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From the Private Secretary

3 January 1989

Dear Andy,

NHS REVIEW

The Prime Minister has had the opportunity over the holiday to consider the papers prepared for the meeting of the Review Group originally scheduled for 22 December which had to be cancelled. It may be helpful in advance of the reconvened meeting on 5 January if I record her main reactions to the papers, and in particular the first draft of the White Paper.

I should be grateful if you and copy recipients would ensure that no further copies are taken of this letter without authority from this office.

The Prime Minister recognises that a lot of further work will be necessary on refining the drafting and presentation of the White Paper, and her initial comments therefore focus on important points of substance.

Chapter 1 and 2

The Prime Minister is concerned that, as presently drafted and structured, chapters 1 and 2 do not strike the right opening note for the White Paper. She thinks it would be preferable to include some of the thoughts in the present chapter 2 in the opening chapter of the White Paper, and considers that the model set in the draft contribution by the Secretary of State for Scotland should be closely followed. The key points to be got over include:-

- From many viewpoints the NHS has been a major success story. The task of the Review has been to keep the best but to make improvements where the past record has not been satisfactory.
- We now have figures showing great differences in performance between similar hospitals, along with the initial results of the Resource Management Initiative. These, together with experience since the Griffiths Report, enable the Government now to put forward proposals for the future.

- The impact of demographic change, and changes in medical techniques and the benefits from research, should be fully brought out.

The Prime Minister also has some more detailed comments on the material presently in chapter 2:

- The package of practical improvements of direct benefit to patients should be put forward more convincingly.
- There should be some mention at this point in the White Paper of improving the procedure for allowing patients to change their GPs.
- In paragraph 2.9 the order of the first two indents should be reversed.
- There is not sufficient emphasis on the importance of getting better value for money from the enormous sums already spent on the NHS.

Chapter 3

The Prime Minister thinks that the introduction of GP practice budgets is an important element of the White Paper proposals; it is integral to the general approach of dispersing and delegating greater responsibility. However she does not think that the present detailed proposals for operating GP budgets are workable, and feels in particular that the material on negotiation of budgets (paragraph 3.12) needs to be changed. She has commented that a straightforward formula for setting the budget, based on that for allocations to districts, might be more appropriate.

On more detailed points:-

- Since it has now been decided that all GP practices should have indicative drug budgets, the comment in paragraph 3.10 that practices will be able to choose whether or not to include prescribing costs in their budget would seem to have been overtaken.
- In paragraph 3.19 the Prime Minister has asked whether the square bracketed figures for possible overspends are backed up by detailed proposals.
- In paragraph 3.21 the Prime Minister wonders when it is proposed to publish the proposed discussion document.

Chapter 4

The Prime Minister thinks it would be helpful at an appropriate point in this chapter if the distinction between self-governing hospitals and DHA-managed hospitals, and the greater flexibility available to the former, could be brought out more clearly.

On more detailed points, the Prime Minister has noted that

consideration needs to be given to the position of local authorities and the generality of trade unions in relation to the composition of Hospital Trusts (paragraph 4.5); and she sees advantage in stressing in this chapter that accident and emergency treatment will continue to be available to patients from the nearest hospital.

Chapter 5

The Prime Minister has commented in relation to this chapter and chapter 9 that a clear distinction must be drawn between ministerial responsibility for setting broad policy, strategy and the level of funding; and the responsibility of NHS managers to manage. Against that background, she does not consider (paragraph 9.8) that Ministers should be fully accountable in detail to Parliament for the management of the Service.

On more detailed points:-

- The Prime Minister has asked how the proposed timetable for the Resource Management Initiative (paragraphs 5.16-5.19) fit in with the arrangements for setting up self-governing hospitals.
- The Prime Minister is struck by the fact that paragraph 5.21 gives a firm commitment to the continuation of a central framework for pay determination in the NHS, and wonders whether such a resounding commitment is appropriate.

Chapter 6

There are two points which the Prime Minister feels should be made more explicitly in this chapter. First, the agreement that there should be provision for joint enquiries covering both medical and management audit in cases where both types of issue are involved. And second, the proposal to make greater use of the flexibility that where a consultant works only X sessions a week for the NHS he should be paid only X/11ths of a full-time salary.

Chapter 7

In paragraph 7.8 the draft White Paper refers to a differential of 2 per cent in funding per head of population for the Thames regions; the Prime Minister recalls that the group had previously agreed on a 3 per cent differential.

In paragraphs 7.12-7.13 the Prime Minister has asked what timetable is now envisaged for the introduction of changes to allocations to DHAs.

Chapter 8

The Prime Minister has noted that, although paragraph 6.8 refers to access for management to the results of medical audit in hospitals, there is no similar reference in Chapter 8 to access for FPCs. She believes that paragraph 8.4 should include an additional point indicating that the FPC should have access to the general results of medical audit of GPs.

In paragraph 8.7 the Prime Minister has asked why it is not possible to aim to raise the average remuneration of GPs accounted for by capitation to 75 per cent rather than 60 per cent.

The Prime Minister agrees with the Chancellor's comment on paragraph 8.18 that a change of name to FPAs could lead to confusion with the Family Planning Association.

Chapter 9

The Prime Minister's principal point on this chapter is covered by the comments above on chapter 5. But she has also asked on paragraph 9.6 whether it would be appropriate for guidelines to be given to RHAs covering the appointment of non-executive members of DHAs.

Chapter 10

The Prime Minister's main comment on this chapter is that the commitment to wider use of competitive tendering should be strengthened, with mention of specific possibilities. She has noted that a Treasury contribution following paragraph 10.3 is awaited.

Territorial Departments

The Prime Minister has noted that it will be necessary to decide how best to organise the material covering the territorial departments, for example whether they should be merged into one rather than three separate chapters.

On the present contributions, she is struck by the contrast between the Scottish and Welsh material in relation to the development of self-governing hospitals and GP practice budgets; she thinks these developments should be given a more positive slant in the Welsh material, for example by introducing a planned timetable.

The Prime Minister's other comments on these contributions are:-

- The Northern Ireland section might start with material on past NHS successes.
- She wonders whether the timetable for the first GP practice budgets in Scotland (1992) should be slower than in England (1991).
- Paragraph 4 (iii) of the Welsh material promises to publish a "wider programme of quality assurance" in Wales; the Prime Minister has noted that the Group rejected a rather similar proposal for England.
- In view of the position in relation to merger of FPCs and DHAs for England, consideration needs to be given to whether paragraph 4(viii) should indicate that there are "strong arguments" in Wales for bringing together the hospitals and FPS "under common management and leadership".

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Timetable

As you will be aware, we have now arranged that, following the meeting of the Group on 5 January, the Group will next meet on 17 January. This is to enable sufficient time for a full redraft of the White Paper, in the light of the 5 January discussion, to be circulated during the week beginning 9 January, so that members of the Group have good time to consider it in advance of the next meeting. But the Prime Minister continues to attach importance to publication of the White Paper still taking place by the end of January.

I am copying this letter to Alex Allan (HM Treasury), Stephen Williams (Welsh Office), Mike Maxwell (Northern Ireland Office), David Crawley (Scottish Office), Carys Evans (Chief Secretary's Office), Jenny Harper (Minister for Health's Office), Sir Roy Griffiths (Department of Health) and Trevor Woolley and Richard Wilson (Cabinet Office).

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