PRESS RELEASE - For immediate release

Radical Statistics

Alternative methods of funding the NHS could be wasteful

An insurance based health service could cost more money without actually improving the extent and quality of health care in the UK.

This is the view of Radical Statistics Health Group who have just submitted evidence(1) on payment for treatment and administrative costs to the House of Commons Social Services Committee's enquiry on resourcing the National Health Service.(2)

Their memorandum points out that the UK spends a lower percentage of its Gross Domestic Product (GDP) on health care than most developed countries, which suggests that it could afford to spend more. The key question though, is how it is spent.

Administrative costs could work out higher in an insurance based system says the Group. At present, less than 5 per cent of NHS expenditure goes on administrative costs. France operates a publicly funded insurance system, and the proportion spent on administration is almost twice as high. This is because staff costs to collect and repay money to patients forces up the administrative overheads. Similarly, recent proposals in the UK for 'internal markets' and 'income generation schemes' will undoubtedly add to administrative costs.

There are other ways in which increased spending does not guarantee the availability of better care. In the United States, a very high spender, people covered by private health insurance may receive unnecessary treatment while well over 30 million people remain totally unprotected against the cost of illness.

Even within England and Wales, comparisons between the NHS and the private sector suggest that there may be over-treatment in the private sector. For example, higher rates of caesarean section and forceps delivery have been found among women using pay beds, compared to women having babies under the NHS.

Radical Statistics Health Group concludes that although more funds are needed at present to compensate for the underfunding of past pay rises and the changing needs of the population, simply providing further funds will not of itself solve its long term problems of the NHS. Attention should also be given to collecting information which would allow a proper evaluation of the effectiveness, efficiency and the appropriateness of the care it provides.

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Footnote to editors
1. The memorandum 'Resourcing and evaluating the National Health Service' was based on material from 'Facing the figures: what really is happening to the National Health Service?' which can be obtained from Radical Statistics Health Group, c/o BSSRS, 25 Horsell Road, London N5 1XL, price £3.95 plus 50p p & p.
2. The House of Commons Social Services Committee is currently carrying out an inquiry into 'Resourcing the National Health Service'.

Resourcing and evaluating the National Health Service

This memorandum summarises some of the main arguments in our book 'Facing the figures'[1], which we are sending as evidence to the House of Commons Social Services Committee's enquiry into resourcing the National Health Service, and relates them to the enquiry's terms of reference.

Any discussion of trends in NHS spending must be related to changes in the needs and age structure of the population it serves. The numbers of people aged 75 and over are increasing and people in this age group make much heavier use of health services than do younger people. In addition, there are now fewer younger relatives available to care for very elderly people. Continuing developments in medical care have increased the range of treatments which can be offered both to elderly people and to people of all ages. The last few years have seen the rise of the AIDS epidemic. Added to this, there is evidence that government policies leading to increased unemployment and to a wider gap between rich and poor have had adverse effects on the people concerned.(pages 7-35)

Although global NHS spending in England has increased ahead of inflation, a signifigant proportion of this rise was concentrated in the period 1979-81. This resulted from the Clegg Committee's awards agreed by the previous Labour government but implemented in 1980, and the reduction made in the contract hours of nurses and midwives to comply with EEC regulations. Since 1982, growth has been very much slower and has scarcely kept pace with the changes in NHS pay and prices, a much more relevant yardstick then general inflation.

This is particularly true in the hospital and community health services, where the government has failed to fund in full the pay awards given to doctors, nurses, midwives and professions supplementary to medicine. Their salaries account for nearly half of spending on the hospital and community health services. Regions and districts which have been losing funds under RAWP have been particularly severely affected. Thus the hospital and community health services in many districts have been unable to meet growing needs without cuts in services elsewhere.(pages 36-71)

Although much has been made of 'efficiency savings' or 'cost improvement programmes', there is no firm evidence that they are real increases in efficiency, rather than cuts in services or the pay of those providing them. (pages 46-47) In particular, although much has been made of the 'savings' from privatisation, the many hidden costs are usually ignored.(pages 122-130)

Recent proposals for alternative ways of funding the NHS have focussed on how much money could be raised, while ignoring the question of how effectively it would be spent. The United Kingdom spends a lower percentage of its Gross Domestic Product (GDP) on health care than most developed countries. This suggests that we could afford to spend more, but it does not follow that we should spend it in the same way as other higher spending countries. (pages 99-103)

In particular, the United States spent 10.7 per cent of its GDP on health care in 1984, compared with 5.9 per cent in the United Kingdom.[2] Yet, there is considerable evidence of wasteful over treatment of people covered by private health insurance while between 37 and 49 million people have no protection at all against the costs of illness and Medicare and Medicaid provide patchy coverage for the people who are least well off. Although the United States spends 4.4 per cent of its GDP on publicly funded health care, the coverage of this is very restrictive compared with what is bought with the 5.3 per cent of the UK's GDP which is devoted to the NHS.

A major factor in the United States, and in other systems based on health insurance is the potentially distorting effect of item of service payments. These have a tendency to encourage tests and treatment procedures which may not be strictly necessary. Even within England and Wales, such differences can exist between the NHS and the private sector. For example, caesarean section and instrumental delivery rates are considerably higher among women using pay beds than for women using the NHS. (pages 120-121)

Even where insurance based systems are publicly funded, as happens in France, their administrative costs are higher than in our service which is free at the point of use. This is because staff have to be employed to collect money from patients, and another set of staff to pay the money back later. (pages 101-103) Recent proposals for 'internal markets' and 'income generation schemes' could, however, increase administrative costs in the UK.

The evidence suggests, therefore, that changing to an insurance based system might well increase spending without necessarily increasing the extent and quality of health care. On the contrary, comparisons with other countries suggests that our pattern of care uses resources more efficiently than theirs and should be retained. It does, however, suffer from the successive underfunding of recent pay rises at a time when additional funding could have been justified on the grounds of growing needs.

The increase in the numbers of nurses has been greatly exaggerated because of the statistical implications of the decrease in their contract hours in 1980. (pages 50-56) In fact, there is a pressing need at present to deal with the shortage of nurses in many parts of the country. It is not only pay but, also conditions which are driving nurses away from the NHS and there is no point employing more nurses if some of their work might be more appropriately done by clerical or ancillary staff. There is a need, therefore to improve the pay of these staff as well as that of nurses.

Although there is clear evidence of underfunding at present, indiscriminate provision of extra funds would not of itself solve the problems of the NHS. Instead, information needs to be compiled to enable the care given under the NHS to be evaluated to assess its effectiveness and appropriateness while monitoring its progress towards its underlying aims set out in the 1944 White Paper:

'To ensure that everyone in the country - irrespective of means, age, sex or occupation - shall equal opportunity to benefit from the best and most up-to-date medical and allied services available.

To divorce the care of health from questions of personal means or other factors irrelevant to it; to provide the service free of charge...and to promote a new attitude to health - the easier obtaining of advice early, the promotion of good health rather than the treatment of bad.'

Radical Statistics Health Group

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1. Radical Statistics Health Group. Facing the figures: what really is happening to the National Health Service? London: Radical Statistics, 1987.

2. Written reply. Hansard, December 18, 1987, col 928-929.