

(THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT)

C. (60) 193COPY NO. 6319th December, 1960

## CABINET

COST OF THE HEALTH SERVICEMemorandum by the Secretary of State  
for the Home Department

The draft Health Estimates for next year show an increase of £54 millions, or 8.8 per cent, over the original Estimates for the current year (even after disregarding the increase of £6 millions in capital expenditure).

2. The Home Affairs Committee have considered and approved proposals by the Secretary of State for Scotland and the Minister of Health for meeting about half of this increase, as follows:-

	<u>Saving in full year</u> £ millions
(i) Welfare foods -	
(a) halve the subsidy on liquid welfare milk	11.5
(b) charge cost price for other welfare foods	1.2
(ii) Increase charges for -	
(a) dentures by amounts ranging from 5s. to 15s.	1.0
(b) spectacle lenses by 4s. a pair	1.3
(iii) Increase maximum charge for amenity beds in hospital from 4 to 7½ guineas a week	0.3
(iv) Double the prescription charge of 1s. per item	<u>12.2</u>
	<u>27.5</u>

(26.2 in 1961-62)

Against this saving it would be necessary to set off the estimated additional charge on the National Assistance Board - about £1.5 millions in a full year - and a sum possibly of the order of £2-3 millions to compensate the milk industry for any loss due to reduced consumption of milk.

3. Welfare foods. We are advised that the reduced consumption of milk and other welfare foods which must be expected to result from this proposal is unlikely to be great enough to have any significant effect on health (though the possible effect on large families is being further considered). But we should have to take account, in the annual price review, of its effect on the milk industry.

4. Dental and optical appliances. The proposal to increase the charges for these is the only one of the proposals which would require legislation. The yield is relatively small but the change would provide an opportunity to make certain concessions, desirable as a matter of policy, on children's glasses and dental appliances for children and expectant and nursing mothers and to make these charges, with all other National Health charges, variable in future by regulation. For these reasons the Committee were generally of the opinion that legislation would be justified but, largely because of the effect on the Parliamentary programme, I feel obliged for the moment to reserve my own position.

5. Prescriptions. The average cost of prescriptions has increased by 50 per cent since the present charge was fixed four years ago and the drug bill continues to increase at an alarming rate. The Health Ministers are planning a major attack on it on another front; but we are satisfied both that the charge should be increased and that, if so, it should be by 100 per cent. We do not believe that this need lead to compensatory over-prescribing: there are arrangements for preventing that (which nevertheless protect patients who have a chronic need for drugs). But we recognise that, while the National Assistance Board can and will take care of their own clients, this proposal may have a quite serious effect on elderly people who are just above the assistance level.

6. I must add that the political impact of these proposals as a whole, conjoined with our proposal to increase the "health stamp" by 1s., will be very considerable. The plan is to announce them and to introduce the Bill on the stamp simultaneously with publication of the Health Estimates early in February. We shall be very strongly attacked and presentation will not be the easier when it is realised that the product of the stamp increase, about £36 millions next year, and the product of these proposals will together slightly exceed the estimated increase in the cost of the services next year (about £62 millions as against £60 millions). On the other hand there is much anxiety among our own supporters about the increase in Government expenditure generally and the mounting cost of the Health Service in particular. The preponderating balance of opinion in the Committee is that the political effect of doing nothing to meet this would be definitely worse than that of going forward with our proposals.

7. The Committee therefore recommend the Cabinet to agree that we should go forward with the proposals set out in paragraph 2, subject to further consideration of the question of, and the practicability of, legislation on dental and optical appliances.

F. A. B.

Home Office, S. W. 1.

19th December, 1960.