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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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From the Secretary of State for Social Services

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Paul Gray Esq  
Private Secretary  
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LONDON  
SW1

Prime Minister  
You will wish to glance through  
this. Are there any comments  
you want to feed in?  
10 March 1988

REC6  
11/3

Dear Paul,

CENTRAL COUNCIL SPEECH 18 MARCH

I attach for information, as it relates to the NHS Review,  
a copy of the draft speech my Secretary of State proposes to  
make at the Central Council Meeting in Buxton on 18 March.

I am copying this letter to Miss Rutter in the Chief Secretary's  
Office.

Part of p. 5 passed  
F DHSS.

MEV 14/3

Yours sincerely,  
Geoffrey Podger

G J F PODGER  
Private Secretary

CENTRAL COUNCIL SPEECH

FIRST DRAFT

Something quite remarkable has happened this winter. For the first time in its forty year history the political debate on the National Health Service has moved onto new ground. This is very good news for the NHS and everyone who uses it.

The new shape of the debate rests on two seminal shifts in attitude:

First, there is now a widespread acceptance of the possibility, indeed the necessity, of genuine change in the NHS. It has always been part of the genius of the British people to adapt their institutions to changing times. But, almost alone among the great post-war institutions of Britain, the NHS has resisted this necessary adaptation. The well-deserved affection and esteem in which the country holds the NHS has served to insulate it from the evolutionary changes all human institutions must make if they are to continue to be relevant and useful.

Now, quite suddenly, almost everyone is advocating change. The review of the Health Service the Government is presently conducting has been widely welcomed. Ideas and full scale submissions are flooding in, from professional health workers and lay people alike, many of them very radical indeed. The

enthusiasm for the review is itself evidence of a profound shift in attitudes. Equally remarkable is the eagerness with which people in the health field have seized upon the changing climate of opinion to take action already, even in advance of any recommendations the review might make.

I will give just three examples of this here, although there are many more:

1. The Income Generation Unit in my Department, set up to encourage and facilitate revenue raising by hospitals and health districts, has been impressed at the energy with which innovative proposals are being pursued all over the country.

2. The Performance Indicators, which for the first time ever, actually measure what is happening in an individual health district, are already being used as powerful management tools to improve performance.

*Don't visit in Scotland.*

3. Competitive Tendering, formerly thought an alien imposition is now fully accepted as a way to reduce costs and improve efficiency.

The second shift in public attitudes toward health and health care has equally important implications for the NHS. It is the growing recognition that a policy which aims at improving a nation's health must encompass much more than simply spending

taxpayers money.

It is partly our fault that this crucial shift in attitude has been so long in coming. For too long we Conservatives have let the Socialists set the agenda in the health debate. It is a Socialist view that reduces all human affairs to how much the Government is spending on them. In the health debate the question to ask is not "How much money are we spending?" It is "How much health are we getting?"

Of course funding is important to the provision of health care, and as you all know, spending on the health service is at a record level, but money is not the whole health story. Slowly people are coming to realise how much impact they themselves have on their own health and well-being: that what they eat and how they live, whether they smoke too much or drink too much, exercise too little, or drive too fast, all are likely to have more effect in the long term on their health than anything the Doctors can do.

This growing sophistication in thinking on health extends to a better understanding of the escalating demands on the NHS and why they are linked to its success: How increasing life expectancy results in more elderly people who need more health care. How new techniques like heart surgery and transplants are wonderful but very expensive. How people's expectations rise when they learn about hip replacements and cataract

operations.

You can see why I said these were seminal shifts in public attitudes, and why I believe they have such important implications for policy.

It is fascinating to speculate on how and why the change occurred. Of course it has been building for some time, in particular the deeper understanding of personal responsibility for health. But what about acceptance of the need for change in the NHS?

There certainly was no such acceptance at the time of the election last June. There was not very much at the time of the Conference in October. What happened between then and now? It has been suggested that what happened was that the Labour Party, routed on all other fronts, trounced for the third election in a row, desperate for an issue on which they could score points, decided to mount an orchestrated attack on the National Health Service.

As I am not privy to Labour Party policy sessions, I cannot say if this is true. What I can say, as can all of you, is that the media, who know that for human drama few issues rival health, published and broadcast during the four months, November to February, health stories at an ever-rising rate and decibel level. Anyone who lived through that time can testify to the avidness with which every possible negative aspect of the NHS

was hunted down and publicised. In [Birmingham] in those months [150?] babies had successful operations. Did we read those stories? No - we were told of the one sad case where a baby died. Did we read of the [xxxxx] hip replacements done in those four months? The [xxxx] heart operations? The [xxxxx] kidney transplants? No, we did not.

More than  
me - many of  
the babies operated  
on are very ill  
needed a state  
this alone  
wherever they  
are operated on

If this harsh focus on bad news was inspired, as some contend, by the Labour Party, it is very tempting to see it as a spectacular own goal. Because the result of intensifying public concern about the NHS has been to gain this long-sought, but previously unattainable, acceptance of the need for change.

△ Frank Field quote in the Catholic Herald?

Building on this acceptance, the Government is now embarked on an in-depth review of the possibilities for reform of the NHS. We are looking at any and every constructive idea to provide a sound and reliable health care system into the next century.

I want to emphasise that the fundamental principle of the Health Service is not in question in this review: the principle that access to medical care should not be dependent on the ability to pay. Our concern is how to put that principle into practice in the vastly changed circumstances of modern life.

Naturally at this stage I cannot tell you what proposals are

likely to be put forward when the review is completed. What I can tell you is the issues we are considering and the direction the review is taking.

In the letters and submissions we are receiving, funding naturally figures prominently. And obviously an important part of the review is concerned with how to increase the resources available for health care. However, a surprising number of the people who have written - doctors, nurses, patients, district managers, Health Authority Chairmen, speaking from their own experience, like the people in the debate this morning - are saying "The problem isn't only money - it's how the money is being used."

Having said that, of course, a great variety of remedies are then proposed. Those of you with memories going back before 1974(?) will be interested to know that Matron still has a sizeable fan club. Besides bringing back Matron, a huge range of ideas are being put forward suggesting how to improve the NHS. Reading through them, it is possible to identify four key factors which help explain why - despite the massively increased expenditure, and the remarkable achievements of the Service itself, there is such dissatisfaction in the NHS.

The first one is that although the NHS actually costs the average family over £31 per week, it is seen as "costless" by

both the people who work in it and the people who use it. Because payment for the service is never mentioned, nor discussed, nor itemised many people are unaware or unconcerned about what it actually costs, and this has important implications for their use of it. Let me illustrate: In the visits I have made to hospitals over the past months I have been repeatedly faced with the frustration of doctors, nurses and hospital staff who have been "stood up" by their patients. Operations are scheduled, particularly day operations, and the patients simply do not turn up. They do not even call to say they are not coming. The cost - in terms of time and money, lengthened waiting lists, and lowered morale - of this situation is enormous.

A perception that the service is "costless" has other effects as well. On leaving the operating theatre with its "no-show" patients, I usually visit a hospital's accident and emergency ward. There they have a contrasting problem: people who arrive and present the highly skilled emergency ward staff with health problems such as a sore throat or ingrowing toenail, <sup>problems which</sup> ~~These are~~ *rightly belong in a GP's surgery, not an emergency ward.* ~~actual examples which have been given to me. Others are~~ ~~xxxxxxx, xxxxxxx, and xxxxxxx.~~ Is this a proper use of acute hospitals? Would it happen if people did not perceive of them as "costless"?

If the public for the most part see the NHS as "costless," it is also true that for the most part its activities are uncosted. And this is another factor causing problems. We have made good



progress in the general area of knowing where the money goes in the NHS, but at the moment, the professionals who perform an operation or advise on treatment still have no real idea what that operation or treatment actually costs. With the best will in the world, it is difficult to make good use of resources if you do not know what resources are being used. Until we have solid and accurate data on costs we will not be able to make much progress on better use of resources, and good ideas such as an "internal market" in health provision - which is hospitals buying and selling from and to each other - are not even possible. The Performance Indicators I mentioned earlier together with the Resource Management Initiative are steps already being taken to identify costs. Doctors in particular say they welcome knowledge which will give them more control over their own work.

The third factor identified as a source of difficulty is the fact the Health Service is, and always has been, producer dominated. This means that because of the structure of the Service, the only voice heard is the producers' voice. And because all the money for the Service comes from the Government, that voice is inevitably full of woe. Unlike private enterprise which attracts customers and funds by saying "look how well we are doing"; an organisation wholly dependent on public money attracts funds by saying "look how badly we are doing." Enoch Powell as Health Minister many years ago said, "One of the most striking features of the National Health Service is the continual, deafening chorus of complaint which rises day and

night from every part of it." In these circumstances is it any wonder they say their morale is low? If you and I did nothing but concentrate on our faults and weaknesses to the total exclusion of our strengths and achievements, we would feel pretty low too. And so would anyone dependent on our work.

There is another problem inevitable in a producer-dominated organisation: that is, in the absence of any proper market, there is no effective way for the consumer's voice to be heard. And without that, it is not possible for the Health Service to be as responsive to consumer needs and wishes as it should be.

There is some evidence of increased consumer awareness in the NHS. Much more is needed. Some Health Authorities are actively trying to find out how their services are seen by patients and how well they meet what is required, but not enough. Some are using survey methods of one kind or another to learn more about consumer satisfaction or dissatisfaction, but so far only a few. We must find a better way to let the consumer's voice be heard in the Health Service.

The fourth factor correspondents are telling us is a problem is the fact the NHS is a monopoly supplier. Competition has demonstrated time and time again its power to increase efficiency, broaden consumer choice, control costs, and improve quality. It is now time to harness this power to benefit the

Health Service.

In addition to the arguments for competition, there are important arguments to re-deploy against monopolies. One that is particularly relevant to the Health Service, is that because monopolies restrict choice, they stifle constructive criticism and therefore inhibit change. People without choice hesitate to criticise the only supplier. And we have to remember that the NHS is a virtual monopoly supplier of jobs as well as health care. In these circumstances it is much easier to criticise the Government for underfunding rather than focus on ways the Service could improve itself.

## CONCLUSION

These are some of the issues we are addressing in the Health Service review. There are others. With all of them we are proceeding in the way you expect your Government to proceed; which is to quietly and calmly:

- listen to everyone who has a contribution to make, but never surrender to vested interests.
- recognise the crucial importance of the issue, but refuse to be bounced by media hysteria or bitter opposition attacks.
- understand that policy on a single issue must always be seen in the context of what is best for the nation as a whole.
- and after serious thought bring forward policies that work.

We have done this with signal success on economic policy, on employment, on trade union reform, on wider ownership, on defence. And we will do it for the NHS.

This is the year the NHS turns forty. In human terms it is the time when youthful plans and ideals should turn into the solid achievements of maturity. Whether they do or not depends entirely on the skill and intelligence with which problems are met and obstacles overcome.

We are determined that the early promise of the Health Service will be fulfilled. The vision that gave birth to the NHS forty years ago -- which is that medical care must not depend on a person's ability to pay - is still its guiding principle and will remain so as long as this Government is in office. But to make such a principle work in practice requires a unique blend of compassion and competence. In Britain only the Conservative Party has that blend. We are the only party that has proved we can produce the prosperity which alone can pay for a modern health service. We are the party that has given the country sound, stable government and a strong and growing economy. And we are the party that will make the National Health Service - again - the envy of the world.