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Report of Royal Commission on NHS

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND PROFESSOR SIR ALEC MERRISON, CHAIRMAN OF THE ROYAL COMMISSION ON THE NATIONAL HEALTH SERVICE, WITH THE SECRETARY OF STATE FOR SOCIAL SERVICES AT 10 DOWNING STREET AT 1945 ON 29 AUGUST

The Prime Minister said that the Secretary of State was already putting in hand some of the organisational changes recommended by the Royal Commission. One of her concerns was in the Report's recommendations on private medicine. There was a risk that it would be impossible to keep the best doctors in some areas if pay beds were eliminated. Sir Alec Merrison said that the pay beds issue had been a red herring. It was unfortunate that one political party had adopted it as a symbolic issue. The Prime Minister agreed that the issue was a red herring if the Government chose not to cut out pay beds.

The Prime Minister expressed her surprise at some individual recommendations, for instance the support for comprehensive fluoridation. She had once been in favour, but had recently found the case against argued convincingly. Mr. Jenkin said that the recent United States court case had been wrong. There was now encouraging progress in this country; Warwickshire had recently decided to adopt fluoridation. The Prime Minister commented that fluoridation retarded decay but did not prevent it. Sir Alec Merrison said that this was not strictly true. The Birmingham experiment, where figures covered a long period, had demonstrated the benefits. The Commission had recommended a clear commitment. Mr. Jenkin said that this was in line with Government policy.

The Prime Minister said that her major concerns on the Commission's Report were over finance and accountability. She saw a need for much more money coming into the health service from private sources. She drew attention to the health systems of France, Germany and New Zealand. If tax could be reduced the people would be prepared to pay for more services themselves. It was on this basis that she still favoured a voucher system for education. Many expensive new techniques were now being developed in health care: if all were to be introduced through the NHS, its claim on public spending would get completely out of control. However, the current system often left the individual with a lack of choice: he had to accept the nearest facilities. She had noted the Commission's argument that much of the existing finance was used in ineffective ways. Sir Alec Merrison said that he had never believed in pouring in funds as a means of improving performance in any sphere. But he wished to

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emphasise that the great achievement of the NHS lay in its primary services within the Community, and not in expensive curative medicine in hospitals. Indeed much of the achievement was in the number of people kept out of hospital. He pointed out that the treatment for a single brain-damaged child who might die young could well cost £½million. This kind of case unbalanced the finance. The current condition of the NHS would not be dramatically improved across the board even if an enormous cash injection were available. Mr. Jenkin commented that there had been an enormous cash injection in 1974, largely in pay for nurses and ancillary staff. This proved the point. The Prime Minister asked if the NHS made the right use of nurses. In the United States, nurses were reserved solely for professional purposes. Sir Alec Merrison said that the Commission had not looked at the use of staff in detail. He felt that nurses were effectively used, but there was considerable manpower waste elsewhere. The NHS employed 5% of the national work force.

Reverting to the question of private medicine, Professor Merrison said that he strongly favoured the Prime Minister's twin efforts to switch charges to expenditure from income, and from the public sector to the private sector, through the economy. But he did not believe that there was much scope in either direction in the NHS. The state was obliged to protect the young, the old and special groups such as the mentally handicapped. These were expensive in themselves. For a number of other groups, private medical insurance was beginning to be a perk. Speaking as one who almost lived on perks, he strongly disapproved of this. Private health should not become simply a fringe benefit. Mr. Jenkin commented that the Treasury were taking a tough line on the Conservative Manifesto commitment to reconsider tax exemption for health insurance subscriptions.

Sir Alec Merrison commented that perks were inherently unsatisfactory, and were largely designed to evade wider national policies. Within the Commission, there had been a range of views on private medicine. One member only had been wholly against. Personally he distrusted monopolies, especially state ones. The NHS had worked. To date, no Government had found it necessary to take drastic measures to encourage private medicine owing to failures in the NHS. But private medicine must survive in effective forms. This offered rival standards against which

to check NHS performance. He saw the possibilities for private medicine as limited but of great importance. The NHS existed on such an extraordinary scale, and with such complex functions. But, he commented, he had never been in hospital as a resident patient. This was true of many people. It was a delusion to judge NHS performance by intensive hospital care, whilst disregarding its basic community functions. The Commission was convinced that this was better than was to be found in any other country.

Mr. Jenkin said that the Report's main weakness was that it took insufficient account of the local authority role in the basic community function. Sir Alec Merrison conceded that the Report was flabby on this. It had been a point of argument. A number of members, not only those strongly championing local authorities, had wanted a local authority take-over at the NHS local level. Mr. Jenkin commented that his officials were totally hostile to any suggestion of changing the basis of NHS financing. It was difficult even to get them to consider this. Sir Alec Merrison said that insurance arrangements could only work for the fringe areas of the service. Mr. Jenkin compared the percentage of health care costs made by the tax payer in the United States (60%), and the UK (nearly 100%), with France and Germany in between: he wanted to bring the UK figure down to somewhere between 75% and 95%, with a small amount of acute care funded separately. His intention was that medical service as a whole would have more resources in this way. The Prime Minister said that she and many others liked to be able to choose who would treat them or their dependants. Sir Alec Merrison said that most NHS clients could only rely on their GP's advice. This issue merged into the one of medical career structures. Young staff had to start their work somewhere and if all patients could demand the most experienced doctors there would be major problems.

The Prime Minister said that she was alarmed at the sheer wastage of drugs, not only through patients taking unnecessary drugs, but through over-subscription of drugs which were never used. Mr. Jenkin agreed that initiatives had to be found to encourage sparing prescription. If doctors, individually or by area, could be given a target budget, in the knowledge that if they saved within this budget the funds could be released for other uses in their areas, there might be risks of too much corner cutting, but it was worth a try. He had given a pre-election

commitment on the annualisation arrangements. He was now having great difficulty with the Treasury over the carry-over of unspent funds and he needed support on this. The Treasury feared a loss of control over aggregate spending. They also feared that this would lead to overspenders being free to draw down from the following year's funds. The Prime Minister said that the Treasury were nervous of losing the benefit of underspend on capital account, but this should matter less on the current expenditure.

The Prime Minister inquired about progress on the Health Bill. Mr. Jenkin said that his problem would be Parliamentary priority. The Chief Whip was now forecasting completion by November 1980. Mr. Jenkin required this by April 1980 and needed support.

The Prime Minister said that the Commission found the NHS lacking leadership at all levels. This was a fierce indictment. Sir Alec Merrison said that this was not spelt out in the Report, although he had drawn it to her attention. Within hospitals, leadership had disappeared for a variety of reasons. Sir Derek Rayner had told him that administrators in the largest hospitals earned less than managers in the smallest Marks and Spencer stores. Mr. Jenkin said that the health service structure did not allow the promotion and rewarding of able young administrators for these key jobs.

Sir Alec Merrison said that the hospital level required the active involvement of lay people. At district level there was none. Mr. Jenkin said that this need was widely recognised. His Department could move fast. At present, the committee structure was overwhelming. It would be massively reduced through the pruning of one tier of administration. He pointed out that the Government's working definition of Quangos had excluded health authorities. The Royal Commission's Report had also been very sound on problems of function management, where each trade or specialism retained its own hierarchy. The exercises of putting right local leadership and lay involvement were linked. In single district areas this could be done quickly. In two-tier areas, the administration would first have to be sorted out. The real problem was the proposed devolution of Parliamentary accountability. He recognised the Royal Commission's dislike of the Secretary of State's accountability for every detail. He had to have an effective filter built into the system.

Unlike the education system, he did not have accountable local authorities or a University Grants Commission to take some responsibility. Sir Alec Merrison commented that the NHS involved larger units, and much more emotional subject matter, than the education system. Mr. Jenkin said that he required the absolute backing of his colleagues when he found it necessary to say that a particular matter was for the District Health Authority, and that he would not interfere, but accept responsibility for the broad policy not the detail. With backing he could do this. His first ever sacking of an area health authority had had an electric effect elsewhere. One of his predecessors should have done it earlier. The Prime Minister commented that she had been much impressed by his speed of response.

In conclusion, the Prime Minister said that she had been disturbed by the financial issues raised in the Report, but that the Government was in agreement with much else in it. There was some contradiction between the realism that the NHS could not do all that people might like, but the expectation that what<sup>was</sup> necessary would have to be funded from tax. The Commission's answer to this was to squeeze the administration. Sir Alec said that they were not speaking of much more money: they had not found a crisis: they wanted to see better use of money. Mr. Jenkin said that the crisis, if any, lay in the low respect for the system by its employees. Sir Alec Merrison commented that last winter's experiences, with volunteers improving the atmosphere in hospitals, had produced important lessons. He hoped that union leaders had learned them. Mr. Jenkin said that all reports indicated that TUC leaders were desperate to avoid disruption this winter in basic services which hit ordinary people. The Prime Minister said that the problem was one of too many employees. She still preferred to pay better for a top quality service.

30 August 1979