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If you answer Question 2 put a cross in this box .

**Question 2** **Health care provision in the UK**

**Extract 1: Improvements to the National Health Service (NHS)**

There are major external benefits from health care provision which justify government funding of the National Health Service (NHS). However, in 1997 the NHS was widely held to be in crisis. Government spending on the service was just 6.8% of gross domestic product, well below the level of countries such as France and Germany. The number of hospital beds had been falling for years and 1.2 million people were waiting for operations. Doctors and nurses complained of being overworked and underpaid. 5

Eight years on and significant improvements have been made according to a report by the Kings Fund, an independent research body. Since 1997, government expenditure on the NHS has increased in real terms by 70% and it is set for further increases up until 2008. This is an attempt to keep up with increasing demand and cost pressures on the health care budget. 10

There is an ageing population and increased public expectations of the quality of healthcare. New diseases and treatments have also emerged. The number of patients treated has increased but at considerable financial cost. Over 100 new hospitals have been built since 1997 and staffing levels have risen, with 10,500 more doctors and 20,000 more nurses. Wages and medicine bills have also grown at a faster rate than inflation. 15

Source: adapted from 'Inside the NHS' by Lois Rogers, *Sunday Times*, 20 March 2005, p.15-18

**Extract 2: The internal market in the NHS**

In April 2005, the government reintroduced the internal market within the NHS in an attempt to reduce the local monopoly power of hospitals. It scrapped the block payments system to hospitals where their income reflected previous budgets. They are now paid directly for the work undertaken. This means every patient's treatment has a price tag attached and it will create competition between hospitals. Patients have more choice over where to be treated. 5

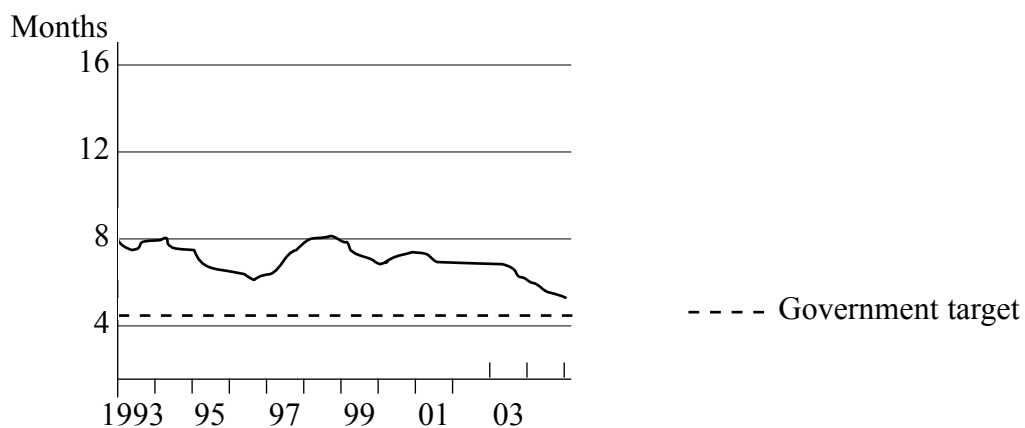
The government believes that paying by results will encourage hospitals to do a lot more with the extra resources they have been given. Higher productivity is essential if the government is to meet its ambitious target of a maximum waiting time of four-and-a-half months for all operations by 2008. 10

However, the new system is not without problems. Hospitals will have an incentive to offer services which attract higher payments rather than those which do not. For example, short stay admissions attract higher payments than standard attendances at an Accident & Emergency department. Consequently, resources might not be allocated to where they are most needed. 15

Source: adapted from *The Economist*, 8 January 2005

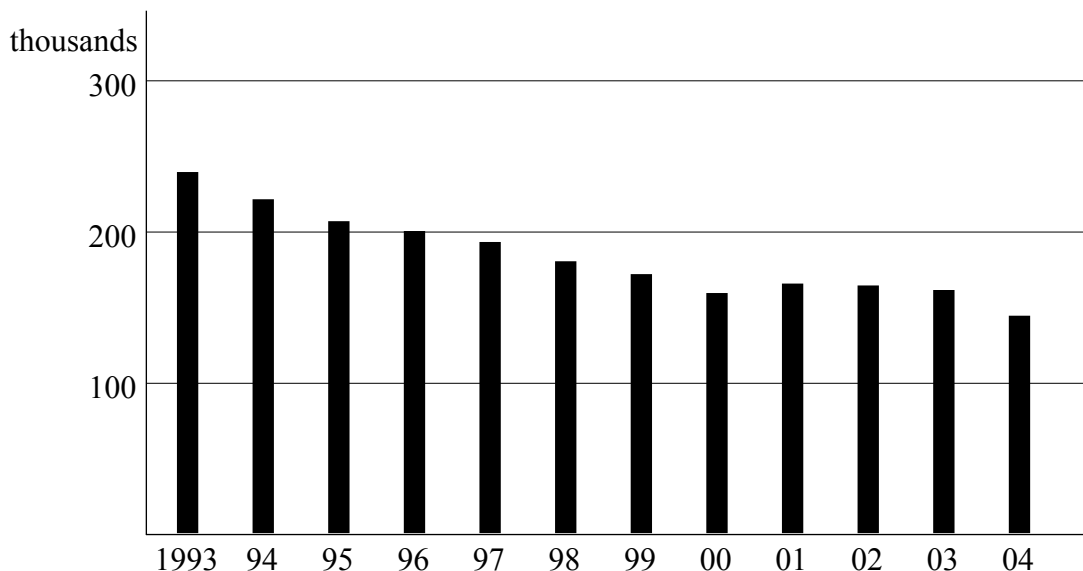


**Figure 1: Average waiting times for treatment in NHS**



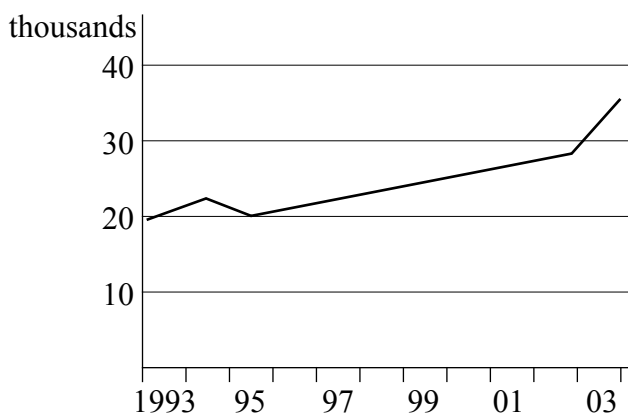
Source: www.kingsfund.org.uk

**Figure 2: NHS hospital beds**



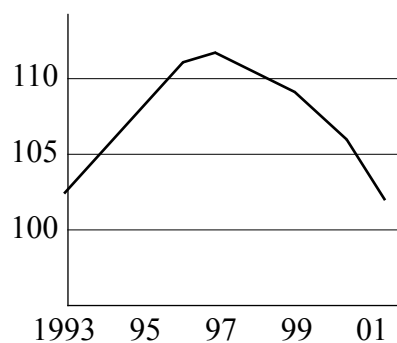
Source: www.kingsfund.org.uk

**Figure 3: Number of NHS hospital managers**



Source: www.kingsfund.org.uk

**Figure 4: NHS labour productivity index (Base year 1991 = 100)**



Source: www.kingsfund.org.uk





















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