CABINET

THE NATIONAL HEALTH SERVICE

MEMORANDUM BY THE MINISTER OF HEALTH

MY colleagues may like to have a brief interim report on some aspects of the progress of the National Health Service which seem to be attracting a certain amount of Press and other attention.

2. To keep this short I will not dwell on the very many reassuring aspects, but rather on some points of concern which want watching. First, however, as this method is bound to produce a rather distorted picture of the real service, I must record that from 5th July the scheme has come into administrative operation with a smoothness of transition which, in a project of this magnitude, has been truly remarkable. Moreover, after so long a period of carping and bickering, and in spite of a largely hostile Press, the extent and speed with which it has "caught on" with the public is equally remarkable. It is estimated that between 90 per cent. and 95 per cent. of the civil population had gone on to doctors' lists in the scheme even by the first day, 5th July; more have been going on steadily since—all these figures being subject to some possible adjustment of anything up to 5 per cent. when there is time to check lists more precisely. By the opening day there were over 18,000 doctors in the general practitioner scheme; there are now well over this (though I have not got an exact, corrected, figure yet) out of an estimated total of some 21,000 in general practice. There are over 8,750 dentists taking part, out of an estimated total of 10,000 in general practice; about 14,000 chemists, 6,500 opticians, 1,200 ophthalmologists. People are seeking dental treatment at a rate of some million a year, spectacles at a rate of about 8 million pairs a year. About 2,600 hospitals have been taken over, with 390,000 staffed beds. Over 10,000 volunteers have been found to run all the new hospital managements, 3,500 to run the new Executive Councils—quite apart from the local authority parts of the service. Hospital prescriptions for surgical boots and appliances were over 33,000 in November alone.

3. These things are some measure of the way in which the general objectives of the scheme, in spite of earlier threatenings, have initially succeeded. The start has been quick and good. But the main thing is to see what are the shortcomings the scheme has revealed in action—shortcomings whether apparent or real.

4. First, I am far from satisfied that I have got the payment of dentists right. Working on professional advice, and using the Spens Report as a basis, my Department evolved a system of payments for items of service which seemed to fit the time taken in proper dentistry for each item. I hear of many examples, however, of dentists who—by accelerating those times unduly—are winning more public income than can possibly be warranted, some as much as about £6,000 nett a year. The ultimate remedy is the Health Centre, but this is impracticable on any wide scale now. So I am taking two lines of action. First, and immediately, I am making a regulation to the effect that, as soon as a dentist is earning more than about £2,300 nett (£4,600 gross), payment for any further items of service is halved. The Spens Report gives £1,778 nett as the ideal for good post-war dentistry based on 33 hours of chairside practice a week. In view of the shortage of dentists, I have allowed the nine additional hours
reflected in the new arrangement. Second, I am embarking now on a full enquiry into the accuracy of the timings on which, as I have said, our rate of remuneration was based. To do this and work out new scales of fees will take some months; hence the need for the immediate provisional step just described. Indeed, in view of the wide variations of speed and methods of practice I am not sure whether the problem can be solved by a single scale of fees, and some arrangement for a ceiling may have to be continued permanently.

5. One effect of the high earnings which some dentists have been able to get has been to lure salaried dentists away from the school and other local authority services. A serious situation can develop here. The steps I have mentioned will check it in part, but the real remedy is in some form of Whitley negotiation to which I cannot so far lead the local authorities and the profession amicably. I am seeing the local authorities on this very soon and shall be trying again. It is too soon to report more on this.

6. Similar problems to those of the dentists arise with the sight-testing fees of ophthalmologists. They, however, are proving much more co-operative in measures to adjust fees to experience. They have already proposed a reduction themselves, and following that I am starting an enquiry with them into the experience of these first months of the scheme. I believe I shall have no difficulty in arriving, with them, at a fair revision of our first provisional rates.

7. I am watching the opticians and chemists, but I am for the moment inclined to think that, in the main, increases in income here mean not so much that the rate paid for the job is wrong, but more that there is a great increase in work for them. With the sight-testing opticians there may be some overdoing of the original timing basis of their rates, and here again I am starting an investigation in the light of experience in the first months of the scheme. So far as the chemists go, this is better tackled from the doctors' end, i.e., by tackling excessive prescribing. There are powers to do so and I shall see that they are fully used.

8. The rush for spectacles, as for dental treatment, has exceeded all expectations; over 1½ million people have already had them and, as I have said, the demand is running at the rate of 8 million a year at the moment—temporarily outstripping stocks.

9. In all this there is bound to be some abuse of the scheme, but—while this has to be watched for—it seems commonsense that this is the initial, abnormal rush of those who have waited during the months before 5th July and those who could not privately afford these and other appliances. Certainly it has revealed numerous and shocking cases of people who have been wearing other people's spectacles (e.g., those of dead relatives) for sheer lack of means to get their own. Part of what has happened has been a natural first flush of the new scheme, with the feeling that everything is free now and it does not matter what is charged up to the Exchequer. But there is also, without doubt, a sheer increase due to people getting things they need but could not afford before, and this is what the scheme intended. Anyway, it is important to watch it closely in the next few months.

10. The whole position in regard to prescribing and appliances cannot help being fraught with risk in a scheme of this kind, and will demand constant vigilance. But, for the moment, there are exceptional difficulties. Every piece of the new organisation, for instance, including the machinery for clamping down on unnecessary prescribing, is hardly keeping its head above water with the myriad problems of so vast a new service. While the disciplinary procedure of the Act is at work and a good deal is already being done to stamp out abuses, it must be recognised that the degree of control which I want will have to be a progressive process, and cannot be a matter of a single emergency action such as is possible with the dentists. Second, the scheme has not been running long and the evidence is not enough yet to indicate whether we need quite new remedial measures or whether (as I anticipate) the Act itself will prove adequate when the service settles down.

11. I cannot touch on every branch of the scheme now. But clearly the most important thing is how it is working out in cost. In the part-year from its start on 5th July to March next the total cost, I estimate, is about £225 million gross, which represents a rate of about £300 million gross for a full year. For next year, 1949-50, I estimate a gross total of £330 million—from which appropriations in aid will detract some £58 million. I have endeavoured, from various sources, to piece together some estimate of what the nation spent on the things
covered by the service when most people had to get them privately and many could not get them at all. It seems, extremely roughly, to have been about £225 million a year, not including anything in respect of opticians or such things as special artificial limbs or hearing aids (for all of which no estimate is possible). It is clear, therefore, there is a big set-off to remember against the present cost of the service; but that cost remains unquestionably big. Analysing it, one finds that by far the largest proportion of it lies in the remuneration of all the health service personnel, which will amount to over £150 million next year, and the increases found necessary under this head account for much of the discrepancy between our part-year estimate earlier this year of £176 million and our present one of £225 million. Since the earlier estimate, which was necessarily made in uncertainty about the many items in the scheme as they would actually turn out after 5th July, there have been two Spens Reports on the pay of dentists and specialists, further increases from the Rushcliffe Committee for nurses, and several awards under the new Whitley procedure. The Spens Report on the pay of dentists, when translated into a scale of fees, gave a scale about 50 per cent. above the National Health Insurance scale on which the Estimates were based. The Spens Report on the pay of specialists means an annual bill of £12 million to £13 million; a figure of £34 million was taken for the Estimates. There have been three Rushcliffe Committee awards to nurses since October 1947, which added £772,000, £88,000 and £546,000 to the bill. Two awards under the Whitley procedure have added £3 million to the bill, £2.2 million in respect of student nurses and £1.3 million for domestic staff—and this Whitley procedure is undoubtedly likely to produce further increases, some of which will be reasonable and impossible to resist. Otherwise, the main increases have been in the hospital, pharmaceutical and ophthalmic services, and are due partly to unexpectedly heavy costs of maintenance work and extensions in the hospital service (although capital works have been very limited), and in other services to a demand heavier than was anticipated, coupled with the fact that the remuneration of the professions concerned had not been settled when the estimates was provisionally made.

12. Including wages in each case, the total gross cost of £225 million is made up under the following broad headings:

<table>
<thead>
<tr>
<th>Service</th>
<th>Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals and specialists</td>
<td>134</td>
</tr>
<tr>
<td>Doctors (general practitioners)</td>
<td>29.5</td>
</tr>
<tr>
<td>Dentists</td>
<td>25.4</td>
</tr>
<tr>
<td>Chemists</td>
<td>13.1</td>
</tr>
<tr>
<td>Ophthalmic services</td>
<td>14.6</td>
</tr>
<tr>
<td>Local authority services</td>
<td>9.2</td>
</tr>
</tbody>
</table>

13. That, then, is the cost of this social innovation. The justification of the cost will depend upon how far we get full value for our money; and that, in turn, will depend upon how successfully my Department administers the service generally, eradicates abuses—whether by professional people or by the public—and is able to control the inevitable tendency to expand in price, which is inherent in so comprehensive and ambitious a scheme as this.

14. I am trying to reinforce headquarters administration with a small but mobile regional staff to keep me informed and to spread current policies on the spot. Launching the scheme needed one effort; now we need a different sort of effort, and I have called on my whole Department to make and sustain it. I think it should be appreciated that one of the chief difficulties in this scheme lies in having to administer it so much through the agency of professional people some of whom are themselves hostile to the scheme and do not want it to succeed.

15. But I have dwelt only on the darker side. Against this concentration on some of the apparently defective aspects of the scheme, let me finish by stressing what truly vast benefits to the population as a whole it has involved. It has done what we promised it would do and given a new freedom from anxiety in sickness which is worth quite a large monetary burden.

16. I will report more fully, and more usefully, when time has allowed us more experience and when the artificial circumstances of the first start have been left behind.

A. B.

Ministry of Health, Whitehall, S.W. 1.
13th December, 1948.