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S E C R E T

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CABINET

NATIONAL HEALTH SERVICE

SALE AND PURCHASE OF MEDICAL PRACTICES

Memorandum by the Minister of Health

I propose in this Paper that when a National Health Service is established -

- (i) the sale and purchase of medical practices (being practices conducted wholly or partly within the public service) should stop;
- (ii) doctors who are thereby deprived of existing selling values should receive compensation based on 1939 standards of practice values and payable only on the doctor's death or retirement from practice;
- (iii) all doctors taking any part in the public service in future should join in a new contributory superannuation scheme.

2. I also propose that, in order to clear up the present uncertainty with which young doctors from the Forces or elsewhere are faced, some announcement of the Government's general intentions should be made at once.

3. The White Paper on the National Health Service referred to this question. It proposed that, if and where its proposals destroyed the value of existing practices, compensation would be paid. Two possible examples were given; the first, where the taking over of a practice by a new-comer was prohibited in an "over-doctored" area; the second, where a doctor gave up his separate practice to take service in a Health Centre. But in general, it was not considered that the proposals in the White Paper would themselves destroy the value of practices. The White Paper went on to recognise the case which could be made on merits for the abolition of the whole custom of sale and purchase, in publicly remunerated practices, and suggested discussion of this with the profession.

4. The Coalition Government made a public announcement, on 3rd May last, that they did not propose to abolish sale and purchase at present; that an inquiry by a Committee would be set on foot after the National Health Service was in operation and after experience of its working had been obtained; that if, as a result of that inquiry, the sale of



practices should be controlled, proper compensation would be paid. The full text of this announcement is appended. Doctors from the Forces and others are naturally asking whether this announcement still holds good and, if not, what is the position. They are entitled to an early answer. Uncertainty is also causing hardship among the older doctors who have kpt on during the war and now want to retire, and among the dependants of doctors who die.

5. On merits, I am sure that it is wrong that public medical practices - practices or parts of practices which depend for their value on public remuneration under a National Health Service - should be bought and sold. In spite of the freedom of patients to change their doctor in a public service, the custom amounts very nearly to the sale and purchase of patients and therefore of a public income. However much it may be mitigated by loans of cheap money or otherwise, it must tend to deter the poorer recruit from professional practice. It is also particularly unsuitable to public practice organised in publicly provided Health Centres.

6. But - apart from the merits of the custom as such - a direct result of a provision which I am satisfied must (for other reasons) be incorporated in the new service will be that the selling value of all publicly remunerated practices will be destroyed anyway. The provision to which I refer is the vesting of a power in the Minister (probably acting through a specially appointed professional body) to approve or select the general practitioner to replace a practitioner in the public service who has died or retired. This provision will in effect put an end to any market in practices affected by it.

7. It is arguable that an action by the State in the interests of the community which has incidentally destroyed the value of an existing practice gives rise to no better claim to compensation than many similar actions which incidentally destroy the "good-will" attaching to particular businesses. There are, however, special features in the present case. The destruction of values will scarcely be "incidental"; it will be a very direct result of positive action by the Government. Also, if no compensation were given there would be many cases of hardship among people who have (quite properly, in the light of the custom of their profession at the time) incurred considerable liabilities in the purchase of practices, and who have acquired in the selling values of their practices their principal insurance for old age and for their dependants in the event of death. There is also the practical point that great hostility would be aroused in the profession, at the very time when we want their utmost co-operation, if practice values were destroyed without compensation. Moreover the White Paper has already firmly coupled compensation with the destroying of practice values in the doctors' minds.

8. I think therefore, that there should be compensation (although without admitting an inherent right to it on the doctors' part) and I think that it should be devised broadly on the basis of restoring what is destroyed by the Government's



action. The exact basis of compensation and its methods will need to be discussed with the profession's spokesmen before final decision, but I think that the object should be to secure their agreement to arrangements on these lines:-

- (1) At a given date when the scheme starts, to assess the value of practices then existing on the basis of the income derived from them during the preceding year.
- (2) To discount the abnormal conditions which have affected practice values since 1939 by reducing the above assessed values to a 1939 level, i.e. by applying a reduction factor which will take into account rises in fees, capitation payments, etc., since that date, and by taking for purposes of calculation the number of years' purchase normally paid in 1939.
- (3) To arrive at a global figure of compensation by aggregating all the reduced values so arrived at; and to invite the medical profession themselves to propose how the total shall be equitably apportioned between individual practices.
- (4) To make payments to each doctor on retirement (or to his dependants on death) in accordance with that basis of apportionment.
- (5) To allow for a reasonable rate of interest on the apportioned capital value in respect of the period elapsing before it is actually paid to the doctor or his dependants - as some recompense for the interest on loans which he may have to continue to meet or the interest value of his tied-up money, so as to reduce any unfair anomaly between doctor and doctor when all receive their remuneration at the same rates in future from public funds.

9. Independently of these arrangements for compensation, I propose to take power to set up a superannuation scheme for all doctors taking part in the new service. (No account would be taken of past service under the present national health insurance arrangements or other service before the operation of the superannuation scheme, since the doctors concerned would be adequately compensated in this respect by the scheme set out above). Here again the details will require to be worked out at some length, in consultation with the profession, but the general principles would be:-

- (i) Contribution by the doctors, supplemented equally by contribution by the state (something like the scheme already applicable to school teachers);
- (ii) Benefits to consist of a pension on retirement and a lump sum payment on retirement or death, subject to orthodox provision for qualifying periods of contribution;

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- (iii) The scheme to be capable of application, if possible, to a wider field than general practice and to cover all doctors participating in any field of the new service - and probably to be correlated with similar schemes for other classes and groups of employees in the health service.

10. It is not necessary to decide now exactly how these things shall be done. It is necessary, however, to decide whether they shall be done and to make some general announcement which will give a pointer to young doctors in deciding what their course of action should be in the next few months. If my colleagues agree with my proposals in principle I should like to be authorised to make an immediate announcement on the following lines:-

(1) The Government have no yet finally decided upon the proposals which they will be submitting to Parliament for a National Health Service.

(2) They believe, however, that it will be incompatible with the provision of an efficient service that the future exchange of medical practices, and the creation of new practices, within that service should be left entirely unregulated and that no effective steps should be taken to secure a proper distribution of doctors to fit the public need.

(3) They appreciate that intervention in this field - in whatever form it may take - will probably have the effect of preventing the sale and purchase of the practices of doctors taking any part in the new service, and the Government therefore think it right to give warning of this probability at once and in advance of the formulation of their full proposals.

(4) At the same time, and in order to allay the natural anxieties of doctors already in practice or now coming into practice from the Forces or elsewhere, the Government wish to make it clear that there will be an appropriate measure of compensation to doctors in respect of loss of capital values directly caused by the new arrangements. It is intended that discussions should be undertaken immediately with the profession's representatives with regard to the steps to be taken to give effect to this decision.

11. When this statement has been made, I will at once initiate discussions with the profession, not only on the basis and method of compensation in general, but also on any special measures necessary in the interests of doctors and their dependants who wish to dispose of practices, and newcomers who desire to enter practice, before the operation of the compensation arrangements. I shall suggest to the profession that they should themselves take steps to meet difficulties arising in this interim period and should announce as soon as possible what they are doing.

(Intld.) A.B.

MINISTRY OF HEALTH, S.W.1.

23RD NOVEMBER, 1945.



A P P E N D I XCOPY OF COALITION GOVERNMENT'S ANNOUNCEMENT

MR. STOREY: To ask the Minister of Health whether he has any statement to make on the sale and purchase of medical practices in relation to the Government's proposals for a National Health Service.

MR. WILLINK: Yes, Sir. The Government recognise, as indicated in the White Paper, that a case can be made for the total abolition of the sale and purchase of publicly remunerated practices, and particularly of practices conducted in publicly provided health centres.

The Government also recognise, as indicated in the White Paper, that the abolition would involve great practical difficulty and is not essential to the initiation of the new service.

The Government feel that firm decisions, dealing with the practical difficulties fairly in the interests of all concerned if sale and purchase were to be abolished, could be reached only after some experience had been gained of the working of the new service and all the relevant facts had been ascertained.

The Government do not propose, therefore, to make any alteration in the present custom in the forthcoming Health Services Bill, but they propose that a full inquiry into the whole question shall be instituted by a Committee appointed for that purpose after the new service has come into operation and experience of its working has been gained.

Meanwhile, to remove any present uncertainty, the Government wish to make it clear that, if the sale of practices - as a result of the inquiry I have mentioned - should be abolished or restricted by law, doctors affected would receive all proper compensation, on the understanding, of course, that (as indicated in the White Paper) the new service could not be allowed, by itself increasing values, to increase the amount of compensation payable.

The Government also recognise that, pending the inquiry, many doctors will be returning from the Forces and entering new civil practices under the existing conditions of practice exchange. They are anxious that these men and women shall not be prevented or discouraged from doing so by inability to find purchase money, and they are discussing with the Profession how this can best be secured.

Non-oral Answer

3rd May, 1945

