



(c) crown copyright

Printed for the Cabinet. January 1953

SECRET**Copy No.**

62

C. (53) 30

28th January, 1953

CABINET**PROPOSED ENQUIRY INTO THE COST OF THE NATIONAL HEALTH SERVICE****MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER**

The cost of the Health Service has been growing steadily since its creation in 1948:—

	<i>£ millions</i>
1948-49 (9 months)	201 (net expenditure)
1949-50	345 (" ")
1950-51	377 (" ")
1951-52	391 (" ")
1952-53	411 (revised <i>net</i> estimate)*
1953-54	418 (net estimate)†

2. As my colleagues will recognise, it will not be at all easy for me to find a sum of the order of £418 millions for the Health Service next year, and the estimate has only been kept down to that sum by severe pruning and by requiring hospital authorities to draw down their reserves of stores and cash to the extent of several millions. It is largely for that reason that in agreement with the Minister of Health I am proposing that the 1/- prescription charge should in future apply to each prescription, and not to each prescription form (however many prescriptions it contains), saving some £6 millions in a full year. But my main concern centres round the fact that there seems to be no reason at all why the cost of the Health Service should not go on increasing year after year for a long time to come. Admittedly the increase so far to a large extent reflects the general rises in prices and wages (since July 1948 when the Service began the interim retail price index has gone up by 25 per cent. and the wage index by 28 per cent.). Even apart from this, however, I can see no limit to what could be spent on it with some show of justification if the money and the resources were forthcoming. Many of the existing buildings are undoubtedly out of date and not well adapted to new methods of treatment. Additional beds are needed, particularly for mental patients. New and expensive drugs are continually being discovered, and new techniques developed which may involve the use of complicated and costly apparatus. The individual patient's financial position is no longer a limiting factor in doctor's minds since the Exchequer now pays the bill and it seems to be assumed in some quarters that the sky is the limit. We could not possibly tell the medical profession or the hospital authorities that their standards are too high. That may well be true, but it would not be the whole story and would, moreover, be taken as implying that Health Service patients must be satisfied with something less than the best—or something less than some doctors think the best—and that might spell the beginning of the end of the Service.

3. The previous Government tried to solve this problem by imposing an arbitrary ceiling of £400 millions as the limit of what the Exchequer could afford to spend a year on the Health Service. Above that ceiling the cost was in effect

* Includes the Danckwerts Award to the doctors, but excludes arrears of £26 millions.

† Excludes £6 millions saving from the proposed revision of the 1/- prescription charge.

met by the patient in the form of charges for dentures and so on. In an attempt to keep broadly within that ceiling this year, further charges, e.g., the 1s. prescription charge, were introduced. In my view this expedient has gone as far as it can go, at any rate for the time being. Apart from the welcome proposal to change the form of the prescription charge, there are no obvious services left for which the patient could justifiably be asked to pay and which would produce any substantial revenue. Nor, I think, could we increase the amounts of the present charges, which are already high. In any case any new charges would present considerable political difficulty.

4. I feel sure that a solution to the problem cannot be found in arbitrary percentage cuts which, in the Hospital Service, for example, would penalise those Boards and Committees with a good record for past economy and would put a premium on past extravagance. Nor are there any obvious opportunities for further economy. Economies have been, and will, I hope, continue to be made, but there comes a point when further savings on any scale are impossible without definite reductions in the services provided, and that in the last resort means closing hospital beds and dismissing nurses with all the political problems which such a course would involve.

5. It seems to me essential to relate the present and prospective cost of the Health Service to the other claims on the national economy. In my opinion no Chancellor could view without grave misgivings the prospect that expenditure on the Health Service will go on increasing for years to come. After discussion with the Secretary of State for Scotland and the Minister of Health, I propose that the Government should appoint a Committee to advise them on this difficult problem. We have in mind a small independent Committee of four or five members of acknowledged ability and standing and we suggest that their Terms of Reference should be as follows:—

“To review the present and prospective cost of the National Health Service having regard to the other claims on the national economy; to suggest means, whether by modifications in organisation or otherwise, of ensuring the most effective control and efficient use of such Exchequer funds as may be made available; to advise how a continually rising Exchequer charge can be avoided, while providing for the maintenance of the Service and its reasonable development, and to make recommendations.”

6. If my colleagues agree with this proposal, I suggest that the Secretary of State for Scotland, the Minister of Health and I should be left to settle the membership of the Committee.

R. A. B.

Treasury Chambers, S.W. 1,
28th January, 1953.

3. The previous Government tried to solve this problem by imposing an arbitrary ceiling of £400 million as the limit of what the Exchequer could afford to spend a year on the Health Service. Above that ceiling the cost was in effect

* Includes the Dentists Act and the denture and excludes items of £36 million.
† Includes £8 million saved from the proposed reduction of the 1s. prescription charge.