SUMMARY

NHS Funding: How much is enough and what has to change? – 28th June 2018

The event focused on the Government's announcement for real-terms funding growth for the NHS of 3.4% over the next 5 years - £20.5 billion by 2023/24.

Q: What is proposed in the funding announcement?

The offer of 3.4% real terms average annual growth should be seen in the context of:

- The government has committed to topping up the 2018/19 budget to pay for the first year of the three-year pay deal (estimated at £800 million) and to meet the pension hit on the NHS expected next year (estimated at £1.25 billion). The Government's offer of 3.4% above inflation comes on top of these extra sums.
- The funding also covers three other areas: the Provider Sustainability Fund, CCG and NHS England administration costs and some public health services – £1.2 billion for screening programmes, vaccination and immunisation.

Funding increase is welcomed with caution:

- Need to be realistic about what this extra money will buy; a min. 3.3% increase is needed to keep up with extra demand due to demographic changes, rising costs and demand.
- What will happen to other long-term budgets that are excluded from the offer: prevention, the remainder of public health, capital, workforce training and social care?
- Both the PM and Health Secretary mentioned the importance of prevention, workforce and need to upgrade any NHS capital – these areas are at risk but potentially not as much as they have been before. Real area of vulnerability is social care; less likelihood of the Government being generous in this area.

Q: What is next, how to spend it and what about any reform to accompany the plan?

The Government made an offer and will set the NHS 5 financial tests. The NHS will come back in November to say what it plans to do with it.

The biggest challenge is workforce: 3.4% is a measured approach to funding levels, and there remains a significant staffing gap. Workforce might now be a bigger challenge than money for the NHS.

The long term growth rate for NHS funding is around 3.7% - 4%, this enabled the NHS to meet demand and change the pattern of healthcare in a radical way (in 1948 there were no joint replacements, Intensive Care, blood pressure drugs etc.). 3.4% does not mean a revolution, but hopefully allows room for manoeuvre for the service to meet demand, offset in part through productivity savings: Government believes this should be over 1.6%, but think tanks say 0.8%.

How to spend it? One can divide the spending in 4 different buckets:

1) Extra cost and demand: It requires 3.3% annual rises to stand still and just keep up with extra cost and demand.

2) Gap filling – recover performance and finance:
   a. Minimum £1.8 billion to effectively recover backlog and £300 million a year for casework to keep on top of it.
   b. £500 million - £1 billion in extra capacity to attain A&E targets
   c. £1 billion in critical safety maintenance backlog
   d. Up to a £1 billion provider sector deficit

3) Transformation:
   a. Generally, Five Year Forward View is right direction (integrated care models to effectively serve the health and wellbeing of a population of 30-50,000 people (3-4 GP surgeries) in a multidisciplinary, preventative and upstream manner)
   b. Technological advancements – IT infrastructure

4) Enhanced performance:
   a. French/German level of cancer outcomes, Swedish levels of maternity/mortality outcomes, advanced treatments etc.

A focus on just 1) and 2) will leave you with an unsustainable health service. But realism is needed as to how much reform will happen until we can stabilise the service – tough choices are needed.

Q: How to pay?

In sum: 1) The country recognizes that we need to pay more for health and care. 2) Government has already decided more money is needed; needs to find where to fund it from. Not with Brexit dividend. Hypothecation is a potential way forward for 2 reasons:

- The public mood: According to some polls, the public would support hypothecation. It likes to know where their money goes instead of general taxation increases and has a severe distrust of the political class.
- Fluctuation: Spending in the health service has swung up and down over the decades, the same mistakes are made from one generation to the next, and this is no way to run a healthcare system.

Two kinds of hypothecated tax:

- Partial hypothecation: Along the lines of 'put 1p on income tax and 1p on National Insurance and we'll give that to health' which would be on top of the spending already promised to the service. It allows you to increase spend over the amount already promised by government, lasts as long as the Spending Review and then Government can reset all the numbers again – but this does not solve problems with fluctuation.
- Full hypothecation: All health and social care spending covered by one tax. Social insurance in some European countries works this way. Drastic tax reform is crucial for full hypothecation to work (e.g. even in times of recession) to comply with the following prerequisites to avoid ending up where we are right now:
    - Know what it is supposed to cover, limit Government's ability to move things across the boundaries in grey areas. The boundary between health and social care is a grey area, separating is difficult thing to do as shown by Continuing Healthcare. Hypothecating both health and social care is probably necessary.
    - Need to move money between years, have a long term target and move around it.
    - Some degree of constitution-like independence and permanence. New governments can unravel decisions of previous ones, move around money and take it away.
    - If National Insurance will be this tax, it needs radical reform to ensure intergenerational equity etc.

Without a universal consensus, the Conservative party and the public are up for an increase in taxation to resolve huge problems in health and care, in particular involving demographic changes in the nation. Of particular interest is the capacity of hypothecated taxes to strengthen public understanding of health spending and revive citizens' engagement. It would allow the public to hold the NHS accountable in terms of major projects. Focus is now on which tax to raise, what funds to use.

National Insurance raises almost what we spend on health, allows for contributions from self-employed and there's an opportunity to radically reform it to use as a hypothecated source of money for the NHS with regard for intergenerational equity.

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Q: How much investment needs to go into mental health? Would a lot of A&E targets be better achieved by meeting the 5-year targets for mental health?

A: Agreed, focus is always on A&E and elective surgery. We need to be honest about what this money can deliver. Lack of transparency around mental health causes difficulty to deliver. Public awareness and attitudes have improved. Money alone is not enough: also need to focus on resilience building, increase mentoring in schools, mental health nurses workforce (instead of falling numbers 2010 - 2018) etc.

Q: The expected algorithm for productivity increases is far too front-loaded. Do you agree we need to get more sorted before you can get the increase in productivity, particularly if you do not have the essential numbers in workforce?

A: A debate is needed on where we could still make progress. Realism is needed, currently not a bad level of saving: £3.2 billion last year, equivalent of 3.8% turnover, productivity gains of 1.6% last year compared to 1.2% for the whole economy. But a quarter of trusts' savings are non-recurrent, e.g. selling land, making accounting adjustments, and opportunities are slowing down. There is a willingness, but need investment to get more – the low-hanging fruit is already gone.

Q: Do we get good value from current hypothecated taxes – high taxes damage the creation of wealth. Could you comment on the issue of incompetent management in the health service, the levels of management between hospitals and the Secretary of State – you could all get rid of that.

A: The OECD Report on health spending shows that we have a relatively efficient system (US 8%, France 6%, Germany 5%, OECD average 3.25%, UK 3%). At the frontline the amount of managing is not excessive. The money in the system between commissioning and central Arm's Length Bodies could be reviewed.

A: Views on the NHS and how we provide health in the UK divide sharply in 'the NHS is made up of saints beyond criticism' and 'incompetent managers misusing taxpayer's money'. People vary hugely, a big organisation does not mean staggeringly incompetent. It is important to strive for greater transparency, in particular where things go wrong, lessons should be learned. Greater balance in views and judgements are not helped by the media.

Q: Are smaller Accountable Care Organisations more efficient in that respect?

A: What is most criticised are the transfers between various parts of the system. The future should be a single record system and a multidisciplinary care team, but that's still far away.

Q: Do you think the forthcoming Bill – Health Service Safety Investigations Bill – would help?

A: Sceptical that legislation is the solution for everything, it might help to some extent. Personal leadership at the top of Department of Health and Social Care aims to turn around culture and perception of what safety really means .

Q: Solve the problems related to obesity, behaviours and social care and you'll start solving the problems in the NHS.

A: Most adults fail at some point in the mix of physical activity, diet, alcohol etc. Childhood obesity plan is answer for the future. The NHS is a sickness service; it's not very clear where you go if you don't do enough exercise. But it's possible to learn from other cities and countries that have gone further e.g. Amsterdam.

Q: The political message was clear: 'Money is contingent on the plan and making transformation', how will public and patients be involved in making the plan, local accountability is important – what do you suggest politicians do locally to involve the public in really understanding the plan?

A: Local accountability is important, the public recognises that paying more tax is needed but it needs to be spent properly. We are awaiting a plan for engagement since the announcement that the launch of an 'NHS Assembly' has been pushed

back to November and thus will not contribute to the contents of 10-year NHS plan[1]. The NHS Assembly was said to bring together clinicians, patients and staff organisations, GPs etc. The frontline is nervous that the same mistakes will be repeated and that targets will be overly optimistic. When reading the Prime Minister's and Secretary of State's speeches, statements and media articles, adding up all commitments, it is nearer to 5 or 5.5%. Discipline is needed. A good offer needs to be made for extra taxation.

[1] Answer updated to reflect new developments in agreement with speakers