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PRIME MINISTER

15 December 1987

TIMETABLE FOR NHS REFORMS

In the discussion this morning, you suggested a fairly elongated timetable for major structural changes - a Green and White paper over the next year and legislation introduced by October 1989. That would mean implementation in 1990 at the earliest. Given the vagaries of the Lords - unrestrained on this issue by an election pledge - it might even stretch to beyond the next election.

This carries two dangers. First, it fails to capitalise on the current favourable climate for reform which is unlikely to be sustained for 3-4 years. Second, it would create a major problem for the next election. Depending on what stage NHS reform had reached, we would have either to :

(a) Fight an election on a major controversial reform after four years of inactivity.

(b) Or explain away the inevitable teething troubles of such a reform in its infancy.

(c) Or defend a controversial reform that had been passed onto the Statute Book but not yet implemented.

Every opinion poll shows health to be natural Labour territory. We should avoid making the NHS an election issue. In all three cases outlined above, Labour woulld be able to indulge both in scare-mongering about "Tory attacks" on the NHS and in promises that Labour would protect it. The experience of the Scottish Tories over the Community Charge at the last election should warn us especially against option (c).

Reform of the NHS should be introduced well before an election so that the public's fears can be dispelled by

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experience. We have followed this logic on the Community Charge in England and Wales. We have considerably more reason to do so on Health.

Action, Not Laws

The argument for a longer timetable is that major legislative reform of the NHS would require the full range of national and parliamentary debate. Yet many of the changes we believe to be essential do not require legislation. They could be initiated step by step following a White Paper policy statement. In particular we might:

- Establish clear priorities for allocating resources within districts - eg our proposals for maximum guaranteed waiting times for priority conditions. This could be enacted by a decision of the NHS management board, although reaching agreement on priorities with the profession would take time.

- Set up an internal market for competitive provision of services between districts, with wider contracting out of medical care to private hospitals. The only constraint here is developing the proper accounting mechanisms.

- Obtain private contract tenders for the building and operation of new NHS hospitals. That can be done straight away, using funding as an incentive where regions prove recalcitrant.

- Negotiate new terms and conditions of consultant appointments to introduce performance-related pay. This can be done by regulation. But if the profession opposes it, it could be a legal minefield. Our approach would presumably be to establish an appropriate committee of enquiry at the time of the White Paper.

Major changes in NHS funding arrangements would, of course, require legislation. But such funding changes, divorced from management reforms, would require a less complex bill and a shorter timetable. And they might well be facilitated by the major improvements in control of resources and service efficiency achieved by the management measures outlined above. So a "package" of both management and funding reforms could be in place well before the next election.

(Note that it is not the NHS as a whole but the hospital sector which is under discussion here. Primary care is already being tackled by the Health and Medicines Bill, currently before Parliament. That legislation allows us to increase the capitation element in doctors' remuneration by gradual instalments as outlined in the White Paper.)

Getting Moving

The case for foreshadowing such a policy in a White Paper (possibly with Green edges) is that it would provide the DHSS with a clear incentive to get on with it and commit them to an agreed course of action. It would also convey to the general public that the Government had an overrall strategy and was not simply producing a series of ad hoc palliatives. We would argue for doing this as rapidly as possible - aiming for a target of March or April next year, with a few pointers in Ministerial statements before then.

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NHS FUNDING

The need to bail out the districts through an immediate injection of additional cash seems inescapable. Our only query is over presentation.

No. We might say that better control was a condition of more money.

To claim that we have discovered the need for more money through "improved monitoring procedures" will cut no ice when the papers have been full of horror stories for the last few weeks. It will inevitably be seen as justifying the claims of those who say we have been under funding the service.

We recommend instead saying that the need to provide yet more cash is symptomatic of the lack of control over resources and priorites in many districts, and that while we are prepared to bail them out now in the interests of patient care, we will be looking hard at options for more fundamental reform to provide a more permanent solution.

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