



**DEPARTMENT OF HEALTH & SOCIAL SECURITY**  
Alexander Fleming House, Elephant & Castle, London SE1 6BY  
Telephone 01-407 5522  
*From the Secretary of State for Social Services*

David Barclay  
10 Downing St

13 December 1983

1) Tim  
2) Andrew } to see  
3) pa

Dear David

You might like to have a copy  
of the statement my Secretary of State  
issued yesterday on 'radical alternatives'  
to the NHS - essentially a response to  
the David Hart article in the Times  
last week and Ralph Hasell MP's pamphlet  
on the NHS issued by House of Industry.

The statement restates the established  
lines (a) that the NHS will continue to  
be financed mainly from taxation; and  
(b) that the Government will pursue  
better management within the existing  
structure on the lines recommended by  
Giffiths

Yours Sincerely  
Gordon Storer



**CONSERVATIVE PARTY**  
**NEWS**  
**SERVICE**

Press & Public Relations  
Department.

Phone: 01-222 0151/8  
01-222 9000

Conservative Central  
Office.  
32 Smith Square,  
London SW1P 3HH

RT HON NORMAN FOWLER MP

19.00 HOURS/MONDAY 12TH

DECEMBER 1983

Release Time:

840/83

Extract from a statement by the Rt Hon Norman Fowler MP (Sutton Coldfield), Secretary of State for Social Services, to the officers of the Conservative Medical Society in the House of Commons on Monday 12th December 1983.

**THE RIGHT POLICY FOR A BETTER HEALTH SERVICE**

Recently solutions to the "problem of the health service" have been coming thick and fast. Some, like the article in The Times last week, advocate that it is "time to sell off the NHS". They suggest replacing the present system of financing the NHS by compulsory private health insurance. Another suggestion had been to make a "radical change" by turning the NHS into something like a nationalised industry headed by a high profile Chief Executive. And there is always the third line put forward by the Left - that there is no problem with the NHS that would not be put right by simply spending a few more billion pounds.

First, let me look at the proposed alternative method of financing the health service: the introduction of compulsory health insurance. There is nothing new in this idea. It is one on which the Government undertook a thorough study some three years ago. We were quite open about what we were doing then and I told Parliament in July 1982 the outcome of that review - "the Government have no plans to change the present system of financing the NHS largely from taxation". That remains the position today.

The effort involved in going over to a system of compulsory health insurance would make the 1974 reorganisation like a minor hiccup. It would mean creating new bureaucracy and administration for the collection of revenue. The reimbursement system operated by the French, for instance, would add massively to administrative costs. What the advocates of compulsory insurance have to show is that it is ultimately a more effective and efficient way of providing patient care at reasonable cost. I do not believe that that case can be sustained.

Second, the concept of the NHS corporation, independent of day-to-day political control, seems to me to be subject to two basic fallacies. First, it ignores the fact that the health service is, and will continue to be, largely funded by taxation. It does not get its support from the State to supplement its trading income - as nationalised industries do. A NHS corporation would be about as independent as British Rail without its fares income. Second, it is quite unrealistic to think that the public or Parliament would allow me, as Secretary of State, to give up my responsibility for determining the resources available for the NHS, my duty to determine strategy and priorities in the use of those resources, and my ultimate accountability for the spending of £13 billion of taxpayers money.

I find it strange to see suggestions that we should look to the nationalised industries as our model for good management, efficiency and value for money. Of course we do need better management within the NHS. That is precisely what we are working towards and what the Griffiths Report is all about.

Third, there is the wholly unrealistic approach of the Labour Party - whose only policy is to spend more money on an unchanged service. It is simply absurd to pretend that more money can be spent regardless of the consequences in terms of higher taxation and inflation. Inflation hits the health service as hard as anything else. Michael Meacher should remember that when he was a Minister at the DHSS under the last Labour Government, the policies of that Government led to a situation where the biggest capital cuts in the history of the NHS had to be made.

Our critics should look at the improvements which are taking place right now. The fact is that since we took over performance has improved substantially. In 1981 the health service treated more patients than ever before - some 640,000 more in-patients and day cases and some 2 million more outpatients and emergency cases than in 1978. And this has been done with fewer hospital beds because our use of resources has improved and new and more effective medical treatments have been introduced.

For the future we will be providing extra money to meet the growing pressures on the health service. But that is only the beginning: the real challenge is to get the health service better run and to get better value for money. We are doing that. Ministers are directly involved in scrutinising the performance of health authorities - not to try and run the service for them but to make sure that they account for the way they do the job. We have taken a firm grip on the growth of NHS manpower to make sure that we don't waste staff. And following the Griffiths Report we are going to have a much tighter management system so that everybody knows who is in charge.

Those are the changes and improvements on which I shall be concentrating. That is the real task. There is no need to uproot the whole system by which health care is provided in this country. The facts simply do not justify changes of that kind.

END.

# Fowler rules out alternative NHS

BY PETER RIDDELL, POLITICAL EDITOR

MR NORMAN FOWLER, the Social Service Secretary, last night set clear limits to the Government's forthcoming debate about the future of the welfare state by ruling out the main alternatives to the present system of financing the National Health Service.

His speech, to the Conservative Medical Society, can be seen as an attempt to ensure that the more radical proposals advocated by free market economists are not regarded as serious options in the debate.

Mr Fowler argued that there was: "No need to uproot the whole system by which health care is provided in this country. The facts simply do not justify changes of that kind."

He dismissed recent suggestions that the present system should be replaced by compulsory private health insurance,

or that it should be turned into something like a nationalised industry headed by a high-profile chief executive.

The compulsory health insurance option has already been studied in detail and was publicly rejected last year. Mr Fowler said that this was still the position.

"The effort involved in going over to a system of compulsory health insurance would make the 1974 reorganisation seem like a minor hiccup. It could mean creating new bureaucracy and administration for the collection of revenue. The reimbursement system, operated by the French, would add massively to administrative costs."

Mr Fowler also attacked the concept of the NHS corporation independent of day-to-day political control. He said this idea ignored the fact that the NHS

is, and will continue to be, largely funded by taxation and does not have trading income. Moreover, he said it was quite unrealistic to think that the public or parliament would allow a secretary of state to give up responsibility for determining the resources available to the NHS or its strategy and priorities.

Mr Fowler attacked the attitude of Labour as wholly unrealistic and pointed to the improvements already taking place through the better use of resources. He said the real challenge was to get the health service better run and to get better value for money.

He pointed to the scrutiny of performance of health authorities, the firm grip on the growth of NHS manpower and a tighter management system.

THE GUARDIAN

## Vulnerable Treasury under attack over privatisation

# Fowler steps <sup>30</sup> up resistance to NHS switch

By Colin Brown,  
Political Staff

The Social Services Secretary, Mr Norman Fowler, last night stepped up his efforts to resist Treasury attempts to seek ways of switching the National Health Service to the private sector.

Mr Fowler said that the effort involved in going over to a system of compulsory health insurance would make the 1974 reorganisation of the NHS look like "a minor hiccup."

Mr Fowler was, in effect, attacking the Treasury on its most vulnerable ground — the cost effectiveness of any attempt to force most NHS patients to take out private health insurance. But he also believes that it would be politically damaging for the Government to be seen to be re-examining this possibility in its proposed general review of the welfare state.

Mr Fowler thought he had won the battle to prevent health care being privatised, but the Chancellor, Mr Nigel Lawson, reopened the issue in a recent television interview. Mr Fowler sought to explain the Chancellor's stance as no more than a slip of the tongue.

But Mr Fowler's speech to the Conservative Medical Society at the Commons yesterday could be seen as evidence that the battle within the Cabinet about the future of the NHS is still very much undecided.

Mr Fowler said that the Gov-

ernment undertook a thorough study of compulsory health insurance three years ago. "We were quite open about what we were doing then, and I told Parliament in July 1982 the outcome of that review—the Government have no plans to change the present system of financing the NHS largely from taxation. That remains the position today."

Such a change, said Mr Fowler, would mean creating new bureaucracy and administration for the collection of revenue. The reimbursement system operated by the French, for example, would add massively to administration costs.

"What the advocates of compulsory insurance have to show is that it is ultimately a more effective and efficient way of providing patient care at reasonable cost. I do not believe that that case can be sustained," Mr Fowler said.

He dismissed a Tory suggestion that he should become the head of an NHS corporation, because it ignored the fact that the health service was largely funded by taxation. He attacked Labour for claiming that spending more money would solve the problem of the NHS. He insisted that the real task was to make sure that the Health Service produced better value for money.

"There is no need to uproot the whole system by which health care is provided in this country. The facts simply do not justify changes of that kind," he argued.

DAILY TELEGRAPH

6 The Daily Telegraph, Tuesday, December 13, 1983

# FOWLER PROMISES TO PRESERVE HEALTH SERVICE

By VALERIE ELLIOTT

MR FOWLER Social Services Secretary, last night assured the future of the National Health Service and stated categorically that the Government had no plans in changing the system of financing it.

He promised to provide extra money to meet the growing pressures on the service but said the real challenge was to run the Health Service better and to get better value for money.

Mr Fowler dismissed suggestions that the health service should be financed by a compulsory private health insurance and said any effort to go over to such a system "would make the 1974 reorganisation like a minor hiccup."

He said it would create new bureaucracy and administration and he did not believe it would prove a more effective and efficient way of providing patient care at reasonable cost.

Addressing a meeting of the Conservative Medical Society in the Commons last night, he also condemned the "wholly unrealistic approach of the Labour party" who believed there was no problem that would not be put right by simply spending a few more billion pounds.

"It is simply absurd to pretend that more money can be spent regardless of the consequences in terms of higher taxation and inflation."

Instead he urged critics to look at health service improvements. In 1981 more patients were treated than ever before—some 640,000 more in-patients and day cases and some two million more outpatient and emergency cases than in 1978.

"And this has been done with fewer hospital beds because our use of resources has improved and new and more effective medical treatments have been introduced."

Mr Fowler promised a much tighter management system

### Consultants' role

Hospital consultants' contracts will be renegotiated by a future Labour government to require them to devote more of their working week to NHS patients and less to private practice, Mr Michael Meacher, Shadow Health Minister, said yesterday.

Outlining Labour's health policy he said that their aim would be the complete separation of private health care from the National Health Service.

THE TIMES

## Fowler rejects radical change in NHS finance

By Our Political Editor

Mr Norman Fowler, Secretary of State for Social Services, yesterday dismissed nostrums from the Conservative right for changing the basis of health finance and management.

Speaking to the Conservative Medical Society, meeting at Westminster, he repeated that the Government had no plans to change the present system of financing the National Health Service largely from taxation.

The real challenge was to ensure the service was better run and to get value for money.