

KING EDWARD'S HOSPITAL FUND  
FOR LONDON

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MEMORANDUM OF EVIDENCE

SUBMITTED TO THE

Royal Commission on  
Workmen's Compensation

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*April 1940.*

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# ROYAL COMMISSION ON WORKMEN'S COMPENSATION

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1. The King's Fund was founded by King Edward VII, when Prince of Wales, in 1897, to secure more efficient aid and support for the Voluntary Hospitals of London. It was incorporated by King Edward's Hospital Fund for London Act, 1907. His Royal Highness the Duke of Kent is now President. The Fund made grants in 1938 to 146 hospitals within 11 miles of St. Paul's, which had 19,043 beds and treated 296,308 in-patients and 2,011,756 out-patients. The annual distribution in recent years to hospitals and convalescent homes has been £300,000.

This Memorandum of Evidence has been prepared by a joint Subcommittee appointed by the Revenue Committee and the Voluntary Hospitals Parliamentary Committee of the Fund, of which Committees Lord Luke and Lord Macmillan are the respective Chairmen.

#### VALUE OF THE TREATMENT OF INDUSTRIAL INJURIES IN VOLUNTARY HOSPITALS

2. The Workmen's Compensation Acts in this country do not make any provision for the expenses of medical or surgical treatment. The injured workman receives only part of his previous wage and cannot himself contribute to those expenses. As the National Health Insurance Acts provide only for the services of general practitioners, the more advanced treatments have to be given by hospitals. Besides the other benefits which these treatments confer on the patients and the community, they greatly reduce the cost of compensation, in some cases by preventing death or permanent disability, and in others by accelerating the

restoration of earning power. For this reason the Holman Gregory Committee in 1920 recommended that any medical and surgical aid necessary in addition to that available under the National Health Insurance Acts should be provided at the cost of the employers (Report, pages 49 and 71).

3. The work done by the voluntary hospitals in the treatment of injured workers is therefore of great importance in the finance of the Workmen's Compensation system. It will become more and more important as rehabilitation comes to be more and more valued and practised as part of hospital treatment.

4. Generally speaking, advanced treatment can be provided more economically and more efficiently at hospitals than in any other way. The overhead charges per head tend to be less, and the patients have the benefit of the whole of the resources of the hospital in the way of staff, equipment, and facilities for diagnosis and treatment, both for general cases and in special departments. This is often of great value where there are complications or where indirect consequences may result from the original injury.

#### AMOUNT AND COST OF SUCH TREATMENT IN LONDON

5. No complete statistics are available of the work done by the voluntary hospitals of London in the treatment of injured workers, or of the expenditure incurred. But sample figures show that the amount is considerable. Returns were obtained from 15 large general hospitals for three winter months and three summer months ; and if these are doubled they give the following results at these 15 hospitals for a full year :—

In-patients ...	1,500	costing	£20,000
Out-patients ...	31,000	„	17,000
	<u>32,500</u>		<u>£37,000</u>

Of this amount only a small proportion is recovered by the hospitals, viz., about 0.6 per cent. from Insurance Companies, 3.5 per cent. from patients, and 10.6 per cent. from other sources, including contributory schemes. The receipts from contributory schemes, however, are largely at the expense of the hospitals themselves, since they reduce the amount which would otherwise be distributed to hospitals at the end of the year.

6. These 15 hospitals represent about 49 per cent. of the bed capacity of about 80 London hospitals which treat industrial accidents ; and on

this basis the total figures for London for a year would be approximately :—\*

In-patients ...	3,000	costing	£40,000
Out-patients ...	63,000	„	35,000
	<u>66,000</u>		<u>£75,000</u>

7. The figures of patients in London hospitals refer only to accidents and do not include cases of industrial disease. The figures of their cost are based on the average cost of all the patients of the hospital, and do not sufficiently allow for the exceptionally high expenditure on many accident cases, an expenditure which is likely to increase with the development of rehabilitation. Moreover, this average cost does not include any charge for interest on capital or allow fully for depreciation of buildings. The figures therefore represent less than the full cost of the services which the voluntary hospitals render to employers by treating cases for whom industry has a financial responsibility under the Workmen's Compensation Acts, and by whose treatment industry thus obtains financial benefit.

#### PRINCIPLE OF PAYMENT FOR SERVICES RENDERED

8. The principle has been recognised for many years that when a voluntary hospital treats patients in respect of whom there is any such responsibility and any such benefit it should receive payment for the services rendered. As long ago as 1921 Lord Cave's Committee, as one example of this principle, recommended the payment to hospitals of reasonable sums for the cost of the treatment of workmen under the Employers' Liability and Workmen's Compensation Acts (Report, paragraph 42).

9. The principle of payment to voluntary hospitals for services rendered received statutory recognition in the Road Traffic Act, 1930,

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\* If these figures are added to those given by the British Hospitals Association for the voluntary hospitals in the Provinces and Scotland, viz. :—

In-patients ...	...	33,000	costing	£237,000
Out-patients...	...	280,000	„	95,000
		<u>313,000</u>		<u>£332,000</u>

the total figures for all the voluntary hospitals in England and Scotland would be :—

In-patients ...	...	36,000	costing	£277,000
Out-patients...	...	343,000	„	130,000
Totals	...	<u>379,000</u>		<u>£407,000</u>

Section 36, subsequently amended in details by the Road and Rail Traffic Act, 1933, Section 33. These Acts provide that, where any payment in respect of damages is made to an injured person who is treated in a hospital, a payment shall also be made direct to the hospital, based, generally speaking, on the average cost of the maintenance and treatment of in-patients, or the reasonable cost of an out-patient, up to a specified maximum for any one case.

#### APPLICATION OF THE PRINCIPLE TO WORKMEN'S COMPENSATION

10. The King's Fund urges that the principle of payment for services rendered should be applied to the treatment of Workmen's Compensation cases, and that where the injured workman is treated by a hospital a payment should be made to the hospital in addition to any payment to the worker or his dependants by way of compensation for loss of earnings. This would be in general accord with the law and practice of the Workmen's Compensation systems in several of the Dominions.

11. It is suggested that, in the procedure, the precedent of the Road Traffic Acts should be followed, in so far as it is applicable, the general principle being that, wherever any compensation is payable and is paid, with or without any admission of liability, a separate payment should be made direct to the hospital. By this method the hospital receives payment without having to make a charge against individual patients who are not in a position to enter into contracts based on ability to pay.

#### SCOPE OF PAYMENT

12. The payment to the hospital should cover all cases. It should not be limited to cases which receive special treatments such as, for example, the treatments provided in fracture clinics ; or to cases which, if not adequately treated, would involve heavy liabilities for compensation. It should not be confined to hospitals which are suitable for the provision of fracture clinics or other special facilities, but should be made to any hospital or hospitals where the patient is treated. In some cases, for example, he may receive emergency treatment at the nearest hospital and be subsequently transferred to one of a higher grade. Payment should be made for cases of industrial disease as well as for accidents.

13. Payment should be made in respect of the whole of the services of the hospital or hospitals from the time of injury to the time of restoration to full work or of assessment as final disability. It should thus take into account ambulance service ; all hospital treatment, including rehabilitation, which should not be regarded as a separate stage but as an integral part of treatment from the outset ; individual

surgical appliances ; treatment at a convalescent home, which should be arranged for and paid for by the hospital through its almoner ; and attendance at the out-patient department. The basis of this recommendation is that the care of the injured patient, including rehabilitation, is better undertaken, and recovery is accelerated, if his treatment from beginning to end is under the supervision of the staff of the hospital, medical, nursing and almoner.

#### AMOUNT OF PAYMENT

14. It is suggested that the amount of the payment should be calculated on a basis somewhat similar to that laid down in the Road Traffic Acts, as worked out in practice by the hospitals and the Insurance Companies' Association in the administration of the Acts, e.g., (i) for in-patients, the average cost of all the in-patients at the hospital concerned, up to a specified weekly maximum for that hospital agreed with the Insurance Companies or other sources of payment out of Workmen's Compensation funds ; (ii) for out-patients, a payment per attendance to be similarly agreed ; (iii) for ambulance, convalescent home, and some other special services, rates to be agreed, on the basis of reasonable costs. If it is thought necessary that a maximum payment for any one patient should be specified, in order to avoid the fear of an unlimited liability, at all events until experience of the amount involved has been obtained, this maximum should be a sum sufficient to allow for occasional long-period cases of rehabilitation, e.g., at least £100. The maximum in the Road Traffic Acts would be much too small. This was £25 in the Act of 1930 and was increased to £50 in that of 1933.

It has already been indicated in paragraph 7 that the weekly payment for in-patients, mentioned here and in paragraph 9, does not cover the full cost of the cases.

15. These payments would be in respect only of current cost. Capital expenditure required for extensions or improvements would still have to be provided from other sources. Industry would often benefit largely by new developments, and it is hoped that employers who are interested will not cease to make donations towards the cost because they will share in a general statutory obligation to contribute to the maintenance of industrial cases. If there should be any loss of annual subscriptions this would probably be compensated for by the systematic payments which would result from the general liability. The basis of payment here suggested could also be adjusted to fit in with any special methods which might be devised for financing exceptionally expensive developments such as fracture clinics, whether from some other source or by means of additional payment out of Workmen's Compensation funds, e.g., some payment for extras or a division of the out-patient payment into two categories : fracture cases and general cases.

## QUESTION OF PAYMENT TO MEDICAL STAFFS

16. The question of payment to the medical staffs of hospitals should receive consideration. But any medical staff payment from Workmen's Compensation funds should be outside any payment made to the hospital on the basis of figures of cost which do not include that medical staff payment, since any transfer by the hospital to the medical staff of part of a payment thus calculated would be at the expense of the hospital, not of the compensation funds.

Any medical staff payment should, like the hospital payment, be in addition to the compensation payable to the injured worker or his dependants.

## COUNCIL HOSPITALS

17. It would be equitable that payment on an appropriate basis should be made to Council hospitals as well as to voluntary hospitals. The liability for the cost of treatment is undertaken by the Insurance Companies or other compensation funds, irrespective of the place in which the treatment is provided.

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## APPENDIX

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### SOME NOTES ON PAYMENTS TO HOSPITALS IN CERTAIN DOMINIONS

18. The following notes are based on a study of the relevant Acts and on correspondence with hospitals in the Dominions, but do not claim to be complete.

#### *New South Wales*

19. In New South Wales, under the Workers' Compensation Act, 1926-1929, Sections 10 and 6 :

- (i) The employer pays, in addition to any compensation otherwise provided, the cost of medical or hospital treatment or ambulance service, subject to certain specified maxima (10) ;

(ii) The payment for hospital treatment is, for an in-patient, the cost to the hospital up to 3 guineas a week ; and, for an out-patient, 3s. per treatment up to 1 guinea a week ; the maximum payment for the same injury being £25, besides a maximum of £25 for medical treatment as distinct from hospital treatment (10) ;

(iii) Industrial diseases are included unless caused by silica dust (6).

20. We are informed that, in practice, the weekly payment is based on the average cost of treating patients in the particular hospital, with no allowance for depreciation or interest on capital. Three guineas a week does not cover the average cost except in very small hospitals. At the Royal Prince Alfred Hospital, the average cost is £4 to £4. 10s., and these cases cost more than the average. If the patient is treated at several hospitals, the last may get nothing. Increases are desired in the weekly payments for in-patients ; in the payments for out-patients to cover X-rays and special treatments ; and in the maximum per case.

#### *Ontario*

21. In Ontario, under the Workmen's Compensation Act, 1915, as amended to 1939, Sections 50 and 115 :

(i) Every workman who is entitled to compensation, or who would have been so entitled if disabled for 7 days, is entitled to such medical aid as may be necessary, including hospital services (50) ;

(ii) In industries where the employers are collectively liable, such medical aid is furnished or arranged for by the Workmen's Compensation Board and paid for by the Board out of the accident fund, and the necessary amount included in the assessments levied upon the employers ; in industries where the employer is individually liable, it is furnished and paid for by the employers (50) ;

(iii) The fees or charges for such medical aid are fixed by the Board, unless furnished by the employer ; and must not be more than would be reasonably charged to the workman if himself paying the bill (50) ;

(iv) Some industrial diseases are included (115).

22. We are informed that, in practice, the Board pays the hospitals \$3 a day for in-patients plus various extras at specified rates. The



payments have covered the cost at small hospitals but not at the Toronto General Hospital, though increases have now been made in the rates for certain extras which may offset the loss. No payment is made for out-patients.

### *South Africa*

23. In the Union of South Africa, under the Workmen's Compensation Act (Act No. 59 of 1934), Sections 55, 57, and 60 :

- (i) In addition to compensation payable under the Act, the employer defrays for not more than one year the reasonable expenses incurred by the workman in respect of medical, surgical, or hospital treatment, nursing, artificial limbs, etc., up to £100 in all (55) ;
- (ii) Fees and charges are to be in accordance with the scale prescribed by the Minister after consultation with the Medical Association of South Africa (57) ;
- (iii) Some industrial diseases are included (60).

24. We are informed that, under Regulations amended on January 1, 1938, a hospital may not charge more than the fees payable in a general ward plus a schedule of fees for extras ; there is also a schedule of fees for out-patients. At the Johannesburg Hospital the daily charge for in-patients is 15s., and the average daily cost nearly 20s. 7d.

### *Victoria*

25. In Victoria, under the Workmen's Compensation Act, 1935, Section 4, as amended by the Act of 1938, Section 2 ; and 1935, Section 14 :—

- (i) Where an employer is liable to pay compensation for personal injury by accident, he pays, in addition to any compensation otherwise payable, not more than £25 towards :
  - (a) transport to hospital up to £2 ;
  - (b) fees up to £10 to any medical practitioner for any medical or surgical treatment or examination ;
  - (c) fees up to £3 to any nurse for any nursing services ;
  - (d) expenses up to £10 incurred by any hospital in maintenance attendance and treatment (1938 : 2).

- (ii) If claims made within six months of the accident do not exhaust the £25 then the balance is applied :

Firstly, up to £2 to chemist ;

Secondly, *pro rata* towards excess of claims under (a), (b), (c) and (d) over their respective maximum payments (1938 : 2).

- (iii) Some industrial diseases are included (1935 : 14).

26. We are informed that originally the maximum total payment per case was only £5. It was soon increased to £10, and then to £25. The Royal Melbourne Hospital receives £3 3s. a week plus X-ray fees, while the average bed cost is £4 8s. 6d. ; and 3s. 6d. per out-patient attendance, which covers the cost per attendance. After the total available is exhausted the patient is assessed at what he can afford.

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King's Fund

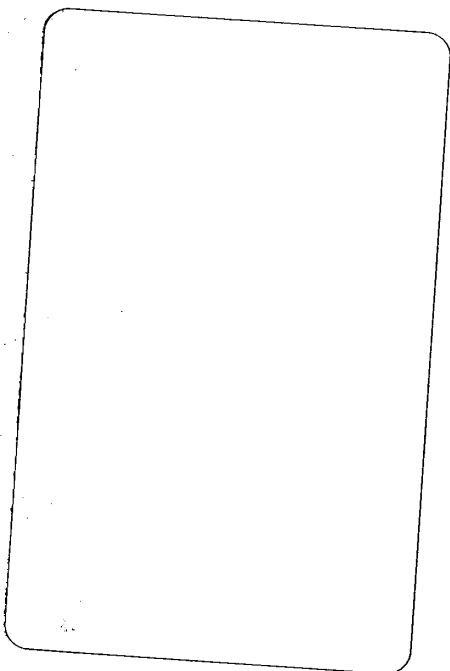


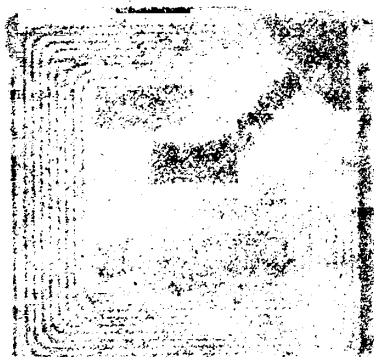
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