

DEBATE ON THE FUTURE OF NHS FUNDING, HOUSE OF LORDS, THURSDAY 11 JULY 2013

Lord Owen: My Lords, following on from what the noble Lord, Lord Desai, said, one of the strengths of what was initially introduced as an internal market was that it would be able to show people the costs of healthcare in a far more systematic way than hitherto. In my view, it is a tragedy that the internal market has been changed into an external market, and we have lost the growing acceptance of people in explaining—particularly doctors and those who make financial decisions in the health service—what it costs.

I come to the main subject of the debate, the future funding of health, and the very objective and fair explanation by the noble Lord, Lord Patel, of the various options. I have no doubt where I come out: I agree with the Wanless committee, which looked at this in some detail. It is still worth reminding ourselves of some of his report's words:

"Out-of-pocket payments for higher levels of non-clinical services may provide one means of meeting demands for greater choice and responsiveness ... The key conclusion to this Review, however, is that the current method by which healthcare is financed through general taxation is both a fair and efficient one from a macroeconomic point of view".

I stress another fact: very unusually, we have had a social experiment in paying for the National Health Service. When the previous Labour Government substantially increased health expenditure, which was a very good decision, they paid for it by increasing the national insurance contribution. Far from being unpopular, that was an extremely popular decision.

With that experience, we have to take the next step, which is to break down the Treasury's reluctance to earmark taxation and have on everyone's tax form what is spent on the National Health Service out of their taxation contribution. They can break it down further into what comes straight from tax and what comes from national insurance. Most people in this country have felt for many decades that their national insurance contribution pays for the

National Health Service. Many people are arguing for a greater contributory element in our social financing. The NHS provides a wonderful vehicle for that; it is popular and people are prepared to contribute more. If we had earmarked taxes on our tax forms and if we then raised national insurance contributions, all that would be seen for what it was on the tax form. In my view, that would gradually shift the national insurance contribution and it would be seen to be the mechanism of funding, but you would still need a taxation top-up.

That is my practical suggestion, and it could be done initially to simply explain the overall cost of the National Health Service that you yourself are contributing. If that was open and earmarked, and people felt that that money was going to the National Health Service, there would be much greater acceptance. The big macroeconomic factor in this climate is not ageing, which I will come on to in a moment, but the fact that we are very likely to have a sustained period of much lower growth than we have had over the past 20 or 30 years.

On the question of ageing, the speech by the noble Lord, Lord Filkin, was very strong. My warning, particularly to those working on the Lords Committee reports on ageing, is that this is a much more complex issue. All the evidence so far that an ageing society has this great cost claim on the NHS was rejected in 1999 by the Royal Commission on Long-Term Care of the Elderly, the Sutherland commission, and three years later the Wanless report concluded that:

“Across all scenarios, the contribution of demographic change to future costs is relatively modest”.

Similar findings have been reported in the USA, Canada and Australia. There is also the supreme irony of regarding increased longevity as a problem when it is one of the great prizes of economic growth.

We should be careful in this whole area and have a little more history. My generation of doctors in the 1960s was faced with men of 50 dying a long, racking death because they had smoked, or in some cases because they had industrial diseases like

pneumoconiosis or asbestosis. That is now very rarely seen because of the massive public health contribution of people giving up smoking.

That longevity has brought about a different type of death, too, and we should face that. The warning on that came from obesity. I have no more time to go on to that issue, but every word of the statement by the noble Lord, Lord McColl, is vital in order to realise that this is a new public health scandal. Alcoholism and binge drinking among young people are also a problem. In 20 or 30 years we will pay a very heavy price for this, and we have to start doing something and spending money to stop it now.