



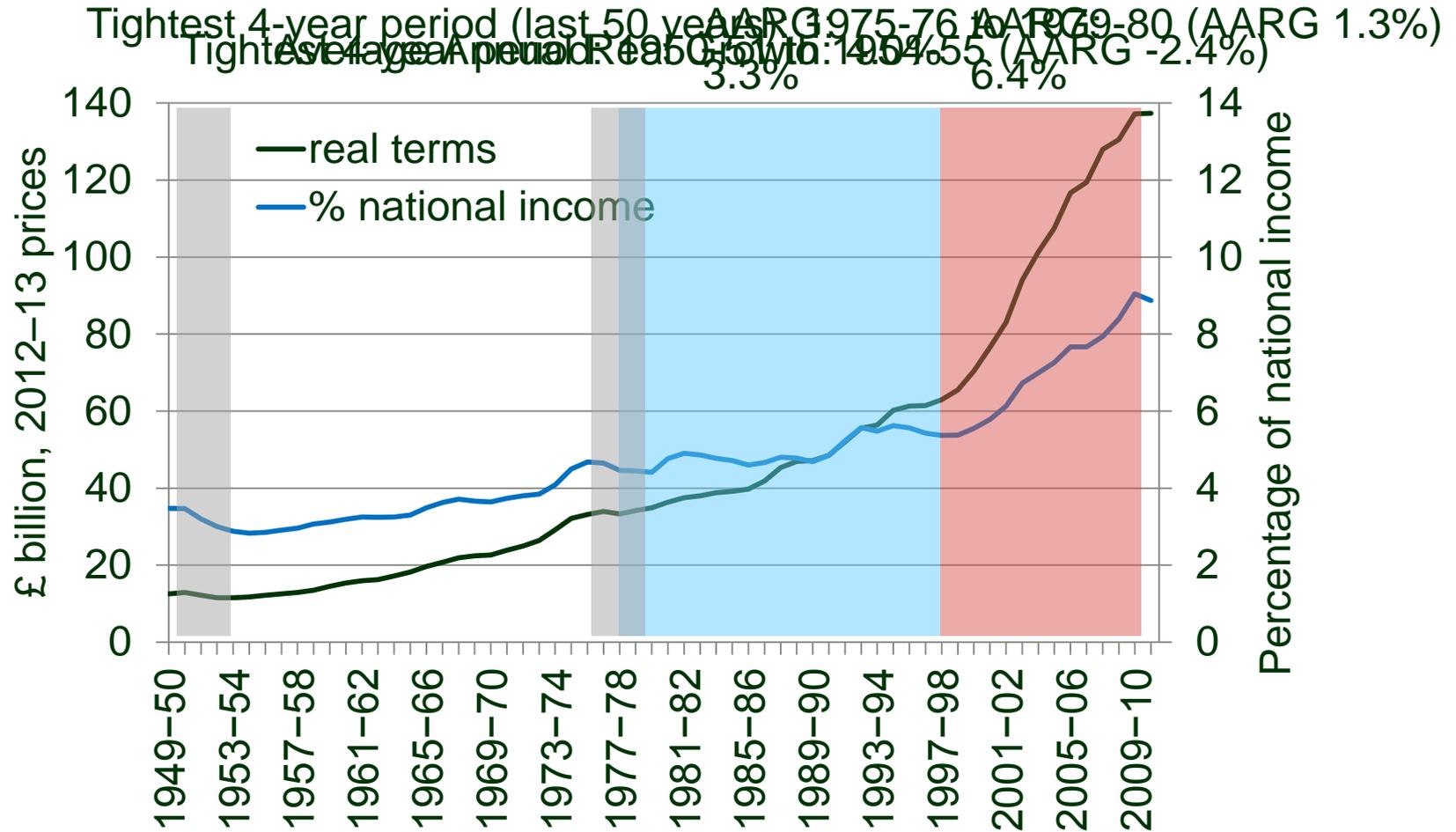
NHS and social care funding: the outlook to 2021-22

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PAGB conference November 8 2012

Based on *Buying Time: What is the scale of the financial challenge facing the NHS and how can it rise to the challenge?* Rowena Crawford and Carl Emmerson

Historical UK NHS spending



Source: Figure 1

Scenarios for English NHS spending to 2021-22

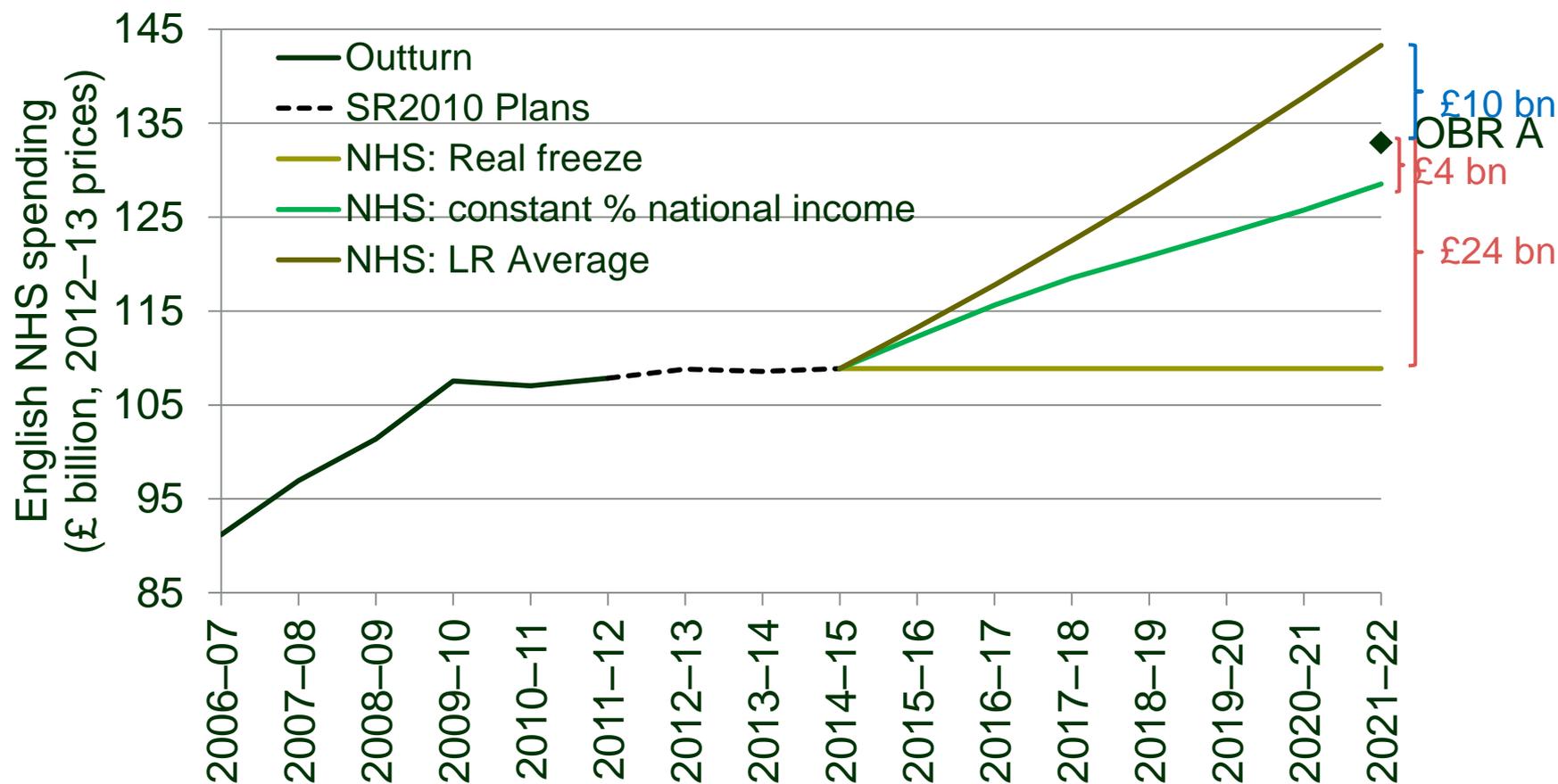
2010-11 to 2014-15

- Assume cash spending plans for English NHS spending turn out as Budget 2012 forecast
 - Essentially a 4-year real freeze in spending
 - Would be likely to be the tightest 4-year period in the last 50 years

2015-16 to 2021-22:

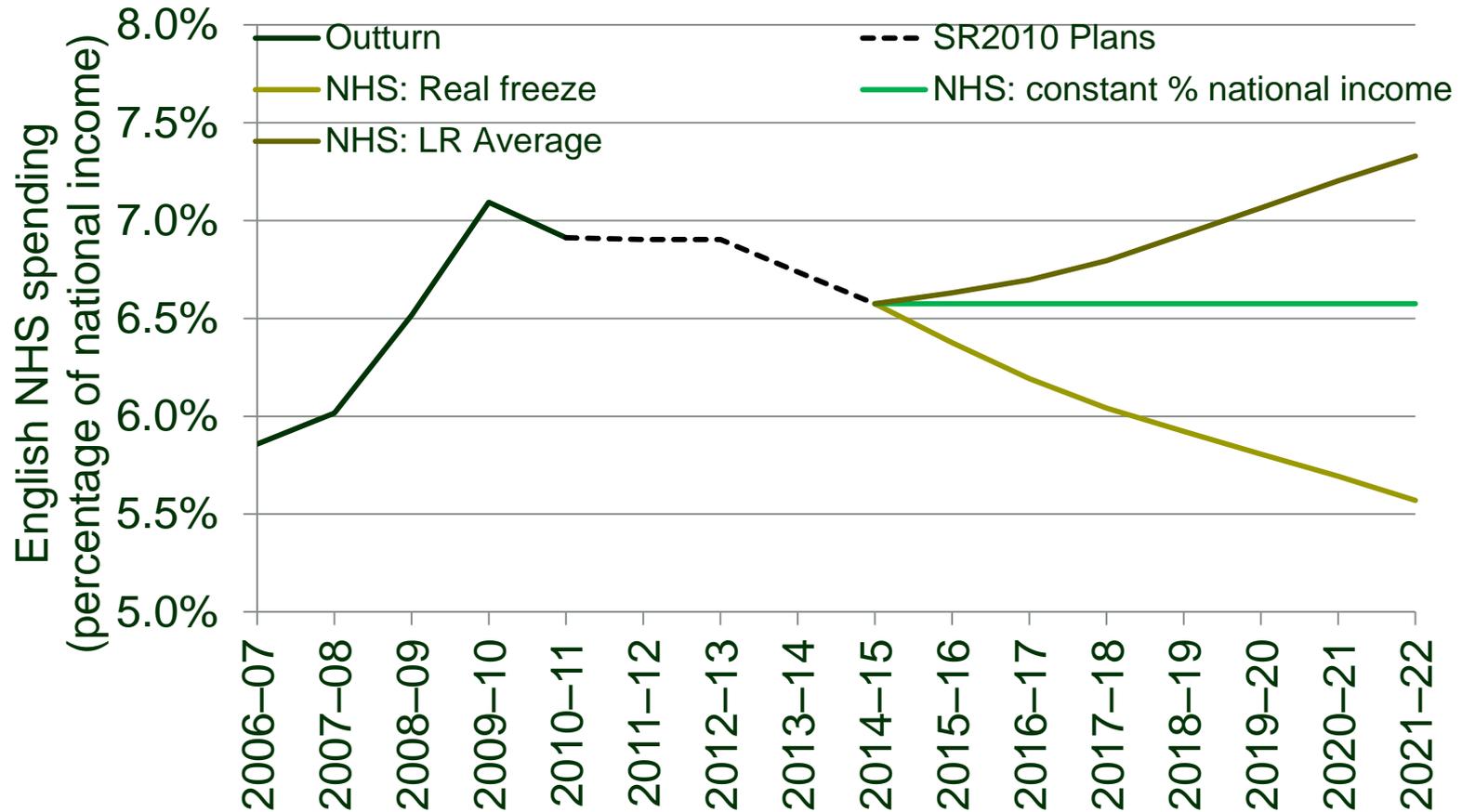
- Consider 3 scenarios for English NHS spending:
 - Real freeze (average 0.0% per year real growth)
 - Constant as % national income (average 2.4% per year real growth)
 - Long run average growth (average 4.0% per year real growth)

Scenarios for English NHS spending to 2021-22



Source: Figure 2a

Scenarios for English NHS spending to 2021-22



Source: Figure 2b

What is likely to be available for public services?

	Average annual real change (%) 2014–15 to 2016–17
Total public spending	-0.9
Debt interest spending	
Welfare spending	
Public service spending	
<i>Memo: forecast real growth in national income</i>	3.0

What is likely to be available for public services?

	Average annual real change (%) 2014–15 to 2016–17
Total public spending	–0.9
Debt interest spending	+7.0
Welfare spending	+0.9
Public service spending	–2.9
<i>With £8.5bn welfare cut by 2016–17:</i>	
Welfare spending	–2.6
Public service spending	–1.7
<i>Memo: forecast real growth in national income</i>	
	3.0

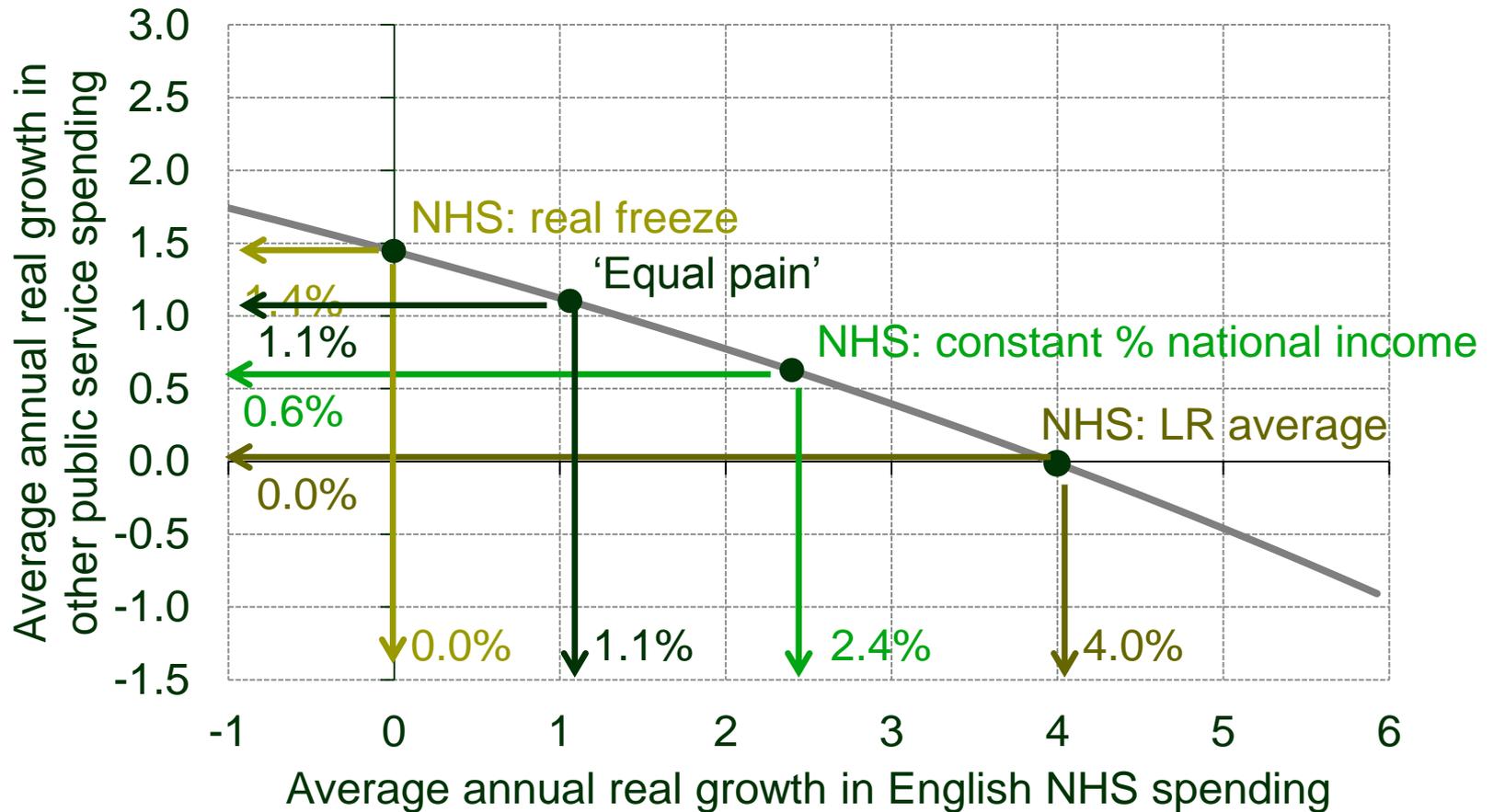
What is likely to be available for public services?

	Average annual real change (%)	
	2014–15 to 2016–17	2016–17 to 2021–22
Total public spending	-0.9	+2.1
Debt interest spending	+7.0	
Welfare spending	+0.9	
Public service spending	-2.9	
<i>With £8.5bn welfare cut by 2016–17:</i>		
Welfare spending	-2.6	
Public service spending	-1.7	
<i>Memo: forecast real growth in national income</i>		
	3.0	2.1

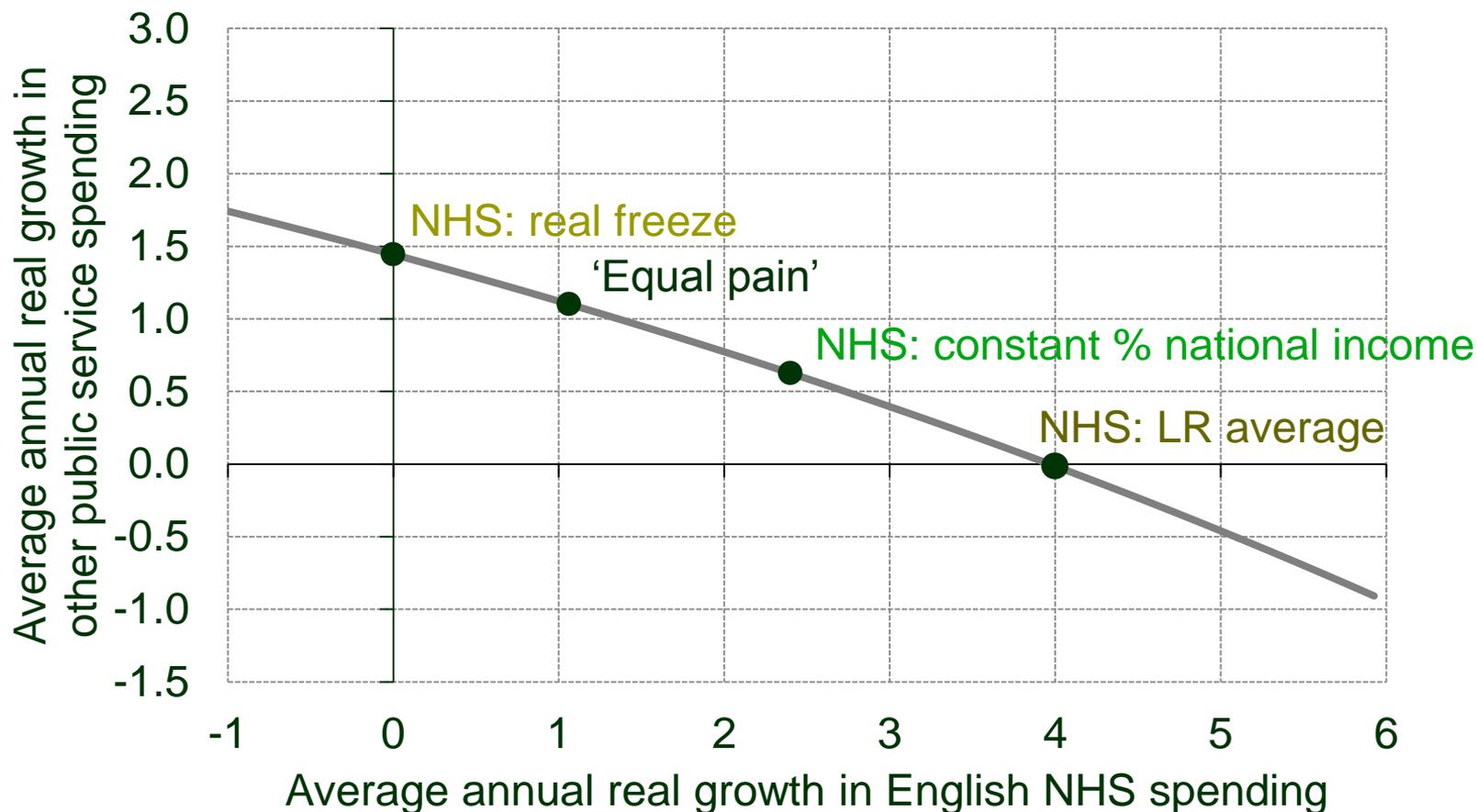
What is likely to be available for public services?

	Average annual real change (%)		
	2014–15 to 2016–17	2016–17 to 2021–22	2014–15 to 2021–22
Total public spending	-0.9	+2.1	+1.3
Debt interest spending	+7.0	+1.4	+2.9
Welfare spending	+0.9	+2.1	+1.8
Public service spending	-2.9	+2.2	+0.8
<i>With £8.5bn welfare cut by 2016–17:</i>			
Welfare spending	-2.6	+2.1	+1.1
Public service spending	-1.7	+2.2	+1.1
<i>Memo: forecast real growth in national income</i>			
	3.0	2.1	2.4

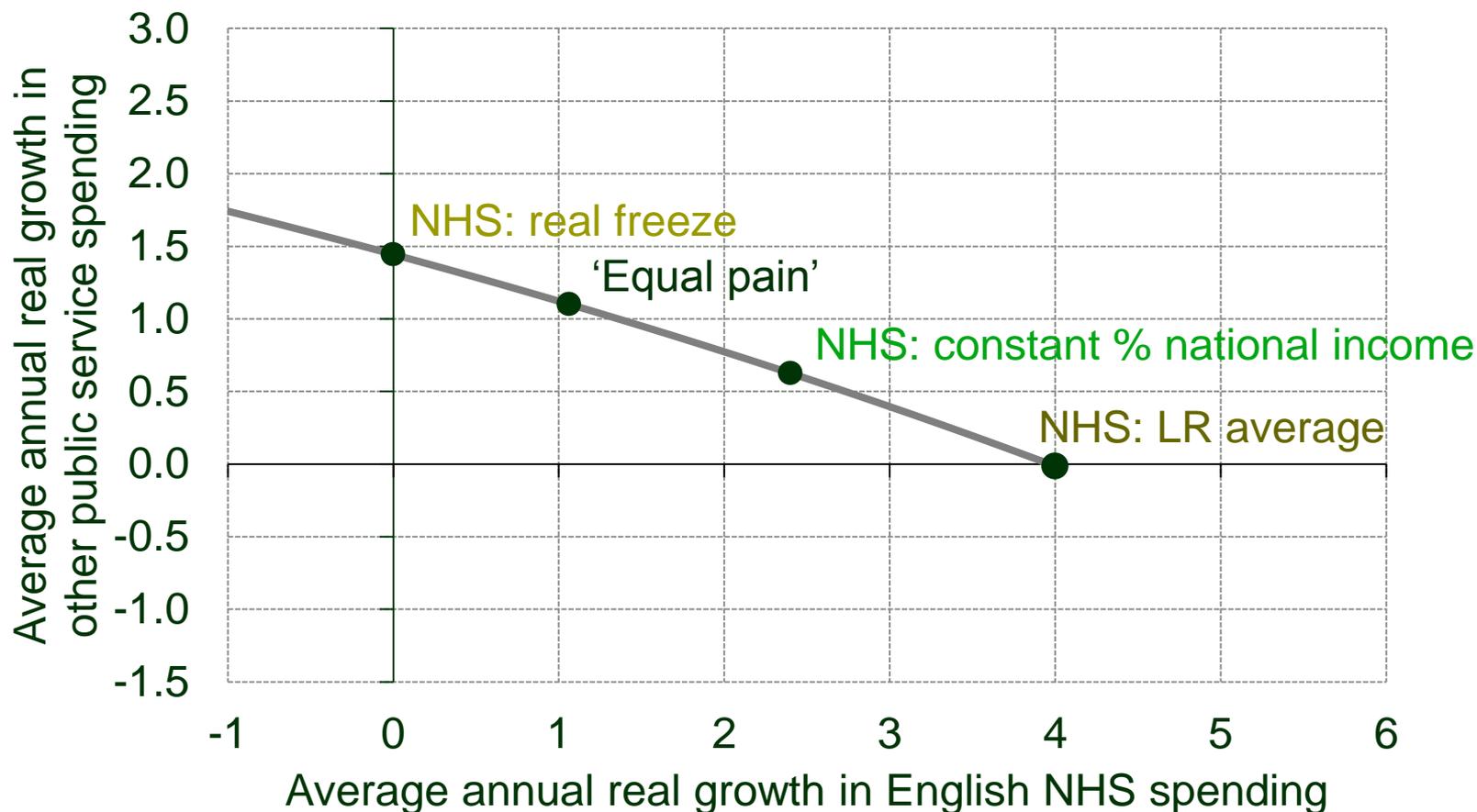
Trade-off between English NHS spending and other public services (2015-16 to 2021-22)



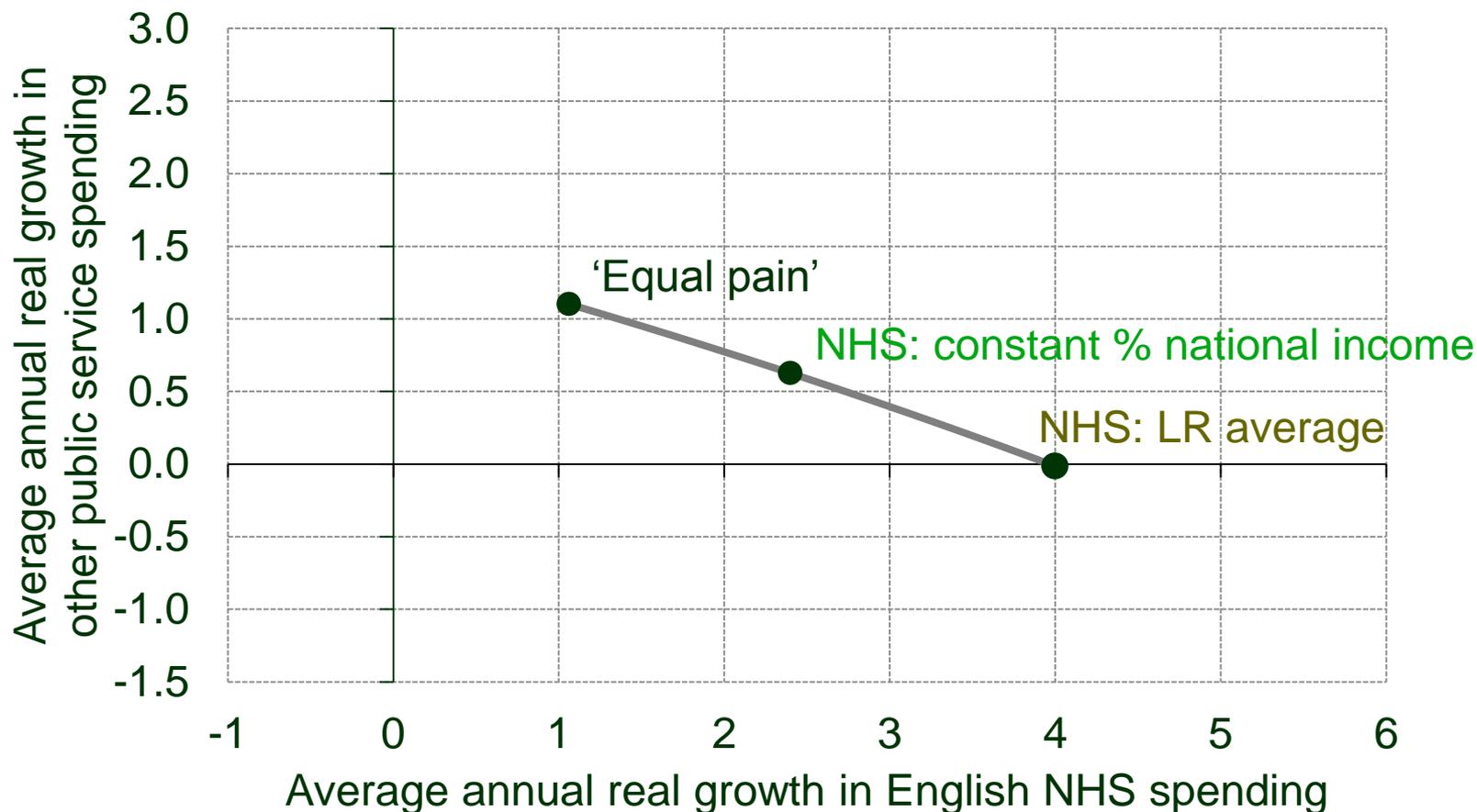
Trade-off between English NHS spending and other public services (2015-16 to 2021-22)



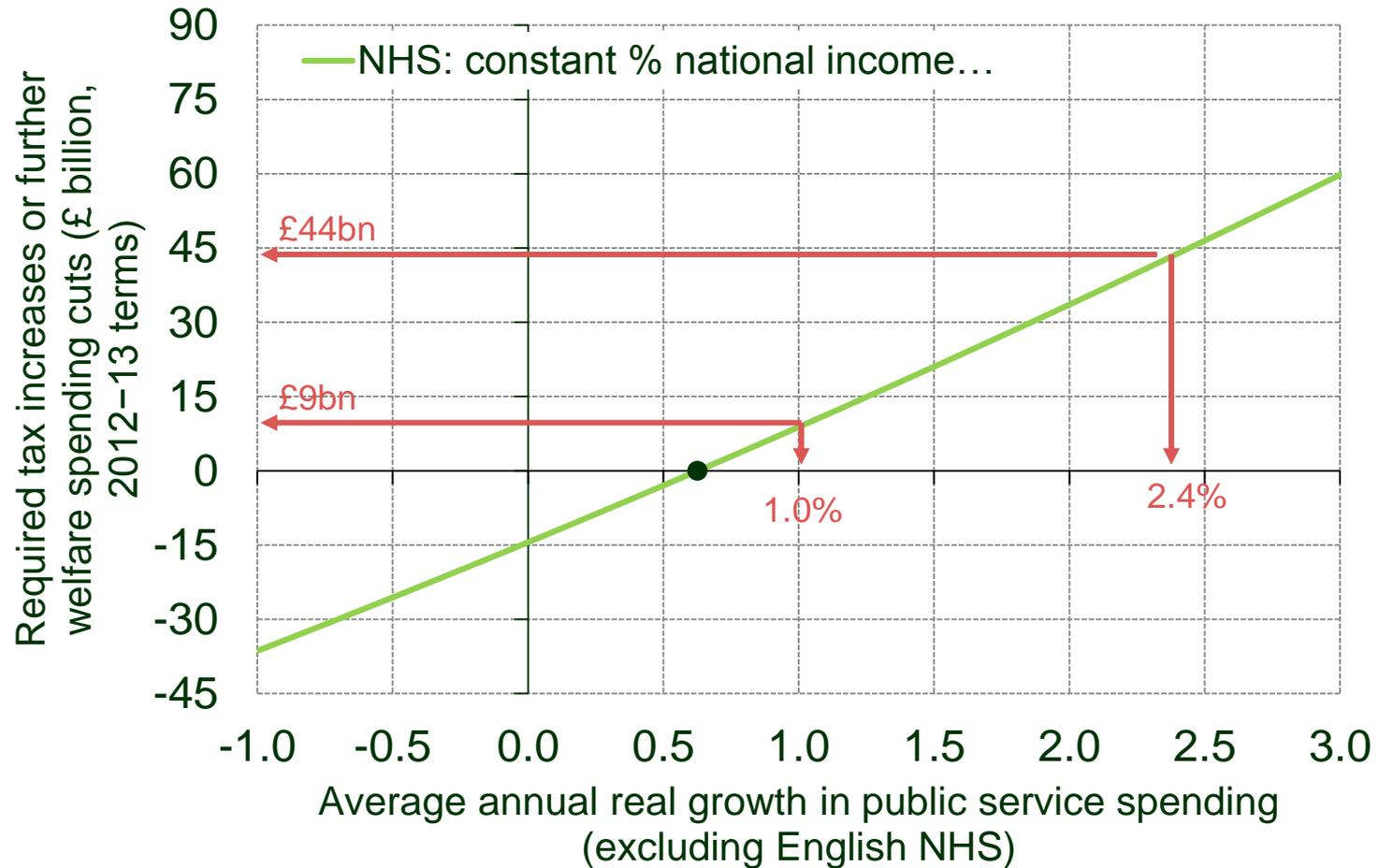
Trade-off between English NHS spending and other public services (2015-16 to 2021-22)



Trade-off between English NHS spending and other public services (2015-16 to 2021-22)



Trade-off between public service spending and tax increases/further welfare cuts



Social care funding

- Increasing pressures on public social care funding
 - Demographic changes
 - Dilnot Commission proposed reforms to funding framework
- Projections in the Commission final report for funding 2014-15 to 2021-22:
 - Current system: 3.3% a year real increase
 - Proposed system: 5.4% a year real increase
- Implementing the proposed system while keeping English NHS spending constant as a share of national income...
 - Other public services would grow by 0.3% per year
 - (Compared to 0.5% per year if current social care funding system maintained)

Conclusions

- Planned real freeze for 2010-11 to 2014-15 will, if delivered, be the tightest period of funding in the last 50 years of the NHS
- The outlook for public service spending over the next decade continues to look tight
 - Cuts of 1.7% a year in 2015-16 and 2016-17, even with hinted at £8.5 billion welfare cuts
 - Growth of 2.2% a year in 2017-18 to 2021-22
 - Growth of 1.1% a year over whole period 2015-16 to 2021-22
- Implications of English NHS spending over 7 years from April 2015:
 - Real freeze: other public service spending grows by 1.4% pa.
 - Constant % national income: other public service spending grows 0.6% pa.

Conclusions

- Also pressure on public funding of social care
 - Would further reduce the available funds for other public services
- Squeeze on other public services could be ameliorated by tax increases or further welfare cuts
- OBR estimates suggest increase in NHS spending in line with national income would not be sufficient to keep pace with costs of ageing population
- NHS productivity would need to increase to fill the gap between funding and demand pressures