PRESS RELEASE
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THE NHS AFTER THE ELECTION:
The evidence on future resources, competition and organisation

New #ElectionEconomics policy briefing from the Centre for Economic Performance

In the general election debate about healthcare, all the parties are seeking to portray an NHS protected from major public sector expenditure cuts, with expansion in some areas. But according to a new report from the Centre for Economic Performance (CEP), this is only going to be viable through further efficiency savings of some kind – and even then it is not clear how resource levels will be maintained.

What’s more, the report argues, the threat to the NHS is certainly not going to be creeping privatisation but rather the extension or addition of more ill thought through reforms that target inputs, rather than focusing on improving the value of NHS outcomes. The important matter to concentrate on is what achieves higher quality service provision, given the expenditure constraints.

The CEP report – the latest in a series of background briefings on key policy issues in the May 2015 UK general election – shows that:

- The NHS absorbs a fifth of all public spending and constitutes 8% of UK GDP. This percentage is set to fall over the next Parliamentary session.
- Recent NHS spending has been relatively low, growing only at 0.7% per year in real terms between 2010 and 2015, well below the long-run average growth rate of 4% per annum.
- The coalition government have been partly successful in achieving efficiency savings. But growing demands – due to demographics, technology and people’s expectations – have stretched service provision.
- A majority of NHS foundation trust hospitals are in financial deficit, and those in surplus have seen their surpluses fall from previous years. Waiting time targets are being missed.
- Predictions by NHS England show that even with continued efficiency savings, there will be a minimum shortfall of £8 billion in the NHS budget by 2020-21.
- Reforms from the mid-2000s and onwards that increased choice competition between publicly run NHS hospitals led to improved quality of care for patients, higher productivity and reduced inequality between rich and poor.
- The coalition government’s 2012 Health and Social Care Act caused a large-scale reorganisation of the NHS, but appears to have been largely ineffective in improving services.
- The Cancer Drug Fund, which provides additional money for certain drugs has no clear rationale given the role of NICE in assessing NHS treatments.
- The private sector plays a very small role in direct service provision in the NHS and no party is planning to substantially increase this.

Professor Alistair McGuire, the report’s author, comments:

‘The NHS will face more severe financial pressures over the next few years than ever before. Unlike in many other parts of the public sector, the factors of an aging population and people’s expectations mean that the usual health rise as a fraction of national income is now predicted to fall substantially.

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‘Since no party is proposing NHS charges nor an increase in the use of the private sector above its current – very low – levels, there is no risk of ‘privatisation’ of the NHS.

‘The Cancer Drugs Fund should be abolished and rolled into NICE, rather than expanded.’

Professor John Van Reenen, director of CEP, adds:

‘The reforms in the 2000s that increased hospital competition improved the quality of care for patients and hospital productivity. Competition particularly helped low income patients, boosting equality and efficiency. It would be a mistake to try and abolish it.

‘The coalition’s flagship Health and Social Care Act was an expensive distraction that seems to have improved neither NHS services nor competition.’

ENDS

Notes for editors:

‘Health: How will the NHS Fare in a Cold Climate?’ by Alistair McGuire and John Van Reenen is the latest in CEP’s #ElectionEconomics series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the May 2015 UK General Election.

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including immigration, austerity, living standards, productivity, business, Europe, health, education, crime, inequality, gender, urban and regional policy, housing and planning, climate change and energy.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

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