



Treasury Chambers, Parliament Street, London, SW1P 3AG

The Rt. Hon. Alan Milburn MP
Secretary of State
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

8 July 2002

Dear Alan,
NEW CONSULTANT CONTRACT

Thank you for letting me see your letters of 10 and 11 June on the proposed framework for the new consultant contract.

2. This is clearly a key part of delivering the reforms to the NHS set out at the time of the Budget in April and my main concern is that the package should be affordable and represent good value for money. I understand that the final package remains within the 15% envelope for the long term increase to consultants' pay arising from pay reform and is therefore affordable for the 5 year SR2002 period. You will also need to consider whether the expected rate of increase to the consultants' overall paybill beyond that period looks sustainable.

3. On value for money the productivity gains for consultants at 1.5% a year look modest against a background of overall NHS resources going



up by some 7% a year in real terms. However I do recognise that increasing productivity at the same time as expanding the consultant workforce quickly is challenging. The key issue must be to ensure that the new contract will bring about the sharp increase in NHS activity your plans require if you are to meet your waiting times targets. Your proposals for job planning should help provide NHS managers with greater clarity about consultants objectives. But I remain concerned about how managers will use the new contract to raise consultants' performance and I would be grateful if you could share your proposals on this.

4. Turning to private sector work, what impact are your new proposals to reward consultants making a long term commitment to the NHS likely to have? As we understand it as long as a consultant can earn as much from private sector work as the NHS threshold payment to which he or she would otherwise be eligible it is in his or her interest to undertake the private sector work without offering more time to the NHS. This does not in itself appear to tackle the perverse incentive for consultants to keep NHS waiting lists long. I should be grateful for your views on this.

5. You have agreed a 3 year 10% pay deal for consultants with which I understand the pay review body is content. But I am keen that this should be tied down formally to ensure that the pay review body does not make any recommendations on basic pay or spine points over that period.



6. I am copying this to the Prime Minister and to UK Health Ministers.

A handwritten signature in black ink, appearing to read 'P. Boateng'.

PAUL BOATENG