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## **NHS CONFEDERATION ELECTION ASKS – A CREDIBLE AND CLEAR APPROACH TO NHS FUNDING**

**The NHS Confederation has outlined ten asks for the next government to support the NHS and enable it to deliver transformation on the scale needed. This document describes two of these asks and puts forward the case for a better way to agree and deliver NHS funding.**

**For more information on the issues explored, please contact Paul Healy ([paul.healy@nhsconfed.org](mailto:paul.healy@nhsconfed.org)).**

### **ESTABLISH AN OFFICE FOR BUDGET RESPONSIBILITY IN HEALTH**

- The debate on NHS funding is characterised by ambiguity and uncertainty. The public are keen to better understand the use of resources for health care and we believe they would welcome an independent assessment of the impact of major government decisions on the NHS.
- We propose establishing an Office for Budgetary Responsibility in Health (OBRH) to provide an objective assessment of NHS finances, which would strengthen the evidence base on which decisions are made. We first called for this function in 2013 and believe the case for it has grown stronger in recent years.
- An OBRH would act much like the OBR currently does and provide forecasts on which to make political choices on health. It would offer analysis on NHS spending and the likely pressures in the medium- and long-term. Proposed health policies would be independently assessed before implementation and current practices evaluated to consider if public funds are delivering best possible value.

- It would not be designed to examine only national funding decisions and would be an important tool in measuring the delivery of productivity improvements by the NHS. An expert assessment on efficiency would enable realistic targets to be set and an authoritative basis for holding the NHS account for what is delivered.
- As such, an OBRH would complement the roles of the National Audit Office, the National Institute for Health and Care Excellence and NHS Improvement. In the United States, the Congressional Budget Office provides projections of federal health care spending and analyses proposals that would change federal health care policies.

<b>Costs</b>	The annual budget of the OBR is £2 million for 19 staff. <sup>i</sup>
<b>Benefits</b>	The evidence base for NHS funding would be strengthened and there would be more certainty for investment. A stronger approach to NHS productivity improvements would also be encouraged.

## COMMIT TO AN NHS FUNDING TARGET

- Public finances are strongly linked to the UK’s economic performance. Almost all government spending is funded by a tax base that increases and decreases with the growth in the UK Gross Domestic Product (GDP). A large proportion of health costs are also driven by the economy. For example, NHS pay would usually be expected to grow as private sector pay goes up to ensure retention of staff.
- We propose a commitment to an NHS funding target that strengthens the principle of economic prosperity being shared with our vital public services. Two notable funding targets currently exist, namely for 0.7 per cent of GDP for international development and 2 per cent of GDP for defence. We have long highlighted the link between our economy and the NHS and the need to establish a more stable basis for funding than political cycles.
- NHS spending would be expected to grow by at least the rate of economic growth, which would enable OBR projections to also forecast minimum health spending growth. During times of recession (which are often short periods), the government of the day would be expected to consider whether they are willing to accept the

consequences of reducing health spending in real terms, or else protect the NHS with at least flat-real funding.

- In the last decade, a target was set for health spending to reach the average for the European Union. A similar comparable target could be established for the next decade with greater ambition, linking UK health spending to similar countries like France and Germany.
- Total health spending in the UK accounts for around 10 per cent of the UK GDP.<sup>ii</sup> This compares to 11 per cent in both France and Germany, which are accepted as strong comparators to the NHS. A one per cent gap between UK health spending and France and Germany represents 10 per cent of current spending and is more than £20 billion a year variance in spending.
- Alternatively, the next government could opt as a minimum to maintain the current proportion of GDP on UK health spending, so that it continues to account for 10 per cent of GDP. This would require around £16 billion a year more spending by 2022, of which over £12 billion would be assumed to come from UK government-financed expenditure.<sup>iii</sup>

<b>Costs</b>	The target set would be up to the next government. However, achieving a target to maintain current UK GDP spend on health requires around £12 billion a year by 2022. A more ambitious target of matching France and Germany requires around £16 billion a year.
<b>Benefits</b>	Health services and the public would have more certainty on future health spending levels. A target linked to France and Germany would offer reassurance of spending in line with comparable economies.

<sup>i</sup> Office for Budget Responsibility, Annual report and accounts 2015-16

<sup>ii</sup> Office for National Statistics, Health Accounts 2015

<sup>iii</sup> Calculated from ONS Health Accounts and the latest HM Treasury GDP deflator figures