

OECD Financial sustainability of healthcare systems – Healthcare Productivity in the UK

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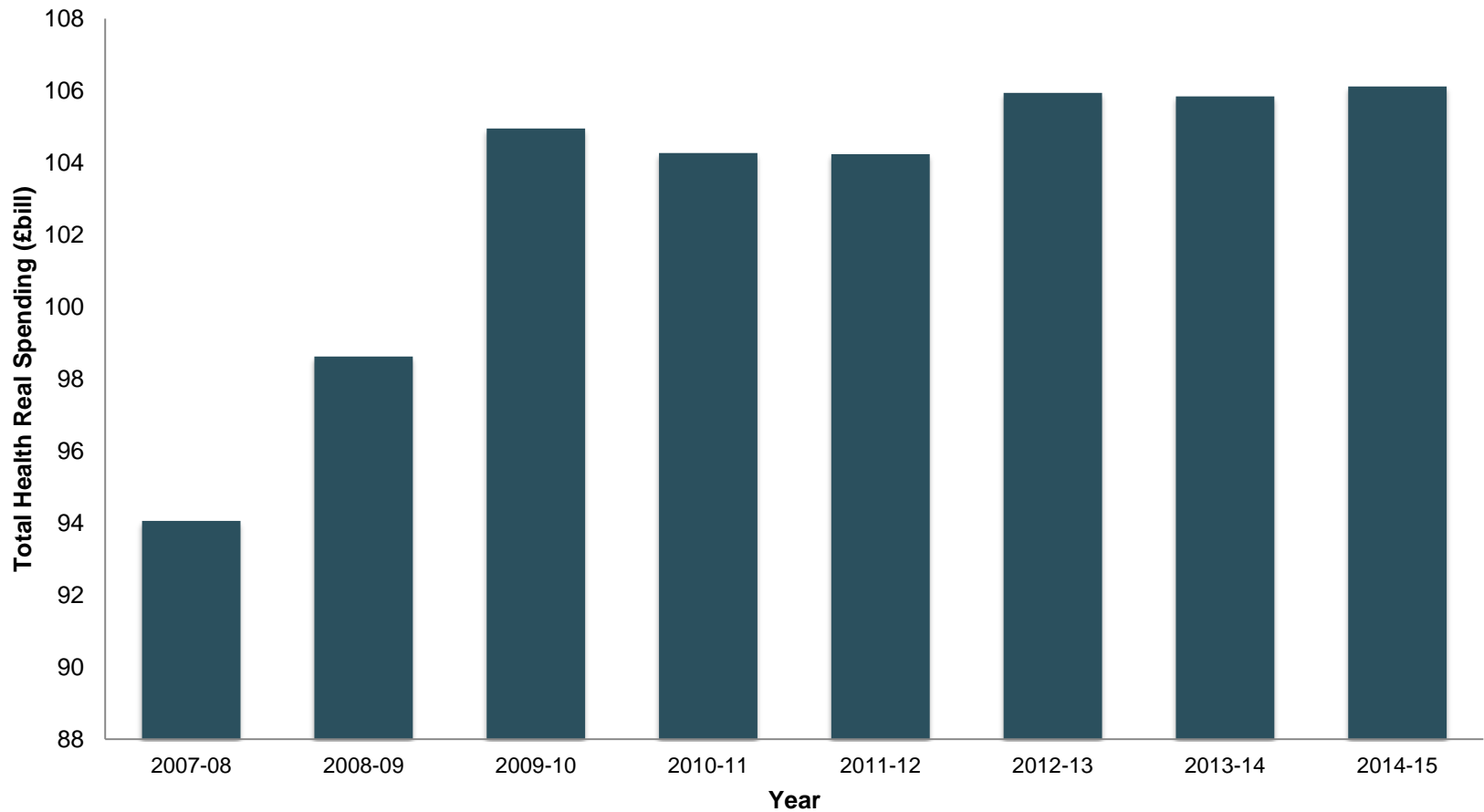
This presentation covers:

- The budget outlook for publicly funded healthcare
- The productivity challenge
- Progress on controlling health spending and improving productivity

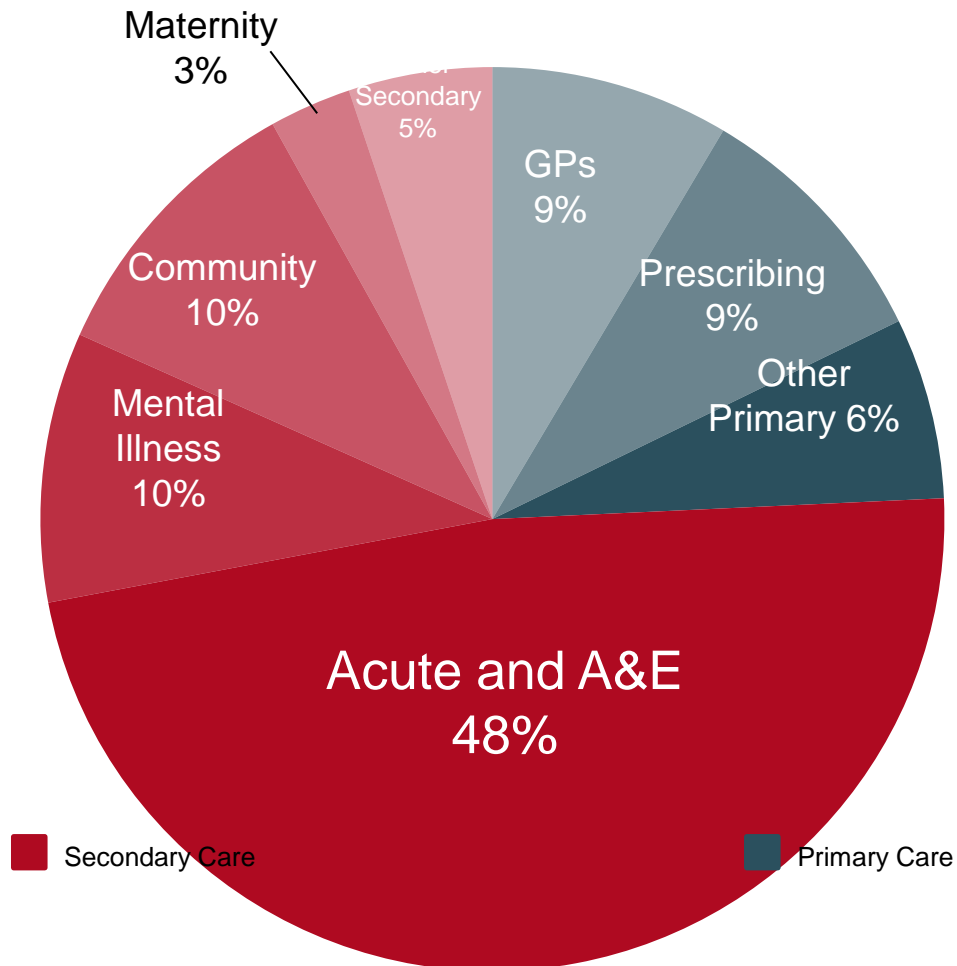
Government spending on health in the UK

£ billions	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Cash terms	74.9	82.9	89.8	94.7	102.3	110.0	118.2	121.3	121.4
Share of GDP	6.5%	6.8%	7.0%	7.0%	7.1%	7.7%	8.3%	8.2%	7.9%
Real terms (2011/12)	91.1	98.0	103.7	106.5	112.3	117.5	124.4	124.1	121.4
Real terms % change		+7.5%	+5.9%	+2.7%	+5.4%	+4.7%	+5.9%	-0.2%	-2.2%

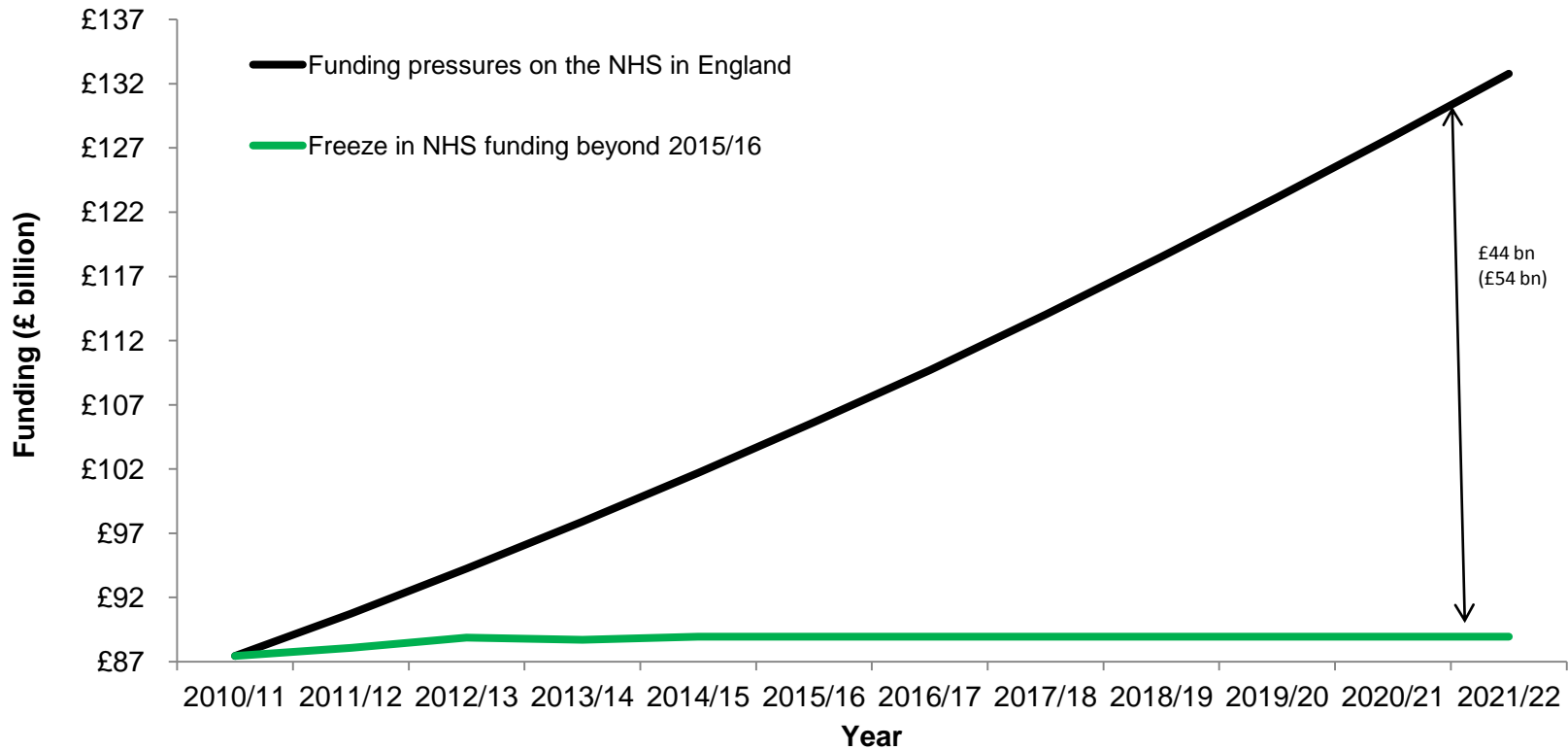
English Health Budget (2011/12 prices)



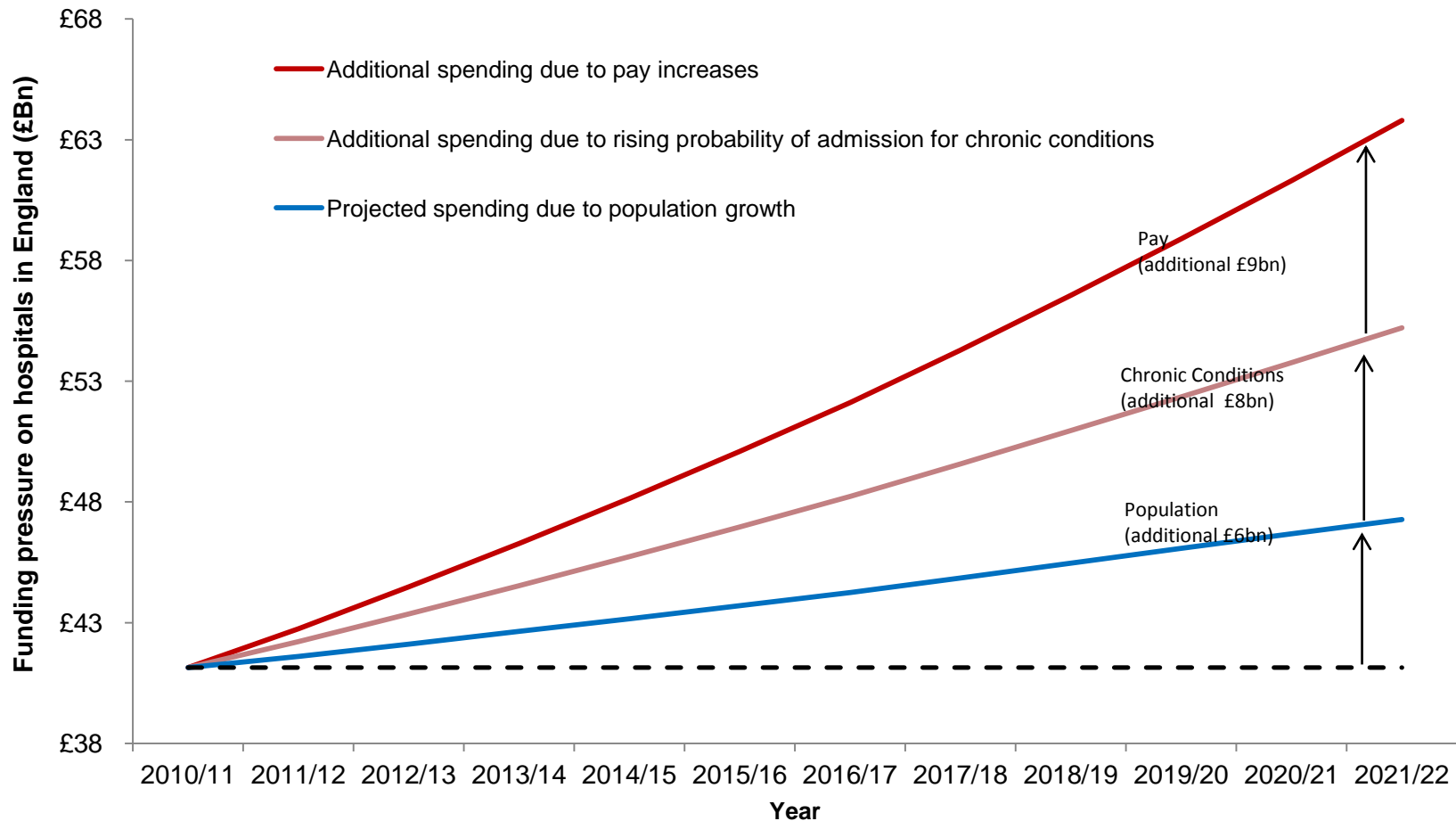
NHS PCT Expenditure 2011/12 - £89bn



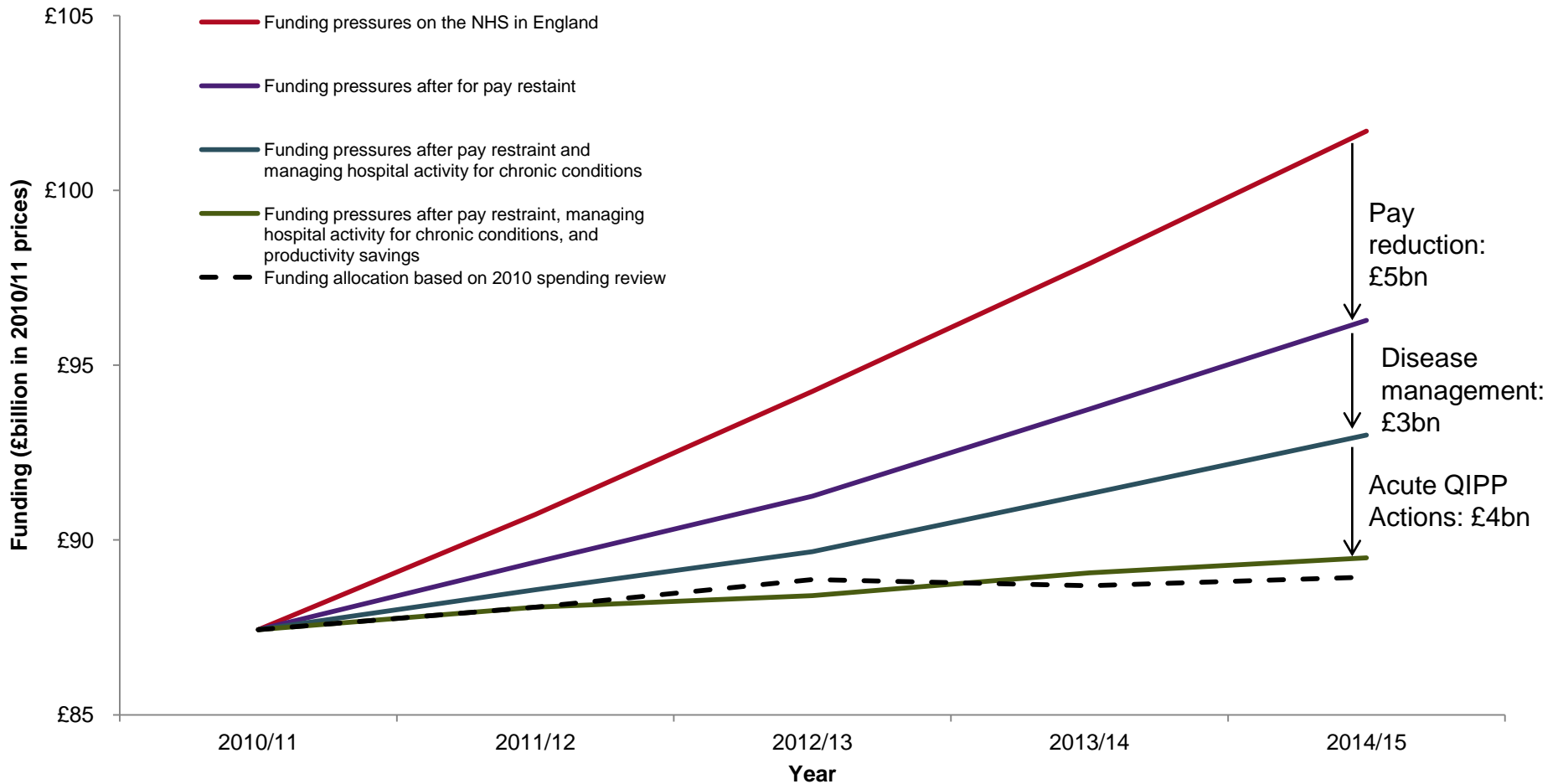
The financial gap by 2021/22, assuming English NHS funding rises as set out in the 2010 Spending Review to 2014/15 and is frozen in real



Funding pressures on acute services in England attributable to population change and to the rising probability of admission for chronic conditions



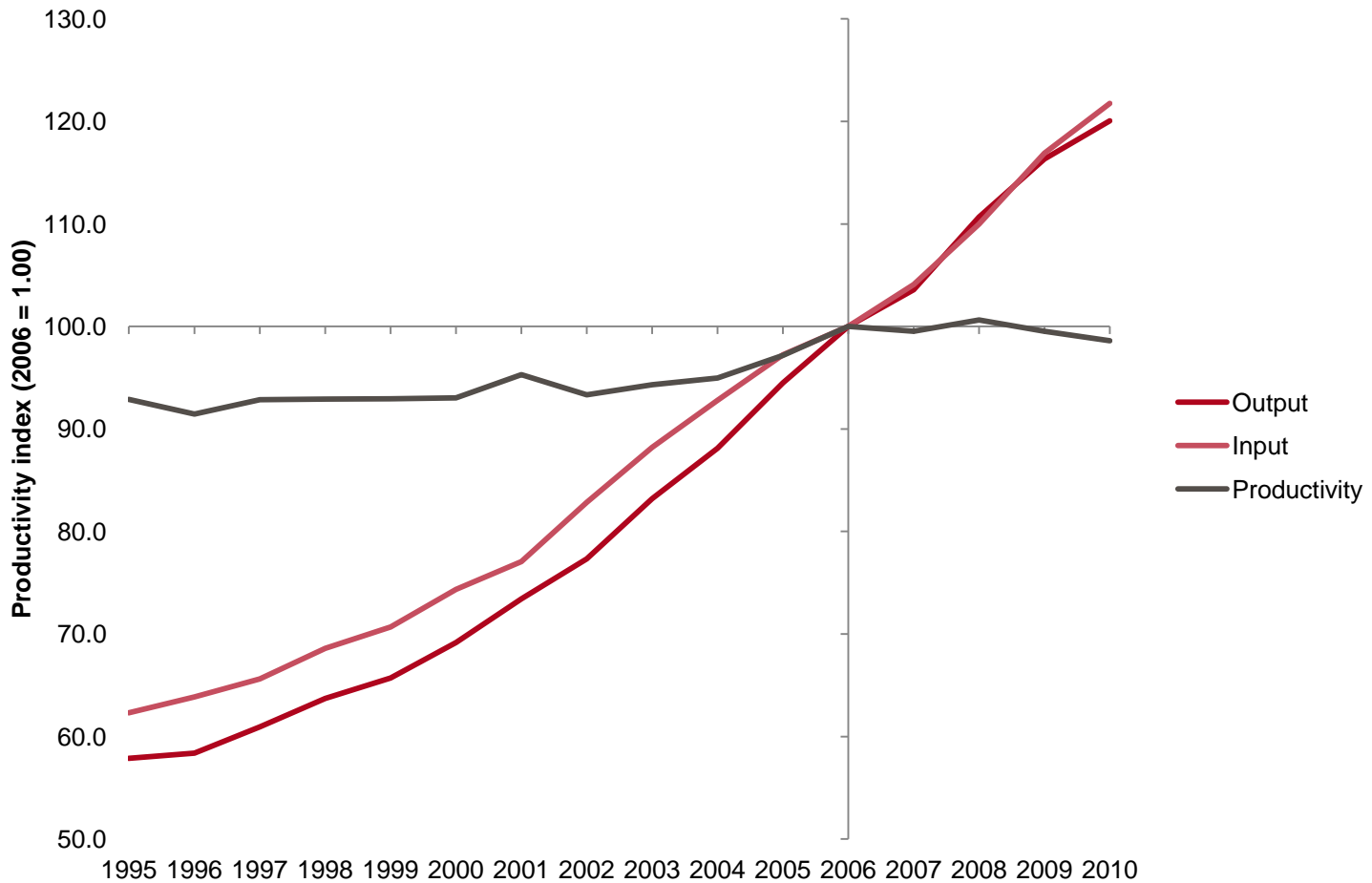
Closing £13 billion Funding Gap: 2010/11 to 2014/15



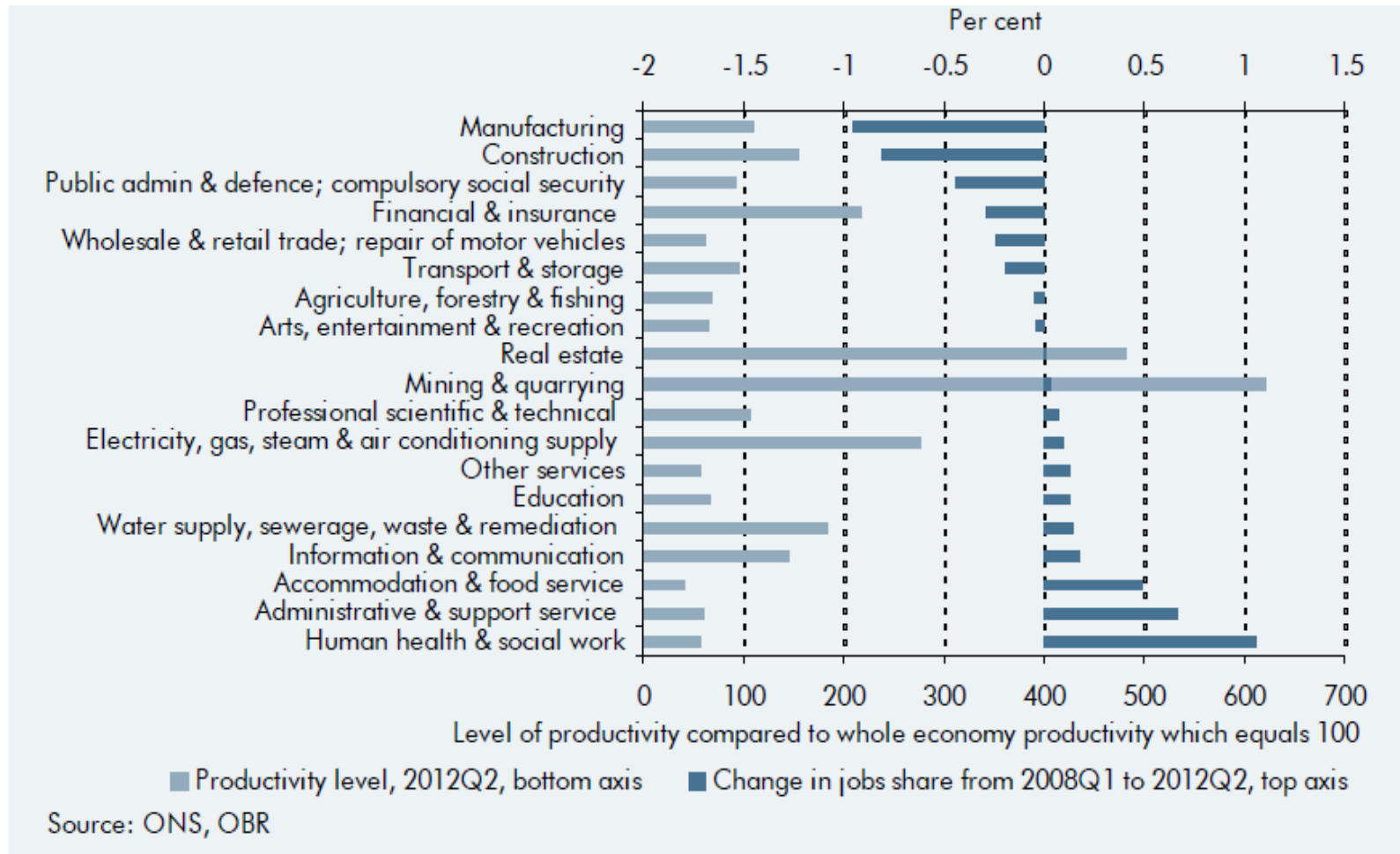
Meeting the Challenge – the NHS approach

- **Reducing input costs**
 - National public sector pay policy
 - Reducing administrative costs
- **Improving technical efficiency**
 - Real terms reduction in the unit prices paid for hospital care
 - Medicine management
- **Improving allocative efficiency**
 - Shifting care from hospital to community settings
 - Better integration of care
 - Demand management

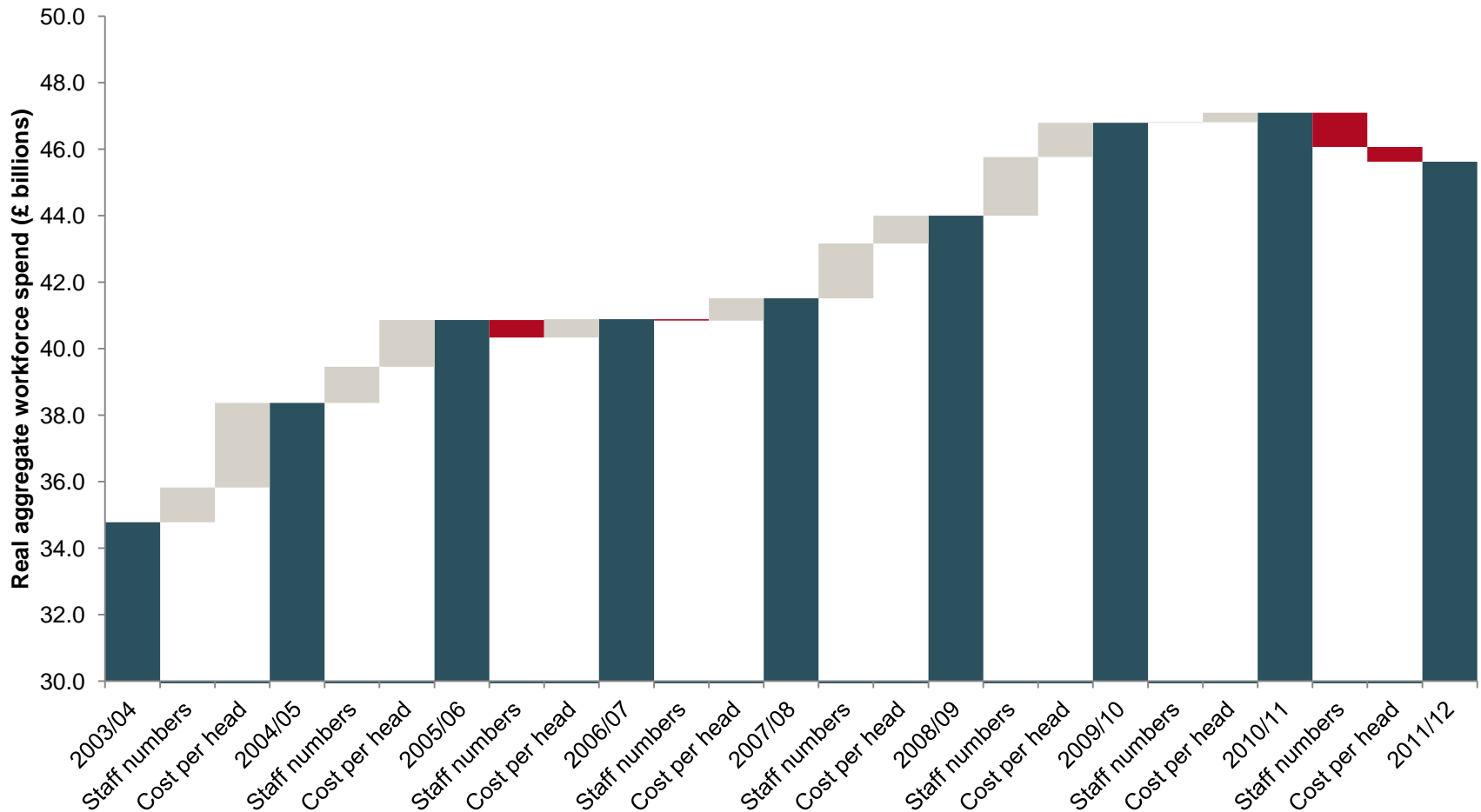
Changes in UK healthcare productivity (NHS and non-NHS providers) – ONS measure: 1995 to 2010



Change in sectoral job share and level of productivity



Spending changes by staff numbers and cost per head: 2003/04 to 2011/12

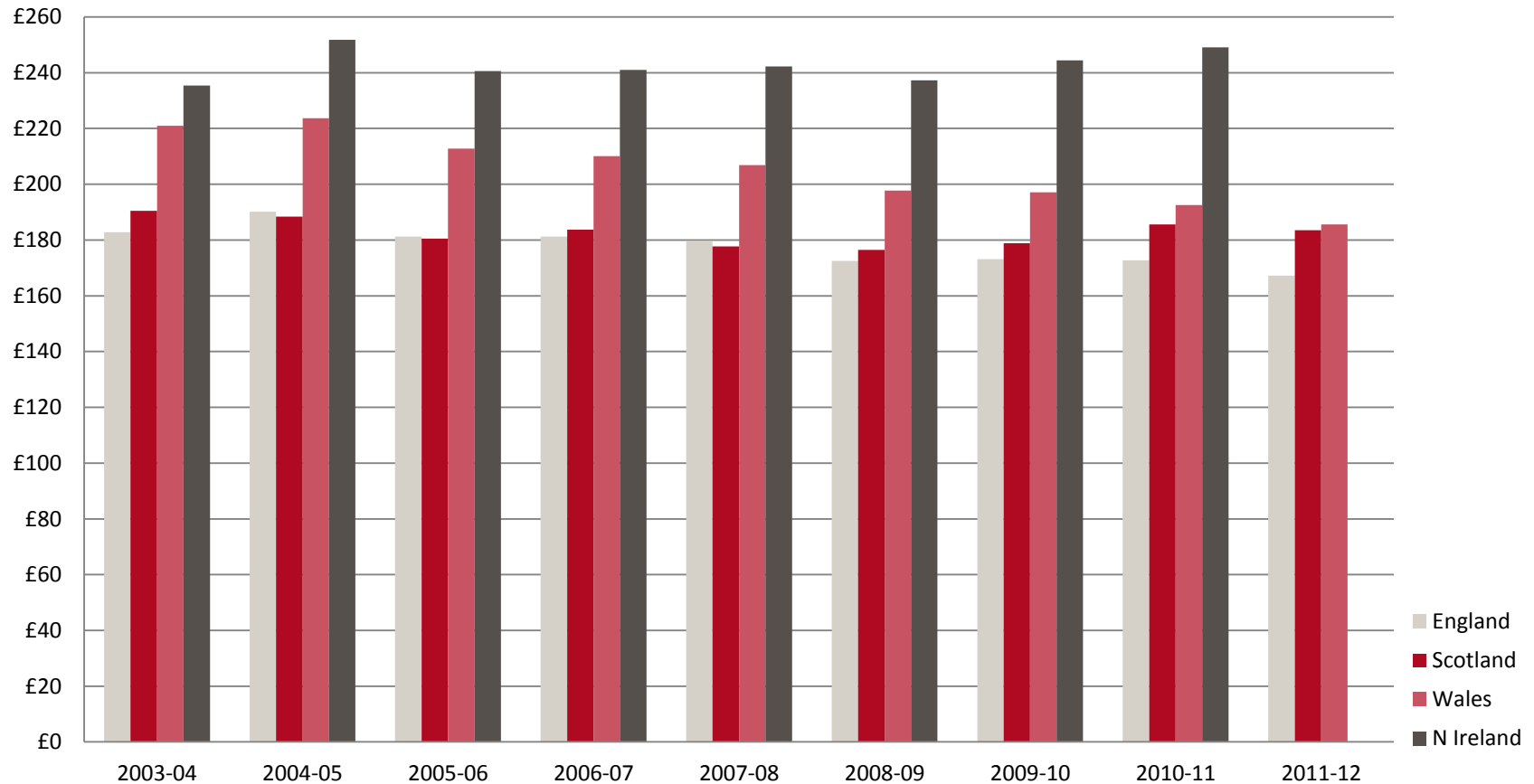


Staff Changes in 2011-12 (Whole-time equivalents)

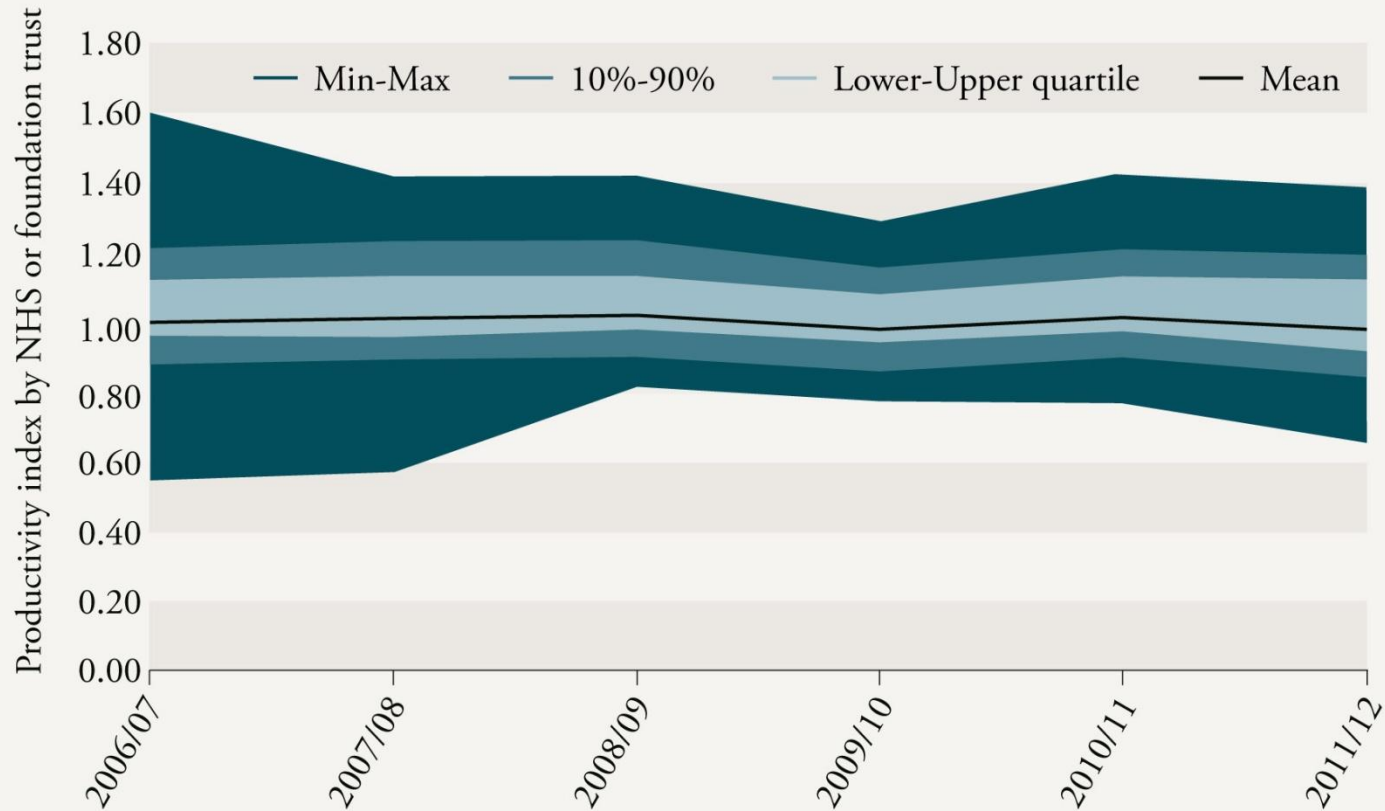
	Change 2010-2012	% Change 2011-12
Total NHS workforce	- 19,669	-1.7%
Medical and Dental	+3,263	+3.3%
Qualified Nursing	-4,028	-1.24%
Scientific, therapeutic and technical	+1,558	+1.2%
Support to clinical staff	-8,383	-2.8%
NHS infrastructure	-15,368	-7.6%

Spending on pharmaceuticals per person is also falling

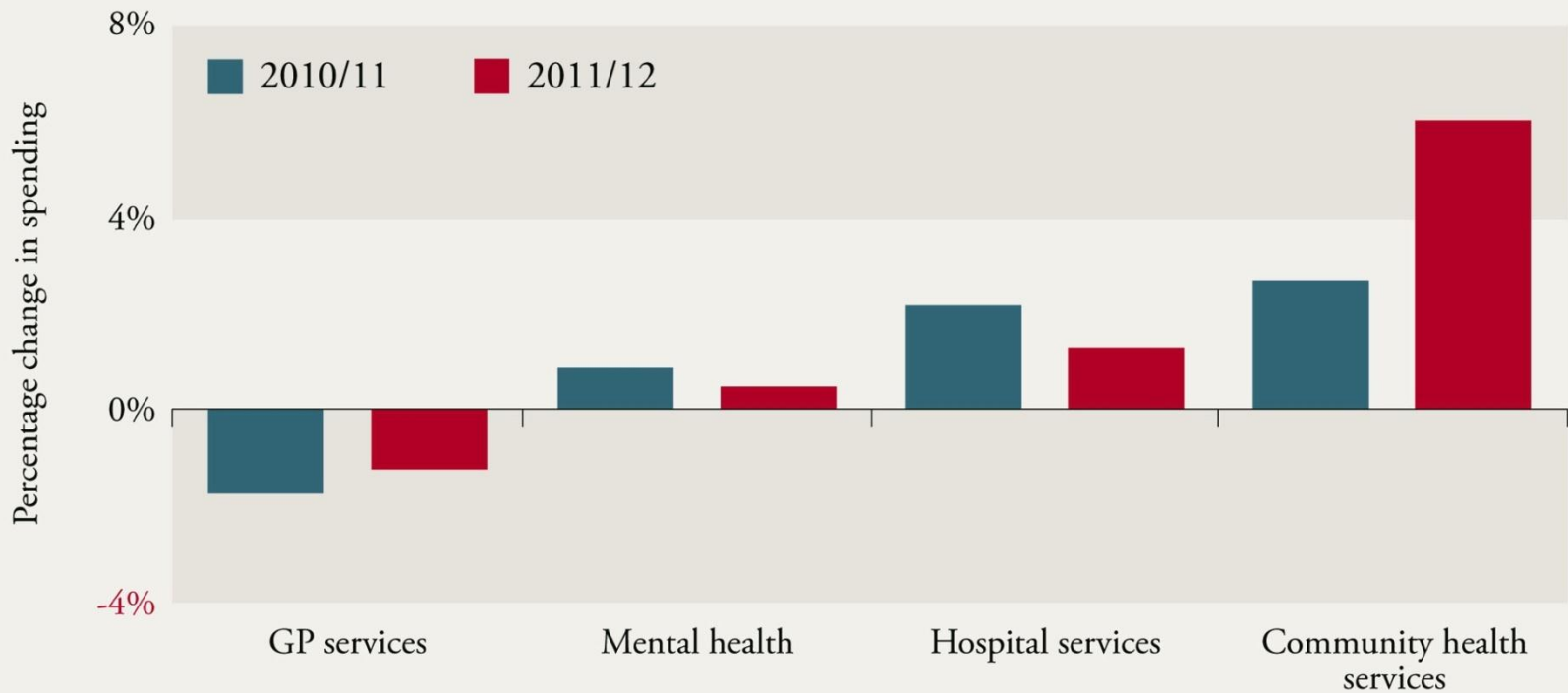
Annual prescribing spend per person (in real terms at 2011-12 prices)



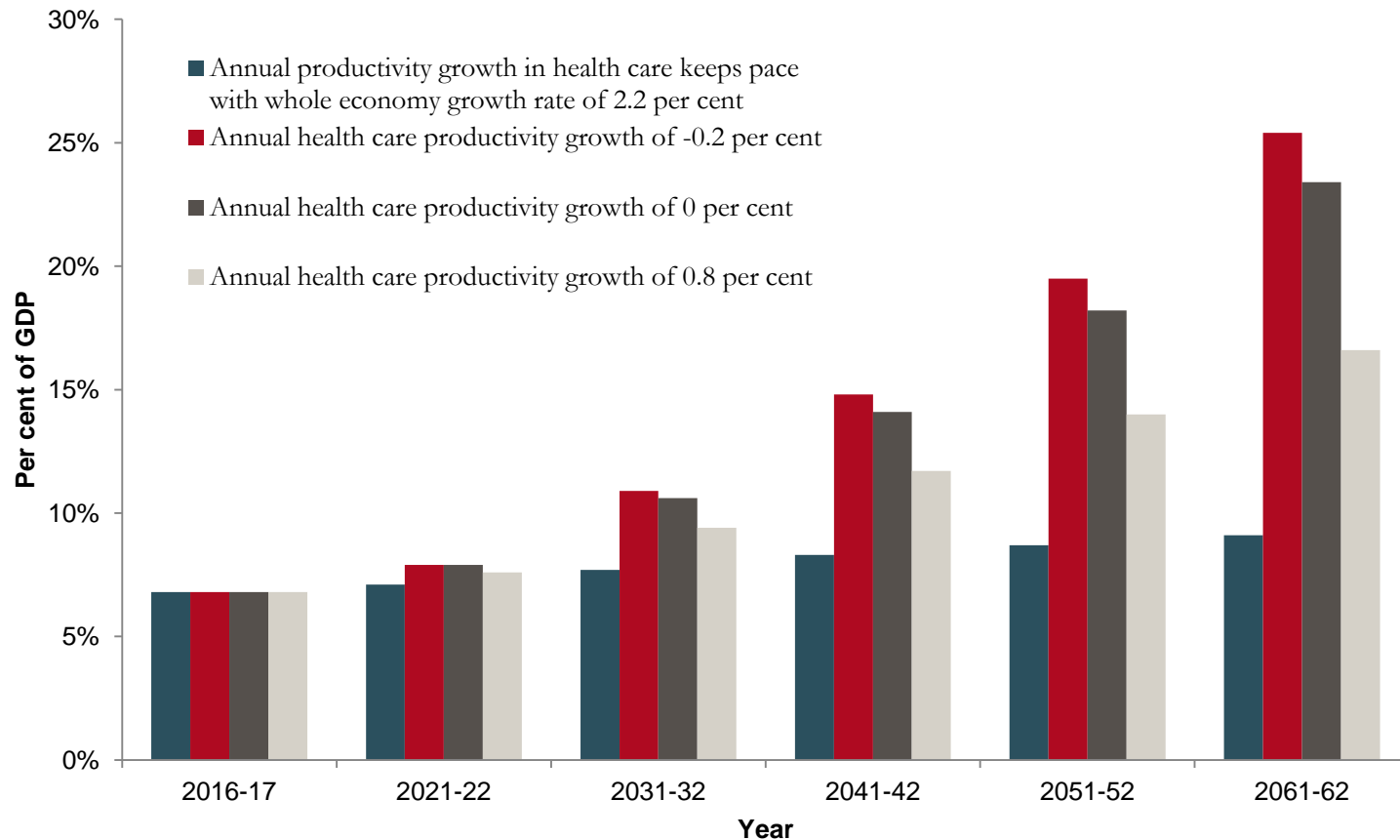
Variation in labour productivity at selected providers in England: 2006/07 to 2011/12



Percentage changes in spending by type of care: 2010/11 to 2011/12



Impact on the proportion of GDP spent on health care under different assumptions of productivity growth



Conclusions

- Public health spending across the UK has fallen over the last 2 years
- There is a cap on spending to 2015-16 which limits growth in the English NHS (flat in real terms)
- The NHS has been able to maintain services in the initial years of austerity.
- The public sector pay policy has been a significant contributor.
- But there is no evidence of underlying productivity improvement raising concerns about the long-term fiscal sustainability of health.



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