Will NHS efficiency savings meet the funding gap?

Despite recent improvements in productivity, the NHS has been unable to close the funding gap required to meet growing demand, suggests John Appleby, Chief Economist at the King’s Fund, in an article published in The BMJ this week.

But he stresses that there is still uncertainty surrounding both the productivity numbers and the estimates of need for funding.

The NHS in England is under pressure to achieve £20bn of efficiency savings by 2015. Scaled up across the other UK nations, this amounts to £24bn across the UK as a whole.

Although the NHS has been relatively protected compared to budget cuts in other parts of government, Appleby explains that across the UK as a whole for the three years 2010 to 2012 its real spending has been cut by 0.4% a year on average - with the real cuts in 2010 and 2011, and a small real increase in 2012.

This has led to a fall in NHS spending as a percentage of gross domestic product (GDP) from 7.7% to 7.3%.

“Meanwhile the population has grown and aged; medicine continues its forward march, inventing new things to do to patients; and we, the punters, no doubt expect more from healthcare,” he writes.
Calculations from the Office for National Statistics show that, on average, from 1995 to 2012, the UK NHS “has got a bit more bang for each healthcare buck it has spent,” he says. During 2010-12 productivity increased by an average of 1.6% a year.

However, this still falls some way short of the goal of around 4% a year that the King’s Fund and others estimate is required to close the gap between funding and need, he explains. Across the UK the actual productivity improvements for 2010-12 are roughly equivalent to £5.8bn - around £8.4bn less than needed to close the gap over those years.

It is also disappointing that the quality adjustment to the output figures (using a mix of measures such as waiting times, survival rates, and the quality and outcome framework targets for general practice) show a zero change in 2012-13, he adds.

A big problem, however, is the uncertainty surrounding both the productivity numbers and the estimates of need for funding, he writes. Despite improvements in data coverage and methodology over the years, he points out that calculations of productivity are still subject to historical revision.

“And the need for funding tends to be derived from projections of past trends and current patterns of consumption with - when estimated at all - large variations in uncertainty,” he concludes.

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