what the Government has done for the NHS we should be clear about the product we are aiming to sell. Why is the gap between perceptions and the spending figures so large?

The problem may be in large part a matter of rising expectations outstripping the public sector's ability to provide resources at sensible levels of taxation. But it would be worth looking in greater detail at the figures. I come to you for these rather than going to the DHSS, for obvious reasons.

We quote a 24% increase in real resources since 1979. Some questions:

- (i) How much of this has gone on real increases in pay?
- (ii) Do we have any information on how NHS prices have moved in comparison with the GDP deflator which is the basis of the 24% figure?
- (iii) Can we make an allowance for the extra costs imposed by the reductions in hours for nurses and doctors?
- (iv) How much of the real growth has been absorbed by changing demography?
- (v) Is there a geographical problem, when RAWP is taken into account in conjunction with the factors listed above?

You will see that Ian Aitken has arrived at some of these points in his article in today's Guardian - page 19.

(David Norgrove)

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Mrs Thatcher's rose tinted spectacles

WE MUST be grateful for all mercies, whether large or small, and it is clearly a matter for widespread rejoicing that Mrs Thatcher has at last bought herself a new pair of specs.

Never mind that her own government's policies probably meant that she had to get them privately. It is enough that she is now able to see what the rest of us have known for some time — namely, that Britain is fast becoming the scruffiest and most run down nation in the Western World.

But we can allow ourselves at least two reflections on this sudden conversion to empiricism. The first and most obvious is that the visibility through the bullet-proof windows of the Prime Minister's official Jaguar is a pretty poor basis for deciding the overall direction of public policy.

The other, however, is rather more fundamental to the present plight of Mrs Thatcher and her government. For it involves the increasingly bizarre contrast between what ordinary people perceive as the reality of their everyday lives and what ministers keep trying to tell us is going on.

We had an interesting illustration of this ever sharpening contrast last week, when Chancellor Lawson (a prime example of a through-the-looking-glass politician) assured City businessmen that, in spite of the evidence the boom he invented some

time ago was really still going on. This was in spite of the fact that unemployment is once again on the increase and output is stagnant.

It is at least arguable that telling the electorate it is either blind or daft is counter-productive, even if the figures you are using are arithmetically correct. What cannot be a matter for argument is that a consumer "boom" based on pay settlements which outstrip productivity is not a matter for boasting, least of all from a chancellor with Mr Lawson's views.

But if we stick with the contrast between what ministers say is happening and what ordinary people believe is happening, there can surely be no more puzzling example of an unbridgeable gulf than the long running controversy about the true condition of the National Health Service.

Day after day the correspondence columns of what used to be called the Top People's Newspaper have been filled with horror stories from top consultants about hospital cuts and deteriorating services. They have been backed by expressions of sentimental loyalty to the NHS from Very Grand People indeed.

But, at the same time, ministers from Mrs Thatcher downwards have been drowning us in statistics designed to prove that the NHS has never been better funded,

COMMENTARY

Ian Aitken



that more patients than ever are being treated, and that all the criticisms are either ignorant or malevolent.

This abiding paradox was taken up last week by no less an authority than the Economist magazine, which headlined its account (complete with three graphs) with the catchy, if not wholly objective legend: "The health crisis that isn't." After bombarding its readers with figures, it went on to declare that "most of the statistics bandied about in the NHS are misleading."

But misleading or not, the Government's case against all those alarmist stories about hospital closures, ward closures, lengthening waiting lists and staff shortages is essentially based on those same figures. What Mr Norman Fowler, the Secretary of State, repeatedly tells his critics is that the funding of the NHS has increased since 1979 by no less than 24 per cent, after allowing for inflation.

That is undeniably a formidable increase, and ministers support it with additional figures. They purport to show that the number of patients treated has

increased by approximately the same proportion, and that the number of people employed by the NHS has almost doubled in a decade.

So what is the ordinary taxpayer (who is also the ordinary patient, and in many cases the ordinary NHS employee) to make of all this when Opposition MPs, not to mention quite a number of worried Conservative backbenchers, tell an entirely different story? Is Mr Fowler a liar? Or do Mr Michael Meacher and Mr Frank Dobson, Labour's two hyperactive spokesmen on health, deal exclusively in dud statistics?

Attempts to explain away the difference without resorting to libellous accusations of dishonesty on one side or the other have hitherto concentrated on complex demo-

graphic arguments about things like the ever increasing number of old folk, with their disproportionate demands on health and welfare services. But even this cannot explain how an increase of a full quarter in the total allocation of resources has resulted in a deterioration in services.

So how are we to penetrate this statistical fog? Just a glimpse of a way through was offered by Mr Fowler's deputy, Health Minister Mr Barney Hayhoe, in a speech to NHS analysts last month.

Mr Hayhoe revealed that, within the undeniable 24 per cent increase in overall resources since 1978, the increase for primary health care (i.e. GPs, dentists, etc.) had been no less than 35 per cent. He conceded that this inevitably entailed that the increase for hospital services had been very much smaller. He put it at only 20 per cent.

But the minister then brought into the argument the concept of RAWP — the complex system by which resources are re-allocated between "rich" areas like London in favour of "poor" areas like Trent and East Anglia. This had meant that London hospitals had had only 13 per cent more funds, compared with 27 per cent elsewhere.

Once one starts on this sort of calculation, however, others suggest themselves. Take, for example, the fact that a large chunk of the original 24 per cent increase

in resources went in higher NHS pay resulting from awards made by Labour's Clegg Commission in 1978/9. These sums were paid by the incoming Tory government in the period up to 1981/82, with the inevitable consequence that the increase in total resources shelled out between 1981 and 1986 has been very much smaller.

Indeed, the increase is a mere 5 or 6 per cent for the entire period from 1981 to 1x86. And since the recent Tory byelection panic over health spending has meant that this year's increase alone has been 2.8 per cent, it follows arithmetically that the increase over the whole of the preceding five years can only have been about 2.5 per cent, or just half of 1 per cent for each year!

Now that is pretty small beer, compared with the grandiose claims of Mr Fowler to be Whitehall's Mr Big Spender. But it is even more pathetic when one takes RAWP into consideration. For if RAWP ensured that places like Trent and East Anglia were doing relatively well in the lean years between 1981 and 1986, London must have been doing very badly indeed.

And so a study of the figures confirms. For they demonstrate that the Thames regions have actually lost revenue, in real terms, of the tune of 2 per cent. Moreover, RAWP reallocation between inner and outer parts of London entailed that socially deprived Inner Lon-

don did substantially worse even than that.

Moreover, it is widely accepted that, owing to the demographic changes already referred to, the NHS requires at least 2 per cent a year more in real terms simply to stand still. Any region whose funds are actually shrinking over a period of years must therefore be in serious trouble.

But London is not just "any region," since it contains a massive preponderance of the country's medical teaching institutions, whose funds come from the NHS rather than from the education budget. What is more, its inner city areas are among the most run down in the land.

In other words, it is not as difficult as we imagined to reconcile public perceptions of the crumbling state of the health service with the utterances of Mr Fowler and his Cabinet colleagues. Our eyes do not deceive us. But Mr Fowler is not telling lies, either: well, not quite.

As for the practical significance of all this, I make one unqualified prediction, and place one confident odds-on bet. I predict an early alteration in the principles on which RAWP is currently founded, which will be wholly in favour of London.

And I put my money on a significant increase in NHS resources in this year's public spending review. As one senior minister remarked: "If we don't, we are doomed."