As a result of the depreciation of money, the cash benefits under the National Health Insurance Acts which have not been increased since the original Act came into operation in 1912, are now wholly inadequate. If these benefits were increased in proportion to the rise in the cost of living and the average increase in the wages of the insured population, they would require to be doubled. But in view of the liability which such an increase would impose on the Exchequer and having regard also to the unemployment insurance contributions which, as a result of the proposed extension of unemployment insurance, will be payable in respect of some ten million insured persons hitherto insured against sickness only, I propose to increase sickness benefit for men and women by 5/-, disablement benefit by 2/6 and maternity benefit by 10/-.

These proposals would, I believe, be generally accepted by Approved Societies and the increase in the contributions of employers and workers which they involve would not be likely to meet with any serious opposition in Parliament.

The need for amending legislation is urgent. Approved Societies which for months have been restless have now become clamorous. Their members demand that the cash benefits shall bear a closer relation to the cost of living, and their officials and staffs are insistently demanding the living wage which only an increased administration allowance will provide. In view of the inter-relation of old age pensions, unemployment insurance and health insurance, I have withstood this pressure as long as possible in spite of most urgent appeals from representatives of insured persons and their societies. For many weeks the financial
questions involved have been before the Treasury; and while, in view of the complications inseparable from the concurrent demands, on the one hand of Approved Societies and doctors, and on the other hand of other social services, I have refrained from pressing for an earlier pronouncement, the time has now arrived when I am compelled to ask the Cabinet to sanction the immediate introduction of a Bill embodying these proposals.

Even if immediate legislation is obtained for the revision of cash benefits and contributions, some time must elapse before the changes can take effect. The contributions cannot be increased except from the beginning of a half year (January or July). Before that half-year begins millions of contribution cards have to be printed, distributed to Approved Societies throughout the country and distributed by them to their members; dies for new stamps have to be cut and millions of stamps have to be printed and distributed to local post offices for sale to the public. This is a work of months. At the best the scheme cannot be brought into operation before 1st July, 1920, while delay in passing the Bill will delay it further till January 1921. If these urgently needed amendments are delayed until January, 1921, the growing unrest among insured persons and the staffs of Approved Societies will be gravely prejudicial to the working of National Health Insurance: and unless a Bill can be passed before the end of February at the latest, a critical situation will be created.

Details of Proposals.

The details of my proposals are as follows:-

Sickness Benefit (Men) to be increased from 10/- to 15/- a week.
" (Women) " " 7/6 to 12/6 " "
Disability " (Men & Women)" " 5/- to 7/6 " "
Maternity Benefit. As to this there are alternative schemes.

Under one plan it is proposed, in view of the new health services
services contemplated by the Ministry, to retain the cash benefit at 30/-

Another proposal is to raise the cash benefit to 40/-. In a memorandum (C.P.211) prepared by the Chancellor of the Exchequer a maternity benefit of 50/-, is, however, contemplated.

Medical Benefit (including drugs) The contribution to this benefit out of Insurance funds is at present 6/6d. per insured person per year. It is proposed to increase this to 9/6., the maximum amount available if the weekly contribution is not to be increased by more than 3d. I am advised that it would not be practicable to increase the weekly contributions by more than this amount simultaneously with the extension of unemployment insurance to some ten million persons hitherto insured against sickness only. The total cost of medical benefit (including drugs) at present is 10/9d., and the extra Exchequer contribution towards meeting this is 4/3d. The extra Exchequer contribution was originally limited to the 2/6d. conceded by the Government in 1912, but it has since been increased by mileage grants and war bonus, the whole cost of which has fallen upon public funds. The doctors are now asking for 13/6d. exclusive of mileage; the latter will cost approximately £350,000 for Great Britain, which is the equivalent of an addition of 6d. to whatever is fixed as the flat rate capitation payment. Drugs are estimated to cost 2/6d. per insured person. On the basis of this demand, the total cost of medical benefit, including mileage and drugs, would be 16/6d. I do not think, however, that there is any need to concede the doctors' demands in full. A capitation rate of 10/- (excluding mileage) would, in my opinion, secure the continuance of the panel system; and I am bound to admit that in many cases this would represent the value of the services as actually rendered now. But while the negotiations have made it clear that a capitation rate of 10/- might be accepted grudgingly by the majority of insurance practitioners, we should, I believe, lose many good men, and I think it would be unwise to concede the bare minimum required to prevent a strike. I have to remember also that practice costs have greatly increased, the
demands of many demobilized and discharged men for medical attendance represent a material addition to the medical men's average work, and I intend under the conditions of the new Regulations to exact a much better standard of service from all the insurance practitioners. The success of the Ministry of Health depends above all upon the willing cooperation of the medical profession, and I am satisfied that their goodwill, which is so essential, cannot be assured except by conceding a figure which the moderate men will regard as fair. I therefore ask for the authority of the Cabinet to offer a rate of 11/6d., which with mileage is equivalent to 12/-, or 1/6d. more than the bare minimum for which I believe the continuance of the service can be assured.

On this basis the total cost of medical benefit as from January will be 14/6d., instead of 10/9d. at present, towards which the insurance funds will contribute 9/6d. The extra Exchequer contribution will then be 5/- instead of 4/3d., as at present. This means that of the total increase of 3/9d., insurance funds will contribute 3/- and the Exchequer only 9d. I ought to add that it is an essential part of the bargain that the new rate should take effect from the beginning of 1920.

Sanatorium Benefit. It is proposed to abolish this benefit and to throw upon local authorities and the Exchequer the same responsibilities in respect of the insured as are undertaken at present in respect of the uninsured. The estimates of cost hereunder given assume an equal distribution of the transferred charge between local and central funds.

Expenses of Administration of Approved Societies. It is proposed to increase the allowance under this head from 3/5d. to 4/6 per annum in respect of each insured person.

Contributions. It is proposed to increase the rates by 3d. a week for both men and women, 2d extra being paid by the employer and 1d by the worker. The rates will then be as follows:—
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The scheme assumes that corresponding unemployment benefits (15/- for men and 12/6d for women) will be provided by the scheme which the Ministry of Labour is preparing. A memorandum has already been submitted showing the difficulties which will arise if the unemployment benefit be fixed at more than 12/- a week (men) or 12/6 (women).

The additional cost to the Exchequer.

The cost of the changes must be considered in connection with the negotiations now in progress with the doctors. If the new rate is limited to 10/-, the bare minimum which will secure the continuance of the present service, the total cost of medical benefit including mileage and drugs will be 15/-, and the additional cost to the Exchequer of the complete scheme will be:

(i) If maternity benefit be retained at 30/-  £1,550,000
(ii) " " " increased to £2.  £1,725,000
(iii) " " " " £2.10s.  £2,400,000

Under (ii) and (iii) the redemption of the reserve values will also be prolonged by five years, i.e. to 30-35 years instead of the present estimated period of 25-30 years; were it not for this, the additional cost to the Exchequer under either of those schemes would be increased by a further 500,000.

If, however, as I propose, the new capitation rate is 12/-, including mileage, the lowest figure which will secure the goodwill of the medical profession, the Exchequer liability will be increased by £1,050,000. Assuming that maternity benefit is increased as I propose to £2 and not to 50/-, the additional cost to the Exchequer of the complete scheme will thus be £2,775,000.
Maternity Benefit.

The view of my advisers is that if this benefit must be increased it need not be brought up to more than 40/-; there is no pronounced demand for material increase of this cash benefit; the public expectation seems rather for improved health services in respect of pregnancy and child-birth. The additional cost of £700,000 to public funds involved by an increase of the benefit to 50/- (£1,200,000 if the redemption period for reserve values be not extended) is therefore not regarded as essential.