

REAL Centre

Investing to save: how can investment drive improvements in productivity and successfully integrate care?

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**The
Health
Foundation**

Long run health care funding growth

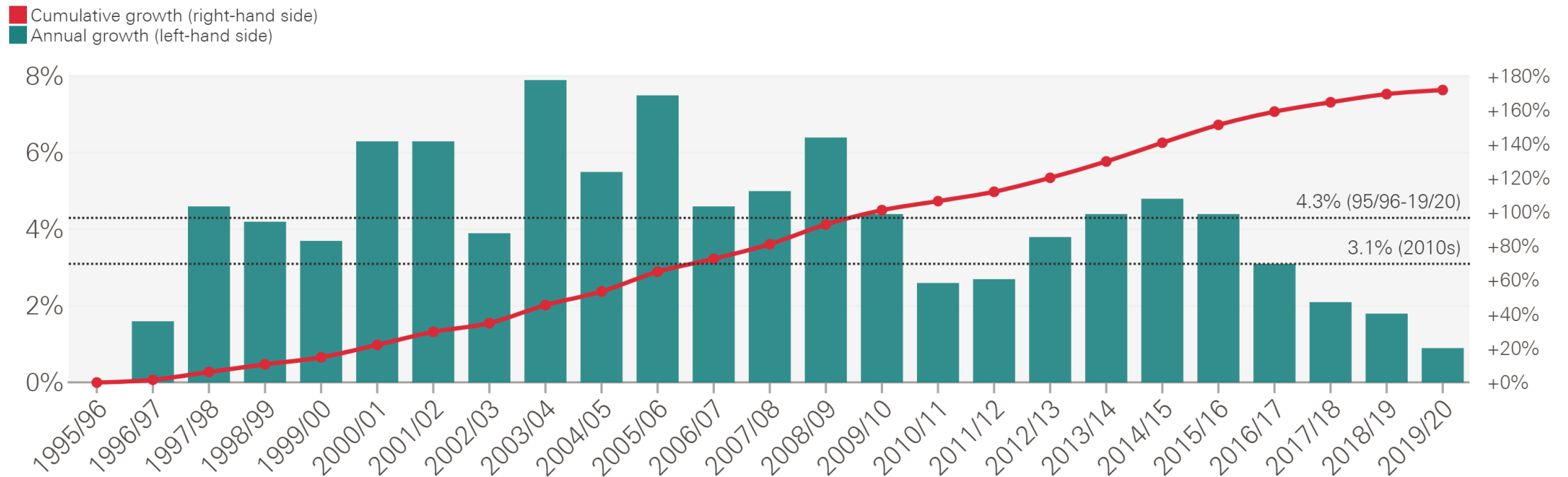
Government	Time period	Annual growth
Whole period	1949-50 to 2024-25	3.6%
Pre 1979 (various governments)	1949-50 to 1978-79	3.5%
Thatcher and Major Conservative governments	1978-79 to 1996-97	3.3%
Blair and Brown Labour governments	1996-97 to 2009-10	6.0%
Coalition government	2009-10 to 2014-15	1.1%
Cameron and May Conservative governments	2014-15 to 2018-19	1.6%
Johnson Conservative government (NHS settlement and SR 2021)	2018-19 to 2024-25	3.2%

Source: PESA tables

Activity

- Output (which is activity weighted by cost) growth averaged 4.3% per year over the last two decades
- In the 2010s, growth was 3.1%. Growth has slowed in recent years, but slow growth is hard to square with ambitions in LTP and for elective recovery.

NHS output growth



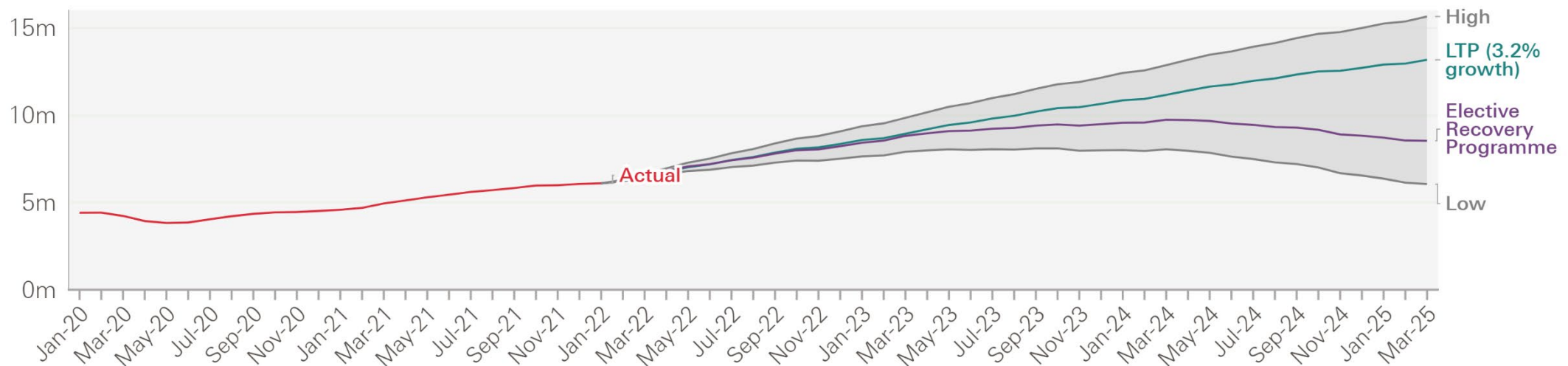
Elective recovery

- Elective recovery plan seeks to increase activity 30% higher by end of 2024/25 than pre-pandemic, accounting for shifts to advice and guidance and reductions in outpatient attendances
- This is 10 percentage points higher than growth anticipated under LTP, an extra 3m completed pathways
- Note, even if this achieved, it is quite plausible the waiting list will be higher in 2024/25 than today

Elective waiting list

Waiting list could be higher in 2024/25 than today under Government's elective recovery plan

Elective care waiting list, millions of patient pathways



Cost pressures

NHS estimated core price pressures (excl. COVID-19) of 2.8% in 2022/23 but this was before rising inflation

Pay accounts for the majority of price pressure across the NHS

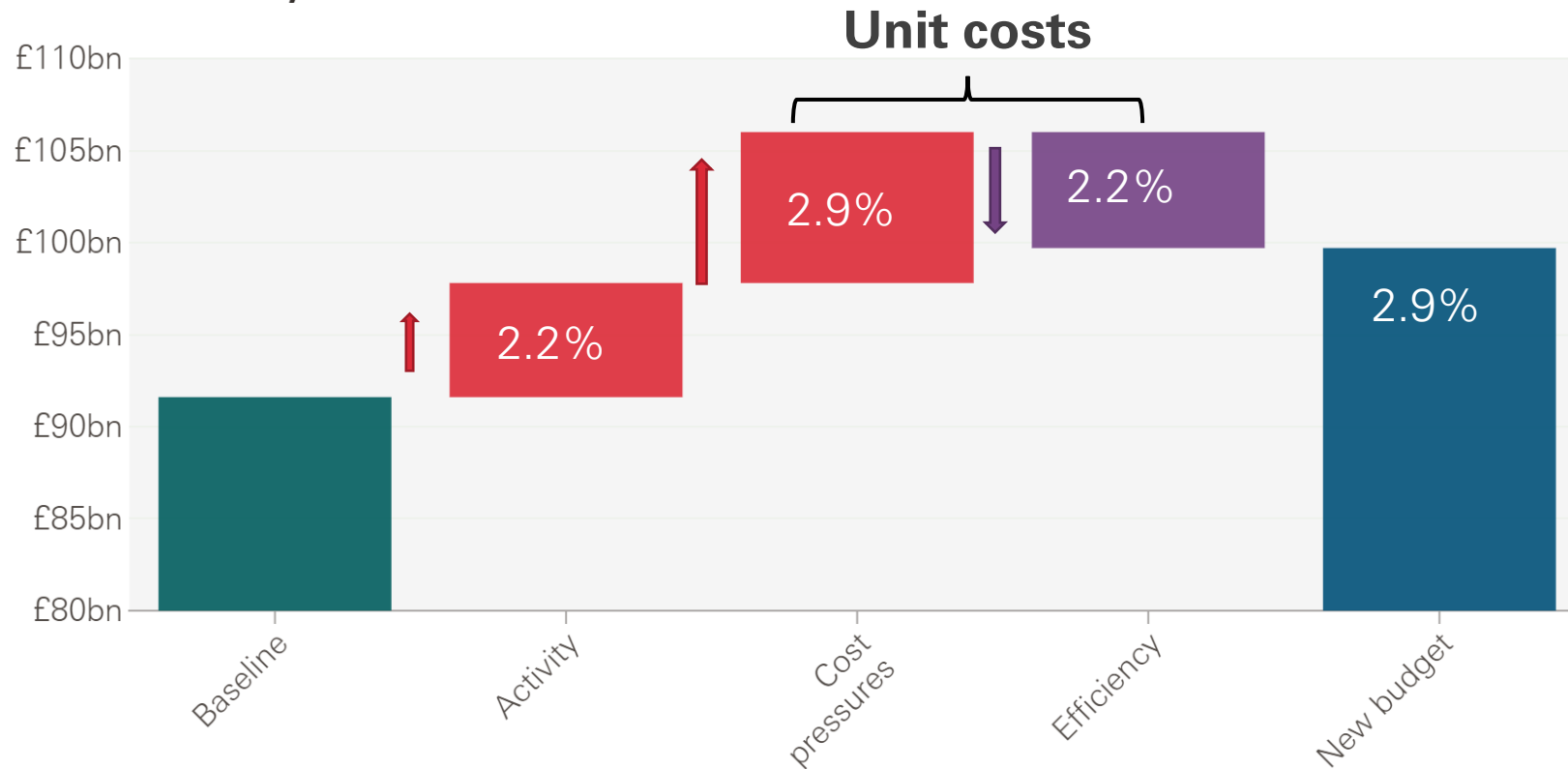
- For the HCHS workforce as a whole, every 1% pay growth costs ~£900 million*. An 8% increase (matching CPI) would require around £7.2bn.
- Proposed award is 3%, with pay review body to report in May.

Pressures: 2022 to 2023	Total costs (£m)	Inflation	Extra Cost (£m)
Energy*, of which	495	63%	221
Electricity	288	26%	75
Gas	202	72%	146
Food**	618	6.8%	42
Construction & maintenance***	3,634	11.9%	432

Source: ONS *Inflationary pressures faced by public services in England: 2022 to 2023*. *Excluding Green Energy Tariff and other energy costs (source: ERIC data) **Spending for inpatient food services ***PPI

May 2022 Trusts and systems to be given £1.5bn to cover inflation costs

NHS - local system (ICB) - funding pressures (2021/22 - 2024/25)



NEW Indicative breakdown

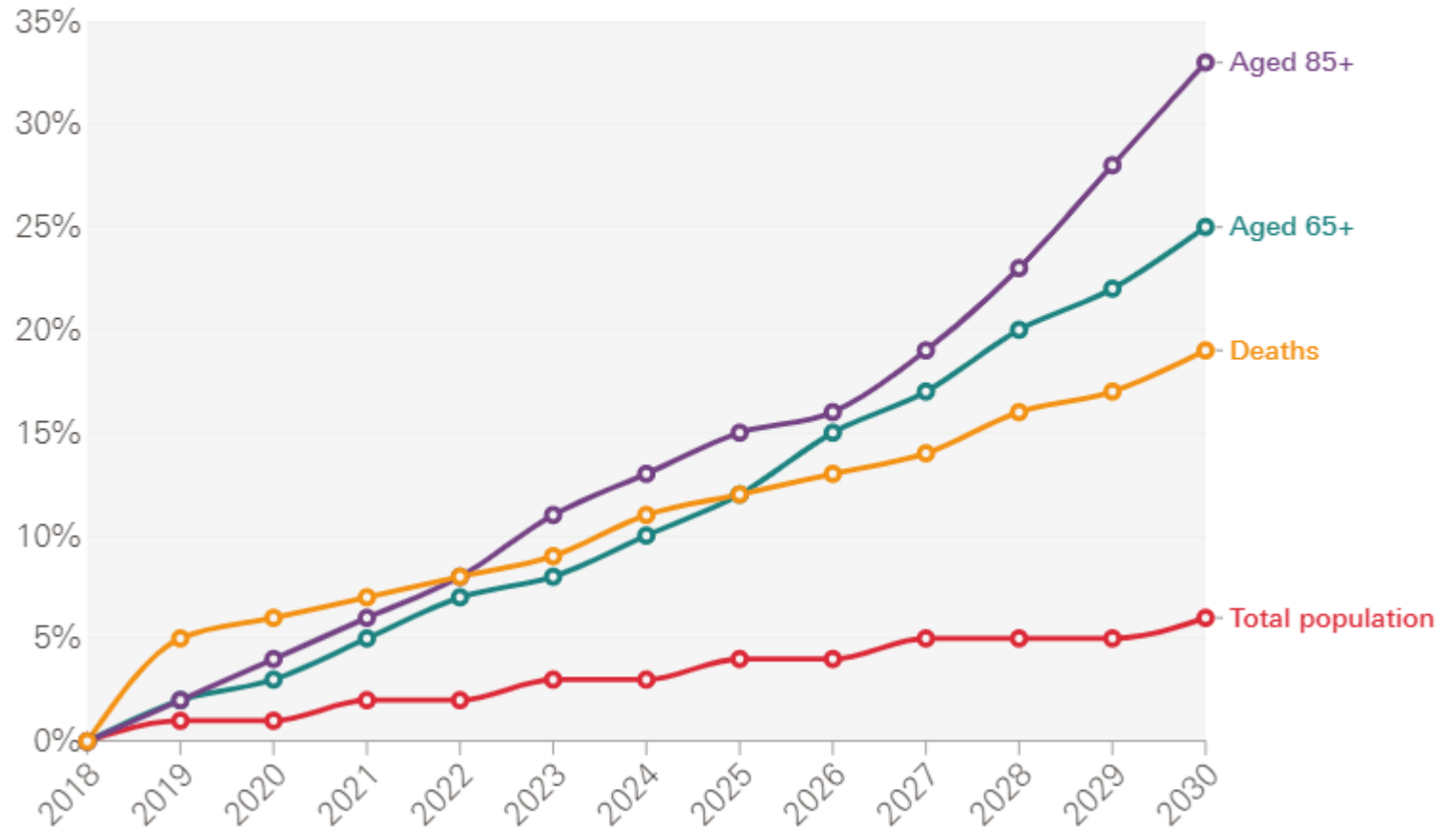
- NHSEI have announced another £1.5bn will be given to ICBs to deal with additional cost pressure
- This funding is recurrent, so will be added through to 2024/25
- Note, however, this money is **not new** to the health budget; funding is being shifted within the overall envelope and that means some things that would have happened won't
- Systems will have greater scope to increase activity – here, 2.2% growth
- To get to 3.0% growth, a further £2.2bn would be needed (£3.7bn in total)

Population ageing increases pressures on hospital care

- According to the ONS, total population is projected to increase by 6% over the next 10 years.
- Future population will also be significantly older, with the proportion of those 65 (85) and older to increase by 25% (33%).
- The number of deaths is also projected to increase significantly (+19%), as a result of increased life expectancy and the baby boom generation becoming older.

Projected population trends to 2030

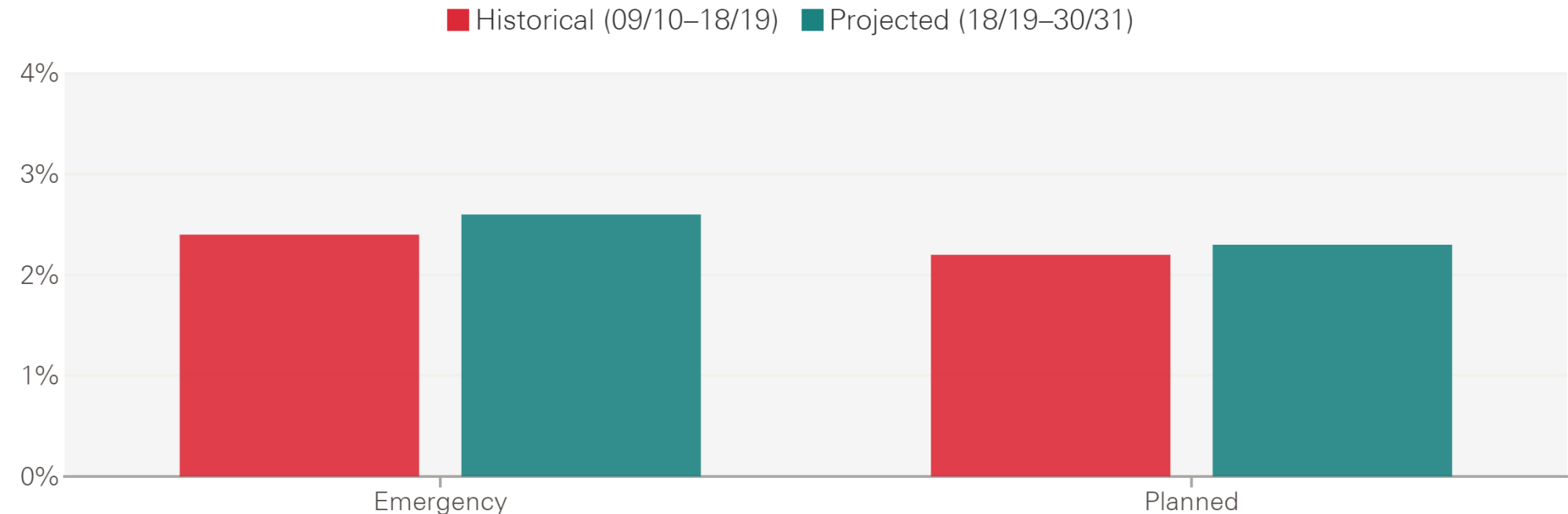
% growth relative to 2018



Projected trends in hospital admissions

As a result of pressures from demographics and morbidity, our projections suggest admissions would have to grow faster (emergency admissions) or close to (planned admissions) their historical average.

Annual growth (%)



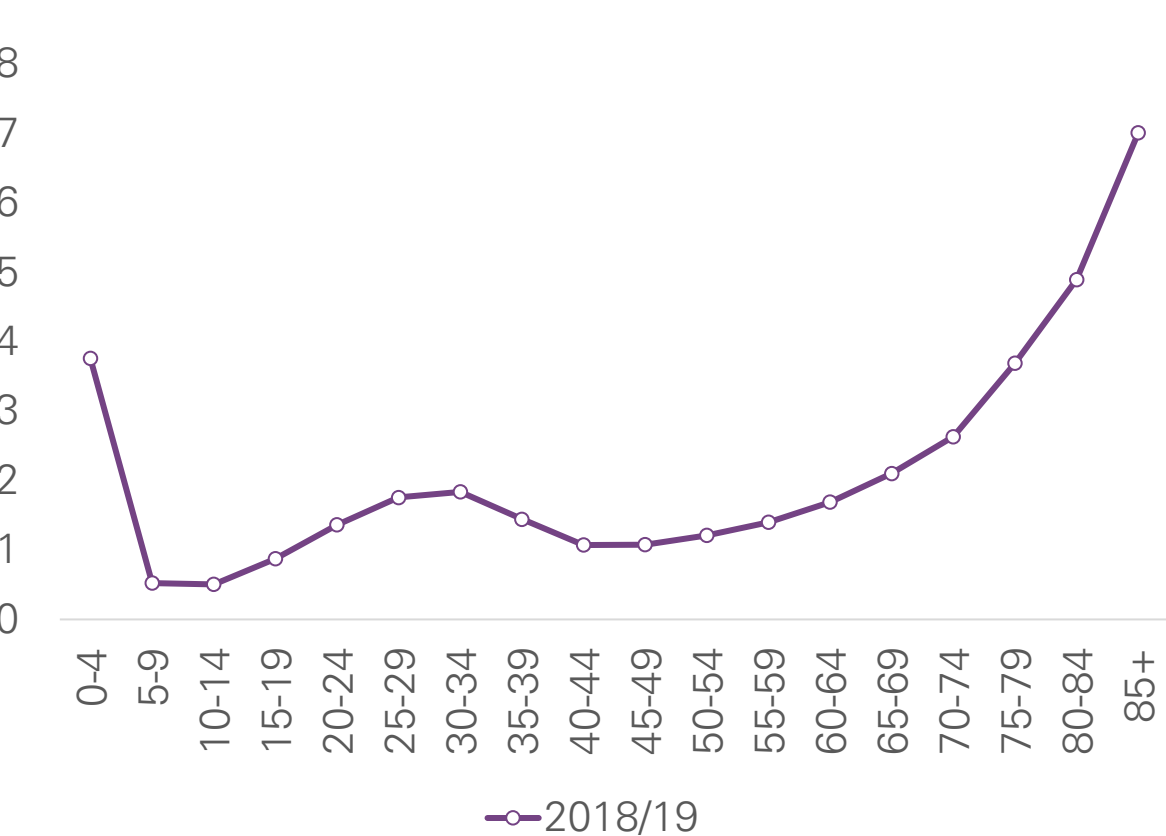
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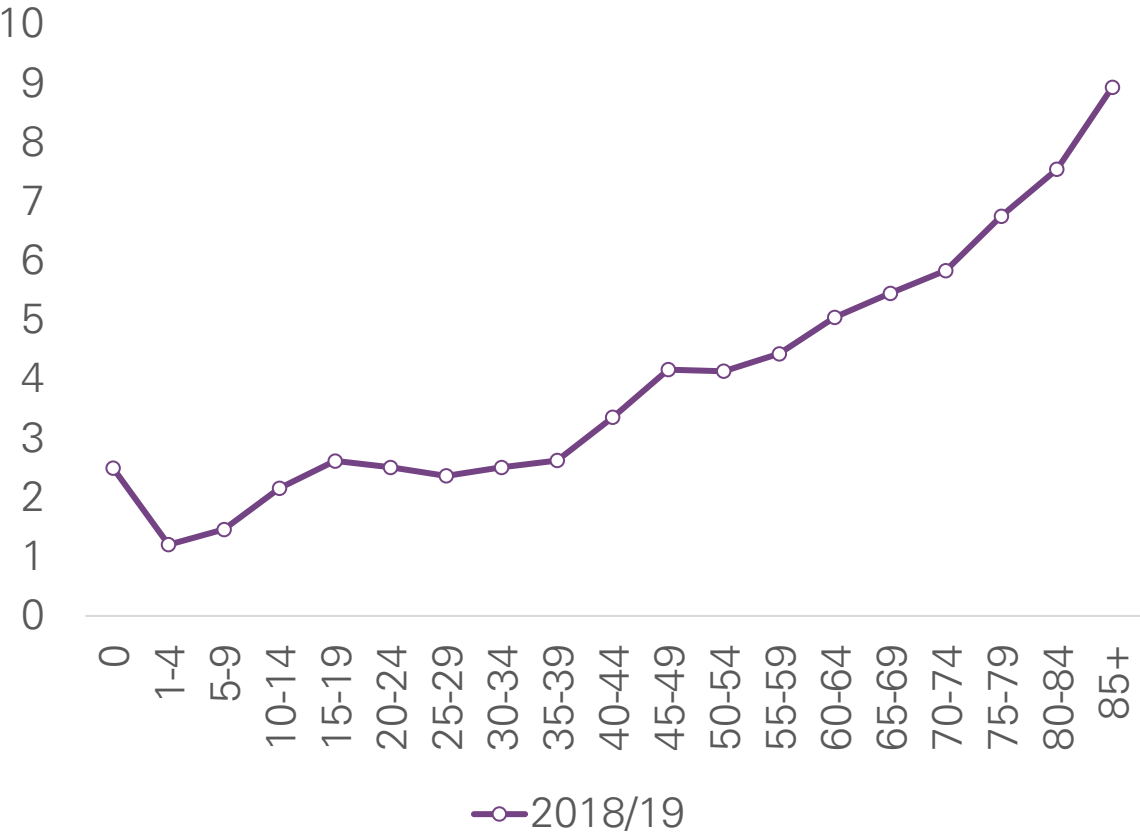
Source: REAL Centre's calculations based on HES data.

Hospital admission rates and length of stay are higher for older age groups

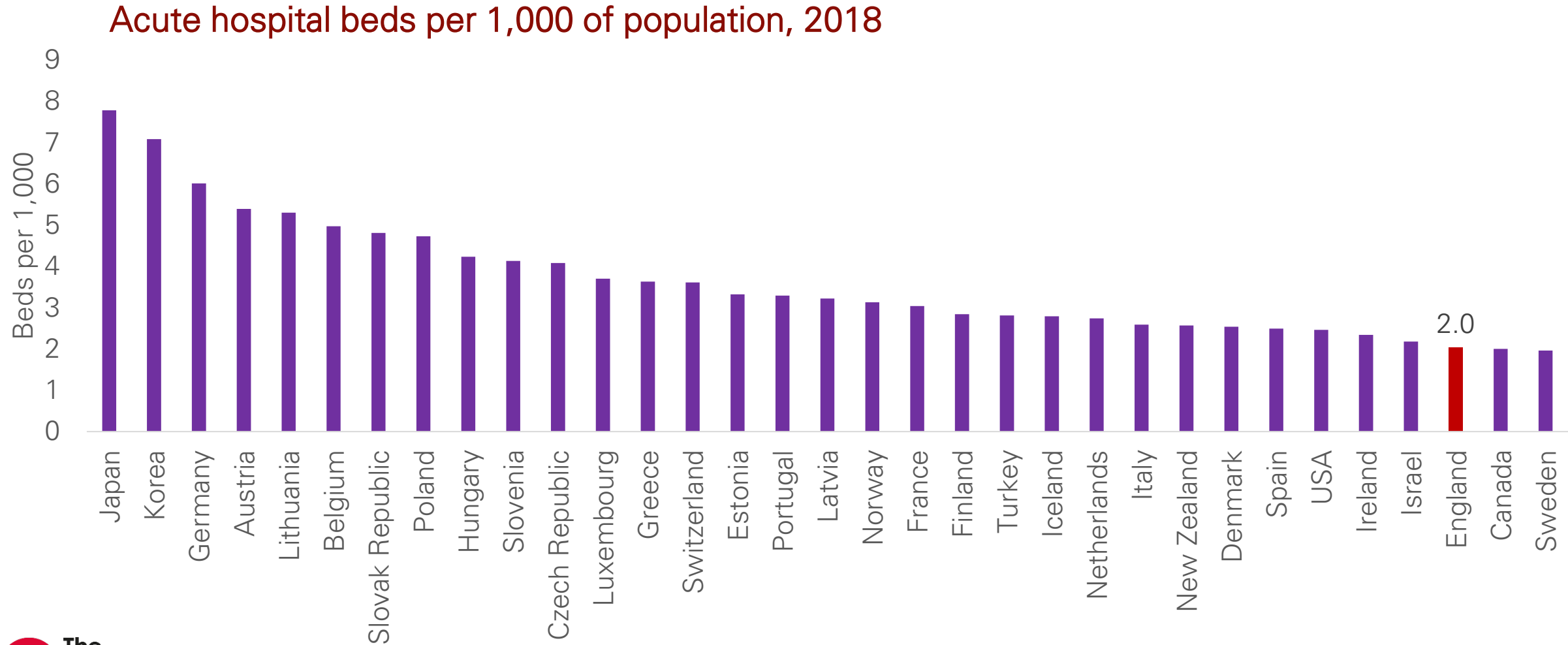
Admission rates by age groups, 2018/19



Length of stay by age groups, 2018/19

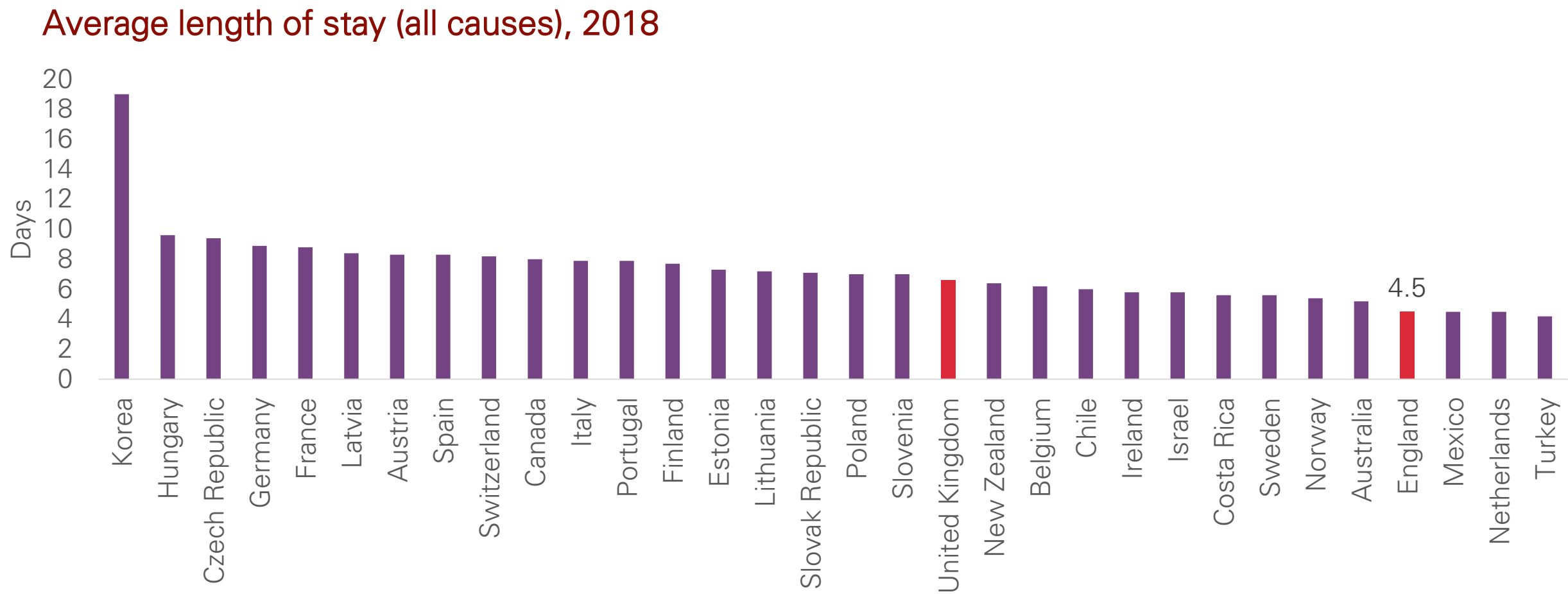


Bed capacity in the UK/England is lower than international comparators

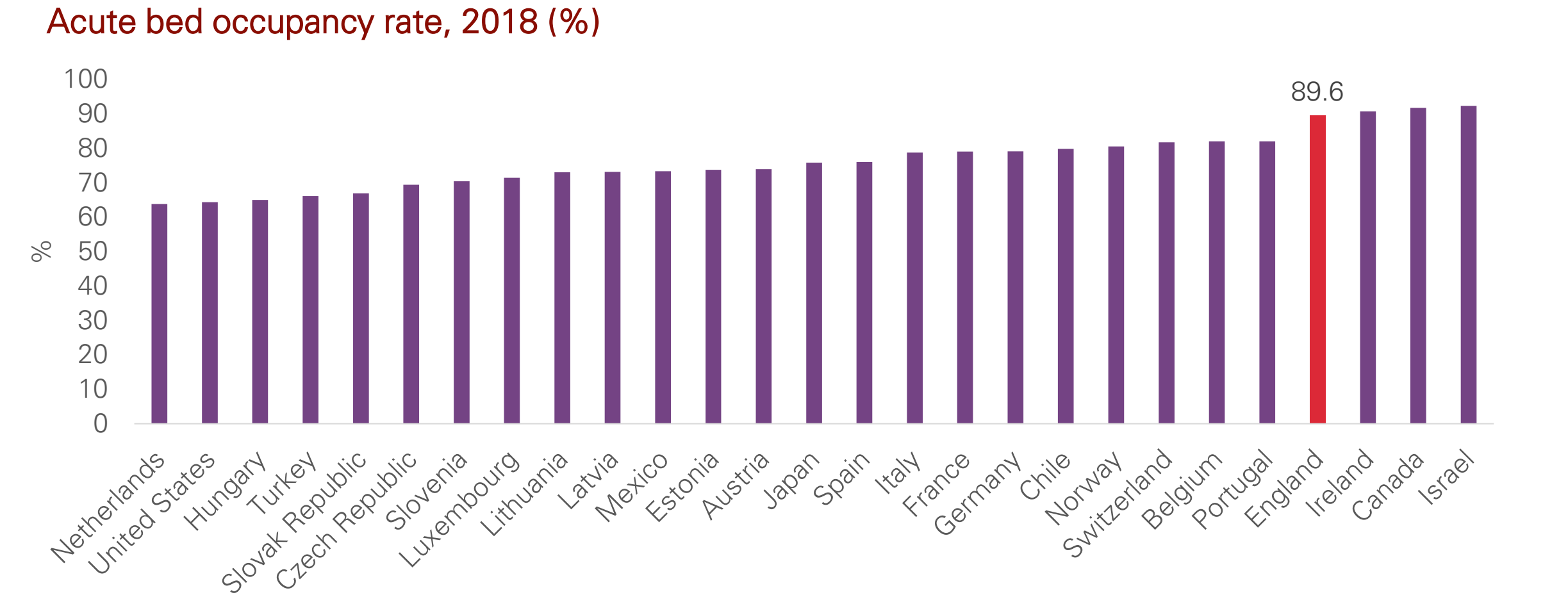


Source: OECD (2021), Hospital beds (indicator). doi: 10.1787/0191328e-en (Accessed on 21 October 2021).
Figure for England is estimated using NHS England data and ONS population.

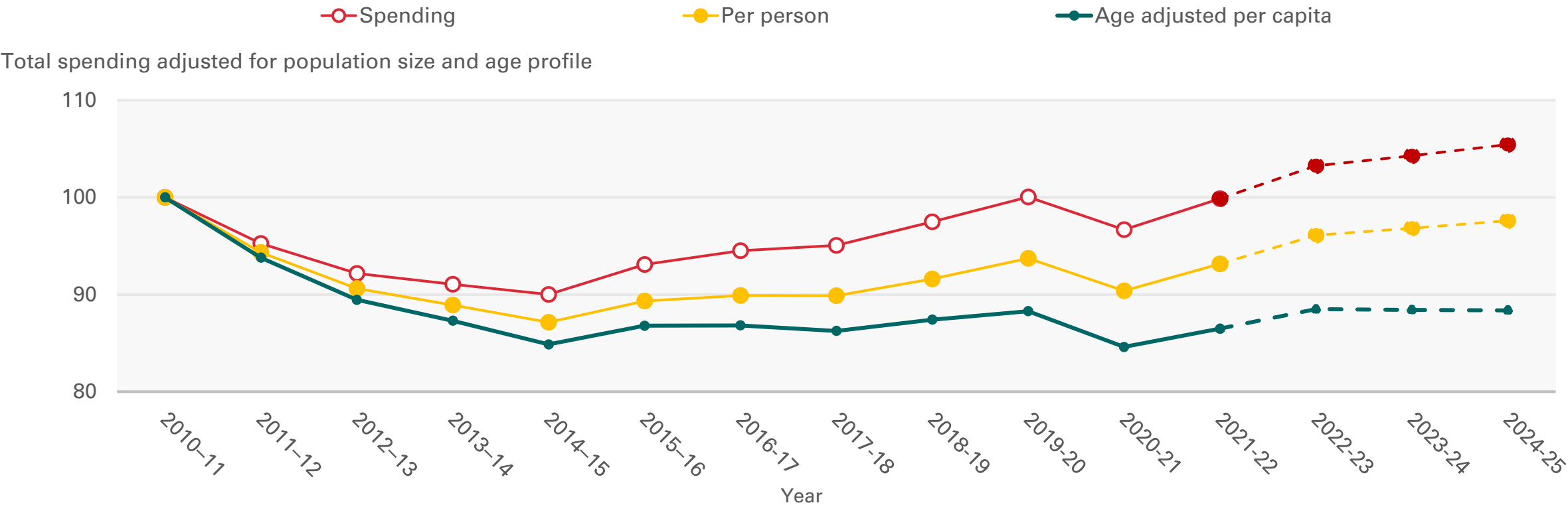
Length of stay in England is almost the lowest reported among OECD countries



Acute bed occupancy level in England* is higher than most OECD countries



Social care funding has not kept pace with demand



Source: REAL Centre analysis of NHS Digital, Adult Social Care Activity and Finance 2021/22, and ONS population statistics

“Note: This analysis reflects the commitment to additional adult social care funding made available at Spending Review 2021 to the end of this parliament. It excludes estimated ‘one-off’ increases in funding to deal with the COVID-19 pandemic in 2020/21. It does not account for the Health and Social Care Levy, any further one-off funding that may be provided to deal with the COVID-19 pandemic or any additional costs that may result in the medium or short-term. The analysis assumes that projected increases in local government spending power on adult social care match projected increases in overall local government core spending power (excluding the Health and Social Care Levy). It does not make any assumptions about efficiency savings in any scenario.”