

Welcome to Dartmouth House

An evening with



**Economic and Healthcare Spending update**



## David Smith Economics Editor 'The Sunday Times'

- David has been Economics Editor of The Sunday Times since 1989
- David is the author of several books, including *Free Lunch: Easily Digestible Economics*; and *Something Will Turn Up: Britain's Economy Past, Present and Future*

  
**THE SUNDAY TIMES**

# David Smith



**THE SUNDAY TIMES**

# The Budget that never was



# Interesting Times

**The economic  
outlook, Brexit, the  
election and what it  
means for healthcare**

# Three Themes

- The Global and UK economic outlook
- The election and Brexit
- What it means for Healthcare?

# A cold snap for the global economy





# Some of which is down to him





# Germany is flirting with a technical recession

## IHS Markit Germany Flash PMI



# And China is down to 6% growth



SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

# Much depends on this trade war





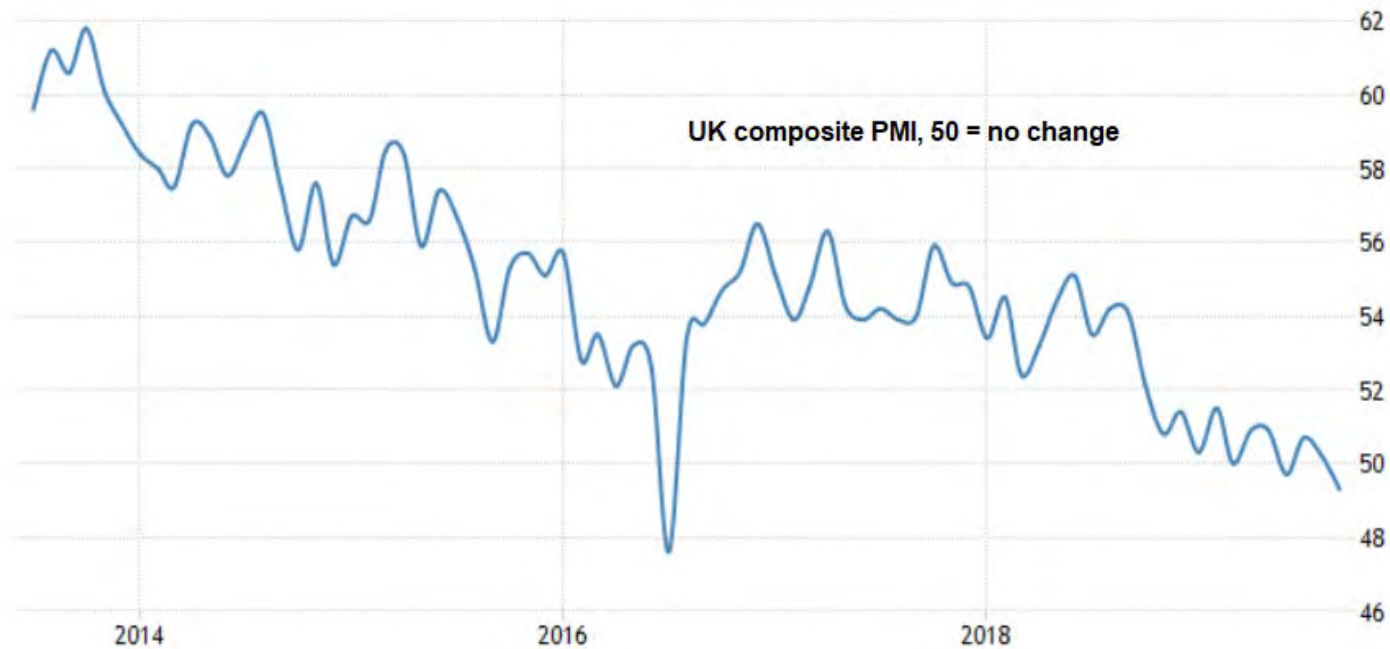
# But a softer patch, not a world recession

## GROWTH PROJECTIONS

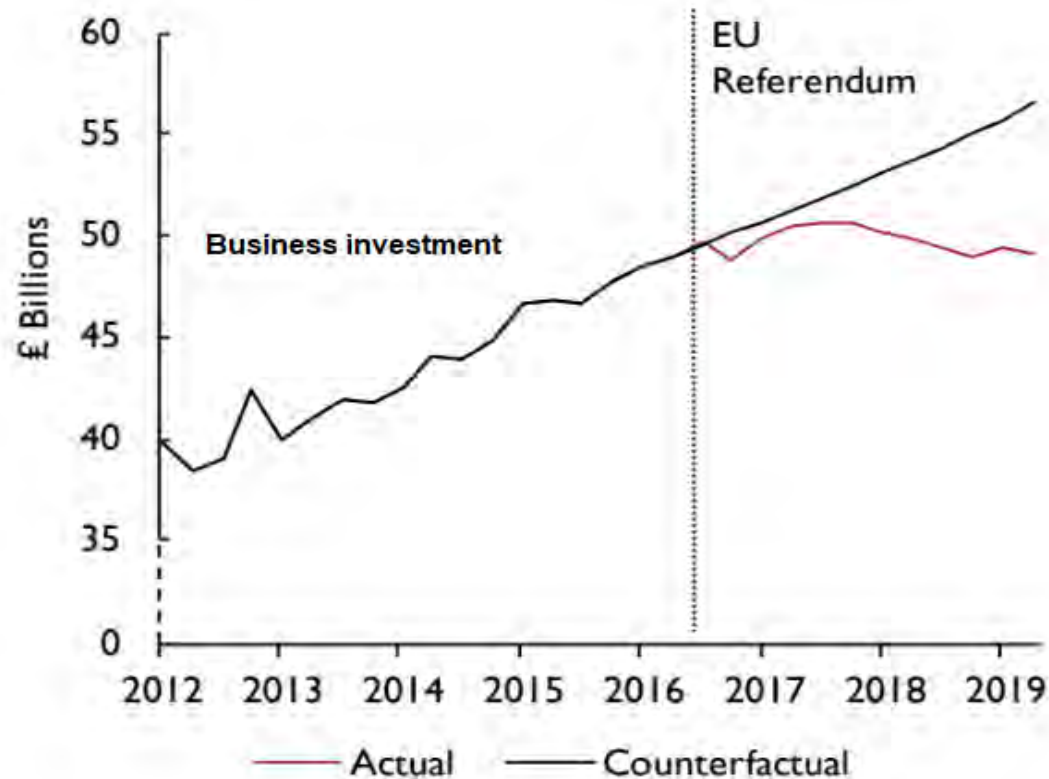
Global economy in a synchronized slowdown



# The UK is in a soft patch too

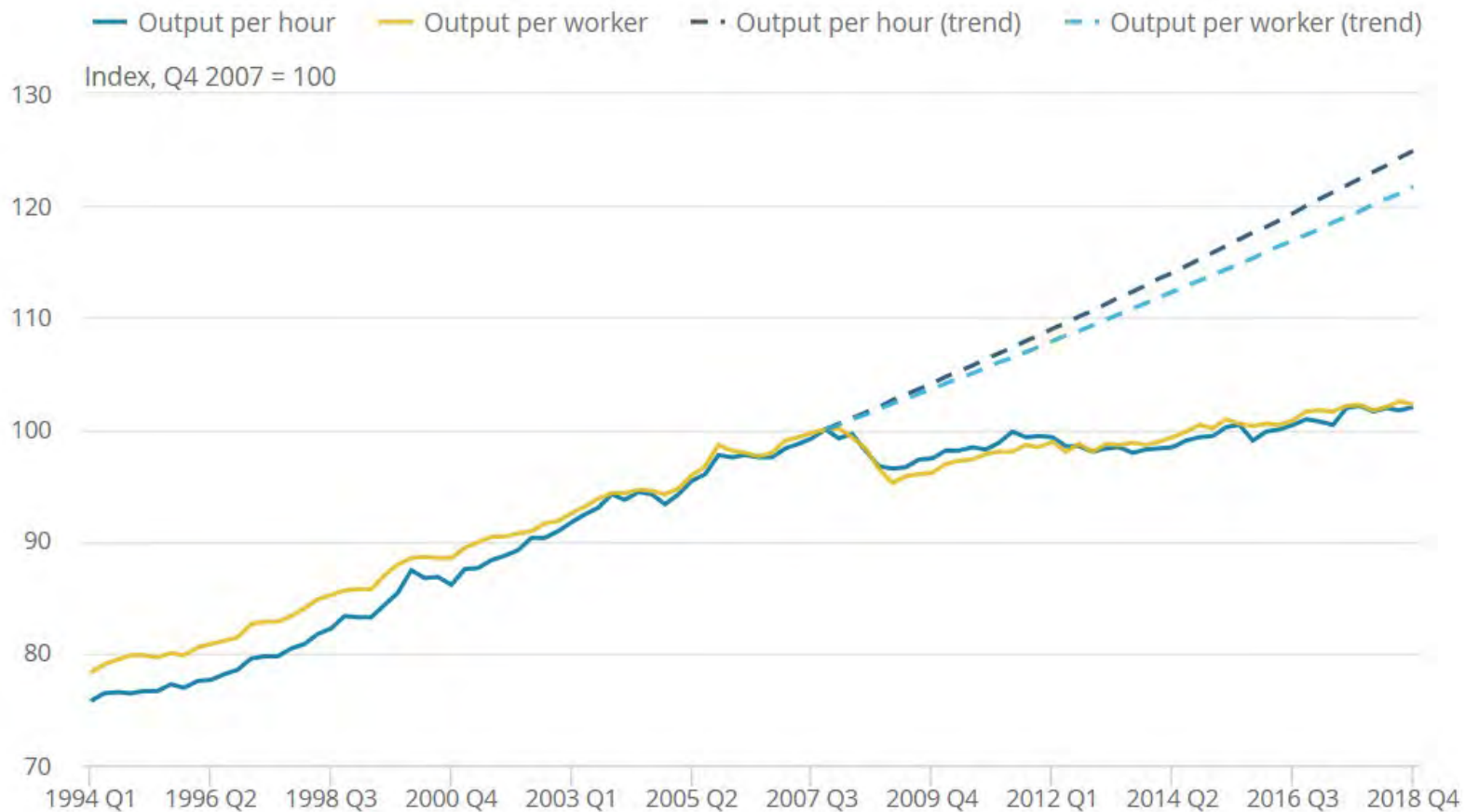


# Business investment is a casualty of uncertainty



Source: NIESR.

# And no productivity growth for a decade





# Consumer confidence remains weak



## Index Score October 2018 - October 2019

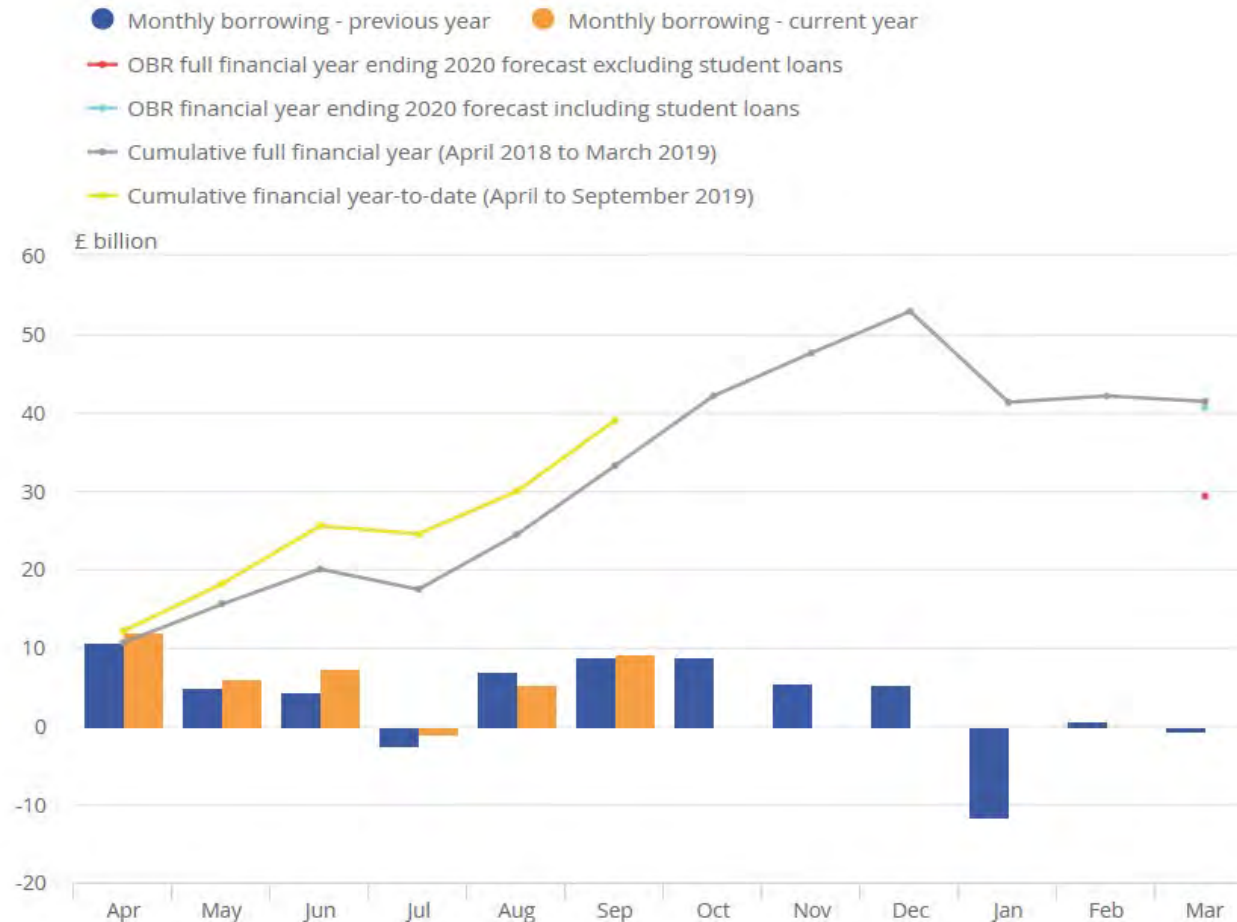
Month



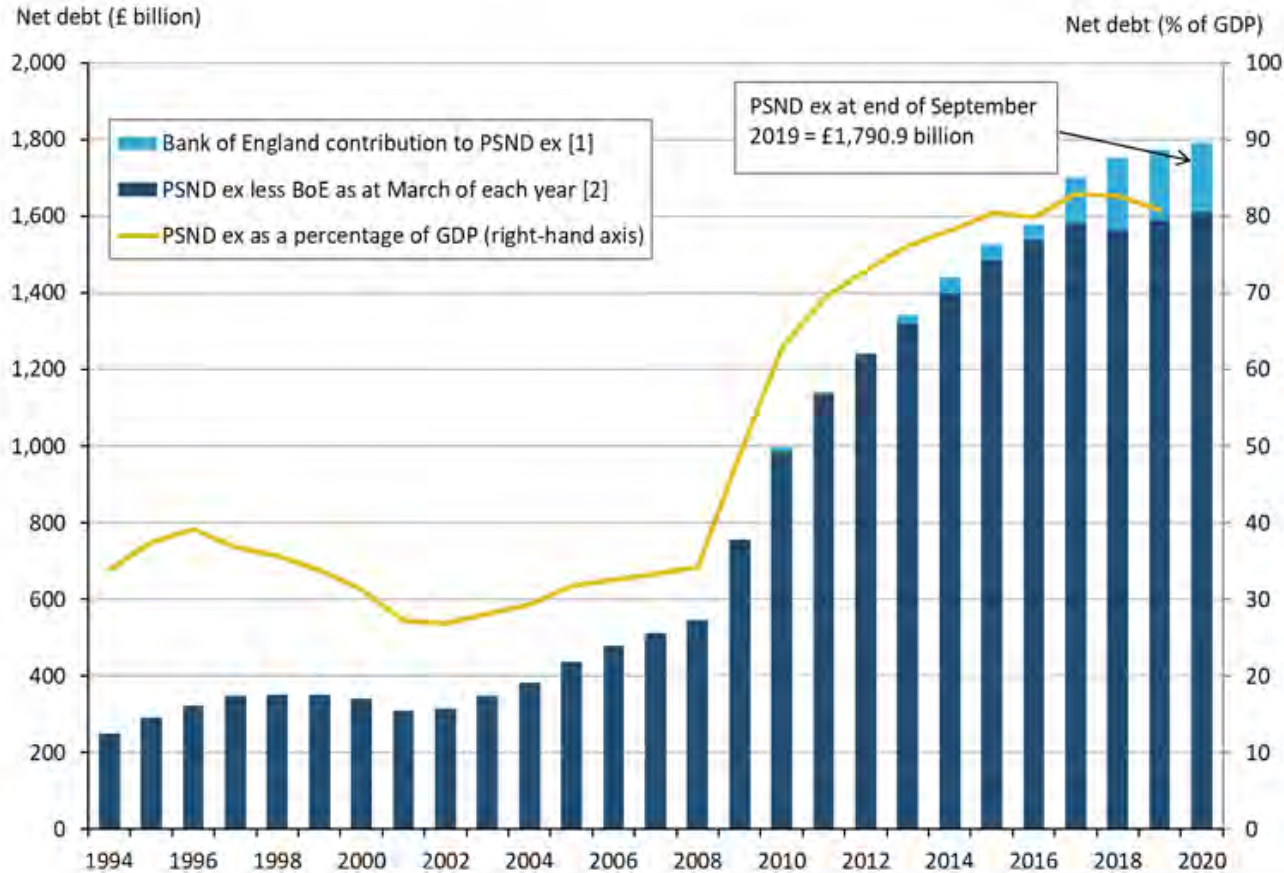
	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	June 19	July 19	Aug 19	Sep 19	Oct 19
CCB Index Score	-10	-13	-14	-14	-13	-13	-13	-10	-13	-11	-14	-12	-14

Source: GfK Consumer Confidence Barometer on behalf of the European Commission (October 2019)

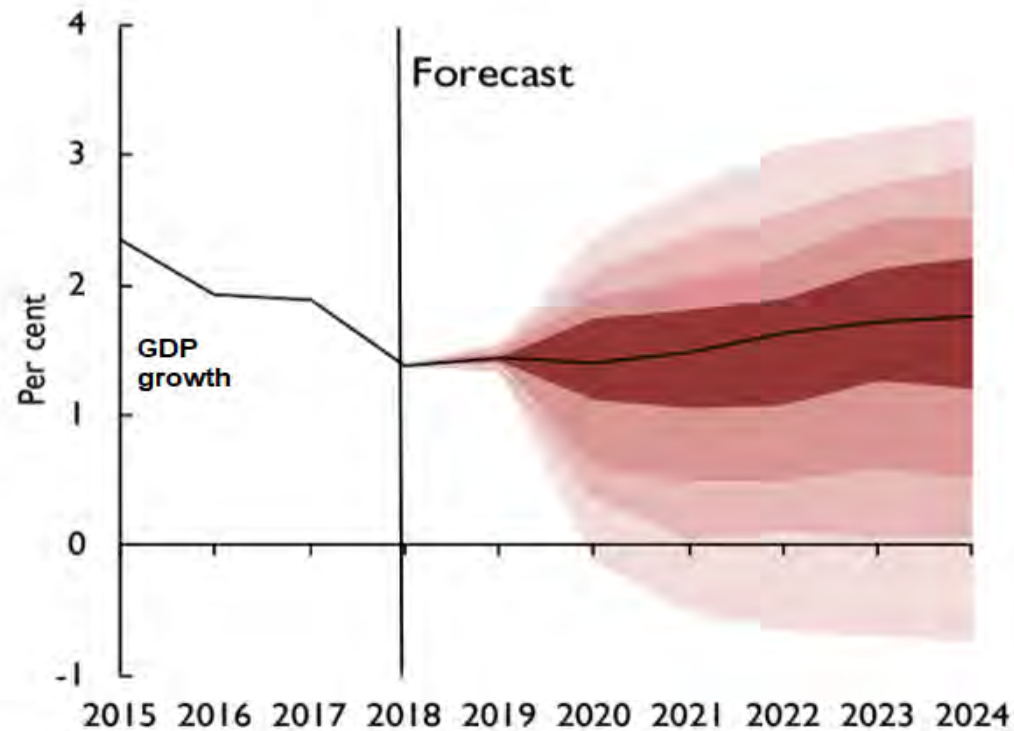
# Public finances are deteriorating



# After an explosion of government debt

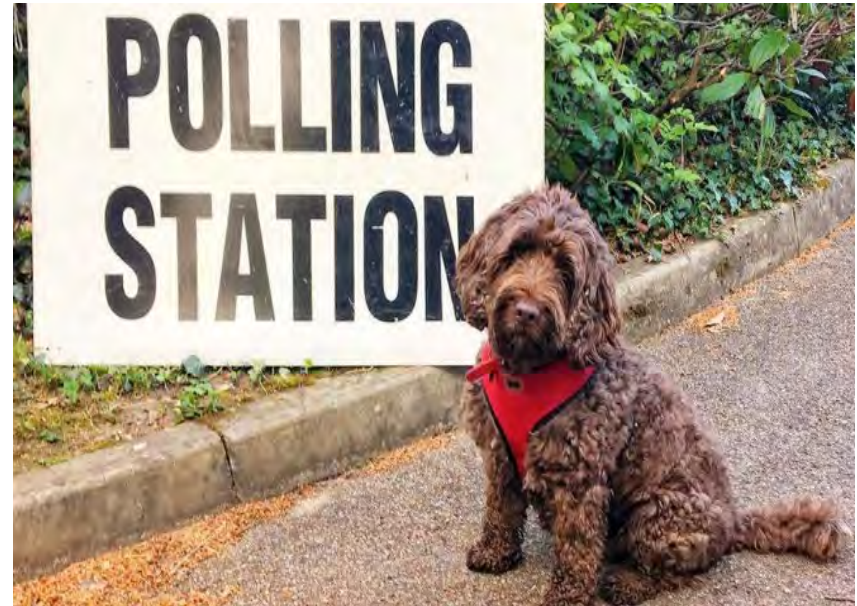


# The key is to break out of this weaker growth



Source: NIESR

# The election and Brexit



# Some general election facts

- Most recent general elections have been close or have delivered hung parliaments
- The last landslide victory – a majority of 100+ seats – was Tony Blair’s second election victory in 2001, a majority of 179
- The last big Conservative majority was 32 years ago: Margaret Thatcher’s third election victory, a majority of 102
- The Conservatives thought Theresa May could repeat that in 2017, but she failed to secure a majority
- The last two outright Conservative victories: John Major in 1992 (21) and David Cameron in 2015 (12) failed to deliver majorities large enough for contentious legislation



# Can Boris do any better?

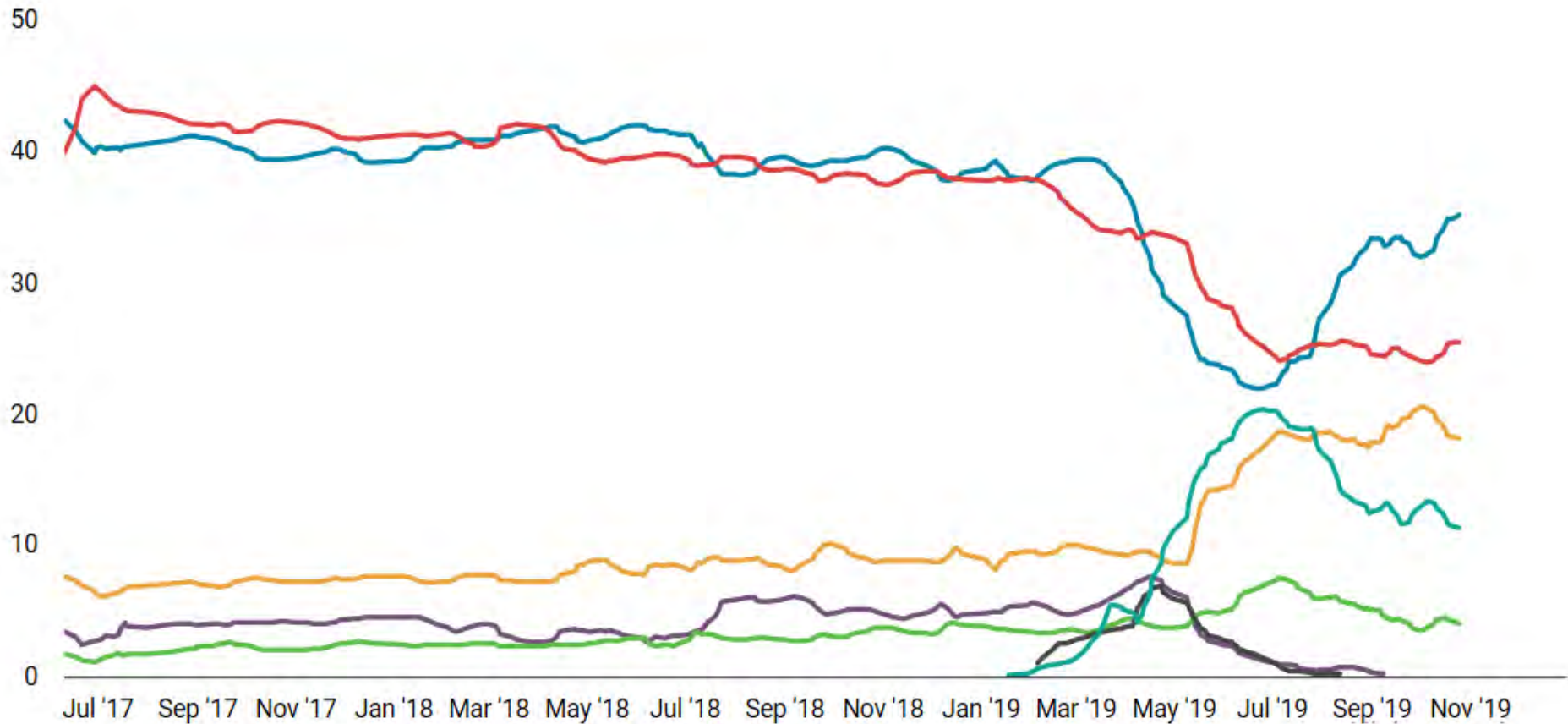




# This may be enough to worry voters



# Conservatives ahead, but not yet convincingly



# So what will happen?

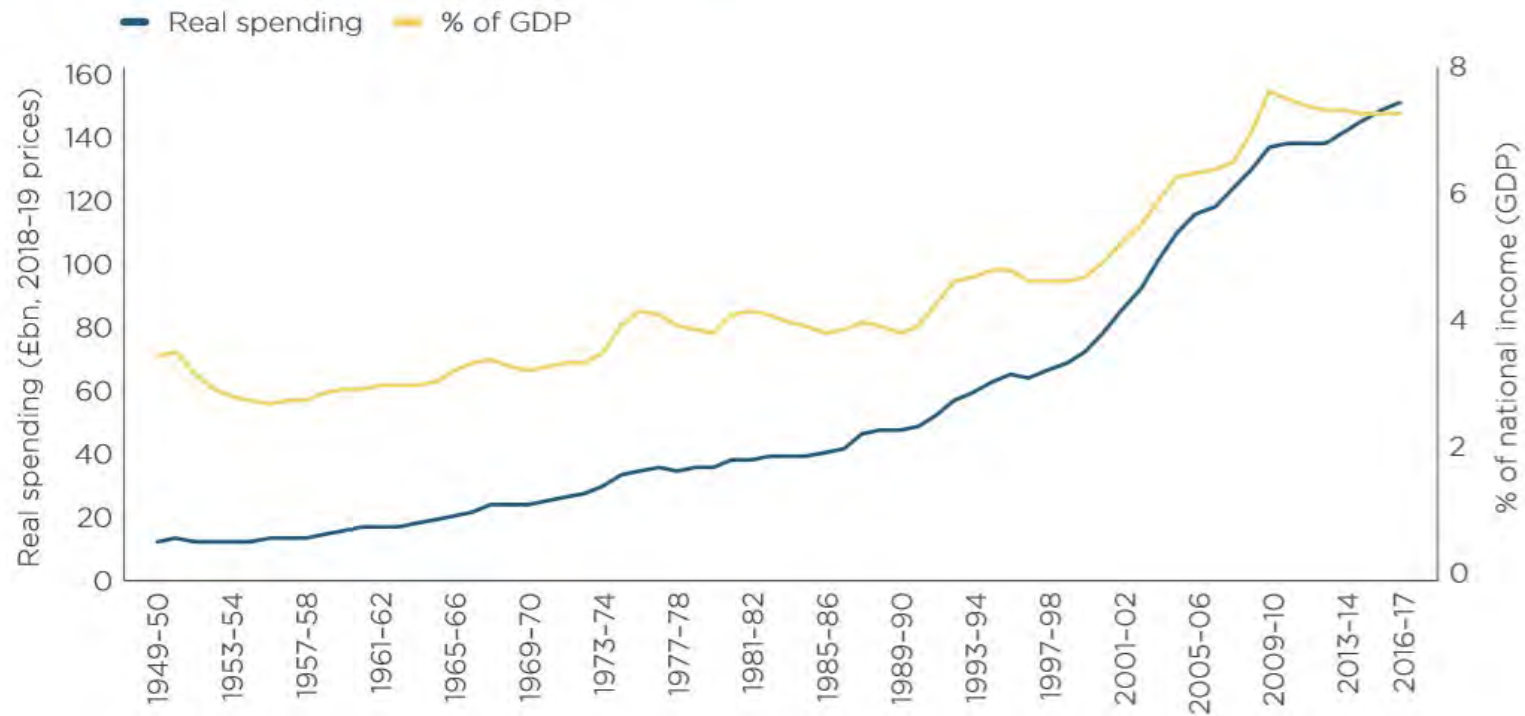
- Conservative majority: UK leaves the EU under the Johnson withdrawal agreement by 31 January
- Labour victory, or Labour-SNP coalition (with independence referendum promise): Labour would renegotiate withdrawal agreement and political declaration and put it to a referendum. This could drag on for a very long time and referendum choice would be between Labour's softer Brexit and Remain
- Hung Parliament, no majority for Johnson deal: further extension likely with a deal only getting through Parliament with enhanced labour rights and other level playing field commitments

# What does this mean for Healthcare?



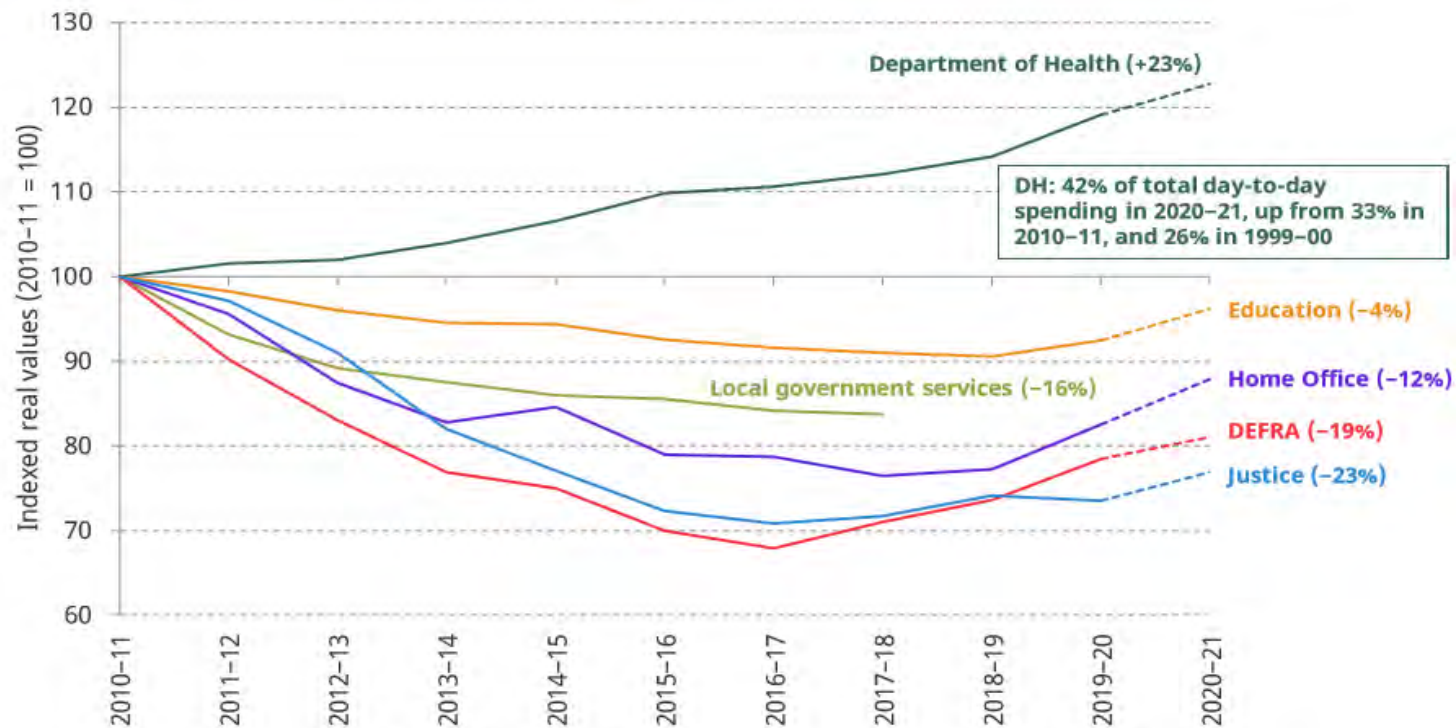
# NHS spending has risen a lot

**Annual UK public spending on health in real terms (2018–19 prices)  
and as a percentage of national income**



# The NHS is a bit of a cuckoo in the nest

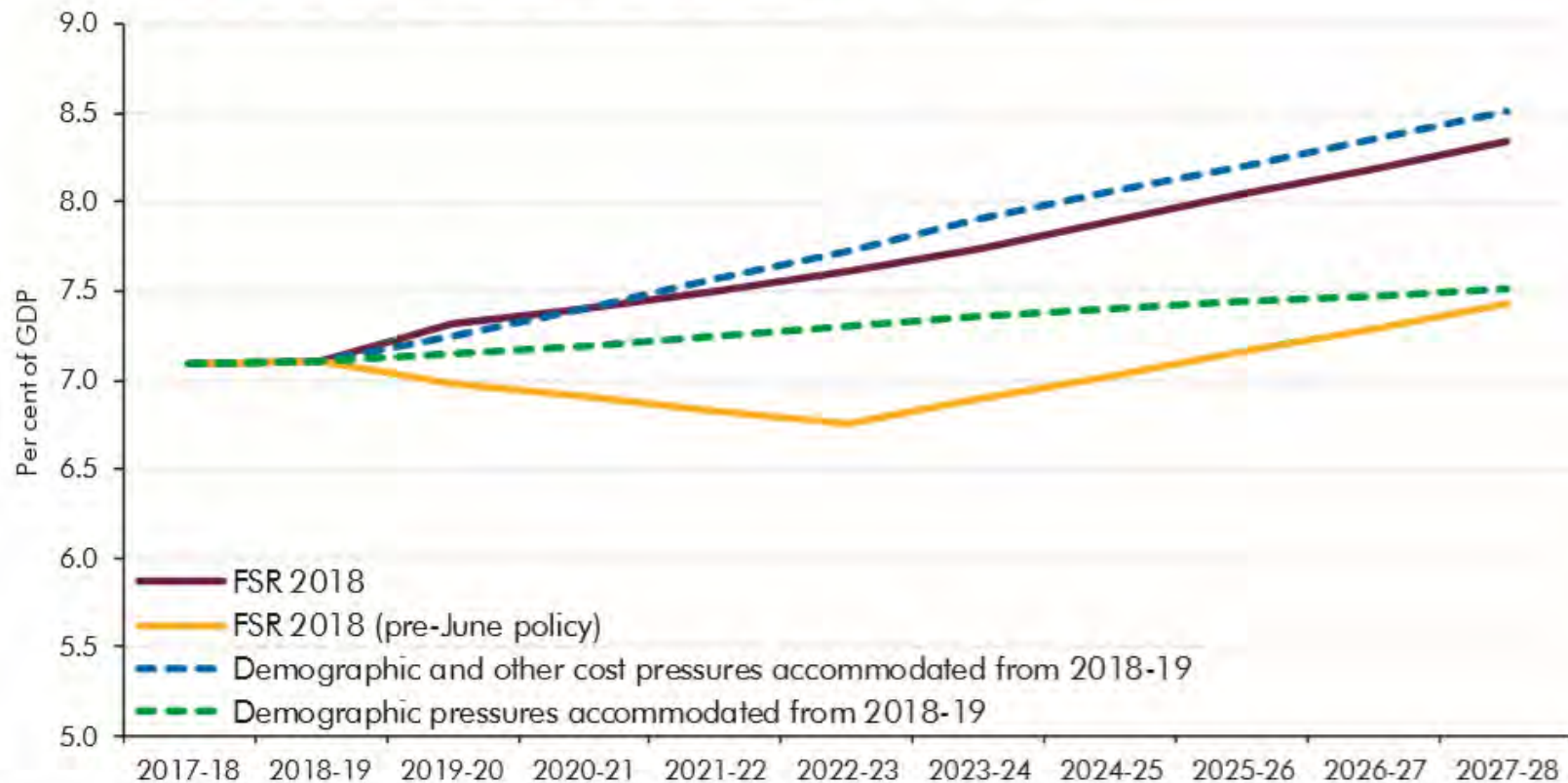
## Winners and losers over the past decade





# Which will continue

Impact of June 2018 NHS spending announcement

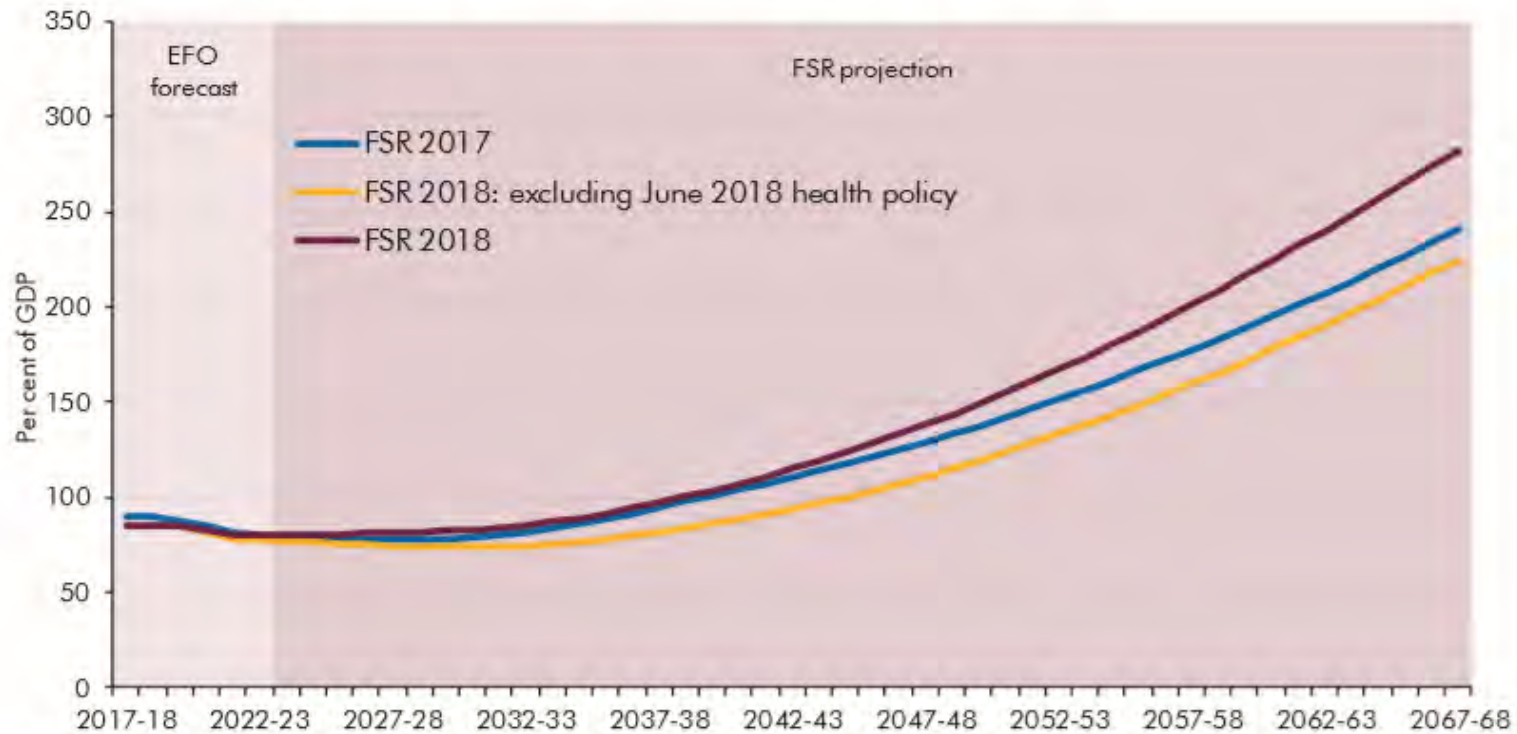


Source: HMT, OBR



# The question is whether the public finances can take it

Decomposition of changes in the net debt projection



Source: OBR

So plenty to think about...





# Matthew Swindells

## Previously Deputy Chief Executive at NHS England

### Senior Advisor Global Counsel

- Matthew joined NHS England in 2016 and was responsible for national performance of the NHS against the NHS Constitution Standards
- Matthew has over 25 years experience in healthcare services and has worked in the Department of Health
- Matthew is a member of the Editorial Board for the Journal of Population Health Management



# The politics of health and care

Matthew Swindells, Global Counsel

# Political state of play

October	November	December	January
14 <sup>th</sup> : Queen's Speech	6 <sup>th</sup> : Dissolution of Parliament for a general election	12 <sup>th</sup> : General election	
17/18 <sup>th</sup> : European Council	w/c 18 <sup>th</sup> : Party Manifestos		State opening of Parliament and Queen's Speech?
19 <sup>th</sup> : Letwin amendment triggers extension request	19 <sup>th</sup> : Candidate nomination deadline		Budget
22 <sup>nd</sup> : Withdrawal Agreement Bill passes 2 <sup>nd</sup> reading, programme motion rejected			Reintroduction of WAB
28/29 <sup>th</sup> : Government seeks general election	New A50 deadline agreed: Flexible extension until 31 <sup>st</sup> January 2020		
			Further Article 50 extension request?

Confirmed    Indicative



# Funding and the 2019 spending round

## 5 year settlement

- £33.9bn announced in August 2018, confirmed January 2019 (£20.5bn when adjusted for inflation)
- 3.4% average real growth over 5 years

## What about capital spend?

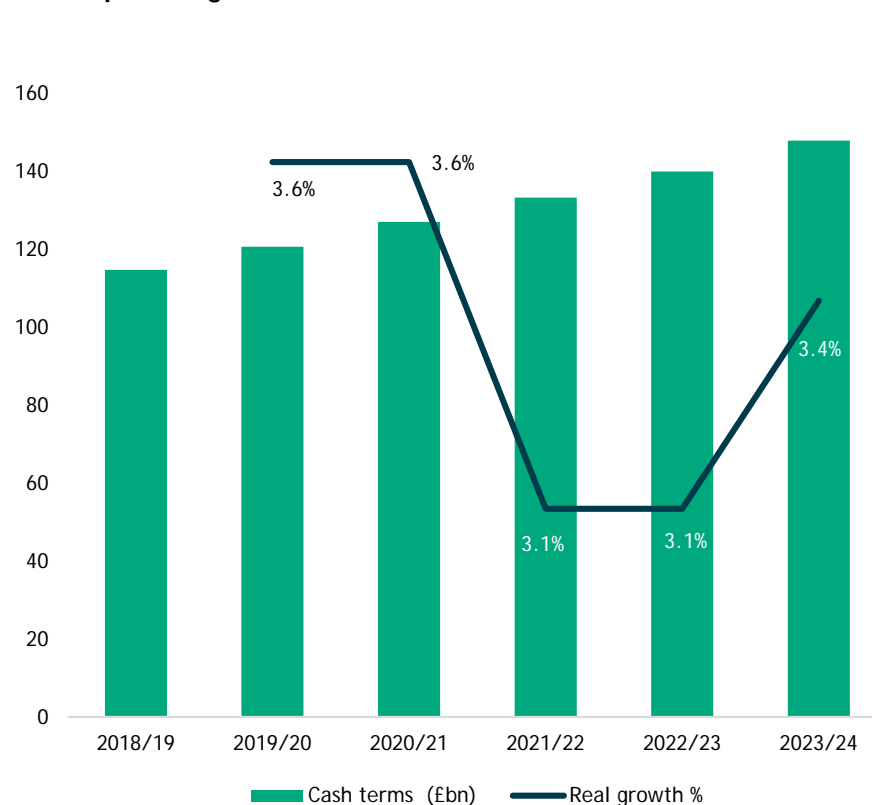
### August 2019 government announced increase in capital spending by £1.8bn (£13bn over ten years)

- **NEW: £854m** funding from HMT to upgrade 20 NHS hospitals – spread over 5 years (£100m in 2019/20)
- **NEW: £1bn** in 2019/20 by raising the limit of cash in NHS capital accounts that can be spent in year.

## Investment in artificial intelligence

- **NEW: £250m** investment in AI, £78m in 2020/21
- *“£250m for ground breaking new artificial intelligence technologies to help solve some of healthcare’s biggest challenges today.” **Chancellor Sajid Javid***

NHS Spending 2018/19 - 2023/24



Source: NHS 5 year settlement

# Funding and the 2019 spending round (cont'd)

## 2019 Spending Round

### Workforce

- **NEW:** Health Education England budget increase of 3.4% real terms (compared to budget reduction of £5.3bn to £4.2bn, 13/14 to 19/20), including:
  - £150m for CPD (£1,000 per head over three years for every nurse, midwife and allied health professional)
  - Increased funding for education and training budgets to support NHS long term plan

### Adult Social Care

- £2.5bn existing social care grants will continue
- Councils' permission to use 2% adult social care precept extended
- **NEW:** Better Care Fund increased by 3.4% in real terms in 2020/2021 (from £3.8bn baseline in 2019/20)
- **NEW:** £1bn to local authorities for social care for all ages

### Public Health Grant

- Public Health Grant to local authorities will remain ringfenced (for at least one year)
- **NEW:** First 1% real terms increase since cuts in the grant from 2013

### Department of Health and Social Care

- 3.1% increase in budget - £132.3bn to £138.9bn real terms

### NHS spending

- £6.2bn increase in cash terms from 2019/20 to 2020/21 (real growth of 3.6%)



# Uncomfortable truths

## Workforce

- The UK has fewer doctors per 1,000 population than most OECD countries
- A vacancy rate of over 8%
- Above average proportion of doctors and nurses from overseas
- Ongoing skill training challenges - including 'digitalisation' of the workforce and leadership culture

## Public health

- Increasing rates of long term, lifestyle influenced conditions, including obesity, diabetes and heart disease - in 2017, almost a third of adults were obese
- Increasing co-morbidities
- Lack of investment in preventive care

## The digital agenda

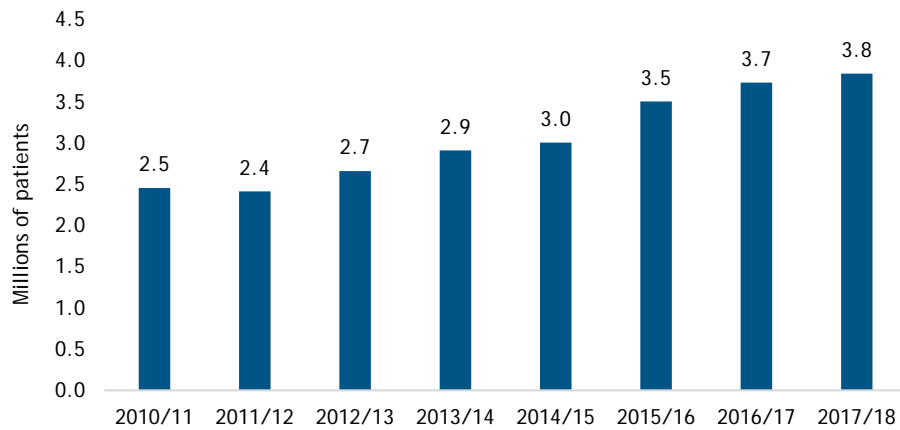
- Lack of interoperability
- Lack of modern hardware
- Need for a new commercial framework
- Slow uptake of digital innovation across the system

## Social care

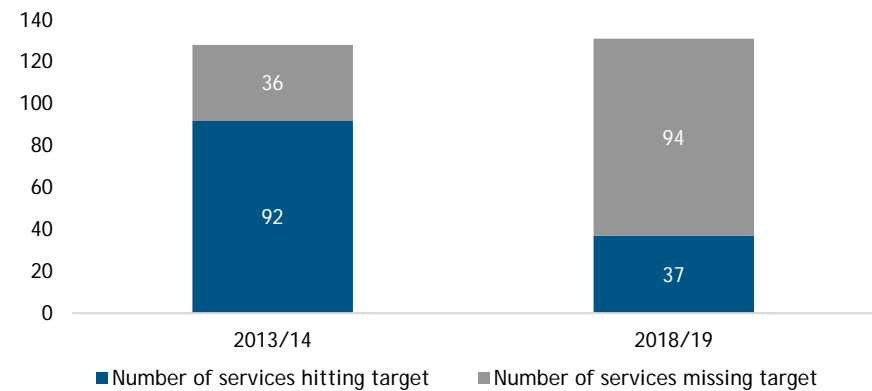
- Ageing workforce and increased demand on care services with growing prevalence of more acute, complex and multiple morbidity care needs
- Constrained local authority funding for social care services leading to rationing and low fee rates

# NHS performance indicators

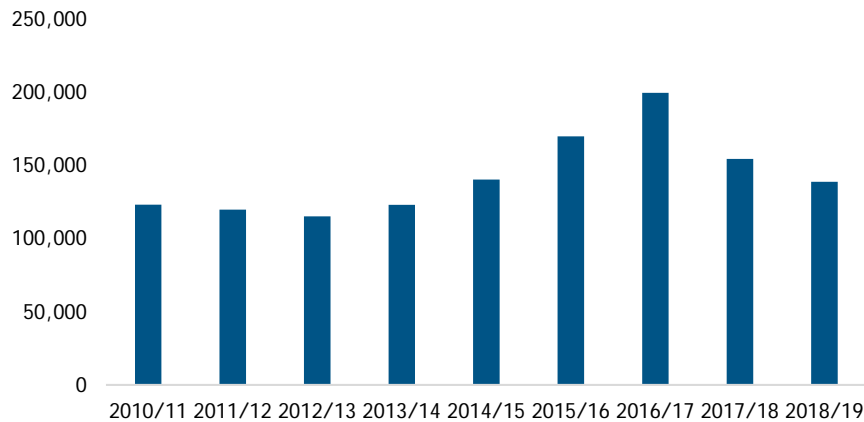
Elective care waiting list at 31 March



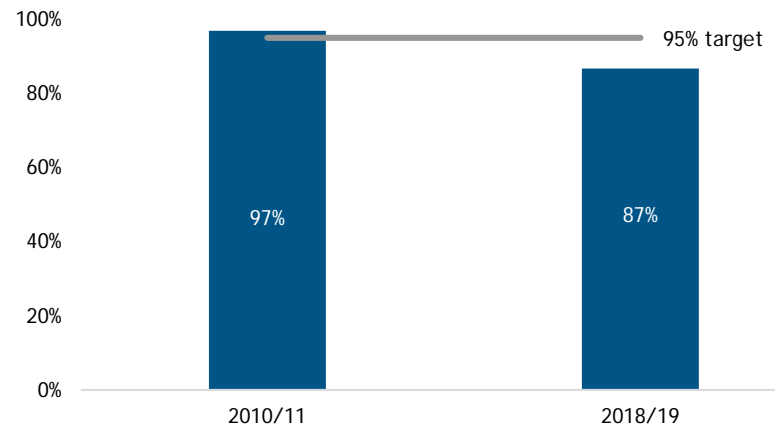
Number of services meeting 62 day cancer urgent referral target



Delayed Transfer of Care days at 31 March



% people waiting more than 4 hours, A&E



# Labour v Conservative visions

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## Labour proposals:

<p>Repeal the 2012 Health and Social Care Act</p>	<ul style="list-style-type: none"> <li>▪ Reduction of private sector involvement in the healthcare system but with little clarity where the boundary is for acceptable profit making</li> </ul>
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<p>Introduce a National Care Service for over 65s</p>	<ul style="list-style-type: none"> <li>▪ Shift social care provision to the free at the point of use model of the NHS</li> <li>▪ Increase the social care budget and local authority market share</li> </ul>
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<p>Investment in mental health</p>	<ul style="list-style-type: none"> <li>▪ 'Prioritise' mental health services</li> <li>▪ Introduction of a ringfence for mental health funding</li> </ul>
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<p>Medicines for the Many</p>	<ul style="list-style-type: none"> <li>▪ Improving patient access to new medicines</li> <li>▪ Incentivising R&amp;D by forcing pharma companies to allow the government to license other manufacturers to produce a generic version of patented drugs</li> <li>▪ Creation of a state-owned generic drug manufacturer which would supply cheaper medicines to the NHS</li> <li>▪ Remove all prescription charges</li> </ul>
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## Conservative proposals:

<p>Current and announced commitments</p>	<ul style="list-style-type: none"> <li>▪ Spending round announcements - increasing NHS revenue budget</li> <li>▪ £13bn in capital spending over ten years.</li> </ul>
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<p>Legislation on NHS structural reform</p>	<ul style="list-style-type: none"> <li>▪ Legislating for structural change already underway, such as Integrated Care Systems</li> <li>▪ Promoting collaboration between NHS organisations and social care</li> </ul>
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<p>Medicines and medical devices bill</p>	<ul style="list-style-type: none"> <li>▪ Regulatory framework fit for advanced and precision therapies</li> <li>▪ Supporting UK R&amp;D and life sciences supply chain</li> </ul>
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<p>The manifesto</p>	<ul style="list-style-type: none"> <li>▪ Keeping it simple</li> <li>▪ Accelerated Access - more money?</li> <li>▪ NHS national data asset - capital spend?</li> </ul>
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# What does it mean for private providers?

## **NHS outsourcing**

### **Elective care**

- Importance of patient choice for policymakers protects e-referral for elective care
- Waiting list pressures will likely mean continued private outsourcing

### **Funding**

- Short term NHS funding increase could prompt outsourcing as NHS hospitals struggle with capacity and resource to reduce waiting times

### **Labour Party policy**

- Labour is hostile to the use of private providers, but lacks plans on how to replicate the capacity they provide
- A Labour government's reaction to the practicalities of NHS management is unclear

### **Conservative party policy**

- Likely continued evolution of NHS system integration; outsourcing continued but large, prime provider contracts are less of an opportunity for the private sector

## **Social care providers**

### **Private provision**

- Local Authorities are unlikely to have the resources to take social care provision back in house
- Politicians are unlikely to make decisions that cause significant disruption to the market

### **Local government**

- Provider success will continue to depend on forming better relationships with commissioners, with an increasing focus on quality.

### **Labour Party policy**

- Labour's National Care System is a very long term goal and unlikely to be achieved within five years; the role of private providers is not clear in the interim.
- Labour would improve terms and conditions for staff.

### **Conservative party policy**

- No political incentive for the government to favour an overhaul of the market – emphasis is firmly on quality of care, rather than type of provider or size



# LINCOLN

## INTERNATIONAL

