

cc: P.V.



*Proc Minutes
To note these loose
ends. I hope it will be
possible to resolve them
without involving you*

Treasury Chambers, Parliament Street, SW1P 3AG

AT 25-11

The Rt Hon Kenneth Clarke QC MP
Secretary of State for Health
Department of Health
Richmond House
79 Whitehall
London
SW1A 2NS

25th January 1989

Dear Ken,

NHS REVIEW: DRAFT WHITE PAPER

- with P. A. IF

On re-reading the complete draft of the White Paper, we have noticed that the proposals you and I agreed in relation to the FPS, described in HC 68 and subsequently endorsed by the Ministerial Group, are not fully reflected in the draft. I am sorry to raise a point of substance at such a late stage, but as you will appreciate it is a matter of some importance.

Chapter 7 of the White Paper **does not make clear that drug budgets will be cash limited at regional level. This is clearly important. Nor does it make clear that the increased capitation element of GPs' remuneration will be at the expense of basic practice allowance, which will become subject to geographical variation, including abolition in some areas.** I realise that the final sentence of 7.3 could be taken to imply this, at least partially. But it is a very oblique reference and certainly does not imply abolition of BPA for some GPs. Since these matters are currently being discussed between your department and the GMSC, it is surely essential to have a clear statement of the Government's intentions so that those concerned know precisely where they stand. Otherwise, there are bound to be accusations of bad faith when you do introduce the proposal.

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In order to remedy these deficiencies, the following changes need to be made.

Para 7.3 - insert a new sentence at the end:

"Basic practice allowance will form a reduced proportion of remuneration, and its level will vary according to the location of the practice; in some cases, it will be reduced to zero."

Para 7.16 - first sentence to start as follows:

"Each year the provision made for FPS drug costs will be divided into separate cash-limited allocations for the 14 health regions, and RHAs will set ...".

I am sending copies of this letter to the Prime Minister, Malcolm Rifkind, Peter Walker, Tom King, David Mellor, Sir Roy Griffiths, Sir Robin Butler, Mr Wilson (Cabinet Office) and Mr Whitehead (Policy Unit).

Your Ever,
John

JOHN MAJOR