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KING EDWARD'S HOSPITAL FUND FOR LONDON.

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## RESOLUTIONS

passed by the PRESIDENT and GENERAL COUNCIL

ON JANUARY 26TH 1921

ON THE SUBJECT OF THE

POLICY TO BE RECOMMENDED

FOR THE

PRESERVATION OF THE VOLUNTARY SYSTEM

OF

HOSPITAL MANAGEMENT AND CONTROL.

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TOGETHER WITH THE

REPORT OF THE EXECUTIVE COMMITTEE

TO THE COUNCIL

ON THE SAME SUBJECT.

KING EDWARD'S HOSPITAL FUND FOR LONDON,  
7 WALBROOK, E.C.4.

January, 1921.

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# KING EDWARD'S HOSPITAL FUND FOR LONDON.

## RESOLUTIONS passed by the PRESIDENT and GENERAL COUNCIL on JANUARY 26th, 1921, on the subject of the POLICY TO BE RECOMMENDED for the PRESERVATION OF THE VOLUNTARY SYSTEM of HOSPITAL MANAGEMENT AND CONTROL.

RESOLVED, that the President and General Council, without committing themselves on any of the points of comparative detail discussed in the Report of the Executive Committee appended hereto, do hereby adopt the following Statements numbered i to xiii as an outline of the policy of King Edward's Hospital Fund in the present financial difficulties of the Hospitals of London :

### *General.*

- i. that the voluntary system of hospital management and control should be preserved as being the most efficient method of providing at the least cost the best medical and surgical treatment combined with advance in medical knowledge and practice ;
- ii. that a substantial portion at least of the cost of the hospitals should be met by voluntary contributions ;
- iii. that the present receipts from voluntary contributions are not adequate to meet the present cost of the London Voluntary Hospitals, to say nothing of the discharge of debts or the provision of necessary extensions ;
- iv. that any method of increasing income should be such as not to stop voluntary contributions or do away with voluntary management ;
- v. that any policy or absence of policy which stopped voluntary contributions and did away with voluntary management would bring upon the public funds not only the cost of the hospitals but also additional cost of paid management and of general supervision by some central public department.

### *Voluntary Sources of Additional Income.*

- vi. that a better response to appeals for voluntary contributions is likely when the present uncertainties as to the future of voluntary hospitals are removed.

### *Methods of Supplementing Voluntary Income.*

- vii. that voluntary contributions will need to be supplemented, at all events temporarily, by some other sources of revenue ;
- viii. that amongst possible methods, as to which experience is being accumulated, and of which the exploration should be encouraged, are included—
  - (A) various forms of contributions from patients in consideration of treatment received ;
  - (B) various forms of regular contributions from prospective patients as a kind of quasi-insurance or partial patients' payment in advance ; and
  - (C) payment by Government or other public authorities in respect of the treatment of any classes of patients for whom those authorities have taken responsibility ;
- ix. that, while direct grants from the State in consideration of their general work might endanger voluntary contributions and voluntary management, some form of assistance based on the amount received for the benefit of hospitals from voluntary sources, or some concession by way of abatement of income tax or death duties, proportioned to gifts, might prove practicable, and might serve to elicit a larger revenue than is now thus obtained ;

### *Control and Direction of Expenditure.*

- x. That while it is necessary to increase the income of the hospitals, attention should continue to be paid to the possibility of further economies in expenditure by strengthening the internal financial control in each hospital ; by encouraging co-operation among hospitals wherever this is likely to prove advantageous ; and by securing that the best possible use is made of all the various forms of voluntary hospital accommodation and equipment, present and future.

### *Central Body.*

- xi. that the necessity for some central organisation, distinct alike from the hospitals and from the public authorities, will be greater in the future even than in the past ; that King Edward's Hospital Fund, the Council of which already includes, amongst others, persons holding representative positions in connection with national and metropolitan government, with the City of London, with religious bodies, and with the medical profession, has in the course of its work as a collecting and distributing agency gradually developed some of the functions of a central administrative body ; that it keeps in close touch with the individual hospitals, while retaining its independence ; and that it has the confidence of the subscribing public ;
- xii. that King Edward's Hospital Fund is thus fitted to become a central administrative body for the metropolitan area, with provision for co-operation, in matters of general policy, with a separate central administrative body for extra-metropolitan hospitals ; the functions of the King's Fund to include for London the investigation of hospital administration, together with the receipt and distribution of voluntary contributions, and also, if required, of public grants made in accordance with a scheme consistent with the voluntary system.

### *Management of Individual Hospitals.*

- xiii. that, in determining the powers of the central body and the question of the possible representation, on hospital committees, of public and other bodies making payments to hospitals, the principle of the management of the individual hospitals by voluntary committees, themselves possessing wide powers of independence and initiative, should be safeguarded.

## REPORT OF THE EXECUTIVE COMMITTEE to the PRESIDENT and GENERAL COUNCIL.

1.—The following report has been prepared by the Executive Committee in accordance with the following resolution passed by the General Council on December 14th last :—

“ That it be an instruction to the Executive Committee to consider and report to the General Council what principles of policy should be recommended to His Majesty's Government for the preservation of the voluntary system of hospital management and control, and that a Special Meeting of the General Council be held to consider such report on the earliest day possible.”

### PRELIMINARY CONSIDERATIONS

#### GENERAL.

2.—For the purposes of our deliberations we have assumed the following general propositions to be implied in the instruction addressed to us by the Council in the Resolution of December 14th :—

- (A) That the voluntary system of hospital management and control should be preserved as being the most efficient method of providing at the least cost the best medical and surgical treatment combined with advance in medical knowledge and practice.
- (B) That a substantial portion at least of the cost of the hospitals should be met by voluntary contributions.
- (C) That the present receipts from voluntary contributions are not adequate to meet the present cost of the London Voluntary Hospitals, to say nothing of the discharge of debts or the provision of necessary extensions.
- (D) That any method of increasing income should be such as not to stop voluntary contributions or do away with voluntary management.

We desire, however, also to point out that any policy or absence of policy which stopped voluntary contributions and did away with voluntary management would bring upon the public funds not only the cost of the hospitals but also additional cost of paid management and of general supervision by some central public department.

#### FINANCE.

##### *The Financial Position in London.*

3.—So far as approximate figures are available so soon after the close of the year, the financial position of the London Hospitals at December 31, 1920, according to the estimates supplied by the hospitals, was somewhat as follows :—

	1920. £	Corresponding figure for 1919. £
(a) The <b>total expenditure</b> at 113 London Hospitals for the year 1920 was about ... ..	2,841,000	2,348,000
(b) The <b>income from normal sources</b> , including £153,700 from the King's Fund (being the proportion given to maintenance of hospitals out of the total ordinary distribution of £200,000) and also including in some cases the proceeds of special appeals for the reduction of debt, was about ... ..	2,447,000	2,117,000
(c) In the absence of additional non-recurrent sources of assistance, therefore, the <b>net aggregate deficit for the year, i.e.</b> , the amount still required to cover the year's expenditure at these 113 London Hospitals (taken as a whole) would have been, according to the figures furnished by the hospitals, about ...	394,000	231,000
NOTE.—Largely as the result of the special appeals mentioned in (b) above, 42 hospitals had surpluses of income over expenditure during the year. If these are omitted the deficits for the year at the remaining 71 hospitals with deficits would amount in the aggregate to about £499,000.		
(d) The London Hospitals, however (taken as a whole), also received, to assist them in carrying on during 1920, the <b>emergency grants made by the King's Fund</b> on July 5 (out of its accumulated funds, not out of current income received during the year) amounting to ... ..	250,000	
(e) The net aggregate deficit for the year was thus reduced (owing to this realisation of securities by the King's Fund) to...	144,000	

	1920. £	Corresponding figure for 1919. £
(f) The London Hospitals also (taken as a whole) received grants in December from the National Relief Fund in reduction of war deficits incurred during the years 1915 to 1919 inclusive, the amount thus received towards the reduction of past deficiencies of income being ... ..	200,000	
(g) Even after the receipt of the National Relief Fund grants (besides the proceeds of special appeals already included in income from normal sources in item (b) above) there were debts outstanding on December 31, at 59 hospitals, partly as the result of accumulated deficiencies of income and partly as the result of past expenditure on building or improvement. These debts ranged from relatively small sums up to £83,000, and the total aggregate debt of the London Hospitals amounted to about .. .. .	544,000	681,961
(h) Besides the amount thus required to meet current expenses and to discharge existing debts the London Hospitals also need a large sum to carry out and maintain various necessary improvements and extensions. Some idea of the scale of the most urgent extensions under consideration may be derived from the figure quoted in paragraph 21 below.		

It must be remembered that the accounts of the Hospitals for the year 1920 are not yet completed and audited; and that the above figures are only approximations. The Executive Committee are greatly indebted to the Hospital officers who, by a special effort, have furnished them with the material for an estimate so early in the year.

#### *Voluntary Sources of Additional Income.*

4.—In advising the Government as to the future of the hospitals, it is desirable to bear in mind the supreme necessity of keeping undiminished the present flow of voluntary subscriptions. Various methods of increasing as well as maintaining it have been under our consideration. But we find that in the present state of uncertainty as to the future sources of hospital revenues, it is impossible to estimate the amount of money that might be obtained by enhancing in any possible way the urgency of appeals to the generosity of the public. With the disappearance of the uncertainty above referred to we believe that a good response can be obtained.

#### *Methods of Supplementing Voluntary Income.*

5.—It is evident, however, that in any case voluntary contributions require to be supplemented, at all events temporarily, by income from other sources, and we believe this can be done without destroying voluntary management and control.

#### *(a) Payments by Patients.*

6.—Already a large amount is being received by the London Hospitals in the form of voluntary contributions from patients. Several of the hospitals are trying various methods of collecting payments, on definite scales, from patients able to pay: these methods range from a contribution invited or assessed by an almoner or other enquiry officer, according to the patient's means, up to payments for private wards covering part or the whole of the cost or even producing a surplus which helps to maintain the free beds.

7.—These different methods are still in the experimental stage, and it is not yet possible to form a definite opinion as to their respective advantages or disadvantages. We consider, however, that the hospitals should be encouraged to develop in one form or another the practice of receiving payments from patients able to contribute, subject to due safeguards for maintaining the original character of the institution.

#### *(b) Quasi-insurance Methods.*

8.—It has also been suggested that the difficulty which is sometimes felt, in combining payment by patients in consideration of services rendered with voluntary contributions for the general maintenance of the hospital, might be met by the development of various methods of quasi-insurance, whereby a patient who has directly or indirectly been a regular subscriber should be regarded as having partly made a patient's payment in advance. Experiments in this direction might be encouraged.

#### *(c) Payment by Public Authorities for Specific Work done.*

9.—For several years past many hospitals have in fact been receiving payment from public authorities for the treatment of certain classes of patient for whom the authorities have taken responsibility. Besides naval and military patients treated during the war, these have included tuberculosis patients, venereal cases, war pensioners, maternity cases, school children and others. The payment is usually a grant in aid, bearing some relation to the amount of work done but not covering the whole cost.

10.—We believe that this method has proved advantageous both to the voluntary hospitals and to the public authority. Before pronouncing an opinion on the question of full payment we are taking steps to ascertain the individual views of London Hospitals and also those of the British Hospitals' Association; and we have asked their views on the question whether, as a means of reducing the burden of debt, retrospective payment for any of such patients should be put forward for consideration, and also on the question of payment in respect of the great volume of gratuitous work which the voluntary hospitals do for patients insured under the National Insurance Act.

(d) *The Question of Grants by the State for General Work done.*

11.—While we recognise that the hospitals are serving the community by treating the sick poor, we fear that block grants of public money on this ground would endanger the continuance of voluntary contributions. We do not propose, therefore, that this alternative should be put forward for consideration.

(e) *The Question of Assistance from the State to encourage Voluntary Contributions.*

12.—It does not necessarily follow that the same disadvantages would attach to assistance from public funds proportioned in some way to the amount received from voluntary sources. The question whether this could, without detriment, be effected by some form of allowance in respect of income tax on charitable gifts is at present under the consideration of a sub-committee.

13.—We propose that the question of a direct grant *pro rata* with the voluntary sources of hospital income should also be considered and that the views of the hospitals and of the British Hospitals' Association should be ascertained: the objection that such grants might produce surpluses at the more prosperous hospitals might be met by various safeguards, *e.g.*, by limiting in some way the total amount paid direct to hospitals and correlating part of the grant with the distribution made by a central Fund.

*Purposes to be kept in view.*

14.—In considering these alternatives it must be borne in mind that the policy to be recommended must be adequate to meet the financial problem as it exists in London to-day, *i.e.*, it must relieve the burden of accumulated debt, provide for current maintenance, and admit of such extensions of the proper work of voluntary hospitals as are urgently required. It must do this in such a way as to preserve the advantages of the voluntary system of management and control, and prevent the cost from coming upon public funds. It need not be assumed that all the methods of reinforcing voluntary contributions, which may be found to be necessary at the present moment, will be required permanently. The circumstances which have produced the present crisis may, in part at least, prove only temporary. The remedies might be of two kinds, permanent remedies which would expand with the growth of hospital work, and also remedies which might diminish or disappear entirely with the diminution or disappearance of the need.

ORGANISATION.

15.—We have also considered what developments in the organisation of the voluntary hospital service are likely to meet the present difficulties, especially if voluntary contributions are to be supplemented to a greater extent than they now are from other sources, without endangering voluntary management and control.

*Control and Direction of Expenditure.*

16.—It is necessary not only to increase the income of the London Hospitals but also to secure that the greatest possible value is obtained from their expenditure. This requires that continued attention should be paid to the strengthening of internal financial control by the Committee of each Hospital, and to the necessity of utilising to the best advantage the accommodation and equipment of the different institutions.

17.—In their efforts to secure economy of working, the hospitals are already assisted by King Edward's Hospital Fund, which publishes every year a Statistical Report on the cost of the London Hospitals. The Fund has also promoted the interchange of information on such matters as prices, average salaries and wages, laundry expenses and so on. A special committee is at present enquiring into various suggestions for the improvement of the available statistics, including a proposal that the figures of money cost should be supplemented by figures of quantities used.

18.—The possibility of reducing hospital cost by means of co-operative purchase has already been considered by the King's Fund, and we are still of the opinion, expressed in the published report of a special enquiry held by the Fund on the subject a few years before the war—namely, that, while the larger hospitals would not be likely to gain very much directly, the Fund could usefully encourage combined purchases by groups of small or moderate sized hospitals, preferably with the co-operation of one or more larger hospitals, and especially if grouped geographically.

A central administrative body could doubtless go further than mere encouragement, if, after enquiry, it was decided that such action was in the interests of the hospitals.



*Increase of effective Hospital Accommodation.*

19.—The importance of making the best possible use of the existing hospital accommodation and equipment is emphasised by two facts—the undoubted need for an increase over the existing number of beds, and the present high cost of providing additional buildings. Whether the expense of meeting the need could be reduced in any degree by some form of co-operation between different institutions is a question that may be worth considering.

20.—It is clear that as the demand for hospital treatment grows, the voluntary hospital system must either expand so as to meet the whole of that demand itself; or submit to the establishment of other agencies to compete with it in the attempt to meet the whole of the need; or confine itself to meeting the whole of the increase in the particular kind of demand which it may be best fitted to meet. Different decisions between these three courses may be appropriate to different localities or to different kinds of hospital. But correct decisions there must be, if the voluntary hospital is to keep its proper place in the growing medical service of the country.

21.—The Voluntary Hospitals of London have already prepared, with the sanction and encouragement of the King's Fund, plans for extensions to meet the most urgent need for further accommodation of the kind they are most fitted to supply. The Report of the Distribution Committee in July last, at the time of the special distribution of Surplus Red Cross Funds in aid of schemes of extension and improvement, gave statistics of approximately 1,500 additional beds, which the Fund had already sanctioned, after paying due regard to the class of hospital and to the geographical distribution of the schemes in relation to the demand, and subject to the Hospital Committee being satisfied as to the prospect of funds for building and maintenance. This last condition assumes, of course, some solution of the general financial problem.

22.—On the question whether the voluntary system of management and control would best be preserved by the voluntary hospitals attempting to cover the whole ground and opposing all other methods of providing hospital accommodation, we would remark that the present sphere of the voluntary hospital is the result of a process of specialisation by which various sections of the increasing demand for hospital treatment have been taken over by other agencies, though the voluntary hospital still performs for those agencies, as for its ordinary patients, the services for which it is best fitted, including consultative work and the advancement of medical knowledge. We would mention the poor law infirmary and the public fever hospital as two instances. It is possible that the best use of the voluntary hospital accommodation and equipment, present and future, would be promoted by some further development of this principle of partial specialisation, either, *e.g.*, between one voluntary hospital and another, or between a parent hospital and branches such as homes of recovery and convalescent homes, or even, as in the instances mentioned above, between the voluntary hospital and the non-voluntary hospital. The alternative method by which, for some classes of patients, the public authority enters into an arrangement with the voluntary hospital for the latter to carry out the whole treatment, has already been dealt with in paragraphs 9 and 10 above.

23.—We do not make any recommendation on this subject, though we think this possibility should be considered before it is finally decided on what scale the voluntary system should be preserved. For we would again emphasise the necessity that any policy, to be adequate to the need, must provide not only for the reduction of debt and for current maintenance, but also for such extension of the voluntary hospital system as is urgently needed.

*Central Body.*

24.—We consider that a central body of some kind will be a necessary part of hospital organisation. So far as the London Hospitals are concerned, experience has shown that the King's Fund has been successful in the past in gradually developing many of the functions of a central body while yet not adversely affecting the independence and power of initiative and experiment inherent in the voluntary managing bodies of the separate institutions. The Fund has direct knowledge of the individual hospitals, and makes a practice of consulting them before deciding on matters of general policy, while retaining its own independent power of action. Its Council already includes, amongst others, persons holding representative positions in connection with national and metropolitan government, with the City of London, with religious bodies, and with the medical profession.

25.—We are of opinion that, for the London Hospitals, the need for some central organisation could best be provided by a development of the present functions of King Edward's Hospital Fund. While we do not wish to commit the Fund on any matter of detail at this stage, we think that the King's Fund should be a central administrative body for the metropolitan area, and that, whatever form of central administrative body may be suitable for the extra-metropolitan Hospitals, it should be a separate body; but that, for the formulation of general policy in matters affecting all hospitals, there should be a joint body, composed of members of the two separate administrative bodies, and not forming part of any government department or other public authority concerned.

26.—The functions of the King's Fund as the central administrative body for London would include as now the investigation of hospital finance and administration, the promotion of economy, the examination of extension schemes, and the receipt and distribution of voluntary contributions from those who preferred that their gifts should be allocated by a body with general knowledge of all the hospitals, or be used to reduce the unavoidable inequalities in the financial position of different hospitals. It could likewise provide a channel for the receipt and distribution of some form of public assistance, should that be determined on either in a permanent or in a temporary form.

We consider that the methods already developed by the King's Fund show that it is peculiarly adapted to work out a combination between voluntary management and finance, on the one hand, and public assistance requiring some degree of central supervision, on the other.

*Management of Individual Hospitals.*

27.—It is essential, under the general principles we have laid down, that the individual hospitals should continue to be under the management of unpaid voluntary committees with fairly wide powers of discretion and initiative. We do not think that the receipt of payment from public authorities has hitherto led to any material change in this respect. We trust that the advantages of the voluntary system would continue to be so generally recognised that if further moneys were received from other than voluntary sources under any of the schemes we have discussed in this report, the public or other bodies making payments would, if they desired representation, be satisfied that it should be so limited as to be acceptable to the hospitals and not inconsistent in practice with voluntary management.

For the Committee,

STUART OF WORTLEY,

*Chairman.*

January 17, 1921.