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CABINET

NATIONAL HEALTH SERVICE
(ENGLAND AND WALES)

Memorandum by the Minister of Health

The Chancellor of the Exchequer, in C.P.(50) 53, proposes an announcement in the budget speech, and the introduction of legislation, to the effect that some £42 millions initially — and larger sums later — will in future be recovered directly from patients using the National Health Service, in the form of charges for its use.

1. I agree with him that we are bound to be faced with future demands for extensions and developments in the Service, and I certainly agree that it would be politically unrealistic to think that all such demands can be uniformly refused. But I think it would be even more politically unrealistic, in the present Parliament in particular, to make the proposed announcement.

2. Also, I do not think we need assume that all extensions and developments of the Service must necessarily involve increases in maintenance costs. Some, at any rate, might well be of a kind to improve future economic running. For others, we shall have to examine the need for them against the general national situation and the parallel needs in other fields, and where they clearly must go on we shall have to concentrate on off-setting their cost by tighter administration and, wherever possible, by savings in other parts of the Service. In this regard, we must keep clearly in our minds that the present hospital service is prejudiced, as compared with its predecessor services under local authorities or voluntary organisations, by having always to include the annual cost of capital works "above the line" and by not being able to finance them by loan. It has, in my view, produced a misleading picture to load the full weight of this on the ordinary hospital estimates, at least in these initial years of the new service.

3. I am, as the Chancellor says, considering with the hospital authorities the methods by which closer central control can in future be exercised in their part of the service, and I have also under review certain other possible economies in the health services generally. I hope to be reporting to my colleagues on all this very soon, and in time for something to be included on the subject in the budget speech. But, meanwhile, I suggest it would be, to say the very least, tactically unwise to commit the Government to such a drastic and unpopular alteration in the whole structure of the Health Service as the proposed recovery of charges would involve.

4. Nor do I believe that the economic yield of the various kinds of charges which might be imposed would be likely to be as substantial, or as simply effected, as may at first sight appear. We had a good example of that, as soon as the shilling charge on prescriptions was closely investigated. There would be similar, or other, difficulties in other fields.
6. In the hospitals, for example, if we tried to recover a maintenance or "hotel" charge from patients for their keep, we should at once be charging some people who would not have had to pay, in some of the hospitals, even in the days before the National Health Service started. Also we should immediately run into collision with the present practice of the Minister of National Insurance of withholding part of cash benefit - e.g. of sickness benefit or pension - from recipients who are in hospital. If the recipient was already being charged by the hospital, any reduction of his cash benefit or pension would have to stop or be adjusted; the result, broadly, would be that apart from the shorter stay cases there would be a loss on the National Insurance vote to set off against any saving on the Health Service vote. Without allowing for this set-off, an earlier rough estimate showed that a charge of 10/- a week for every in-patient might yield some £10 millions a year in England and Wales. After allowing for the set-off, it is obvious that even with this hospital charge imposed universally we should still have to look elsewhere for substantially more than £32 millions in other charges at the outset, and more later.

7. Looking elsewhere would mean looking at, say, the chemists', dentists' and opticians' services. In England and Wales the figures next year for these are about £25 millions for the chemists, £39 1/2 millions for the dentists and £24 1/2 millions for the eye service, a total of some £90 millions. We should be looking, in fact, at the possibility of recovering about a third of their total cost in direct charges to the patients.

8. That is the broad kind of situation we should be facing on the proposed announcement. But, as important as anything in it, we should have also to face a new consequence altogether in some provision for the money needs of those who could not pay the charges. The National Assistance Board is precluded by statute from assisting people to meet any "medical, surgical, optical, aural or dental" requirements. Either they would have to be enabled to do so (and on the present generous scales on which they assess needs, a good bit of our yield from charges would be offset) or some elaborate new machinery would have to be devised to pick up, assess and deal with all hardship cases some other way. Either way, apart from the administrative complexities and costs of this, we should be back once again with the means test in the Health Service.

9. I have purposely not gone into details in this paper, because it is on the basic principle raised by this proposed alteration of the Health Service that I think we must first decide. The alteration is not only in itself undesirable, in my view, but it would be in any case a fundamental political and tactical mistake. If my colleagues agree with me in this, I suggest that the next step is for me to prepare for our early consideration an assessment of what steps might now be taken to tighten control of hospital and other expenditure, and of what consequences may flow from taking them, on the original basis of the Chancellor's announcement during the recent debate on the Supplementary Estimates.

10. This paper deals only with England and Wales. I understand that the Secretary of State for Scotland is submitting a separate paper on the Health Service in Scotland.

A. B.

Ministry of Health, S.W.1,

30TH MARCH, 1950.