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DEPARTMENT OF HEALTH  
ALEXANDER FLEMING HOUSE  
ELEPHANT AND CASTLE LONDON SE1 6BY  
TELEPHONE 01-407 5522 EXT 6297  
GTN (2915)

Your reference:  
Our reference:

M.R.H.A. - ADMIN.	
RCVD. 1 - NOV 1988	
FOR ACTION BY <i>PAF</i>	
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<i>RM</i>	
<i>RAM</i>	

Dear Regional General Manager

28 October 1988

**PHLS/NHS LABORATORIES**

I wrote to you on 14 April 1987 seeking your views on proposals for new arrangements governing the funding of microbiology diagnostic services supplied by the Public Health Laboratory Service. In my subsequent letter of 31 December 1987 I advised you that no new financial arrangements would be introduced during 1988/89.

2. A joint DHSS/NHS/PHLS Steering Group was set up following the consultation exercise and the unanimous view was that the Department's proposals for funding were not practicable at present. These, you will recall, involved the total management and financial responsibility for laboratories providing diagnostic facilities for DHAs to be vested in PHLS; and for the total cost of these facilities to be transferred to DHAs. DHAs would then pay PHLS for an agreed level of service. The Steering Group concluded that the necessary information on workload and costs was not yet available to support such a system.

3. The Steering group did however agree that long term funding and management arrangements for PHLS diagnostic services should be reconsidered when management information systems, providing reliable inter-laboratory comparisons, are in place throughout the NHS and PHLS. The primary need is for reliable workload measures and these are being developed and piloted by the profession. For the interim they proposed funding increased diagnostic workload out of the HCHS cash limit.

4. We reported back to the NHS Management Board on the Steering Group proposals and they have agreed that:

- i. For an interim period, the cost of future increases in the volume of diagnostic tests, should be funded from the HCHS cash limit with PHLS being monitored for their performance against workload growth and efficiency savings targets;
- ii. the further development of management information in pathology should continue to be pursued.
- iii. the funding of PHLS peripheral laboratories be considered again once improved pathology management information systems incorporating the new workload measures are in general use.

**E. R.**

5. From this you will realise that early changes in the current funding arrangements are not in prospect. We shall, however, in line with the Steering Group's recommendations, pursue improvements in pathology workload measurement and costing; and seek NHS views if there were any indications that PHLs workload growth was outstripping that in NHS microbiology laboratories. We hope that Health Authorities and PHLs will continue to collaborate closely in planning the provision of services.

6. This letter will be cancelled and deleted from the current communications index on 31 October 1989.

*Yours sincerely*  
*M Harris*

M A HARRIS  
Health Services Division