The financial position of the voluntary hospitals became critical a year ago, but the situation was then saved by non-recurrent grants of £700,000 from the National Relief Fund and £250,000 from the reserves of King Edward's Fund.

2. Parliamentary pressure led to the appointment in January of Lord Cave's Committee to investigate the position of the hospitals. The Report of that Committee will be published this week.

3. The substance of the Report is that since 1913 ordinary income has risen by 67 per cent and ordinary expenditure by 138 per cent. Aggregate deficits for 1921 are estimated at £1,000,000 (including over £400,000 for London).

4. In the Committee's opinion the value of the voluntary system is inestimable. It preserves freedom in medicine; it secures a vast amount of gratuitous and skilled service both lay and medical; it saves the State heavy expenditure. If it is destroyed a constantly growing charge will fall on public funds.

5. The Committee find that new sources of income are being developed and they believe that if the hospitals can be tided over the next two years the voluntary system can be saved.

6. With this object they recommend the establishment by the Minister of Health of a Hospitals Commission with an Exchequer grant of £1,000,000 for 1921 and a similar (or possibly) smaller sum for 1922. The Commission is to consist of not more than twelve members. The Chairman and three others are to be selected by the Minister of Health and one by the Secretary for
Scotland, and of the remainder one is to be nominated by each of the following bodies: The Joint Committee of the Red Cross Society and the Order of St. John of Jerusalem; King Edward's Hospital Fund for London; the British Hospitals Association; the Royal College of Physicians; the Royal College of Surgeons; the British Medical Association. The Committee further recommend a building grant, for extensions and improvements, which they put at £250,000 for the present year, to be spent by the Hospitals Commission, subject to an equal contribution being made from other sources. Local Voluntary Hospital Committees are to be appointed to advise the Commission. To guard against a recurrence of the present difficulties aided hospitals must adopt such administrative reforms as the Hospital Commission may require.

7. The Committee propose that State assistance (except for building grants) should cease absolutely after 1922.

8. I have given a good deal of consideration to the whole question of these voluntary hospitals and my conclusions are as follows -

9. The present position, especially in London, is extremely grave. The London Hospital has closed 200 beds and Kings College Hospital 160. University College Hospital has pledged its last realisable assets. The Royal Free Hospital is losing £200 a week.

10. The breakdown of the hospitals to which the great London Medical Schools are attached would be deplorable from a health point of view and would be followed sooner or later by the collapse of the voluntary system. Such collapse opens up unknown possibilities - the certainty about it is that the Government would at once be confronted with the whole question of health administration in this country and its reorganisation and
a very heavy liability would be thrown on the State. The liability cannot be thrown on the rates because the hospital services are largely national and the hospital area and the rate area are not the same.

At the same time the voluntary system cannot permanently claim to have the best of both worlds - either it must stand on its own bottom or it must be replaced by something else.

The present difficulties of the voluntary hospitals are abnormal and due generally to war conditions. The Cave Committee note especially that in the opinion of Messrs. Deloitte, Plender and Co., the accountants to the King Edward's Fund, the aggregate War Office payments to the London hospitals alone fell short of the total cost of maintaining and treating military patients by £530,000. It is due to the voluntary hospitals that they should be tided over the present crises until they can set their house in order and stand by themselves. It is good business, even in the present financial stress, to help them from public funds to tide over. The State help should be given through some machinery which will operate so as to bring the need for State help to an end as quickly as possible.

For my own part I cannot conceive that, even in the present financial stress the Government can maintain an attitude of aloofness. Public opinion is fully alive to the difficulties of the hospitals and the Ministry is under the strongest and most continuous pressure to intervene. Even now cases of grave illness demanding instant treatment to save life are being turned away and if no help is given, these most lamentable conditions will spread to an extent which cannot be estimated.

For these reasons I strongly urge the Cabinet to approve in principle the recommendations of the Cave Committee as to setting up a Hospital Commission with Local Advisory Committees and providing
a deficiency grant of £1,000,000 for the present year. When the Commission is set up, I will see that its instructions are so drawn as to secure that assistance is given only where, without help, the full work of a hospital, so far as the Commission approve it, cannot be carried on.

I do not think it necessary at present to form any judgment as to what money will be required next year and I consider that the recommendation as to providing this year a sum of £250,000 for building extensions and additions and further sums in following years should remain in abeyance. I require more time to survey the whole question of provision of institutional accommodation before coming to any conclusion as to building. The other minor recommendations of the Committee, some of which would require legislation, are under my consideration.

I would add that speed in decision is essential - the hospitals must know at once whether the Government will help them, and the situation is such that the Commission will certainly have to make advance emergency grants in certain cases. It will be understood that every new suspension of hospital activities for lack of funds makes it more difficult to restore the position of the voluntary system, and brings nearer the risk of heavy State expenditure to fill the gap which would be caused by its failure.

(Sgd) A. Mond.

7.6.21.

Ministry of Health.