**NHS MYTH-BUSTER**

**THREE MYTHS ABOUT THE FUNDING OF THE NHS**

**Myth # 1 The NHS is already adequately funded but misuses its resources**

* In 2016-17, about £119bn was spent on the NHS in England. This sounds an enormous sum to any of us but we have to remember this is out of an enormous economy – about £2,000 billion[[1]](#endnote-1).
* The NHS needs around a 4% increase in funding (after allowing for general inflation) each year and this was the historic average increase in annual funding between 1949 and 2010. Four per cent extra each year is needed to cover the costs of an ageing and growing population, the higher level of chronic illness among the population, new medical technologies and the fact that health service inflation is higher than general inflation.
* However, these annual changes in funding plummeted after 2010 with average real terms increases of just 1% each year rather than the 4% needed.
* Indeed, from 2011–12 to 2014–15 the target for annual efficiency savings was set at 4% per year. NHS organisations managed to bridge the gap between the funding they needed and the funding they received through efficiencies for about two years. For example, they have reduced the number of beds and some outpatient appointments with consultants no longer take place.
* However, requiring such high levels of ‘efficiencies’ for such a long period of time is unprecedented and cannot be done without savage cuts. Staff wages have been kept down and have not kept pace with inflation leading to an increase in agency staff costs[[2]](#endnote-2).
* So, unsurprisingly, from 2013-14 onwards, more and more NHS hospitals and other NHS organisations have been falling into deficit. By March 2016, organisations providing NHS care had an underlying deficit of £3.7 billion[[3]](#endnote-3).
* The response of government was to require local NHS systems to provide plans for getting their finances into the black through ‘efficiencies’ and news ways of working which typically amount to dramatic cuts and the radical restructuring of services. These packages of cuts and restructuring are called Sustainability and Transformation Plans.
* The Public Accounts Committee of the House of Commons inquired into the deficit in acute hospitals in 2016 and concluded that the ‘aggressive efficiency savings’ targets have caused ‘long-term damage to trusts’ financial positions’[[4]](#endnote-4).
* A number of individuals and organisations have stated that current levels of funding are not adequate to meet the costs of what the NHS is required to do[[5]](#endnote-5).
* There is, however, one aspect of major misuse of resources. This is the £5billion[[6]](#endnote-6) plus spent each year on compulsory tendering and competitive practices which add nothing to the quality of health care. Although this sounds good for efficiency, in fact it is expensive to administer. Beyond this, more is spent on defending the NHS against legal action by private companies.

**Myth # 2 The NHS is Unaffordable**

* There have been several claims in recent years that the NHS is or is becoming unaffordable. Some argue that patients will have to pay more for their own care. But the NHS is perfectly affordable and funding health care through general taxation is not only the fairest way but also by far the most efficient way.
* The UK is a rich country and is able to afford a high quality health service fit for the 21st century – if it wants to. We have the 5th largest economy in the world[[7]](#endnote-7) or the 22nd wealthiest out of 186 countries when taking purchasing power per person into consideration[[8]](#endnote-8).
* We are told that the ageing population, increasing illnesses among people arising from the affluent society such as obesity or diabetes and new ways of treating people are making the service unaffordable.
* But figures from the Office for Budget Responsibility (OBR) suggest otherwise. The OBR found that about an extra £100 billion would need to be spent on the NHS by 2030, increasing the proportion of GDP spent on health care from 7.4% to around 8%. This in fact represents only 3.5% increase a year (not far off the historic average) and can be found by allowing the NHS budget to grow in line with economic growth with an addition of £1.7bn per year[[9]](#endnote-9).
* From a GDP of nearly £2 trillion, this can be found. Instead, government policy is to shrink the proportion of the GDP[[10]](#endnote-10) being spent on health care and it has been declining almost every year since 2009. So each year, a smaller share of the national income is being given to the NHS despite growing need. Thus, while demand for health care is growing, the government is funding the service as if demand is declining. This is at the root of the crisis in the NHS.
* When we compare our spending with spending on health care in other countries, we find that many rich western countries like us spend a higher proportion of their GDP than we do. In fact, according to data for 2015[[11]](#endnote-11) (the most recent available), we are thirteenth down the list. Our political leaders do not have to make this choice – they can choose instead to restore the proportion of the GDP spent on health.

**Myth # 3 We can’t afford to spend more on the NHS because of the deficit**

* UK spending has lagged behind spending on health care in other rich countries for many years, since well before ‘austerity’ began. One analysis[[12]](#endnote-12) found that average European spending on health (as a % of GDP) between 1980 and 2013 was 19% higher than in the United Kingdom.
* Thus, if we had spent the same proportion of GDP on health care as the mean average European country, our total expenditure currently would be one fifth higher – that’s about an extra £25bn this year alone.
* In addition, other European countries are also coping with the damage done by the financial crash of 2008 and consequent recession but are still spending more on health care (and social care) than we are. Spending on health reflects political choices and political priorities.
* There are also good economic arguments for spending more on health care as spending on health care is good for the economy. Additional spending on health care leads to short term increases in economic growth – it does not weaken economic growth[[13]](#endnote-13). Indeed, the NHS is part of the economy, employing well over a million people.
* Expanding the NHS means employing more people to provide more services. This means more jobs, more people spending their income, contributing to economic ‘demand’, more people paying taxes. As well as contributing to getting sick workers back to work, they would also be producing services which are socially useful and highly valued by patients and citizens.
* Current policy has taken too much demand out of the economy and has resulted in faltering tax revenues. Many people work for no wage and a substantial proportion of new jobs created are either precarious jobs in self-employment or part time jobs[[14]](#endnote-14). Spending on the NHS is investing in the economy.

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1. Office for National Statistics gives seasonally adjusted UK GDP or £1,921 billion for 2016 [↑](#endnote-ref-1)
2. For instance, see C Imison (2015) NHS agency staff costs: treating the symptom not the cause. Nuffield Trust blog, June 9 [↑](#endnote-ref-2)
3. S Gainsbury (2016) Feeling the crunch: NHS finances to 2020. Nuffield Trust. The deficit for 2016/17 has not been confirmed at the time of writing but is thought to be between £0.5bn and £1.0bn. [↑](#endnote-ref-3)
4. Public Accounts Committee (2016) Sustainability and Financial Performance of Acute Hospital Trusts [↑](#endnote-ref-4)
5. For instance Chris Hopson chief executive of NHS Providers: C Hopson (2016) The gap between funds and delivery is a chasm in the NHS, The Guardian, September 10 [↑](#endnote-ref-5)
6. C Paton (2014) At what cost? Paying the price for the market in the NHS in England. Centre of Health and the Public Interest. Paton described his estimate of 4.5bn recurrent annual cost as a conservative estimate; other analyses have pointed to higher costs. [↑](#endnote-ref-6)
7. IMF data, World Bank data and UN data [↑](#endnote-ref-7)
8. World Bank Data, 2011-2015 [↑](#endnote-ref-8)
9. See M Licchetta and M Stelmach (2016) Fiscal sustainability analytical paper: Fiscal sustainability and public spending on health, Office for Budget Responsibility; and J Appleby (2016) Is the NHS financially sustainable?, Nuffield Trust [↑](#endnote-ref-9)
10. The proportion of GDP spent on health care depends on how it is measured and whether social care spending is included but it is in decline [↑](#endnote-ref-10)
11. OECD (2016) Health expenditure and financing 2015 <http://stats.oecd.org/index.aspx?DataSetCode=HEALTH_STAT> [↑](#endnote-ref-11)
12. J Harding and C Pritchard (2016) UK and Twenty Comparable Countries GDP-Expenditure-on-Health 1980-2013: The Historic and Continued Low Priority of UK Health-Related Expenditure, Internat Jnl of Health Policy 5(9) 519-523 [↑](#endnote-ref-12)
13. A Reeves et al (2013) Does investment in the health sector promote or inhibit economic growth? Global Health, Vol 9(43) [↑](#endnote-ref-13)
14. See M Blyth (2013) Austerity: The history of a dangerous idea. Oxford University Press for a comprehensive analysis of the problems of adopting ‘austerity‘ economic measures [↑](#endnote-ref-14)