

P 443 Port. No. 438

BIBLIOTHÈQUE
DU PALAIS
DE LA PAIX



REPORT
OF THE
ROYAL COMMISSION
ON
NATIONAL HEALTH
INSURANCE

*Presented to Parliament by
Command of His Majesty*

LONDON:

PRINTED & PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE.

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:
Adastral House, Kingsway, London, W.C.2; 28, Abingdon Street, London, S.W.1;
York Street, Manchester; 1, St. Andrew's Crescent, Cardiff;
or 120, George Street, Edinburgh;
or through any Bookseller.

1926

Price 6s. 6d. net.

Cmd. 2596

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

The Minutes of Evidence taken before the Commission and the relative Appendices are being published in sections and may be obtained in the manner shown at the foot of the first page of this cover.

Minutes of Evidence, Volume I. (First to
Twelfth Days.) Price 10s. 6d. (11s. 0d.)

Minutes of Evidence, Volume II. (Thirteenth
to Twenty-Third Days.) Price 12s. 6d. (13s. 0d.)

Minutes of Evidence, Volume III. (Twenty-
Fourth to Thirty-Fourth Days.) Price 10s. (10s. 6d.)

Minutes of Evidence, Volume IV. (Thirth-
Fifth to Forty-Fifth Days.) Ready shortly.

Appendix to Minutes of Evidence. Part I.
Price 8s. 6d. (8s. 10d.)

Appendix to Minutes of Evidence. Part II.
Price 10s. 6d. (11s. 0d.)

Appendix to Minutes of Evidence. Part III.
Price 10s. 6d. (10s. 10d.)

Appendix to Minutes of Evidence. Part IV. Ready shortly.

*All prices are net and those in parentheses include
postage.*

HIS MAJESTY'S STATIONERY OFFICE,
LONDON, MANCHESTER, EDINBURGH, CARDIFF.

(54702)



REPORT OF THE ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE

*Presented to Parliament by
Command of His Majesty*

LONDON:

PRINTED & PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE.
To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:
Adastral House, Kingsway, London, W.C.2; 28, Abingdon Street, London, S.W.1;
York Street, Manchester; 1, St. Andrew's Crescent, Cardiff;
or 120, George Street, Edinburgh;
or through any Bookseller.

1926

Price 6s. 6d. net.

Cmd. 2596

NOTE.

The estimated cost of the preparation of this Report (including the expenses of the Commission) is £3,831 1s., of which £431 1s. represents the gross cost of the printing and publishing of this Report.

国立公衆衛生院附属図書館	
受入先	
受入日	
記録番号	
所在	
Library, National Institute of Public Health	

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

(Appointed by Royal Warrant dated the 11th July, 1924.)

TERMS OF REFERENCE.

To inquire into the scheme of National Health Insurance established by the National Health Insurance Acts, 1911-22, and to report what, if any, alterations, extensions or developments should be made in regard to the scope of that scheme and the administrative, financial and medical arrangements set up under it.

MEMBERSHIP OF THE COMMISSION.

Lord LAWRENCE OF KINGSGATE, *Chairman*.
The Rt. Hon. Sir JOHN ANDERSON, G.C.B.
Sir HUMPHRY ROLLESTON, Bart, K.C.B., M.D., P.R.C.P.
Sir ALFRED WATSON, K.C.B., F.I.A., F.F.A.
Sir ARTHUR WORLEY, C.B.E.
Sir ANDREW DUNCAN.
Mr. A. D. BESANT, P.I.A.
Mr. FRED BRAMLEY.*
Mr. JAMES COOK.
Mr. JOHN EVANS.
Professor ALEXANDER GRAY.
Mr. WILLIAM JONES.
Mrs. F. N. HARRISON BELL.
Miss GERTRUDE TUCKWELL.

Mr. E. HACKFORTH (*Secretary*).
Mr. J. W. PECK, C.B. (*Assistant Secretary*).

* Resigned 11th March, 1925.

WARRANT OF APPOINTMENT.

GEORGE R.I.

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, to

Our Right Trusty and Well-beloved CHARLES NAPIER, Baron Lawrence of Kingsgate;

Our Right Trusty and Well-beloved Counsellor Sir JOHN ANDERSON, Knight Grand Cross of Our Most Honourable Order of the Bath, one of the Under Secretaries of State to Our Principal Secretary of State for the Home Department;

Our Trusty and Well-beloved :—

Sir HUMPHRY DAVY ROLLESTON, Baronet, Knight Commander of Our Most Honourable Order of the Bath, Doctor of Medicine, President of the Royal College of Physicians of England;

Sir ALFRED WILLIAM WATSON, Knight Commander of Our Most Honourable Order of the Bath, Government Actuary;

Sir ARTHUR WORLEY, Knight, Commander of Our Most Excellent Order of the British Empire;

Sir ANDREW RAE DUNCAN, Knight;

ARTHUR DIGBY BESANT, Esquire, President of the Institute of Actuaries;

FRED BRAMLEY, Esquire;

JAMES COOK, Esquire;

JOHN EVANS, Esquire;

ALEXANDER GRAY, Esquire, Professor of Political Economy in Our University of Aberdeen;

WILLIAM JONES, Esquire;

FLORENCE NIGHTINGALE HARRISON BELL, Widow of the late JOSEPH NICHOLAS BELL, and

GERTRUDE MARY TUCKWELL, Spinster :

Greeting !

Whereas We have deemed it expedient that a Commission should forthwith issue to inquire into the scheme of National Health Insurance established by the National Health Insurance Acts, 1911-22, and to report what, if any, alterations, extensions or developments should be made in regard to the scope of that scheme and the administrative, financial and medical arrangements set up under it :

Now know ye, that We, reposing great trust and confidence in your knowledge and ability, have authorised and appointed, and do by these Presents authorise and appoint you, the said CHARLES NAPIER, Baron Lawrence of Kingsgate (Chairman), Sir JOHN ANDERSON, Sir HUMPHRY DAVY ROLLESTON, Sir ALFRED WILLIAM WATSON, Sir ARTHUR WORLEY, Sir ANDREW RAE DUNCAN, ARTHUR DIGBY BESANT, FRED BRAMLEY, JAMES COOK, JOHN EVANS, ALEXANDER GRAY, WILLIAM JONES, FLORENCE NIGHTINGALE HARRISON BELL, and GERTRUDE MARY TUCKWELL to be Our Commissioners for the purposes of the said inquiry :

And for the better effecting the purposes of this Our Commission, We do by these Presents give and grant unto you, or any three or more of you, full power to call before you such persons as you shall judge likely to afford you any information upon the subject of this Our Commission; to call for information in writing and also to call for, have access to and examine all such books, documents, registers and records as may afford you the fullest information on the subject, and to inquire of and concerning the premises by all other lawful ways and means whatsoever :

And We do by these Presents authorise and empower you, or any of you, to visit such places as you may deem expedient for the more effectual carrying out of the purposes aforesaid :

And We do by these Presents will and ordain that this Our Commission shall continue in full force and virtue, and that you, Our said Commissioners, or any three or more of you, may from time to time proceed in the execution thereof, and of every matter and thing therein contained, although the same be not continued from time to time by adjournment :

And We do further ordain that you, or any three or more of you, have liberty to report your proceedings under this Our Commission from time to time if you shall judge it expedient so to do :

And Our further will and pleasure is that you do, with as little delay as possible, report to Us, under your hands and seals, or under the hands and seals of any three or more of you, your opinion upon the matter herein submitted for your consideration :

Given at Our Court at St. James's the eleventh day of July, one thousand nine hundred and twenty-four, in the fifteenth year of Our Reign.

By His Majesty's Command,

ARTHUR HENDERSON.

Royal Commission on National Health Insurance.

TABLE OF CONTENTS.

MAJORITY REPORT.

	Page.
CHAPTER I.—INTRODUCTION.	
Procedure of the Commission	1
Types of Evidence	2
Schemes of Sickness and Invalidity Insurance in Other Countries	3
The Actuarial Committee	3
CHAPTER II.—THE SCHEME OF NATIONAL HEALTH INSURANCE.	
History of the Scheme	5
The Amending Acts	6
Previous Inquiries into the Scheme	7
Outline of the Scheme	7
CHAPTER III.—THE GENERAL ATTITUDE TO THE HEALTH INSURANCE SCHEME.	
The Fundamental Character of the Scheme	12
The Scope of the Scheme and the Sources of Revenue	14
The Scale of the Benefits	14
The Inequalities of Benefit	15
The Administrative Agencies	15
General Satisfaction with the Scheme	16
CHAPTER IV.—THE RELATED SCHEMES OF SOCIAL WELFARE.	
General Nature of the Evidence	17
The Central Control	18
The Local Systems of Administration	19
Tuberculosis	19
Veneral Diseases	20
Maternity and Child Welfare	21
Port Sanitation	21
Infectious Diseases	21
The School Medical Service	22
Medical Service of the Poor	23
Medical Inspection in Factories	23
The Contributory Pensions Scheme	24
Workmen's Compensation	24
Maintenance of the Poor	25
The Unemployment Insurance Benefits	26
Certification of Unemployment	26
CHAPTER V.—THE DEVELOPMENT OF THE HEALTH SERVICES.	
SECTION A.—MEDICAL BENEFIT.	
Scope of Medical Benefit	28
Evidence Supporting Extension	30
The Value of Medical Benefit	33
Private and Insurance Service	36

	Page.
CHAPTER V.—THE DEVELOPMENT OF THE HEALTH SERVICES.— <i>cont.</i>	
SECTION B.—THE ADDITIONAL TREATMENT BENEFITS.	
The General Arrangements	38
Criticism of the Additional Benefit System	40
Dental Benefit	40
Ophthalmic Benefit	42
Hospitals and Convalescent Homes	45
Provision of Nurses	47
Medical and Surgical Appliances	49
Other Suggested Additional Benefits	49
Tuberculosis	49
SECTION C.—THE MEDICAL SIDE OF MATERNITY BENEFIT.	
Evidence as to Maternity Benefit	50
Separation of Money Provision and Treatment	54
SECTION D.—INTER-RELATIONS OF THE HEALTH SERVICES.	
The Professional Evidence	56
The Lay Evidence	56
SECTION E.—SOME GENERAL CONSIDERATIONS.	
Central and Local Co-ordination	59
The Insurance Committees	60
The Local Medical and Panel Committees	61
Availability and Finance	61
The "Means Test"	63
General Conclusion	65
CHAPTER VI.—THE FINANCIAL BURDEN OF THE EXISTING SOCIAL SERVICES.	
The Burden of Unemployment	67
Health Insurance and Contributory Pensions Charges	68
The Burden of other Social Services	68
Evidence as to the Burden on Industry	69
General Conclusion	72
CHAPTER VII.—THE FINANCIAL RESOURCES OF THE HEALTH INSURANCE SCHEME.	
The Financial Structure	74
Allocation of the Weekly Contribution	75
The First Valuation	78
The Second Valuation	79
The Margin in the Present Contribution	80
First Call on the Margin	85
Application of Balance of the Margin	85
Financial Readjustments	89
An Alternative Financial Scheme	90
CHAPTER VIII.—THE APPROVED SOCIETY SYSTEM.	
Autonomy of Societies	92
Numbers, Types and Membership of Societies	93
Certain Criticisms of the Society System	95
The Inequalities of Benefit	99
Evidence of Efficiency	101
Continuation of the System Recommended	101
Administration of Treatment Benefits	104

	Page.
CHAPTER VIII.—THE APPROVED SOCIETY SYSTEM.—cont.	
Minimum Membership of Approved Societies	105
Control by Members	106
Supervision of Approved Societies by the Central Departments.	108
Amendment of Rules	110
The Disputes Procedure	111
Inquiry into Administration	112
Control of Expenditure	112
CHAPTER IX.—INEQUALITIES OF BENEFIT IN DIFFERENT APPROVED SOCIETIES.	
Causes of Surplus	115
Results of Segregation	115
The Suggestion of Territorial Societies	117
Justification for Variations in Benefits	118
Scheme to Mitigate Inequalities of Benefit	119
CHAPTER X.—PROPOSALS FOR EXTENDING MEDICAL BENEFIT.	
The Content of an Extended Medical Benefit	124
The Problem of In-patient Treatment in Hospitals	124
Maternity and Dental Services	126
Provision of Expert Treatment or Advice for Persons able to Travel	127
Availability of Out-patient Treatment at Hospitals	128
General Conditions for the New Scheme	129
Re-actions on Efficiency of General Practitioners	130
Administrative Arrangements	131
Method of Remuneration of Consultants and Specialists	132
Estimate of Cost of Provision for Persons able to Travel	132
Provision of Consultant Services at Patient's Home	133
Estimate of Cost of Home Service	133
Laboratory Aids to Diagnosis	134
Estimate of Cost of Laboratory Aids	134
General Summary of Cost	135
CHAPTER XI.—PROPOSAL FOR DEPENDANTS' ALLOWANCES.	
Evidence as to the Rates of Cash Benefit	136
Relation of Benefits to Cost of Living	137
Supplementation of Benefits from Poor Rates	138
Comparison with Rates of Unemployment Benefit	138
Alternative Forms of Increased Benefit	139
Increase of Standard Rates of Sickness Benefit	140
Increase of Standard Rate of Disablement Benefit	140
Dependants' Allowances	142
Definition of Dependency	143
CHAPTER XII.—CONSIDERATION OF CERTAIN MAJOR PROBLEMS.	
SECTION A.—MATERNITY SERVICES.	
The Washington Convention	147
Character of Maternity Benefit	148
The Medical and the Maintenance Elements	149
Cost of the Medical Provision	149
The Problem of Maintenance	152

	Page.
CHAPTER XII.—CONSIDERATION OF CERTAIN MAJOR PROBLEMS.—cont.	
SECTION B.—DENTAL BENEFIT.	
Cost of a Statutory Dental Benefit	155
Methods of Restricting Liability	156
Cost of a Restricted Service	157
Method of Payment of Dentists	158
General Conclusions	159
A Regional Dental Staff	160
SECTION C.—EXTENSION OF MEDICAL BENEFIT TO THE DEPENDANTS OF INSURED PERSONS.	
The Question of Cost	161
Points raised in Evidence	162
Considerations of Policy	163
SECTION D.—INSURANCE COMMITTEES.	
Successful Work of the Committees	165
Two Reasons for Abolition	166
The Duties of Insurance Committees	167
Medical Benefit	168
Complaints	169
Inquiries into Excessive Sickness	170
Health Propaganda Work	170
Deposit Contributors and Navy, Army and Air Force Members	170
Points from the Evidence	171
Transfer of Powers and Duties to Local Authorities	173
SECTION E.—DEPOSIT CONTRIBUTORS.	
Exits from Deposit Contributors' Fund	175
Points from the Evidence	176
Question of Compulsory Allocation	177
General Considerations	179
Proposed Insurance Section	179
SECTION F.—THE INSURANCE PRACTITIONERS' CONTRACT.	
The Method and Scale of Remuneration	182
Points from the Evidence	183
Considerations as to Future Negotiations	183
Alternatives to the Capitation Method	184
The Complaints Machinery	186
CHAPTER XIII.—MISCELLANEOUS QUESTIONS.	
SECTION A.—PERSONS TO BE INCLUDED IN THE SCHEME.	
Employed Contributors	193
Voluntary Contributors	200
SECTION B.—PAYMENT OF CONTRIBUTIONS	202
SECTION C.—ADMINISTRATION OF THE CASH BENEFITS.	
Late Notice of Illness	205
Duration of Sickness Benefit and Linking up Illnesses	206
Inmates of Institutions	207
Recovery of Benefit Overpaid	210
Benefit for Tuberculous Insured Persons in Part-time Employment	211
Medical Certification	212
Re-insurance of Maternity Benefit	213

	Page.
CHAPTER XIII.—MISCELLANEOUS QUESTIONS.— <i>cont.</i>	
SECTION D.—SPECIAL CLASSES OF INSURED PERSONS.	
Married Women	214
Exempt Persons	220
Men serving in the Forces of the Crown	223
Mercantile Marine—Foreign-Going Seamen	226
The Lascar Fund	230
SECTION E.—VALUATION OF SOCIETIES AND PROVISION OF ADDITIONAL BENEFITS.	
Valuation of International Societies	232
Associations of Approved Societies	233
Period of Schemes of Additional Benefits	234
Proportion of Surplus Certified as Disposable	235
Revision of Schemes of Additional Benefits	236
Eligibility for Additional Benefits	237
SECTION F.—EXTENSION OR ALTERATION OF THE LIST OF ADDITIONAL BENEFITS.	
Proposed Removals from Present List	242
Proposed Additions to Present List	245
SECTION G.—LIMITATION ON INCREASES IN CASH BENEFITS	245
SECTION H.—MISCELLANEOUS QUESTIONS AFFECTING APPROVED SOCIETIES.	
International Societies with Few Members in a Particular National Area	248
Amendment of Constitution of Societies with Branches	249
Investment of Societies' Funds	249
Allowances to Approved Societies for Expenditure on Administration	252
Contract Administration Payments	254
SECTION K.—OTHER MISCELLANEOUS QUESTIONS.	
Workmen's Compensation	256
Inquiries into Excessive Sickness	259
Medical Institutions	261
Dispensing of Drugs for Insured Persons	263
Arrears of Contributions	264
Payments to Charitable Institutions	266
SECTION L.—AUDIT OF ACCOUNTS.	
Results of the Audit	269
Employment of Professional Auditors	270
Qualifications of Official Auditors	272
CHAPTER XIV.—SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS	274
RESERVATION TO MAJORITY REPORT SUBMITTED BY SIR ANDREW DUNCAN AND PROFESSOR ALEXANDER GRAY	292

MINORITY REPORT.

	Page.
General	299
Approved Societies	300
The Approved Society System	304
The Control of Societies by their Members	306
The Incentive to Good Management	307
Valuation Results	309
Hindrance to Development	310
The Finances of the Present Scheme	311
Medical Benefit	312
Medical Benefit for Dependants	314
Cost of Medical Benefit	314
Rates of Sickness and Disablement Benefits	318
Disablement Benefit	319
Allowances to Dependants	320
Maternity Benefit	320
Maternity Cash Benefit	322
Age of Entry into Insurance	324
Sources of Revenue	325
Summary of Conclusions and Recommendations	326

APPENDICES.

A. Reports of the Departmental Actuarial Committee ...	Page. 330
B. List of Persons and Representative Bodies by whom evidence was submitted to the Commission.	384

NOTE.

References to statements of evidence submitted by witnesses to the Commission, and to questions answered by witnesses, are made in the following form:—

“ App., ” followed by a Roman numeral and a number, indicates the particular Appendix to the Minutes of Evidence and the paragraph referred to.

“ Q. ” followed by a number, indicates the particular Question and Answer in the Minutes of Evidence.

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

REPORT.

TO THE KING'S MOST EXCELLENT MAJESTY.

MAY IT PLEASE YOUR MAJESTY,

WE, the undersigned Commissioners appointed under Your Majesty's Royal Warrant of the 11th July, 1924,

“ to inquire into the scheme of National Health Insurance established by the National Health Insurance Acts, 1911-22, and to report what, if any, alterations, extensions or developments should be made in regard to the scope of that scheme and the administrative, financial and medical arrangements set up under it ”

humbly beg leave to report as follows:—

CHAPTER I.

INTRODUCTION.

PROCEDURE OF THE COMMISSION.

1. We held our first meeting on the 17th July, 1924, and at that meeting considered generally our Terms of Reference and also discussed certain preliminary questions of procedure, including amongst others that of the expedience of admitting the Press and the public to those meetings at which witnesses were to tender evidence and submit to examination. We subsequently decided that, on a balance of considerations, our work could probably be discharged with greater efficiency in the absence of those restraints which the presence of the public might impose on certain witnesses. In view of the general interest felt in the questions submitted to us and of the large sections of the population who might be directly affected by any conclusions at which we might arrive, we felt, however, that it was of the utmost importance that the widest possible publicity should be given to our proceedings, not merely from the point of view of informing those immediately concerned, but also with the object of stimulating further evidence whether by way of comment upon or of criticism of, the evidence which might be tendered to us. We accordingly decided that a short summary of the proceedings

at each meeting should be issued to the Press immediately after the meeting, and further we arranged that verbatim reports of the evidence given before us at each meeting should be published and placed on sale within two weeks of the date of the meeting.

2. We are glad to be able to record that the procedure so adopted fulfilled admirably the purposes for which it was designed and that the weekly report of our proceedings enjoyed throughout a considerable and a steady sale, which reached a weekly average of over 600 copies. At the same time notices were inserted in the public Press inviting any bodies or persons who desired to make representations on matters falling within the scope of our inquiry to apply to submit evidence before us. All who were so desirous of presenting evidence were required, in the first place, to submit written statements summarising the evidence which they desired to give. We received in all 143 such statements. Of these 130 are printed in full in the Appendix to our Minutes of Evidence, where there will also be found summaries of the remaining 13. Each of these statements was first considered by us with a view to our deciding whether it was necessary or desirable that we should hear oral evidence in amplification of the statement submitted. Of the 143 statements 107 were made the subject of oral examination of witnesses, who numbered 195, and to whom we addressed 24,815 questions. Lists of the witnesses examined and the bodies which they represented are prefixed to the volumes of the Minutes of Evidence in which their examination appears, and are also given in Appendix B to our Report. We held 45 sittings for the purposes of oral examination, including two sittings held in Edinburgh for the convenience of Scottish witnesses, and on all but three of these occasions we took evidence both in the morning and the afternoon. We also held several meetings for the discussion of the evidence we had received and for the formulation of our recommendations.

3. During the course of our proceedings we were deprived of the assistance of one of our members, Mr. Fred Bramley, who, after being able to attend only a few of our meetings, was compelled on account of ill-health to resign from the Commission on the 11th March, 1925. It was with great regret that we learned of his death some seven months later.

TYPES OF EVIDENCE.

4. The witnesses from whom oral evidence was heard, in addition to representatives of the five Government Departments concerned, namely, the Ministry of Health, the Scottish Board of Health, the Ministry of Labour, the National Insurance Audit Department and the Government Actuary's Department, included representatives of the Approved Societies and Insurance

Committees engaged in the administration of the Scheme of National Health Insurance. We also heard evidence from representatives of the medical profession, from chemists, dentists, nurses, ophthalmologists, opticians, hospital authorities, Medical Officers of Health, Poor Law Guardians, and others, including several persons who did not speak in a representative capacity but as individual observers and critics of the Scheme. The greater part of the evidence, perhaps inevitably, came from persons or bodies taking some part in the operation of the Scheme of National Health Insurance, or desiring to be associated in that work in the event of its extension. We could have wished that more evidence had been forthcoming from the insured persons themselves or from their employers but, while we took such steps as we thought practicable to obtain evidence from these sources, we recognised the difficulty in securing evidence which could be considered to be truly representative of the general body of insured workers and the employers of labour. We received, however, the considered views of the National Confederation of Employers' Organisations (Appendix CVII) which were directed mainly to the burden imposed on industry in a time of great financial and economic difficulty by the contributions levied for the various schemes of Social Insurance. The point of view of the average insured person, who is in such matters elusive and inarticulate (if indeed he can be said to exist at all), was to some extent indicated by the evidence submitted from the Inquiry Room of the Ministry of Health (Appendix XLI) and by the evidence of certain witnesses, as for example Dr. Harry Roberts, who are intimately in contact with insured persons and who speak from a wide experience.

SCHEMES OF SICKNESS AND INVALIDITY INSURANCE IN OTHER COUNTRIES.

5. The Ministry of Health have submitted to us a full and interesting account of the State schemes for insurance against sickness and invalidity in 14 European countries (App. CVIII). This illustrates the remarkable extent to which such schemes have been adopted and developed in countries of widely varying economic position and social habits, and undoubtedly provides much matter of interest to the student of these social problems. It may be remarked that any scheme of the kind under discussion must necessarily have regard to the peculiar social and industrial conditions of the country in which it operates, and that therefore in its machinery, if not in its principles, it must be developed on its own lines.

THE ACTUARIAL COMMITTEE.

6. At the outset of our investigation it became evident to us that for the proper consideration of the financial side of the

subject with which we were appointed to deal, expert actuarial advice would be essential. We, therefore, approached the Minister of Health, recommending that he should set up a Departmental Actuarial Committee to assist us in dealing with such actuarial questions as would necessarily arise in the course of our investigation. This recommendation was accepted by the Minister, who, on the 19th November, 1924, appointed a Committee under the chairmanship of Sir Alfred Watson, the Government Actuary and a member of the Commission, with the following terms of reference:—

“To advise the Royal Commission on National Health Insurance actuarially as to whether the present basic contribution under the National Health Insurance Acts is in fact required for the existing benefits (including the cost of Societies' and Insurance Committees' administration), or whether such a rearrangement of the financial basis of the Scheme would be justified as would reduce the amount allocated to the present benefits and leave a margin for other purposes; and thereafter to continue in being to furnish such further actuarial advice as may be required by the Royal Commission on any matters arising in the course of their inquiry.”

In addition to the Chairman the Committee was composed of Mr. A. D. Besant, President of the Institute of Actuaries, who is also a member of the Commission, Mr. A. Henry, the Deputy Government Actuary, and Messrs. R. G. Maudling and L. E. Clinton, Fellows of the Institute of Actuaries. The Committee presented to us three reports dated 13th October, 1925, 7th December, 1925, and 18th December, 1925, and these appear as Appendix A to our Report. We desire to acknowledge our indebtedness to the Committee for the valuable assistance which we have derived from their labours.

CHAPTER II.

THE SCHEME OF NATIONAL HEALTH INSURANCE.

HISTORY OF THE SCHEME.

7. The Scheme of National Health Insurance in this country had its origin in the National Insurance Act of 1911, which was described in its Preamble as “an Act to provide for insurance against loss of health and the prevention and cure of sickness and for purposes incidental thereto.” The Scheme came into operation on the 15th July, 1912, and had therefore been in operation for a period of 12 years at the time when we were appointed to make the first general and comprehensive investigation into its working.

8. During these 12 years the Scheme of Health Insurance has not been without its history—a history which is reflected in a fairly continuous series of amending Acts of varying degrees of importance stretching from 1913 to the Consolidating Act of 1924. These various legislative alterations may, broadly, be ascribed to two main causes. In the first place, the original Act, viewed merely as a piece of legislation, was planned on a generous scale, and was drafted on the assumption that special provision should be made for any class of the population which appeared to call for special treatment. For example, aliens and those workers whose conditions of employment guaranteed them payment of wages during a certain period of incapacity, were the subject of special legislative provision. Moreover, other sections of the Act aimed at dispensing justice as between individuals in matters where abstract justice could only be achieved by machinery which in the circumstances could not fail to be burdensome in administration. As examples of such it may be permissible to cite the original provision made for the calculation and the imposition of penalties for arrears, the provision with regard to late entrants to insurance, and the arrangements for transfer between compulsory and voluntary insurance. In the light of subsequent events the original Act might be criticised for its implicit underlying assumption that the individuals composing the population are “classifiable” in a sense in which, in fact, they are not. Consequently, no doubt, certain sections of the Act, irreproachable in themselves and based on the assumption that the population as a whole was stabilised, were found to be out of touch with the realities of the situation. In short, the original Act was in many respects complex with a complexity which in practice yielded no adequate compensating advantage, and the realisation of this fact led to one series of amendments, those aiming at simplification of enactment and of administration.