

No such thing!

Political debates about the NHS in the eighties

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Some ideas summarised here were in the mainstream of public debate. These are presented in black text. Others were not in the public gaze, but in specialist domains. These are in **green**.

The NHS story

When it was set up in 1948, the National Health Service in the UK was seen as the jewel in the crown of the Labour Government. Through the NHS, health care was available to all and free at the time of need. It was funded from general taxation. Hence it was extremely popular.

The NHS as an institution

Because the NHS is run as a 'central allocation' economy, there is inevitably a problem of oversupply and shortages. Central allocation economies rely on shortages and bottlenecks to guide investment, there being no price mechanism to tell those allocating funds where to increase or decrease investment. The NHS was not a 'planned economy' when it was founded. For example, there was no menu of services available to the public, which gave rise to variability in provision. If anything, the NHS has become more planned in the last decade, not less.

In fact the NHS was from the outset a mixed economy: it was both nationalised (the hospital network) and franchised (general practice, dentistry, optics and pharmacy), with a loose, decentralised management structure. Some services have been outsourced for a long time (termination of pregnancy, hospice care)

The political challenge

The public debate focussed on anti-professionalism and unresponsiveness. There were criticisms of flawed judgements, said to be distorted by self-interest, and there were demands for more efficient management of resources. Private provision, it was argued, would make the service more responsive. The problem of variability, it was argued, should be dealt with through tight management and central direction.

Conservative strategy

At the Carlton Club conference, in 1983, plans were put forward for health provision to be based on full economic costs and funded by social insurance on the European model of compulsory earmarked taxation (perhaps based on an expanded form of National Insurance). Conservative strategy was seen publically as being based on privatisation of health care, with a residual public sector for those without private health insurance.

The political response

There was public debate about the inequity of the anticipated privatisation, particularly with reference to the US experience. The government's transatlantic orientation was shared by its critics, and was fuelled by publicity about predatory US companies and their activities in the UK.

The debate focused on the underfunding of the NHS, but overlooked the phenomenon of 'provider capture' that is also inevitable in a centrally allocated economy – there are always shortages, and providers (doctors, hospital managers) are always pressing for more resources.

The alternative critique of professionalism hinged on the distortion of professional judgements by commercial interests, in particular the pharmaceutical industry (through the 'medical-industrial complex' that made medicine and pharmaceutical interests merge). The outcome of this clash of perspectives on professionalism resulted in the movement to develop evidence-based medicine.

Consequences for today

As the Government's policies were implemented throughout the 1980s and 1990s, the NHS was changed in various ways:

- Industrialisation of medical practice occurred: with weakening of professional control of the NHS, more consumer challenges to professional power, and much more rigorous central description of what constitutes good quality care.
- Underfunding was used as a policy instrument, in the name of efficiency
- Enlargement of the mixed economy occurred after 1997 (with Foundation Trusts, PFI contracts etc, which are widely seen as forms of 'privatisation')
- Various experiments were introduced using market mechanisms, in the 1990s; for example fundholding, and the purchaser-provider split. Some were based on a 'retail' model, competing on price (fundholding), and others on an 'industrial' model, competing on quality at a fixed price (the purchaser-provider split, and the current Payment By Results system).
- The NHS is run increasingly with a 'full economic costs' model, although not all costs are known, even now. This part of the Carlton Club conference's objectives has been achieved, but it has taken over twenty years.
- *But the social insurance model that the Carlton Club anticipated remains marginal to the policy debate.*

Looking back at the eighties, much of the policy debate was hidden below the threshold of public discourse, as it is today.

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