

**Submission from Frank Field MP to the House of Lords**  
**Select Committee on the Long-Term Sustainability of the**  
**NHS**

**Introduction**

1. The roots of the NHS are deeply embedded in our society. It has always contained an ethical ideal. We now live in an age in which our ethical language is dying out and yet, possibly, our ethical stimuli in respect of the NHS are as strong as ever. The founder of the NHS, Aneurin Bevan, defined its purpose as ‘society becomes more wholesome, more serene, and spiritually healthier if it knows that its citizens have at the back of their consciousness the knowledge that not only themselves, but also their fellows have access when ill, to the best that medical skills can provide’.<sup>1</sup> The funding crisis which is increasingly engulfing the NHS puts that ethical ideal, made a reality, at risk. But not all is lost.
2. The House of Lords Select Committee on the Long-Term Sustainability of the NHS is of the greatest importance if this ideal is to continue and to be developed in a way that safeguards the long-term future of our country’s health and social care services.
3. If the NHS was being devised today we would probably suggest many changes. One change that

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<sup>1</sup> Bevan, A., *In Place of Fear* (London: Quartet Books, 1978, first published in 1952): p. 100  
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would meet with universal approval is that the NHS and social care cannot be considered as separate issues. The crisis in one reinforces it in the other.

4. This submission to the Select Committee looks at what I believe to be the most ethical and financially effective means open to society by which the future funding of the NHS and social care can be secured and onto which existing funding can be transferred. We live in an age in which taxpayers are rightly sceptical of handing over large parts of their income to politicians who decide how that money is spent. That is what occurred when the most recent major step change was made to NHS funding.

5. **The proposal here is for a hypothecated National Insurance contribution which would in the first instance pay for a necessary increase in funding that will have to occur during this Parliament, over and above the sums to which the Government is committed. The proposal is that, over time, the rest of the health and social care budget should be transferred onto this new, progressive National Insurance base, but that the Government would then commit itself to making equal, commensurate cuts in the standard rate of tax.**

## Proposals

6. I welcomed the opportunity to give oral evidence to the Select Committee and here is the written evidence I promised to submit. The Select Committee's work could not have been better timed. While there are many proposals for reform, there is no one set of proposals carrying Parliament's authority around which public opinion could quickly unite. The Select Committee in choosing to undertake its work now, and publishing a report by March 2017, has clearly put itself in poll position to lead yet another of Britain's quiet revolutions.

7. The funding of the NHS for the remainder of this Parliament is built upon extremely shaky foundations.<sup>2</sup> It is therefore likely that at some stage in this Parliament, the Government will be made by public opinion to increase the NHS budget. It would be a pity if this opportunity was not seized upon to begin to:

- recast how the NHS is financed;
- incorporate both the NHS and social care services into a more comprehensive health package;
- clearly earmark and deliver any increased expenditure to a combined health and social care budget; and

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<sup>2</sup> See Appendix  
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- establish a new governance arrangement between the electorate, health and social care services, and the Government.
8. The submission I wish to make centres around the use of a reformed National Insurance base as a new form of contribution to health and social care services. The little evidence we have shows that the public sees a distinction between National Insurance contributions and general taxation. This evidence suggests the public sees a difference between:
- an increase in general taxation which it dislikes;
  - and
  - an increase in National Insurance contributions which it understands and supports on the condition that it is hypothecated to an electorally determined end.<sup>3</sup>

The basis of this submission is that the Select Committee should build on this distinction. I hope the Select Committee will be radical in its proposals and see that any short-term necessary increases in National Insurance contributions should mark only the beginning of the process of moving towards a totally new way of the nation financing and owning health and social care services.

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<sup>3</sup> Field, F., Diamond, P., and Todd, J., *Mutual endeavour: Winning support for a 21st century NHS* (London: Policy Network, 2015): p. 7  
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9. The longer term reform I wish to advocate consists of:

- A National Health and Social Care Service that would deliver health and social care;
- A National Health and Social Care Mutual that would undertake key functions with the Service; and
- A progressive, hypothecated National Insurance base that would fund the new Service.

10. The three main functions of the Mutual would be to:

- ensure that the funds allocated to the Service were fully received;
- begin a dialogue with the Service on how best improvements in the delivery of care to patients can be achieved, so that the best possible value is obtained for each pound of National Insurance contributions. It would work with the existing services – the last thing health and social care services need is somebody to throw all the pieces up into the air again. In the longer term, the Mutual would lead a debate on the future shape of a Service that is not in a financial crisis; and
- take on a similar role to the Office for Budget Responsibility in drawing upon current trends to forecast the likely patterns of demand for health and social care, and the necessary levels of

expenditure to meet that level of demand. Its forecasts should be used to launch a dialogue with the public on the size of contributions that will be required to finance health and social care and to meet the nation's expectations of the Service. Equally important will be to conduct wherever possible a conversation with the Mutual membership – all UK-born members of the public who are included within the National Insurance system, people who were born outside the UK but who have built up a set period of National Insurance contributions, and the Service's own staff – on the size of the increase in contributions that will be required if the current rules of accessibility, the embracing of new drugs and technology, the maintenance and extension of cosmetic surgery are to continue to be part of the new services menu, and the best shape of health services to meet this objective.

11. In the first instance the governing Trustees of the Mutual should be appointed by the Government. Eventually, the Mutual should be governed by Trustees who are elected by its membership and would include a representative from the Service's staff. The Mutual would mark a major change in what is regarded as 'governance' in this country. Having a

major part in setting the level of health and social care contributions denies power to the Treasury. But needs must. I see no other way of health and social care services gaining from taxpayers the monies they require, unless the Treasury surrenders its objections to hypothecation.

12. This reform would work with the grain of voters' wishes, rather than against them. It would be also advantageous for the future Mutual members, as owners of the Service, to feel that they are getting a flavour via the first instalment of the reform.
13. A first suggestion is that to meet the immediate and growing funding crisis in this Parliament:
  - the Government considers introducing a penny increase in employees' and employers' National Insurance contributions;
  - this penny increase applies to all contributors below and above the Upper Earnings Limit, but not to those below the Lower Earnings Limit; and
  - this new source of revenue heralds the establishment of the Mutual. It is crucial that this body is established quickly in conjunction with, or shortly after, the increase in National Insurance contributions. Last time, when a penny was put on National Insurance, much of the additional revenue was diverted to non-NHS projects.

14. The longer term aim would be to transfer the whole of the health and social care budget over to the Mutual.

Before such a move was made, though, it would be desirable to reshape in its entirety the contributory base of the existing system along progressive lines.<sup>4</sup>

15. Likewise, as part of the public dialogue on this reshaping exercise, the Mutual would need to emphasise that, currently, only one fifth of National Insurance contributions currently go to the NHS – the overwhelming majority of the monies collected goes to pensions. The suggestion is that:

- the Lower Earnings Limit for a progressive, hypothecated National Insurance base should be raised to the current Income Tax threshold, thereby giving a tax cut to the lower paid;
- a 10p band should be introduced between the Lower Earnings Limit and a 20p band – the standard rate for Income Tax;
- the full contribution rate should apply from the 20p band, a higher rate should apply from the 40p band, and there should be no Upper Earnings Limit on the contribution;

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<sup>4</sup> This should provide a blueprint for further such mutuals in time covering unemployment and sickness benefits, as well as the State Pension.

- the National Insurance exemption covering employees above the State Pension Age should be abolished, as part of the financing of social care.
16. The extension of the contributory base to cover employees above the State Pension Age is key to changing the way we pay for social care. It begins the process of moving the country away from a predominantly means-tested system of paying for social care, to a contributory one in which care is provided free at the point of use. A crucial advantage under this proposed system is that pensioners need not worry about having to sell their home, to pay for care. They will have paid for it, instead, through their record of National Insurance contributions. This aspect will need to pick up on the Note of Dissent submitted as part of the Royal Commission on Long Term Care.<sup>5</sup>
17. Part of the debate must be on whether extending the National Insurance contributory base to people over the State Pension Age would produce enough revenue. The rate at which contributions are levied for pensioners' incomes, and whether a fair contribution from pensioners is being made, can be considered once the principle is accepted.

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<sup>5</sup> 'Note of Dissent' in The Royal Commission on Long Term Care, *With Respect to Old Age: Long Term Care – Rights and Responsibilities* (London: The Stationery Office, 1999)  
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18. This reform programme should not be used as cover for double taxation. It is therefore suggested that each tranche of £4.5 billion raised for the Service should be accompanied by a 1p reduction in the basic rate of tax.

19. The House of Commons Library analysis of the costings and the monies resulting from the proposals here is as follows:

- A penny increase in employees' and employers' National Insurance contributions would raise £51.2 billion in the five years to 2020-21.
- Introducing a progressive, hypothecated National Insurance base along the lines set out in this submission would raise an annual budget of at least £140 billion.
- Abolishing the National Insurance exemption covering employees above the State Pension Age would raise at least an additional £6.7 billion each year.

20. The NHS now has a unique place in the public's affection. Surveys show that the public not only wish to support the vision they have for the NHS with adequate financial contributions, but that they are up for a change in funding which will deliver them a better health and social care package when they need it. Having a greater sense of control over the money, and the vision of the Mutual members, I believe to be crucial to the next stage in the life of the one

institution of the Attlee Government which still commands the affection of voters.

21. This common affection for the NHS carries a huge advantage, at a time of major fracture in our society. Here is the one organisation to which people feel its binding qualities. Taking in the funding of social care marks also a clear development in a service to which the public is committed.
22. The reforms will not be the last word on an evolving National Health and Social Care Service. But I believe they offer the best prospect of funding open to such a Service, and one which will raise the spirits of the electorate at this time.

## **Appendix**

The total funding gap in England, covering the period from 2016-17 to 2020-21, is £56.6 billion. The House of Commons Library estimates that across the United Kingdom, the equivalent gap reaches £67.7 billion.

Efficiency savings are expected to reduce the gap in England by £22 billion. However, grave doubts have already been raised as to whether the NHS can deliver the size of the efficiency savings that are a key part of its current funding settlement. Likewise, the dispute continues over whether the current funding settlement has taken fully into account the differential impact of health inflation, as well as the ageing of the population.