



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 January 1989

NATIONAL HEALTH SERVICE REVIEW

The Prime Minister chaired on 17 January the nineteenth and twentieth meetings of the group reviewing the National Health Service. The group had before them a draft of the White Paper on the review circulated by the Secretary of State for Health.

I should be grateful if you and copy recipients would ensure that this record of the discussion is handled strictly in accordance with CMO arrangements.

Those present at the first meeting on the morning of 17 January were the Chancellor of the Exchequer, the Secretary of State for Wales, the Secretary of State for Northern Ireland, the Secretary of State for Scotland, the Secretary of State for Health, the Chief Secretary to the Treasury, the Minister for Health, Sir Roy Griffiths, Sir Robin Butler, Mr Wilson and Mr Monger (Cabinet Office), Mr Whitehead (No 10 Policy Unit) and Mr Ingham.

Those present at the second meeting in the afternoon of 17 January were the Chancellor of the Exchequer, the Secretary of State for Northern Ireland, the Secretary of State for Scotland (for discussion of Chapter 10), the Secretary of State for Health, the Chief Secretary to the Treasury, the Minister for Health, Sir Roy Griffiths, Mr Wilson and Mr Monger, Mr Whitehead and Mr Ingham.

Chapter 1

The group discussed first the statement in paragraph 1.2 that the NHS was 'free at the point of delivery'. It was argued that this statement was not strictly true, because of the existence of charges; that it was important not to close options for the future unnecessarily; and that the drafting did not recognise that the Service was financed by taxpayers who were entitled to the best possible service and value for money. It was also argued however that outside opinion would attach great importance to a clear statement of the Government's intention on the point, and that it was not

16 BOARD

EAM

↓ until 31/12/89

bc BI

IW (Policy Unit)

Subject: Mask

realistic to expect any change on it during this Parliament. The group agreed that the words 'free at the point of delivery' should be replaced by a statement that the service provided by the NHS was, and would continue to be, open to all regardless of income. They agreed that the words 'financed mainly out of general taxation' were right, and that 'mainly' would be better than 'largely' in 2.4.

In paragraph 1.3, the group agreed that the words 'out of all recognition' in the first sentence should be replaced by such words as 'at a remarkable pace'.

The group noted that the figures in paragraph 1.3 for the number of staff employed were 1986 figures. They agreed that it was essential to use up-to-date figures. They also agreed that the figures for total expenditure should be for 1989-90, and that the paragraph should also say what the cost of the NHS would be in that year for an average family, and how it had changed since 1978-79. The group regarded it as important to bring home the increase in NHS spending. There was still considerable misunderstanding about this among the public and even the profession.

The group broadly agreed the redraft of paragraphs 1.4 to 1.6 which had been put forward by Mr Ingham.

In discussion of the structure of paragraphs 1.7 and 1.8, it was argued that the drafting lost sight of the paramount importance of practical improvements in services to patients. This theme was not introduced until paragraph 1.8 after the 'key changes' had been described in paragraph 1.7. One possibility was to use the opening of paragraph 1.8 as a preface to the list of key changes, although this had not worked well in earlier drafting. The group agreed that Mr Ingham should be asked to consider how the presentation of paragraphs 1.7 and 1.8 could best bring out the importance of improving services to patients. At the meeting on the afternoon of 17 January, the group agreed the structure of the revision of paragraphs 1.7 and 1.8 circulated subsequently by Mr Ingham, subject to further consideration of the detailed drafting by the Secretary of State for Health.

In discussion of paragraph 1.7, on 'key changes', the group agreed that:

- i. The second inset, on self-governing hospitals, appeared to emphasise their ability to decide the pay of their staff. This was wrong. It would be better to replace the second sentence of the inset by:

'This will enable them, while remaining in the NHS, to take fuller responsibility for their own affairs, harnessing the skills and enthusiasm of their staff';

and ending with:

'Within annual financing limits, they will be free to borrow money. And they will be able to set the rates of pay of their own staff'.

ii. The last sentence in the third inset contained the word 'best' twice. One of these references should be deleted.

iii. The word 'defined' should be inserted before 'range' in the first sentence of the fourth inset.

Finally, on paragraph 1.7, the group agreed that two other key changes should be included:

i. The new audit arrangements. The Chancellor had suggested an addition as follows:

'Fifth, steps will be taken to improve value for money. The Audit Commission will assume responsibility for auditing the accounts of health authorities and other NHS bodies, and will undertake wide-ranging value for money studies. Complementary to this, arrangements for medical audit will be extended throughout the health service, thus helping to ensure that the best quality of clinical care is given to patients'.

The group agreed this addition, subject to moving to the front of the sub-paragraph the reference to improving the quality of care for patients. They noted that the last sentence of the first key point, which also reflected the new audit arrangements, would have to be reconsidered. It was anyway separate in substance from the rest of the point.

ii. The organisational changes affecting health authorities and FPCs should be covered. The wording suggested was:

'Seventh, health authorities will be streamlined, with functions delegated from regions to districts and from districts to hospitals where appropriate. Their membership will be reduced to make them more management-oriented bodies. Local authorities will no longer have the right to appoint members. Family practitioner committees will in future report through regional health authorities to the NHS Management Board'.

The group agreed that the penultimate sentence of paragraph 1.9 should end with words such as 'treats patients as people'.

The group noted that the opening words of paragraph 1.10 might be misleading since the Government could not require the hospitals to make the improvements listed. It was agreed that they should be replaced by: 'The Government believes that each hospital should offer:'.

The group agreed that in paragraph 1.11, the word 'only' in the first sentence should be deleted, the second sentence should be omitted, and the third sentence should start with the words, 'These improvements will bring greater appreciation ...'.

The group agreed that the heading before paragraph 1.12 should be, 'The best use of resources'.

In paragraph 1.14 it was agreed that the third inset should refer explicitly to the Audit Commission.

The group agreed that the heading before paragraph 1.15 should be, 'Public and private sectors working together'.

In paragraph 1.16, the group agreed that the word 'prohibitive' in the second sentence was exaggerated and that the second and third sentences should be recast to read:

'... many people who do so during their working life find the cost of the higher premiums difficult to meet in retirement. The Government therefore propose to make it easier for people in retirement by allowing income tax relief on ...'.

It should be made clear that the relief would apply to premiums paid on behalf of, as well as by, the elderly. At the meeting on the afternoon of 17 January, the group also agreed that the drafting in this paragraph must be brought into line with the drafting agreed for paragraph 9.4.

The group decided that paragraph 1.17 should be deleted.

As to paragraph 1.18, the group agreed that the thought in the last two sentences should be moved to the front of the paragraph; and that 'some aspects' should be replaced by 'those aspects'.

Chapter 2

The group agreed that there should be a preamble along the lines of the draft which had been circulated, but the final words of the third inset should be: '... which treat most patients'. On the opening paragraphs, the group agreed as follows:

- i. The figure of 'well in excess of £20 billion' in 2.1 needed to be precise. References elsewhere were to one of £24 billion.
- ii. In paragraph 2.3 the word 'dictated' should be replaced by 'administered'.

The group then discussed the section on the central management of the NHS in paragraphs 2.4 and 2.8. Summing up this part of the discussion, the Prime Minister said that this section was of considerable importance and had to be got right. The group were agreed as follows:

- a. It was essential to make it clear that there would be an effective chain of command running through the NHS to the Management Committee and, through that Committee, to the Secretary of State. The section as drafted did not do this.
- b. It was also essential to make it clear in the White Paper that Ministers would not be answerable in Parliament for day-to-day operation. A clear distinction must be drawn throughout between the responsibilities for policy of the Policy Board, chaired by the Secretary of State, and those for operation of the Management Committee (which was a better name than Management Board) chaired by the Chief Executive (who would be a member of the Policy Board). The respective responsibilities of the Policy Board and the Management Committee had been agreed at the last meeting of the group.
- c. Defining the distinction between strategy and operation would however require more work. Hospital closures would, for example, have to be regarded as a matter of policy. It was also important to define more clearly the responsibilities at different levels within the chain of command of the NHS.
- d. The present draft involved the Department of Health too much in management. The Management Committee would not be part of the Department, although it would be located there. There should be no misunderstanding of the role of departmental officials, which was to advise the Secretary of State but not to be involved in the management of the NHS. The Management Committee was not to consist of departmental officials, although there might be one or two on it in a personal capacity. The Policy Board should be kept small and include outsiders.
- e. The Management Committee would not itself run the detailed operation in the NHS. That would continue to be the responsibility of the Health Authorities. The relationship between the Committee and the Authorities must be determined according to the principle of maximum devolution of functions which underlay the White Paper. The role of the Committee would be to exercise a general oversight over the operation of the NHS.
- f. There was some danger that establishment of the Management Committee would increase bureaucracy. This was because the Committee would be another layer in the management structure and because the Committee and the Regions might in practice take on more staff for managing the relationship between them.
- g. The danger of excessive bureaucracy also arose in relation to the Regions. Many of their functions would be increased by the proposals in the White Paper. While it might be true that the Regions were needed to implement the programme of reforms, that would not by its

nature be a permanent task. In the longer term their functions would diminish. They might become little more than the regional arms of the Management Committee, although it would be better not to say that in the White Paper.

h. It was clear that the central structure had not yet been fully worked out. In these circumstances, it would be prudent for the White Paper to be as general as possible in its description. Detailed work on the structure should be set in hand.

The Prime Minister said that the Secretary of State for Health should now redraft this section in the light of the discussion. It clearly needed a good deal more work. The drafting would have to be reconsidered as a whole, but some particular changes in the text which the group had identified were:

- Deletion of 'for the services which they finance' in 2.4.
- Replacement of 'in practice' in the fourth sentence of 2.4 by 'on the contrary'.
- Deletion of the last sentence of 2.4.
- Deletion of 'within the Department of Health' in the first sentence of 2.5.
- Amalgamation of the first two insets in 2.5.
- Deletion of 'management' from the second inset in 2.5.
- Appointments to the Management Board should not be made by the Chief Executive, as the third inset in 2.5 said, but by the Secretary of State in consultation with him.
- In the last inset of 2.5, insert at the end of the first sentence words such as 'except for policy'.
- Remove the implication in 2.7 that it is for the Regional Health Authorities to review themselves and decide what action to take on the reviews. They should be given clear instructions on the points at issue.

The group also noted that there were points on paragraphs 2.23 and 2.28 which could be dealt with in correspondence.

Chapter 3

The group agreed that the drafting of the White Paper should not preclude the possibility that some smaller hospitals, with less than 250 beds, might be suitable for self-government. This point was covered more fully in discussion on Chapter 11 below.

It was also agreed that the requirement as to members in the first inset of 3.4 applied only to the larger hospitals

and that the White Paper should say so.

Chapter 4

The word 'crises' at the end of 4.7 struck the wrong note. It might be better to refer to 'problems'.

Chapter 5

The group agreed the following points in discussion of Chapter 5:

- i. It was essential to give up-to-date figures for the number of consultants.
- ii. The language of 5.2 was over-simplified, and should be reconsidered.
- iii. Paragraph 5.10 proposed a double check that self-governing hospitals had an effective audit system. This seemed excessive.
- iv. The White Paper should state clearly that joint enquiries covering both medical and management audit would sometimes be necessary. The reference in the last inset of 5.9 was not explicit enough.
- v. The words 'and the time they devote to the NHS' should be added to the second sentence of 5.14.
- vi. It should be made clear in this Chapter that in the case of self-governing hospitals the hospitals themselves would hold the consultants' contracts.
- vii. At the end of 5.18 it should be made clear that the timetable for concluding an appeal should be not more than nine months, and the word 'normally' should be deleted.

Chapter 6

The group agreed that in paragraph 6.8 the accuracy of the first sentence would need to be checked; that the word 'direct' should be inserted after 'budgets' in the second sentence; and that the reference to consultation with the FPC should be omitted, in the interest of reducing the apparent complexity of the arrangement.

The group discussed paragraph 6.13. They agreed that GPs should have the maximum possible incentive to make savings, and that they should accordingly be able to plough back 100 per cent of the savings into their practices. The group decided therefore that the paragraph should say that GPs would be able, as they judged best, to spend all such savings on improving their practices and offering better services to their patients.

Chapter 7

In paragraph 7.14, the words 'the rate of increase in' contained in the second sentence should be deleted.

In paragraph 7.21 the group agreed that there must be an opening passage to explain why the problem arose and to pave the way for the policy proposal. It was quite wrong that people could set up as doctors whether or not there was sufficient work for them to do, and the paragraph should reflect this. The group asked the Secretary of State for Health to agree a redraft of the paragraph with the Chancellor of the Exchequer, in the light of the discussion.

The group agreed that the second indent of paragraph 7.23 should be amended by the addition at the end of: 'serving in a personal rather than a representative capacity'.

The group also agreed that paragraph 7.24 needed revision. It was not clear that the two sentences of the paragraph were consistent with each other. The paragraph should begin with a clear statement that the present committee structure must be slimmed down and that only a reasonable number of members could be co-opted to committees. The Secretary of State was asked to revise the paragraph in the light of these comments.

Chapter 8

It was agreed that the fifth sentence in paragraph 8.4 exaggerated the point it was trying to make, and should be replaced by a statement that managers were not members of the decision-making body.

It was also agreed that the word 'automatic' should be deleted from the sixth inset in 8.6.

The group thought that paragraph 8.7 exaggerated the value of the Community Health Councils and asked the Secretary of State for Health to reconsider the drafting. A possibility would be to delete both the second and third sentences.

Chapter 9

The paragraph on tax relief suggested by the Chancellor of the Exchequer was agreed, subject to further consideration of detailed drafting. The paragraph made it clear that relief would be given on premiums paid on behalf of the elderly only in certain circumstances, for example when they were paid by other members of their family. The reference in 1.16 to tax relief had to be amended to reflect the final wording adopted in this Chapter.

The group agreed that the drafting of this Chapter should be revised to give it a more positive tone about the actual and potential contribution of the private sector to health care. There were lessons to be learnt from the treatment of this topic in the Chapter on Scotland. For example, it should

be possible to say of England, as that Chapter did of Scotland, that more people were looking to the private sector for the diagnosis and treatment of their health problems. A more positive flavour would also be given if the beginning of 9.2 made it clear that, at least in recent years, the private sector had been growing; and perhaps if 9.2 and 9.3 were made the opening paragraphs of the Chapter. The words 'the mixed economy' in 9.1 were not right. The reference should convey a sense of the growth of the private sector, and also of co-operation between it and the public sector.

In paragraph 9.8, it was agreed that the Secretary of State for Health should check the consistency of the figures of 17 per cent and £1 billion a year. If they were consistent, the paragraph should explain why.

In paragraph 9.11, it was agreed that the words 'without capital funding from the health authority' at the end of the second sentence were not right. It should be made clear that such schemes could go ahead either jointly or without capital funding from the Health Authority.

Chapter 10

In discussion of this Chapter, the group agreed that the different treatment proposed in Scotland for central organisation, size of boards, and audit resulted from the different circumstances in Scotland. They also decided on the following amendments:

- a. The list of practical improvements in paragraph 10.4 would be reconsidered to see if it could contain all the items in the corresponding list for England. There was one item in the Scottish list that did not appear in the English list: that authorities would work towards ensuring that all out-patients were seen by a consultant on their first visit. The Secretary of State for Health was asked to consider whether this item could be added to the English list.
- b. In paragraph 10.5, the words 'not later than' should be inserted before '1992' in the third sentence.
- c. The wording in paragraph 10.17 had been temporary. The Secretary of State for Scotland had now reached the view that it would be right to appoint a Chief Executive in Scotland, and the paragraph would be revised to say this.

Chapter 11

The group agreed on the following changes in this Chapter:

- a. There would be a preface on the record of the NHS in Wales.

b. The reference to a corporate strategy at the end of 11.3 should be deleted.

c. In the passage on the timetable for self-governing hospitals at the end of paragraph 4(i), the suggestion that eligible hospitals would necessarily have to have 250 or more beds should be removed. Some smaller hospitals might also be suitable for self-government, and the drafting should reflect this. It should also be made clear however that there must be safeguards against smaller hospitals which became self-governing changing their functions to the detriment of services to patients. Finally, the word 'a' in the fourth line of the last subparagraph of 4(i) should be replaced by the word 'any'.

d. The reference at the end of paragraph 4(vii) to examining the arguments for bringing hospital and community services and family practitioner services under one management should be deleted.

Chapter 12

In discussing this Chapter, the group agreed that:

i. The Secretary of State for Northern Ireland would reconsider the reference at the end of paragraph 12.3 to 'streamlining' the acute hospital service, since its meaning was not clear.

ii. He would also remove the reference in 12.3 to 'care in the community', since the White Paper did not deal with this topic in England.

iii. An indented list of practical benefits to patients, similar to the list for England, should be given in 12.4.

iv. There should be a reference to the timing of the development of self-governing hospitals, probably 'not later than 1992', as for Scotland.

Chapter 13

The group agreed on the following amendments to this Chapter:

i. The title of the Chapter should be 'The Programme for Reform'.

ii. The timetable should reflect the fact that many of the reforms did not require legislation, and could be implemented quickly. This was true for example of the practical benefits for patients. Even in the case of those which did require legislation, preparatory work would be possible before the legislation was passed.

iii. The Chapter should not be confined to those changes likely to be popular with those concerned. The list of changes should be reconsidered with a view to making it

more comprehensive. The reference to the changes affecting consultants, for instance, should not be confined to the increase in their numbers. There should also be a reference to the new audit arrangements.

iv. The reference to consultation should be reconsidered. It should be tied to the issue of the detailed documents which were due to be published after the White Paper. The reference to these documents should be along the lines: 'Detailed documents on how to implement the proposals will be published in the next few days'.

v. The reference to a review by the RHAs of their own functions should be removed, in accordance with the earlier decision by the group. It should be made clear that they would be told to plan for delegation of management to operational units, and the development of self-governing hospitals.

Finally, the group agreed that the Chapter should begin with 'wrap up' paragraphs which re-stated the main themes of the Government's policy and proposals. It would not matter that this would repeat or overlap with earlier Chapters.

Public Expenditure

The group accepted the draft paragraph on public expenditure put forward by the Secretary of State for Health and the Chief Secretary. No figure would be given for the public expenditure cost.

Consultants

The group also accepted the draft paragraph on the increase in consultants numbers put forward by the Secretary of State for Health and the Chief Secretary. The paragraph should not give a figure for the cost of or source of funding for extra consultants, but it should make it clear, by an amendment to the penultimate sentence, that this would be above the cost of the two per cent annual expansion already planned.

Title and Presentation

The group agreed that the title of the White Paper required further thought, but they saw attraction in 'Better Health'. They also agreed on the importance of an attractive presentation and good illustrations. The Department of Health had in hand arrangements to inform NHS staff of the proposals in the White Paper. Copies should be available in hospitals.

Next Steps

The Prime Minister said that the Secretary of State for Health should urgently circulate to the group new versions, revised in the light of its discussion, of those parts of the

White Paper of particular importance and difficulty in Chapters 1, 2 and 13. The aim should be to clear these in time for circulation of the entire draft to Cabinet and E(A) on Friday, 20 January, with a view to a discussion in E(A) on 24 January and in Cabinet on 26 January, before publication on 31 January.

I am sending copies of this letter to the Private Secretaries of the Ministers at the meetings, and to the others present.

*Yes,
Pat*

PAUL GRAY

A. J. McKeon, Esq.,
Department of Health