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DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

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Private Secretary  
10 Downing Street

8 March 1985

*Prime Minister:*

*This will be  
the issue of the  
early part of next  
week at least*

*Dear Andrew*

HEALTH CHARGES

I attach a draft of the statement my Secretary of State will be making on Monday. The statement will cover private patient charges as well as prescription and dental charges. I also enclose a note on key facts.

I shall circulate a fuller briefing note as soon as possible.

Copies go to Janet Lewis-Jones (Lord President's office), Charles Marshall (Lord Privy Seal's office), Murdo MacLean (Chief Whip's office), Richard Broadbent (Chief Secretary's office), John Graham (Scottish Office), Colin Jones (Welsh Office) and Graham Sandiford (Northern Ireland Office).

*Yours*

*Steve*

S A Godber  
Private Secretary

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DRAFT STATEMENT ON NHS CHARGES

With permission, Mr Speaker, I will make a statement on charges to be applied within the health service in the coming year.

The Government's detailed plans for spending in the coming year, published in January in the Public Expenditure White Paper, show that health service spending will rise to over <sup>M</sup>£14½ billion next year, an increase of <sup>800</sup>£670 million over this year. The great bulk of that extra spending will be paid for from public expenditure. But, as the plans made clear, the Government believes that there should be some increase in the proportion contributed by direct charges.

In the field of prescription charges, we are seeking an extra £20 million of income to help offset the increase in the drugs bill. At present some 72 per cent of prescriptions are dispensed free of charge and a further 6 per cent are covered by prepayment certificates. The elderly, those on low incomes, children, expectant and nursing mothers and people suffering from certain conditions do not pay any charges.

It has been suggested recently that we should narrow the range of exemptions rather than seeking other ways of reducing the drugs bill. But we believe it is right to protect those in need from the impact of charges and we do not, therefore, intend to make any change in the categories which are exempt from prescription charges. We have decided, however, that it is necessary to raise the basic prescription charge to £2. Even so, the charge will cover only some two-fifths of the cost of the average prescription.

There will also be equivalent increases in the cost of the prepayment certificates which can be purchased by those who require continuing and frequent medication. We have, however, decided to ease one aspect of the season ticket arrangements. In future, if a prepayment certificate is purchased by somebody who, within the next month becomes exempt, they will be able to receive a refund. This change will prevent some hard cases on which hon Members have made representations to me. I hope it will also, together with advertising which I intend to undertake, encourage more people to make use of the prepayment certificate facility.

In the field of dental treatment, the charges for specific treatments - crowns, inlays, bridges and dentures - will increase by 6 - 10 per cent. The maximum charge for any single course of treatment will increase by just 4½ per cent to £115. We have decided, however, to change the structure of charges for routine treatment such as fillings and extractions. At present patients pay the full cost of routine treatment up to a maximum of £14.50 but nothing thereafter. The effect of this can be that the greatest subsidy is given to people who neglect their teeth and seek treatment only when they need extensive intervention. We have therefore decided to relate the charge more closely to the cost of treatment. In future, patients will pay the full cost of routine treatment up to a maximum of £17 but they will also pay 40 per cent of any cost above that level. This new system will come into effect from 1 April.

The existing range of exemptions - for children, those on low incomes and expectant and nursing mothers - will continue. These exemptions account for some 45 per cent of all chargeable courses of treatment. Dental examinations will continue to be free of charge for all.

In the hospital service, the charges for private patients and overseas visitors will be increased by an average of just over 14 per cent although there will be variations for different types of charge and hospital. The increases are intended to ensure that the charges meet the full cost including all overheads some of which have not been fully allowed for in the past.

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I am today laying the necessary Regulations before the House to implement all these changes which will come into effect on 1 April. A note providing full details of the changes is available for hon Members in the Vote Office.

Mr Speaker, the effect of the changes I have announced today will be to provide an additional £60 million of income towards the extra £670 million of health service spending we are planning for next year.

The result will be that the health service remains predominantly funded by general taxation - which accounts for some 85 per cent of expenditure. A further 10 per cent is derived from National Insurance contributions. Even after the changes I have announced, patient charges will account for only some 10.7 per cent of the cost of the family practitioner services. Charge income for the NHS as a whole will account for only some 3½ per cent of total spending. That is considerably less than the figure of 5 per cent which applied some twenty years ago.

It is, in my view, a reasonable contribution to seek from those who are using the services concerned, particularly as those in greatest need receive all treatment free of any charge.

## NHS CHARGES : KEY POINTS

### GENERAL

3.2% of total NHS cost in line with earlier years.

10.7% of FPS cost financed by charges - about the same as in 1973-74 and the plan for 1984-85.

Income England £460m out of £14½ billion NHS cost.

#### Contribution to extra spending

£39m after deduction of GOS income  
[Increase £74m less £35m GOS = £39m]

Real terms increase £58m, price £16m  
£600m extra spend on NHS, £100m on FPS

### PRESCRIPTIONS

Charges Increase to £2 (£1.60) - 25%  
Season ticket 4 month £11 (£8.50)  
12 month £30.50 (£24)

Additional income £19m on top of £124m

Exemptions - 72% prescriptions free  
No change 6% season ticket

Pensioners

Children

Expectant & nursing mothers

SB FIS low income.

#### Drug costs

2/5ths of cost of average  
prescription covered by charges.  
Average cost per prescription static  
[indexing charge of £1.60 by RPI  
gives £1.70]

Season ticket Refunds now if holder  
exempt or dies in 1st month

Numbers dispensed (excluding dispensing  
doctors)

1979 - 305m

1983 - 315m

1984 - 320 (est)

### PRIVATE PATIENTS

Changes 14% overall increase  
total contribution £62m (£55m)

Defensive increase to recover full  
capital and admin. cost (+ 7½%) and  
increased costs of 6½%.

### OVERSEAS VISITORS

Increases in line with private  
patients, estimated income £2¼m (£2m)

DENTAL - about 30 million courses of  
treatment costing £708m 1985-86.

#### Charges

Additional income in full year £49m  
(£35m in real terms) on top of £172m.  
Income 31.2% of cost.

Routine treatment : 100% charge up to  
£17 (£14.50) plus 40% of cost over £17 (new)

Crowns & dentures : £26 (£24) to £98 (£92)

Maximum charge : £115 (£110)

Average charge £18.30, increase of 23%

#### No charge for (no change)

Check ups

Children and those at school up to  
age 19

Expectant and nursing mothers

SB FIS Free milk/vitamins

HELP for those on low income (no change)

#### Defensive

Increase necessary to contain costs of  
services

Old system unfair on regular attenders

Taxpayer still meets nearly 70% of cost  
46% of chargeable treatment given free

Those who pay pay on average some 60% of cost

Only 0.3% pay the maximum charge.

### OPTICAL SERVICES

Changes 1984 Act; Low income & children  
remain eligible for subsidised glasses;  
concession for poorly sighted to have  
GOS glasses at economic cost.

Opticians allowed to advertise.

#### Defensive

Free sight test available to all

Opticians must give prescription to patients  
who may 'shop around'.

Children's glasses must be dispensed by  
registered opticians

Freeing dispensing and introducing advertising  
increases choice and reduces cost of glasses.