In election debate about the prospects for the NHS, it is generally agreed that there is a funding shortfall with additional money required to meet rising costs, demographic pressures, increased expectations, and changes in health technology and medical practice. And given that around 70% of NHS expenditure goes on staffing, it is no surprise that as expenditure tightens, staffing issues are a growing problem.

The current government’s plans are to expand funding but to raise more real resource input essentially through efficiency savings. But the efficiency savings required to maintain NHS resources in line with rising demands and costs would have to be three to four times historical norms for these plans to work.

These are among the conclusions of a new report from the Centre for Economic Performance (CEP) – the second in a series of background briefings on key policy issues in the June 2017 UK general election. Among the findings:

- The UK currently spends 9.8% of GDP on healthcare but this percentage is due to fall as GDP rises. It is a slightly lower share than in other northern European countries.
- The NHS absorbs the overwhelming proportion of total spending on healthcare, currently standing at £138 billion per year and accounting for approximately a fifth of all the UK’s public spending.
- While the organisational structure and delivery varies across the four constituent nations of the UK, there is no evidence that the purchaser-provider split that dominates NHS England is any worse in delivering health outcomes than the more centralised health systems in Scotland, Wales and Northern Ireland.
- The 2012 Health and Social Care Act led to a large-scale reorganisation of the NHS in England, but it appears to have been largely ineffective in improving services.
- The recent growth of NHS spending has been relatively low, increasing at 1% per year in real terms between 2010 and 2015, well below the long-run average growth rate of 4% per annum.
- There is increasing criticism that the NHS is underfunded, and will continue to be into the 2020s with increasing demands from an ageing population. Estimates of the shortfall are put at £30 billion.
- In response, the government has allocated £10 billion additional funding to the NHS from 2015/16 through to 2020/21. With additional productivity savings of 2-3% per annum, the government argues that the shortfall in NHS expenditure will be met.
- But the size of the additional allocated funds is disputed. Some have corrected the figure to £4.2 billion.
- Moreover, many doubt that the accompanying 2-3% productivity gains, which are necessary to meet the predicted expenditure shortfall, can be achieved.
- The integration of health and social care is increasingly seen as a major means of alleviating pressure on the NHS. But social care faces its own funding crisis.
- While there is no ‘correct’ level of NHS funding, as this depends on social preferences as much as needs, determining NHS funding will remain a challenge regardless of which party is in government.
Professor Alistair McGuire, author of the report, concludes:

‘The planned uplifts in expenditure promised in the party manifestos, whether or not coupled with further efficiency savings, may or may not address all the needs of the NHS. And they need to be maintained against a background of hospital deficits, labour force shortages and failing performance.’

‘Coupled with the looming crisis affecting social care, this renders the health and social care area of social policy ‘complex’ – to borrow the US president’s recent description of health policy.’

‘Health and social care policy remains a major challenge regardless of which party is elected and much greater attention to detail will be required on the implications for service provision than is contained in any of the manifestos.’

‘Even if the funding gap is met, the growing crisis in staffing in the NHS, which accounts for 70% of total NHS expenditure, is recognised by all parties but remains to be fully addressed.’

ENDS

Notes for editors:

‘The NHS and Social Care: Prospects for Funding, Staffing and Performance into the 2020s’ by Alistair McGuire is the second in CEP’s #GE2017Economists series:

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the June 2017 UK General Election.

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including education, health, immigration, industrial strategy, living standards, regional policy and Brexit.

The first briefing on real wage and living standards is available here.

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

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