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INCREASES TO NHS FUNDING CANNOT BE PAID FOR BY PUBLIC SPENDING CUTS ELSEWHERE

Centre for Economic Performance election analysis says there is no scope to reallocate funds needed for health and social care from other public services

There is a clear need for increased funding for the health service but given cuts to other parts of the public sector, such revenue must come from raised taxes, increased borrowing or both, a new report said today.

The election analysis from the Centre for Economic Performance at LSE says that it is clear that the health and social care sectors have suffered a prolonged period of expenditure constraint at a time of increasing demands from an aging population.

The authors add that while the main political parties’ proposals all take the UK either closer to or above historical levels of NHS expenditure growth, whether this is enough to improve services adequately remains an open question.

Alistair McGuire, joint author of the report and professor of health economics at the London School of Economics, said: “To maintain NHS expenditure growth at historical levels, revenue will have to come from either raised taxes, increased borrowing, or both. There will also have to be a clear fix to supporting social care services. All political parties need to be honest with the public that this is what is necessary to secure the long-term future of the NHS.”

Elias Mossialos, joint author of the report and professor of health policy at the London School of Economics, added: “Social care, which is inextricably linked to healthcare, is in an even worse position in terms of expenditure allocation. Inevitably this has an impact on the NHS, as some of the pressure on the healthcare sector comes from a deterioration in related social services funding.”

Michael Anderson, joint author of the report and research officer in health policy at the London School of Economics, commented: “With just over half of NHS expenditure going on staff, the budget constraints have had a major impact on the NHS workforce. To meet growing demand, and address pre-existing shortfalls, NHS expenditure needs to grow on average by at least 4% in real terms.”

The report shows:

- The UK National Health Service (NHS) is acknowledged to have suffered from a funding crisis since 2010.
- The UK currently spends 9.6% of GDP on healthcare (2017 figures), but this percentage is slightly lower than in previous years.
- NHS expenditure is 7.6% of GDP, which is approximately the same as it was in 2012 even though population and treatment pressures have been increasing.
- Historically, the average annual increase in NHS expenditure since it was established has been over 4%, but since 2014/5 average annual NHS expenditure growth has been 1.6% and between 2009/10 and 2014/5 it averaged a mere 1.1% per annum.
• For more than five years, hospital trusts in England have been recording financial deficits.

• As just under 70% of NHS expenditure is spent on the workforce, the low growth in funding has been achieved partly through wage freezes.

• Severe workforce shortages have emerged; currently one in 12 posts are vacant within the English NHS Hospital and Community Services sector.

• This has led to a subsequent deterioration in the quality of service provision with a number of service targets being missed; the cancer treatment target has been missed for the fifth year in a row.

• Social care, which is directly linked to NHS treatment provision, is largely provided by local authorities; adult social care funding fell by around 2% per year between 2010/11 and 2014/15, but has since grown, although it has not recovered to its 2010/11 levels.

• The underfunding of social care, at a time of increasing population pressures has led to issues of bed-blocking within the NHS.

• The two major political parties are pledging NHS expenditure growth (3.3% per annum for the Conservatives; 4.3% by Labour), but are less explicit over social care reform.

The full report is available here: CEP Election Analysis: Health and Social Care

Notes for editors:

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CEP election analysis: Health and Social Care is one in a series of election briefings produced by the Centre for Economic Performance, LSE. The series aims to provide an impartial, evidence-based analysis of the key issues in the 2019 UK general election including education, social mobility, immigration, the labour market and regional policy.

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