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PRIME MINISTER

**NHS REVIEW**

I have seen John Moore's paper (Self-governing Hospitals - HC21). I believe it raises a number of questions about both the practicalities and the overall desirability of the scheme. It may help therefore if I set down before tomorrow's meeting some of the questions that seem to me to need answering.

At the heart of the scheme is the idea that the buyer (the local health agency) will be responsible for procuring services from providers on behalf of patients. In their referral decisions, GPs will be constrained largely by the contracts made by their buyer, but will on occasion be able to refer patients elsewhere. How will these constraints be applied in practice? In what ways will the freedom of GPs be constrained? Will there be a vetting procedure for extra-contractual referrals, and, if so, what criteria will be applied?

The buyer must have sufficient control over the system to keep within its cash limit. It must therefore control not only the extra-contractual referrals made by GPs, but also the proportion of referrals made under different contracts with different hospitals and for different conditions. It needs to control both the flow of patients to individual hospitals and the rate at which they are treated. In effect, it, rather than the consultant, will have to regulate the queue.

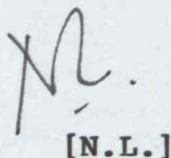
This is an enormous task. Yet if the buyer is to be more than simply a paying agent and is to keep within its cash limit, it must in effect take over some of these functions from both consultants and GPs. But the buyer is intended to be an administrative agency, not responsible for making clinical decisions. Can this be sold to the medical profession? How will large scale duplication be avoided?

How will the cash limits be set? What happens if the money runs out before the end of the year - is it realistic to think that we can tell a profligate buyer that he has made his bed and must lie in it? What is to stop the buyers from forming powerful and vocal lobbies for higher public spending? Are the buyers to be concerned with quality of service, convenience of location and patient choice as well as cost-effectiveness?

I therefore see a very real difficulty at the heart of these proposals: how do we reconcile the buying function of the new agencies with the traditional rights of doctors in relation to their patients? And is there not a risk of control over costs being lost in an attempt to square the circle?

I should like at an early stage to see a clear list of the practical benefits which would flow from a re-organisation on these lines, and the extent, if any, to which the same benefits could be achieved by allowing the money to follow the patient within the framework of a system very much more like the present one, although with greater autonomy for major hospitals and hospitals of high standing.

I am copying this minute to John Moore, Tony Newton and Sir Roy Griffiths at DHSS, Professor Griffiths and Mr O'Sullivan (Policy Unit) and Sir Robin Butler and Richard Wilson (Cabinet Office).



**[N.L.]**

23 May 1988