Perspective

The British Public And The Debate Over The National Health Service

by David Willetts

Robert Blendon and Karen Donelan doubtless are correct in showing that a significant number of British people are skeptical about Prime Minister Margaret Thatcher's record on the British National Health Service (NHS) and worried about its health reform proposals. It is a pity, though, that their article, "British Public Opinion on National Health Service Reform," simply reports that there is public concern without either explaining the proposals in any detail or considering with any rigor the reasons for public dissatisfaction with both the NHS and the Thatcher government's proposals for improving it.

Background On The NHS

To understand the controversy surrounding the Thatcher government's policies on the NHS and particularly its latest White Paper, it is necessary first to set out some background. The contrast between the British and American health systems is one of the most vivid examples of the difference between our two political cultures. An American wishing to understand the NHS should not think of Medicaid or Medicare writ large but of the Veterans Administration and, perhaps most appropriately, the Indian Health Service. The British government is believed to have responsibilities for the health care of all British citizens; in America, only special groups such as veterans and Indians are entitled to such benefits. The NHS has nothing to do with a contributory record such as Medicare nor with being indigent as in the case of Medicaid. Having visited the Indian health care system in Arizona, I was strongly struck by the resemblances between it and the NHS. No Indian receives health services comparable to what an affluent, middle-class New Yorker receives. But every Indian gets better health care than an uninsured, low-

David Willetts is director of studies for the Centre for Policy Studies, a London think tank founded by Prime Minister Margaret Thatcher and Lord Joseph in 1974. He was an official in the British Treasury from 1978 to 1984 and served as a member of the prime minister's 10 Downing Street Policy Unit, specializing in social policy, from 1984 to 1986.

income New Yorker. The system was kept going by dedicated, altruistic doctors who earned much less than the market rate. In return for accepting a free service, the Indians tolerated waiting lists and queues, which would be unacceptable in other parts of America.

A system that is free at the point of use and publicly financed is inevitably going to be rationed. Queues are the result. That is an elementary proposition of economics. Despite what Blendon and Donelan imply, waiting lists in the NHS are nothing new. There was a waiting list of approximately half a million people when the NHS began in the late 1940s. It peaked at approximately three-quarters of a million at the end of the last Labour government in 1979, and since then it has moved roughly between 600,000 and 700,000. What has changed is social attitudes about queuing. In the old days, the NHS was sustained by a willingness to queue; when it was introduced in 1948, clothes, sweets, and meat were still rationed. In addition, patients deferred to upper- or middle-class doctors when they explained that no treatment for their illness was possible. But the spread of a more individualist and enterprising ethos has made it more difficult to sustain the social consensus behind queuing, which is an essential part of a health system financed out of general taxation and free at the point of use.

Thatcher's government is not proposing to change the financing system any more than its predecessors have. The government's policy is that the NHS should remain largely financed out of general taxation. The British people are deeply enamored of their system but increasingly dislike the inevitable consequence that there will be some queuing and that getting health treatment will never be the same as buying a motor car or going on a foreign holiday. But this government is prepared to live with that difficulty just as its predecessors have been.

The NHS does not just suffer from this tension in popular attitudes. It also suffers from a clear contradiction in its financing arrangement, which the government's White Paper is intended to resolve. This is a tension between general practitioner (GP)-driven decisions on the use of resources and a top-down financing system. When Aneurin Bevan introduced the NHS in 1948, he eventually won the reluctant acquiescence of the GPs by retaining their freedom to refer patients wherever they wished. Thus, in theory, a general practitioner in the British NHS can send a patient for hospital treatment to any hospital in the country.

The system for financing NHS hospitals was radically revised after the report of the Resource Allocation Working Party in 1974. Money is allocated to regions and districts largely on the basis of the morbidity patterns of their population, together with historical precedent. There is no reason why this top-down system of budgetary allocation should

match the pattern of claims on resources represented by GPs' referrals. GPs can refer patients outside their districts to popular or well-regarded hospitals, which under the current financing scheme will not necessarily have the resources available to treat those patients. The government's proposals on the NHS–drawing heavily on work by Alain Enthoven of Stanford University– introduce the new principle that money should follow the patient. This can be done in two ways. One way is for individual GPs who wish to do so to become budget holders. They will be directly given a budget with which to purchase hospital care on behalf of their patients. The other option is for district health authorities to consult local GPs on their referral practices and then to contract with hospitals accordingly. Either of these systems–and both are proposed by the government–should enable popular hospitals to gain more money by competing successfully with less popular hospitals.

The government's proposals are cautious on the financing of the NHS. They represent no real change in the NHS as a publicly financed system. They are, however, radical in encouraging public-sector hospitals to compete with each other for patient referrals and hence for funds. The reforms represent, therefore, an ingenious attempt to apply the Thatcherite principles of free markets and competition to a service that remains largely public-financed and that will be provided largely by public-sector institutions. I believe that this ambitious program can and will succeed.

The Public's Concern Over Thatcher's Reforms

There are five particular factors explaining the British people's anxieties, which are not discussed in Blendon and Donelan's article. First, there is a widespread belief that Thatcherites wish to dismantle the NHS. This is a false belief. It has arisen partly because many commentators and hostile politicians believe that if you wish to dismantle the state industrial sector (for example, gas and telephones), you must inevitably wish to dismantle the welfare state (hospitals and schools). But America is a good example of a very strong political consensus behind, for example, a public education system with absolutely no popular support for the nationalization of industry. That is increasingly the British attitude as well.

This mistaken belief that the Thatcher government wants to dismantle the NHS has also been encouraged, paradoxically, by its extremely cautious approach to the NHS during its early years in office. Then, the government simply boasted about its record of increasing expenditure on the NHS and managing the service better. People doubted that was the entire Thatcherite agenda for the NHS; hence, speculative journalists were always on the lookout for a much more radical secret agenda. Part of

the longterm political gain from the government's latest proposals is that at last a Thatcherite agenda for reforming the NHS is out in the open,

The second reason for public worries about the NHS is the vague and emotive term, "privatization." Privatization can be applied either to the supply of services or to their finance. But the provision of laundry services by an outside contractor rather than by the NHS hospital itself is far removed from private payment by patients for health care. Public-sector unions who feel threatened by the government's interest in privatizing some NHS ancillary services (such as cleaning and catering) have been very happy to lead the public to believe that this means that they will have to pay for services directly. Private payment for NHS services has never been the policy of Thatcher's government.

A third reason for the public's worries about the government's proposed health reforms is that the medical profession is hostile toward the reforms. The average voter is more likely to trust a doctor than a politician. It is obvious why the British Medical Association will be unhappy with the government's internal market reforms—the competition between hospitals will put them on their mettle and raise difficult questions about relative costs and relative performance of different medical teams. Doctors are trying to convince the public that this is also a threat to them.

Fourth, one of the sad but inevitable features of a publicly financed system is that people working in it have an incentive for self-denigration. Whereas in the commercial sector you gain more revenues by boasting of your achievements, in the public sector you gain more revenues by saying how terrible things are and thereby embarrassing the government to increase its budget. It is easy to measure the effect of this hostile propaganda by comparing people's beliefs about the NHS as a whole with their beliefs about their own treatment from the NHS. People are much more satisfied with their own experience of the NHS than with what they believe to be the general state of the NHS. The gap between these two measures indicates the success of the hostile propaganda.

The fifth factor is the inevitable dilemma of having a single source of public financing for health care. The British government essentially decides how much health care the British people should consume every year. It obviously makes no such decision about how many motor cars they should buy or how many foreign holidays they should enjoy. If a nation's health care is not the product of a large number of individual decisions but one budgetary decision at government level, it inevitably becomes a much more sensitive political issue than in those countries where the pressure is dissipated. That is an inevitable consequence of the financing system, which is supported by all political parties in the United Kingdom.