10 DOWNING STREET

Prime Minister

To note Sir Alec Merrison's lecture. He develops one or two good points

(i) the problems of an NHS free at point of use

(ii) the pointlessness of robbing Peter to pay Peter

but he fails to follow them through.

On management he is feeble.

AT
13/1

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VICE-CHANCELLOR:
SIR ALEC MERRISON, D.L., F.R.S.

cc/ Steve Godber
DHSS

9th January, 1984

Dear Prime Minister,

You may be interested in this text of a lecture on the National Health Service I shall be giving this week.

It is a long time since I had thought about such problems and it was refreshing to look at it again.

With all good wishes,

Yours sincerely,

Alec Merrison

The Right Hon. Mrs. Margaret Thatcher, M.P.,
10 Downing Street,
London S.W.1.

Royal Institute of Public Administration

12th January 1984

IS THE NATIONAL HEALTH SERVICE SERVING US WELL?

ON MARCH 20th LAST - I REMEMBER THE DATE SIMPLY BECAUSE IT WAS MY BIRTHDAY - I FOUND MYSELF THAT SUNDAY EVENING BEING ADMITTED TO HOSPITAL BY A SCOTTISH WARD SISTER OF THE OLD SCHOOL FOR WHAT, HAPPILY, TURNED OUT TO BE MINOR SURGICAL REPAIRS. IN THE COURSE OF OUR CONVERSATION I VOLUNTEERED THE INFORMATION THAT THIS WAS THE FIRST TIME I HAD FOUND MYSELF A PATIENT IN A HOSPITAL. "OH," SHE SAID "THEN HOW ON EARTH WERE YOU ABLE TO WRITE SUCH A CLEVER REPORT ABOUT IT?"

CLEVER OR NOT, WILLIAM PLOWDEN'S INVITATION TO SPEAK ABOUT THE N.H.S. I RESPONDED TO GLADLY SINCE I HAVE ON THE WHOLE ESCHEWED CONTACT WITH THE N.H.S. SINCE THE ROYAL COMMISSION REPORTED IN 1979. SINCE THEN A NUMBER OF THINGS HAVE HAPPENED IN THE N.H.S., THE TWO MOST IMPORTANT BEING A SLOWING DOWN IN ITS RATE OF GROWTH AND THE ELIMINATION OF A TIER OF ADMINISTRATION, BOTH OF WHICH I SHALL TALK ABOUT. PERHAPS THE MOST RECENT EPISODE OF IMPORTANCE TO THE N.H.S. IS THE GRIFFITHS REPORT AND THE ACCEPTANCE BY THE GOVERNMENT OF ITS 'GENERAL THRUST' AND THAT TOO I SHOULD LIKE TO SAY A WORD ON.

BUT IN THINKING ABOUT WHAT I WOULD SAY TONIGHT I WENT BACK TO ONE OR TWO TALKS OF AN EXPOSITORY KIND I GAVE IN 1979 ABOUT THE ROYAL COMMISSION'S WORK AND I WAS VERY MUCH TEMPTED SIMPLY TO REHEARSE ONE OF THOSE. FRANKLY, SO FAR AS THE PATIENT AND THE DIRECT PROVIDER OF HEALTH CARE IS CONCERNED NOT A GREAT DEAL HAS HAPPENED IN THE LAST FIVE YEARS NOR - AND PLEASE DO NOT THINK I AM BEING CYNICAL OR DEFEATIST - NOR WILL IT IN THE NEXT FIVE YEARS.

LET ME QUOTE THE WORDS - UTTERED TWENTY YEARS AGO BUT STILL TRUE - OF SIR RICHARD CLARKE, THEN SECOND SECRETARY OF THE TREASURY:

> "IN THE DISPERSED SERVICES SUCH AS EDUCATION AND HOSPITALS .... UNITS OF ADMINISTRATION ARE SMALL, AND THEIR PERFORMANCE MUST BE UNEVEN. IT IS DIFFICULT TO FORM A JUDGEMENT ABOUT HOW EFFICIENT THOSE RELATIVELY SMALL INDEPENDENT UNITS ARE, AND HOW MUCH SCOPE THERE MAY BE FOR SAVING, AND BY WHAT MANAGEMENT TECHNIQUES AND SERVICES THIS POTENTIAL SAVING CAN BE REALISED - WITHOUT OF COURSE ENDANGERING THE QUALITY OF LOCAL RESPONSIBILITY AND FLEXIBILITY TO LOCAL CIRCUMSTANCES WHICH IS FUNDAMENTAL TO THESE SERVICES.

"ALTOGETHER, THERE IS CLEARLY NO ROOM FOR COMPLACENCY. BUT IT WOULD SEEM DIFFICULT TO ARGUE THAT THERE IS WIDESPREAD INADEQUACY; OR TO POINT TO SUBSTANTIAL IMPROVEMENTS WHICH COULD BE MADE READILY. TO IMPROVE PERFORMANCE IS A LONG SLOGGING JOB."

BUT ANOTHER REASON WHY I WAS DELIGHTED TO RESPOND TO YOUR DIRECTOR-GENERAL'S INVITATION WAS BECAUSE I HAVE BEEN DEEPLY OFFENDED BY THE TALK THERE HAS BEEN RECENTLY OF THE 'DESTRUCTION OF THE N.H.S.', HAPPILY MUTED, OR AT LEAST ATTENUATED, NOW THAT WE HAVE THE ELECTION YEAR OUT OF THE WAY. OF COURSE, CUTS IN INCOME, EVEN IF THEY ARE ONLY CUTS IN THE WAY INCOME IS RISING, ARE NEVER AGREEABLE BUT TO TRY TO TURN THIS TO PARTY ADVANTAGE WITH EXAGGERATED HYPERBOLE IS QUITE SIMPLY IRRESPONSIBLE.

MY TITLE IS CAST IN THE INTERROGATIVE VOICE - ARE WE BEING SERVED WELL BY THE N.H.S.? FOR THE VERY BUSY ONES HERE WHO, PILATE-LIKE, CANNOT STAY TOO LONG THE SHORT ANSWER IS "YES - VERY WELL". THE LONG ANSWER WILL CERTAINLY TAKE UP MY ALLOTTED TIME SINCE I WANT TO ADDRESS ALSO THE QUESTION "DO WE NEED A NATIONAL HEALTH SERVICE?" AGAIN, FOR THE PILATES AMONG YOU, THE ANSWER IS "ALMOST NO".

BUT BEFORE THAT, LET ME MAKE A FUNDAMENTAL POINT. HOWEVER MUCH WE PROVIDE IN THE WAY OF HEALTH CARE, OR FOR THAT MATTER HOWEVER MUCH WE SPEND IN PROVIDING IT, PEOPLE WILL ALWAYS WANT MORE. SO IT IS WHOLLY ILLUSORY TO THINK WE CAN SATISFY THE DEMAND FOR HEALTH CARE, AND IT IS OF COURSE GENERATED BY DOCTORS AS WELL AS PATIENTS. OF COURSE WE CAN AND, SO FAR AS OUR CIRCUMSTANCES ALLOW, WE SHOULD DO MORE. BUT THE BEST WE CAN DO IS TO SEE THAT DEMAND DOES NOT OUTSTRIP SUPPLY IN A WAY WHICH LEADS TO INTOLERABLE FRUSTRATION AND DISCONTENT.

VALUE FOR MONEY

I HAVE ALREADY QUOTED THE RATHER SOBERING, EVEN DEFEATIST , WORDS OF SIR RICHARD CLARKE. SO HOW WELL ARE WE DOING AND HOW MUCH BETTER CAN WE DO IN USING THE VAST BUDGET OF THE N.H.S.?

WELL, BY INTERNATIONAL STANDARDS, WE RUN A SURPRISINGLY CHEAP HEALTH SERVICE.

MY SLIDE (FIG. 1) PLOTS TOTAL HEALTH EXPENDITURE AS A PERCENTAGE OF G.D.P. AGAINST PER CAPITA G.D.P. FOR 21 COUNTRIES. THE SLIDE SHOWS TOO THE TENDENCY OF RICHER COUNTRIES TO SPEND MORE ON HEALTH CARE.

THIS CHEAPNESS IS NOT BOUGHT AT THE EXPENSE OF PROVIDING AN INADEQUATE STANDARD OF CARE. IN TERMS OF COMMONLY USED HEALTH INDICATORS (LIFE EXPECTANCY, PERINATAL MORTALITY, MATERNAL MORTALITY) WE DO NO WORSE, AND IN SOME RESPECTS WE DO BETTER THAN NATIONS WHO SPEND A GOOD DEAL MORE THAN WE DO; FOR EXAMPLE, THE U.S.A., GERMANY AND FRANCE. AGAIN, IN TERMS OF HEALTH CARE, SOMETIMES WE DO WORSE AND SOMETIMES BETTER THAN OTHER NATIONS. THERE IS LITTLE DOUBT THAT, WITH ALL ITS WARTS, THE N.H.S. IS PROVIDING GOOD VALUE FOR MONEY.

ITS CHEAPNESS IS SURPRISING BECAUSE WE HAVE A SERVICE WHICH IS ESSENTIALLY "FREE AT THE TIME OF USE" AND ONE WOULD EXPECT THIS TO LEAD TO ABUSE AND UNNECESSARILY EXPENSIVE CARE. THAT, GENERALLY SPEAKING, IT DOES NOT IS BECAUSE WE HAVE:

OVERALL GOVERNMENT FINANCIAL CONTROL;

GOOD GENERAL PRACTICE AND COMMUNITY SERVICES, WHICH HELP KEEP PEOPLE OUT OF HOSPITAL;

THE REFERRAL SYSTEM WHEREBY A PATIENT IS ADMITTED TO HOSPITAL ONLY IF TWO DOCTORS (HIS G.P. AND A CONSULTANT) PRESCRIBE IT, AND NEITHER HAS A FINANCIAL INTEREST IN ADMITTING HIM;

LOW PAY OF HEALTH WORKERS (DOCTORS AND NURSES) RELATIVE TO THAT IN OTHER COUNTRIES.

BUT BECAUSE AN ANALYSIS OF THIS KIND SHOWS WE ARE DOING WELL LET NO ONE BE COMPLACENT. AGAIN LET ME QUOTE FROM A SOURCE WHICH COULD HARDLY CARRY MORE AUTHORITY:

" THE NATIONAL HEALTH SERVICE HAS BECOME ACCUSTOMED THROUGHOUT THE 25 YEARS PRECEDING RE-ORGANISATION TO THE PROSPECT OF CONTINUAL GROWTH IN THE FINANCIAL RESOURCES AVAILABLE TO IT. THOUGH AGREEABLE, THE RESULT HAS BEEN TO ALLOW SLACK MANAGEMENT, WITH NO INCENTIVE TO EXAMINE OBSOLETE PATTERNS OF SPENDING, OR TO DEVELOP A COHERENT PLAN FOR THE FUTURE."

IS THIS ONE OF THOSE THRUSTING BUSINESSMEN TALKING TO A TORY SECRETARY OF STATE? NO, IT IS THE REGIONAL ADMINISTRATORS TALKING TO THE ROYAL COMMISSION. AND THEY MUST BE LISTENED TO, EVEN THOUGH WHAT THEY CALL "AGREEABLE" GROWTH HAS SLOWED DOWN.

GETTING AND PAYING FOR HEALTH CARE - THE INTERVENTION OF SOCIETY

THE INTERVENTION OF SOCIETY INTO OUR LIVES TO HELP US WITH ESSENTIAL NEEDS AND TO CONSTRAIN US, IF ONLY BY FORCING US TO PAY TAXES, TO HELP OURSELVES AND OTHERS IS SUCH A SERIOUS ISSUE IN ANY SOCIETY THAT I WANT TO SPEND A FEW MINUTES TALKING ABOUT IT. WHEN THESE AIDS AND CONSTRAINTS REACH SIZEABLE PROPORTIONS WE HAVE THE SO-CALLED WELFARE STATE, AND COMING TO TERMS WITH THE WELFARE STATE IS A MAJOR PROBLEM IN ALL DEVELOPED COUNTRIES.

SINCE OUR DEMAND FOR HEALTH SERVICES WILL NOT BE CONSTANT THROUGH OUR LIVES BUT CAN BE LARGE AT TIMES AND SMALL AT OTHERS THEN A SENSIBLE SOCIETY WILL SEE TO IT, EITHER THROUGH ITS TAX SYSTEM OR COMPULSORY HEALTH INSURANCE, THAT ITS MEMBERS MAKE PROPER PROVISION FOR THEMSELVES THROUGHOUT THEIR LIVES. A COMPASSIONATE SOCIETY WILL IN ADDITION CONSTRAIN ITS RICHER MEMBERS TO CONTRIBUTE TO WELFARE SERVICES NOT ONLY FOR THOSE WHO ARE POORER BUT THOSE WHOSE DEMAND FOR SUCH SERVICES MAY BE DISPROPORTIONATELY, EVEN DISASTROUSLY LARGE. UNFORTUNATELY THESE TWO CLASSES OFTEN COINCIDE.

TO GIVE YOU SOME IDEA OF HOW THIS WORKS IN THE U.K., WHERE WE ESSENTIALLY USE THE TAX SYSTEM AS A LARGE BENEFICENT INSURANCE SCHEME, I CAN RELY ON AN ANALYSIS WHICH MAY BE MADE OF AN ARTICLE WHICH APPEARS ANNUALLY IN THE JOURNAL "ECONOMIC TRENDS" ISSUED BY THE GOVERNMENT STATISTICAL SERVICE, WHICH SETS OUT THE EFFECT OF TAXES AND BENEFITS ON HOUSEHOLD INCOME.

THE ANONYMOUS AUTHORS OF THIS ARTICLE IDENTIFY THE WAY THE GOVERNMENT TAKES MONEY FROM HOUSEHOLDS AND THE WAY IT PUTS MONEY BACK AGAIN BY WAY OF SERVICES AND CASH BENEFITS. THERE IS ONE MAJOR PROBLEM WHICH THE AUTHORS PROPERLY POINT OUT AT THE BEGINNING OF THEIR ANALYSIS AND THAT IS THAT A LARGE AMOUNT OF GOVERNMENT EXPENDITURE AND REVENUES, THAT IS, WHAT THEY GIVE AND WHAT THEY TAKE AWAY, CANNOT BE ALLOCATED TO HOUSEHOLDS IN ANY SENSIBLE WAY. AN EXAMPLE OF THE FORMER WOULD BE DEFENCE EXPENDITURE, AND AN EXAMPLE OF THE LATTER WOULD BE CORPORATION TAX. SO IN THE END THE AUTHORS ARE ABLE TO ATTRIBUTE BY HOUSEHOLD ONLY ABOUT HALF OF GOVERNMENT EXPENDITURE AND ABOUT 60% OF ITS REVENUE. SO ALL THAT FOLLOWS ABOUT HOUSEHOLD ACCOUNTING MUST BE READ WITH THIS IMPORTANT PROVISO IN MIND.

LET US FIRST LOOK AT THE BROAD SCHEME OF THINGS AS PRESENTED IN FIG. 2.

THE HOUSEHOLD STARTS WITH SOME SORT OF ORIGINAL INCOME OUT OF WHICH IT MUST IMMEDIATELY PAY DIRECT TAXES. IT COULD BE THAT IT IS A HOUSEHOLD WHICH RECEIVES DIRECT CASH BENEFITS (FOR EXAMPLE, OLD AGE PENSION OR CHILD ALLOWANCES) AND THESE WILL BE ADDED TO ITS ORIGINAL INCOME, LESS DIRECT TAXES, TO FORM ITS DISPOSABLE INCOME. SOCIETY WILL STILL DEMAND CASH IN THE FORM OF INDIRECT TAXES (FOR EXAMPLE, V.A.T.) ON PURCHASES AND AT THE SAME TIME WILL PROVIDE SUBSIDIES ON CERTAIN PURCHASES AND IT WILL PROVIDE SERVICES (FOR EXAMPLE, HEALTH CARE AND EDUCATION) WHICH WILL BE WORTH CASH. IN THIS WAY WE CAN ARRIVE FOR OUR TYPICAL HOUSEHOLD AT A "FINAL INCOME" WHICH IT CAN SAVE OR SPEND ON ANYTHING IT LIKES.

ALTHOUGH THE TITLES OF THE BOXES IN MY DIAGRAM ARE GENERAL, THE FIGURES YOU SEE IN THE BOXES ARE THOSE I HAVE WORKED OUT FOR WHAT I CALL THE "BREAK-EVEN" HOUSEHOLD, THE HOUSEHOLD GETTING AS MUCH IN BENEFITS AS IT IS PAYING OUT IN TAXES. THE VERY POOR GET A LARGE PART OF THEIR INCOME IN THE FORM OF BENEFITS, PARTICULARLY CASH BENEFITS. THE RICHER ONES AMONG US PAY OUT MORE IN TAXES THAN WE RECEIVE IN BENEFITS SO SOMEWHERE THERE IS A CROSS-OVER POINT WHERE WE FIND OUR BREAK-EVEN HOUSEHOLD. IN 1982 THAT HOUSEHOLD HAD AN ORIGINAL INCOME OF ABOUT £5,000. SINCE WE ARE CONCERNED WITH THE N.H.S. YOU WILL WANT TO KNOW THAT HEALTH CARE ACCOUNTS FOR £571 OF THE £1,315 OF BENEFITS IN KIND, THAT IS TO SAY 43%. EDUCATION ACCOUNTS FOR ALMOST PRECISELY THE SAME SUM SO HEALTH AND EDUCATION MAKE UP NEARLY 90% OF THE BENEFITS IN KIND.

THE INTERESTING FACTS ABOUT OUR BREAK-EVEN HOUSEHOLD ARE THAT IN THE FIRST PLACE ITS ORIGINAL INCOME IS NOT LARGE. BUT PERHAPS EVEN MORE STRIKING IS THE DEGREE OF INTERFERENCE BY SOCIETY IN THE FORM OF BENEFITS AND TAXES, WHICH ARE OF COURSE EQUAL, AND EACH FORMS JUST 50% OF ORIGINAL INCOME, WHICH SEEMS TO ME VERY LARGE INDEED.

AND THE BENEFIT OF HEALTH CARE, WHICH HAS TO BE PAID FOR, FORMS 11% OF ORIGINAL INCOME. ON A NATIONAL SCALE, THE GOVERNMENT'S TOTAL EXPENDITURE IN 1982 WAS £128 BILLION OF WHICH £13 BILLION, A LITTLE OVER 10%, WENT ON HEALTH SERVICES, AND THAT REPRESENTED 5.4% OF G.D.P.

IS ALL THIS A GOOD WAY OF PAYING FOR HEALTH CARE? IT IS ONLY ONE OF A LARGE NUMBER OF VARIANTS, OF COURSE, BUT IT HAS THE GREAT ADVANTAGE THAT THE MONEY IS CHEAP TO COLLECT IN THAT IT IS BEING COLLECTED ANYWAY. ITS MOST SERIOUS DISADVANTAGE IS THAT THE PUBLIC ARE NOT CONSTANTLY AWARE OF WHAT THEY

ARE SPENDING ON HEALTH CARE, WHICH ONE MIGHT THINK WOULD BE AN INCENTIVE FOR THEM TO USE HEALTH SERVICES SPARINGLY AND WISELY. I WILL SAY MORE A LITTLE LATER ABOUT THIS QUESTION OF PROVIDING STICKS AND CARROTS FOR PATIENTS AND PROVIDERS IN THE N.H.S.

THE PATIENT'S VIEW

BUT WHAT DO THE PATIENTS THINK OF WHAT THEY GET? THE ANSWER IS THEY THINK VERY WELL OF IT, MUCH BETTER THAN THEY DO OF ANY OTHER PUBLIC SERVICE. AND IF YOU DON'T BELIEVE THIS BALD ASSERTION THEN DO GO AND STUDY THE MANY SURVEYS WHICH HAVE BEEN CARRIED OUT.

I WELL REMEMBER WHEN THE REPRESENTATIVES OF THE LOCAL AUTHORITIES WERE MAKING THEIR PLEA TO THE ROYAL COMMISSION THAT THEY SHOULD TAKE OVER THE N.H.S., A FAMILIAR CRY OVER THE YEARS. THEY TOLD US THAT THIS WOULD MAKE THE SERVICE MORE DEMOCRATIC AND WHEN PRESSED AS TO WHAT EFFECT THIS WOULD HAVE, LEAVING ASIDE WHAT IT MIGHT MEAN, IF INDEED IT HAD ANY MEANING, WE WERE TOLD THAT THIS WOULD MEAN A SERVICE MORE RESPONSIVE TO WHAT THE PATIENT WANTED. WELL, WE SAID, IF THAT IS SO THEN WHY IS IT THAT THE MAJOR SERVICES THAT LOCAL AUTHORITIES PROVIDE, NAMELY EDUCATION AND PLANNING, GET SUCH A VERY BLACK MARK FROM THE PEOPLE AND THE N.H.S. GETS THE WHITEST OF WHITE MARKS? TO THIS THEY GAVE US NO ANSWER.

BUT OF COURSE THERE ARE THINGS THE N.H.S. COULD AND SHOULD DO BETTER AND MANY OF THEM WOULD COST NO MORE MONEY. WHAT IS IT THAT HOSPITAL PATIENTS COMPLAIN ABOUT MOST? BEING WOKEN UP TOO EARLY IS THE ANSWER, AND NEARLY HALF OF THEM COMPLAIN ABOUT THIS COMPARED WITH 20% COMPLAINING ABOUT WAITING TO BE ADMITTED TO HOSPITAL - SO MUCH FOR THE NATIONAL SCANDAL OF WAITING LISTS.

ONE SHOULD NOT OF COURSE CONFUSE THE ATTITUDE OF THE PUBLIC IN GENERAL WITH THE ATTITUDE OF PRESSURE GROUPS. HEALTH, OF COURSE,ATTRACTS PRESSURE GROUPS LIKE JAM ATTRACTS WASPS; PERHAPS NOT ON THE SAME SCALE AS ANYTHING NUCLEAR - NUCLEAR WEAPONS, NUCLEAR POWER, NUCLEAR WASTE - BUT IN ITS OWN QUIET WAY, ALMOST SO. EVERY ONE OF THEM - RATHER LIKE THE NUCLEAR PRESSURE GROUPS - HAS A REAL POINT, AND UNLIKE THE NUCLEAR PRESSURE GROUPS MOST OF THE HEALTH PRESSURE GROUPS ARE PREPARED TO DO SOMETHING POSITIVE, LIKE RAISING MONEY, RATHER THAN THE SELF-INDULGENTLY NEGATIVE CAPERS WHICH THE NUCLEAR ENTHUSIASTS GO IN FOR. BUT IN THE END THE N.H.S. HAS TO DO WHAT IT THINKS BEST FOR THE GENERALITY OF US RATHER THAN THAT WHICH, HOWEVER SERIOUSLY, HAS FOR THE MOMENT CAUGHT THE ATTENTION OF A SMALL ARTICULATE GROUP.

WHAT MAKES A HEALTH SERVICE ADMIRABLE?

THE DECEPTIVELY SIMPLE FIRST ANSWER MUST BE "PROVIDING GOOD HEALTH CARE". LEAVING ASIDE FOR ONE MOMENT THE COMPLEXITIES LYING BEHIND THAT PHRASE THEN ONE WOULD CERTAINLY WANT GOOD HEALTH CARE FOR A MINIMUM OF EXPENDITURE, SINCE WE ARE TALKING OF SPENDING ON A VAST SCALE, AND ONE WOULD CERTAINLY WANT TOO A SYSTEM WHERE NECESSARILY LIMITED RESOURCES WERE USED FAIRLY AND COMPASSIONATELY.

IN TERMS OF FAIRNESS AND COMPASSION, I FEEL THE N.H.S. DOES NOT DO BADLY. OF COURSE, THERE ARE ALL SORTS OF THINGS ONE WOULD WANT TO SEE DONE BETTER, PARTICULARLY THE PROVISION OF HEALTH CARE IN INNER CITY AREAS, BUT SO OFTEN WHEN ONE SEES PROBLEMS OF THIS KIND THEY ARE VERY MUCH PROBLEMS OF SOCIETY AND THE WAY WE LIVE AND IT WOULD BE FOOLISH TO IMAGINE THAT IMPROVEMENTS RESTRICTED TO THE HEALTH SERVICE WOULD GIVE PEOPLE A VERY MUCH BETTER LIFE.

BUT EFFICIENCY IS A WARM ISSUE AT THE MOMENT, AND SO IT SHOULD BE, AND NOT ONLY AT THIS MOMENT BUT AT EVERY MOMENT. I HAVE SAID ALREADY THAT WE RUN A SURPRISINGLY CHEAP HEALTH SERVICE AND I HAVE GIVEN SOME REASONS WHY THAT SHOULD BE SO. LET ME COMMENT NOW ON SOME OF THE PRESENT ATTEMPTS TO MAKE THE N.H.S. EVEN CHEAPER, AN ABSOLUTELY LAUDABLE THING TO DO.

THERE IS FIRST OF ALL THE WHOLE ISSUE OF "PRIVATISATION"; THAT IS THE PROPOSAL TO TURN OVER SERVICES PROVIDED WITHIN THE N.H.S. TO THE PRIVATE SECTOR. IF THIS WILL BE CHEAPER OR, BETTER STILL, IF IT WILL BE CHEAPER AND BETTER THEN I CANNOT SEE ONE CAN MAKE ANY SORT OF RATIONAL AND WORTHY ARGUMENT AGAINST IT. BUT FROM THE HIGH-FLOWN LANGUAGE USED BY SOME OF THE CRITICS ONE WONDERS WHY IT IS THEY ARE NOT USING THEIR ENERGY TO PERSUADE US ALL THAT THE N.H.S. OUGHT TO BE WEAVING ITS OWN SHEETS OR THROWING AND FIRING ITS OWN BED-PANS, IF INDEED THAT IS WHAT ONE DOES IN MAKING BED-PANS. EQUALLY, THE PRIVATISING ENTHUSIASTS MUST BE CAREFUL THAT THEY ARE NOT CONSTRUCTING A "CLAUSE 4" FOR THE TORY PARTY. THIS WHOLE DISCUSSION AND THE DECISIONS WHICH FOLLOW MUST GO FORWARD ON PERFECTLY SENSIBLE, PRACTICAL GROUNDS, AND THERE IS AFTER ALL PLENTY OF ROOM FOR EXPERIMENT.

AS A GENERAL COMMENT ON EFFICIENCY CAN I DISPLAY TO YOU WHAT THE ROYAL COMMISSION REFERRED TO AS GRADATIONS OF HEALTH CARE (FIG. 3). THE REASON I DO SO IS THAT NOT ONLY ARE PEOPLE BETTER OFF SPENDING THEIR TIME AT THE TOP OF THIS

PARTICULAR LIST AND MORE MISERABLE AS THEY SLIDE DOWN IT BUT THE COST OF PROVISION OF HEALTH CARE GETS PROGRESSIVELY MORE EXPENSIVE AS THE PATIENT SLIDES DOWN. SO THERE IS THE HAPPY COINCIDENCE THAT THE HAPPIEST STATE FOR THE PATIENT HAPPENS ALSO TO BE THE CHEAPEST. SO CLEARLY ONE SHOULD PROVIDE INCENTIVES AND DISINCENTIVES WHICH WILL PERSUADE PATIENT AND PROVIDER TO KEEP THE PATIENT AT THE TOP OF THIS PARTICULAR SNAKE. AND NO ADMINISTRATIVE REFORM WHICH DOES NOT ADDRESS ITSELF TO THIS QUESTION NEED BE CONSIDERED TOO SERIOUSLY.

THE GRIFFITHS REPORT

AT THE BEGINNING OF LAST YEAR THE SECRETARY OF STATE, MR. NORMAN FOWLER, ASKED A SMALL GROUP OF EXPERIENCED BUSINESS MEN, AND A TRADE UNIONIST, UNDER THE CHAIRMANSHIP OF MR. ROY GRIFFITHS TO SEE HOW THE N.H.S. MIGHT BE MADE MORE EFFICIENT. CURIOUSLY ENOUGH, THE TERMS OF REFERENCE OF THE GRIFFITHS INQUIRY WERE VIRTUALLY IDENTICAL WITH THOSE OF THE ROYAL COMMISSION, BUT MR. GRIFFITHS AND HIS COLLEAGUES WERE GIVEN ONLY A FEW MONTHS TO COMPLETE THEIR WORK. THEY DID SO IN OCTOBER AND A FEW WEEKS LATER THE SECRETARY OF STATE ANNOUNCED THAT THE GOVERNMENT HAD ACCEPTED "THE GENERAL THRUST OF THE REPORT".

TO SPEAK PLAINLY, I AM NOT IMPRESSED BY THE ANALYSIS OF N.H.S. ILLS BY MR. GRIFFITHS AND HIS COLLEAGUES NOR BY THEIR RECOMMENDATIONS, AND THE KINDEST WORD I CAN USE TO DESCRIBE THEIR REPORT IS THAT IT IS UNEVEN. THERE ARE SOME THINGS THEY CALL FOR - FOR EXAMPLE, MANAGEMENT BUDGETS - WHICH HAVE BEEN ASKED FOR SO OFTEN BY SO MANY PEOPLE THAT IT IS ASTONISHING THAT WE STILL HAVE TO GO ON ASKING AND IT MUST BE A SOURCE OF SHAME TO THOSE WHO ARE RESPONSIBLE FOR THE N.H.S. THAT THIS SHOULD BE SO.

BUT THERE ARE TWO REFORMS IN PARTICULAR WHICH THE GRIFFITHS REPORT CALLS FOR WHICH I SHOULD WANT TO COMMENT ON IN A LITTLE MORE DETAIL.

THE FIRST IS HIS EXCORIATION OF "CONSENSUS MANAGEMENT" - WHAT AN ABSOLUTELY HATEFUL TITLE - AND HIS PERFECTLY CORRECT ASSESSMENT OF THE IMPORTANCE OF PERSONAL RESPONSIBILITY IN ANY FORM OF MANAGEMENT. LET ME SAY NOW THAT WHEN I STARTED WORK IN THE ROYAL COMMISSION TWO YEARS AFTER THE 1974 RE-ORGANISATION WHICH HAD RAISED CONSENSUS MANAGEMENT TO AN INSTITUTIONAL FORM MY VIEWS ON THIS WERE VIRTUALLY IDENTICAL WITH THOSE OF MR. GRIFFITHS. BUT IN THE END, AND AFTER TAKING A GREAT DEAL OF EVIDENCE, I WAS HAPPY TO JOIN MY COLLEAGUES IN GIVING REASONABLE, BUT QUALIFIED, SUPPORT TO THIS WAY OF DOING BUSINESS. IF I THOUGHT THAT CONSENSUS MANAGEMENT GAVE EACH OFFICER A POWER OF VETO, AS THE GRIFFITHS REPORT CLAIMS, THEN OF COURSE I SHOULD BE TOTALLY OPPOSED TO IT, BUT IT WAS NOT CONSTRUCTED TO DO THAT AND IN MY EXPERIENCE IT DOES NOT.

AT THIS LEVEL THE N.H.S. HAS IN THE LAST TEN YEARS HAD FAR TOO MUCH ADMINISTRATIVE REFORM AND WITHOUT EVIDENCE THAT THINGS ARE GOING SERIOUSLY WRONG - AND I HAVE SEEN NONE SUCH - THEN I HOLD VERY STRONGLY THAT THE CHAPS SHOULD BE ALLOWED TO GET ON WITH THE JOB.

BUT THE GRIFFITHS REPORT IS ABSOLUTELY RIGHT WHEN IT SAYS THAT THE ROLE OF THE REGIONS NEEDS TO BE STRENGTHENED VIS A VIS THE CENTRE, THAT IS THE D.H.S.S. THE ROYAL COMMISSION WAS OF COURSE MUCH MORE RADICAL IN ITS APPROACH TO THIS PARTICULAR PROBLEM AND RECOMMENDED THAT

"FORMAL RESPONSIBILITY, INCLUDING ACCOUNTABILITY TO PARLIAMENT, FOR THE DELIVERY OF SERVICES SHOULD BE TRANSFERRED TO R.H.A.s"

AND NOTHING THAT I HAVE LEARNED SINCE WOULD CAUSE ME TO RESILE FROM THAT POSITION. THE REGIONAL AUTHORITIES AND THE NEW DISTRICT AUTHORITIES, CARRYING MASSIVE RESPONSIBILITIES, DO SO ON AN ENTIRELY CREDITABLE SCALE AND I BELIEVE THAT GIVEN REAL RESPONSIBILITY AND RELIEF FROM "NANNYING" THEY HAVE THE POTENTIAL TO DO EVEN BETTER.

ONE SHOULD UNDERSTAND THAT A SINGLE REGIONAL AUTHORITY AND ITS DISTRICT AUTHORITIES MAKE UP A VAST ENTERPRISE WITH, SAY, 70,000 EMPLOYEES SERVING PERHAPS 3 MILLION POTENTIAL PATIENTS. IF THEY CANNOT STAND ON THEIR OWN FEET AND DO THIS JOB LARGELY UNAIDED THEN YOU SHOULD GET RID OF THEM.

I AM SURE THAT THE GRIFFITHS JUDGEMENT THAT THE SECRETARY OF STATE NEEDS ONLY A SMALL TEAM AT THE CENTRE - AND, AS GRIFFITHS SAYS, THAT IS ALMOST ALL HE DOES NEED - IS RIGHT. THERE ARE SOME OBVIOUS FUNCTIONS WHICH MUST REMAIN A NATIONAL RESPONSIBILITY, PERSONNEL MATTERS BEING ONE OF A SMALL NUMBER. BUT AFTER THAT AND WITH REAL AUTHORITY GIVEN TO THE REGIONS AND THE DISTRICTS I FEEL THAT THE WAY WE LOOK AFTER THE HEALTH OF THE NATION HAS NOW OUTGROWN THE CONCEPT OF A NATIONAL HEALTH SERVICE. FORTY YEARS AGO NOT ONLY WAS ITS INVENTION BOLD AND IMAGINATIVE: THERE WAS AN ABSOLUTELY ESSENTIAL NEED FOR THE STATE TO ASSUME A RESPONSIBILITY FOR THE HEALTH OF THE PEOPLE. THERE STILL IS SUCH A NEED BUT I BELIEVE THE FORM OF ITS EXPRESSION HAS CHANGED AND WE SHOULD UNDERSTAND THAT.

NOW I WILL INDULGE MYSELF AND QUOTE FROM ONE OF THOSE LECTURES I GAVE IN 1979 EXPLAINING THE WORK OF THE ROYAL COMMISSION. I WILL QUOTE ABSOLUTELY VERBATIM AND WITHOUT CHEATING.

"THE LESSONS TO BE LEARNED

THIS IS TO SOME EXTENT A PERSONAL VIEW BUT I THINK IT WOULD BE STRONGLY SUPPORTED BY THE COMMISSIONERS.

IN TERMS OF VALUE FOR MONEY AND PATIENT SATISFACTION THE N.H.S. IS DOING WELL. THERE IS NO EVIDENCE - INDEED, ALL THE EVIDENCE IS THE OTHER WAY - THAT RADICALLY NEW SCHEMES OF FINANCING WOULD DO BETTER.

IN TERMS OF STAFF MORALE AND RENEWAL OF BUILDINGS IT IS NOT DOING WELL. THE LATTER CAN BE SOLVED ONLY BY MORE MONEY.

THE 1973/4 RE-ORGANISATION, ALTHOUGH ITS PRINCIPLES WERE LARGELY CORRECT, LED TO A BYZANTINE SYSTEM OF ADMINISTRATION WHICH MUST BE SIMPLIFIED. THE TWO MAJOR FAILINGS OF THE 1973/4 RE-ORGANISATION WERE THE LACK OF A "DISTRICT" LEVEL OF AUTHORITY AND THE FAILURE TO CARRY THROUGH THE PRINCIPLE OF "DELEGATION DOWNWARDS, ACCOUNTABILITY UP".

STAFF MORALE WILL IMPROVE WITH BETTER ADMINISTRATION AND BETTER INDUSTRIAL RELATIONS. THESE WILL NOT BE MORE COSTLY, INDEED IF CARRIED THROUGH WITH DETERMINATION THEY WILL SAVE MONEY.

IT IS NOT HARD TO FIND AREAS OF THE N.H.S. WHERE MORE MONEY WILL BE WELL SPENT. NONETHELESS, THE N.H.S. CAN DO BETTER WITH WHAT IT HAS - BUT NOT OVERNIGHT.

WE HAVE A GOOD SYSTEM OF COMMUNITY CARE AND THIS WILL BE CRUCIAL IN FUTURE.

THE N.H.S. LACKS LEADERSHIP AT ALL LEVELS. IT IS MY VIEW THAT TO PUT THIS RIGHT IS THE GOVERNMENT'S MOST URGENT TASK IN THIS FIELD."

SOME OF THE BLACKER THINGS I SPOKE ABOUT FIVE YEARS AGO WE HAVE MANAGED TO REFORM; FOR EXAMPLE WE HAVE ACCOMPLISHED THE NECESSARY INVENTION OF THE DISTRICT AUTHORITY. BUT MY FINAL POINT ABOUT THE LACK OF LEADERSHIP REMAINS AND IS STILL A MOST URGENT TASK FOR GOVERNMENT.

Figure 21.1: RELATIONSHIP BETWEEN SHARE OF HEALTH EXPENDITURE IN GDP AND PER CAPITA GDP (1974 OR NEAR DATE)

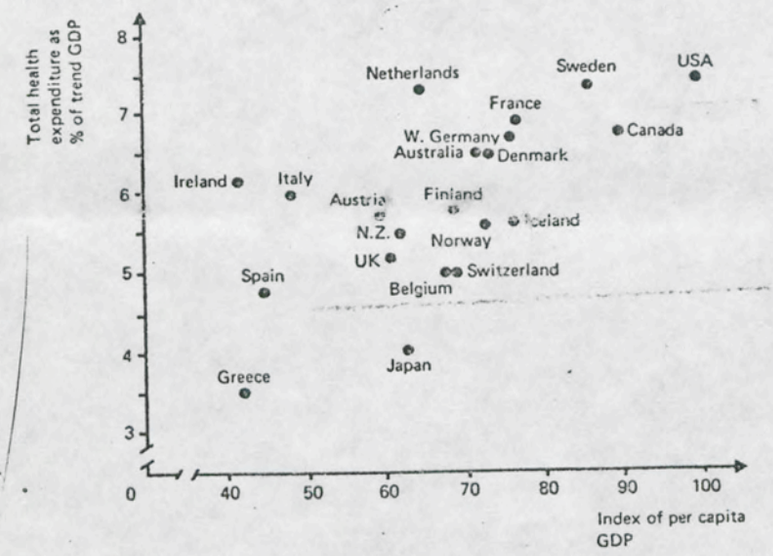

FIGURE 1.

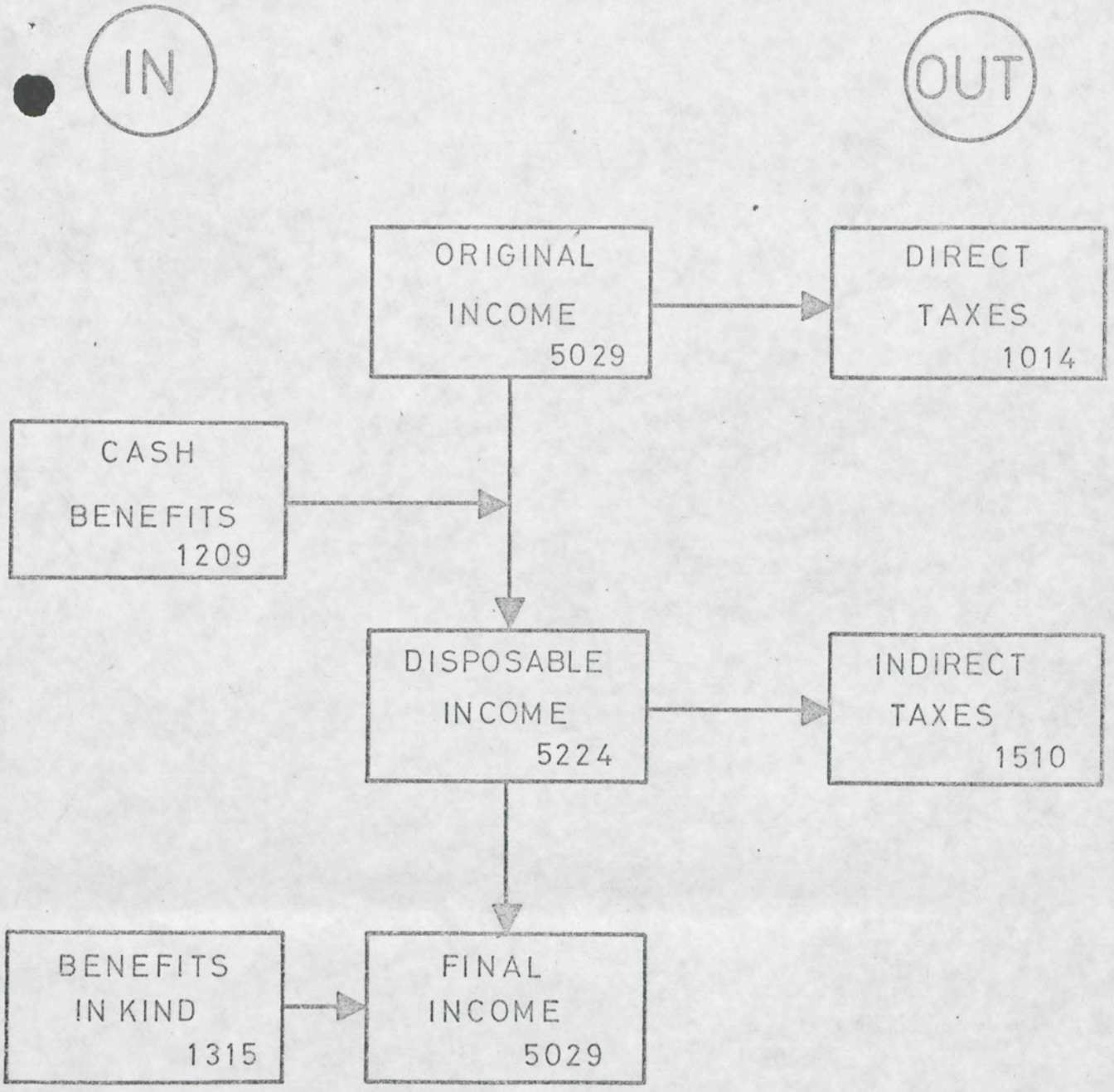

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FIGURE 2.

GRADATIONS OF HEALTH CARE

1 THE CARE WHICH A HEALTHY PERSON WILL EXERCISE FOR HIMSELF SO THAT HE REMAINS HEALTHY.

2 THE SELF-CARE WHICH THE SLIGHTLY ILL PERSON WILL EXERCISE WHICH MAY INVOLVE MEDICATION AND TREATMENT.

3 THE CARE PROVIDED BY THE PERSON'S FAMILY AND BY THE HEALTH AND PERSONAL SOCIAL SERVICES OUTSIDE THE HOSPITAL

4 THE CARE WHICH CAN ONLY BE PROVIDED IN HOSPITAL OR OTHER RESIDENTIAL INSTITUTION

FIGURE 3.