NEWS

Covid-19: UK government writes off £13.4bn of hospital debts to ease pressures

Gareth Iacobucci

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Over 100 NHS hospitals have had a combined £13.4bn (€15.25bn; \$16.48bn) in historical debts written off by the government to help them respond to the covid-19 pandemic.

The move, effective from 1 April, was announced by England's health secretary, Matt Hancock, on 2 April as part of a wider package of measures designed to give trusts financial support during the pandemic and help them achieve longer term commitments to become financially sustainable.

This package, agreed with NHS England, includes a simpler internal payment system to help NHS trusts deal more easily with their response to covid-19. Hospitals will continue to receive the funding they need to carry out their emergency response, although most have had to cancel the vast majority of elective surgery and other services because of the virus.

Hancock said, "As we tackle this crisis, nobody in our health service should be distracted by their hospital's past finances. Today's £13.4bn debt write-off will wipe the slate clean and allow NHS hospitals to plan for the future and invest in vital services.

"I remain committed to providing the NHS with whatever it needs to tackle coronavirus, and the changes to the funding model will give the NHS immediate financial certainty to plan and deliver their emergency response."

Equity

Under existing rules some trusts have taken out loans to plug financial gaps in their day-to-day (revenue) or capital

(infrastructure) budgets. Overall, 107 trusts each have an average of £100m in revenue debt, the department said.

The new rules, set out in letters sent to all NHS trusts, state that hospitals requiring extra money will get it with equity, rather than needing to borrow from the government and repay a loan.

The letters also include details on every local area's capital budget for 2020-21, to enable investment in longer term infrastructure upgrades.

Simon Stevens, NHS chief executive, said, "We've advocated for and support this pragmatic move which will put NHS hospitals, mental health, and community services in a stronger position—not just to respond to the immediate challenges of the global coronavirus pandemic but also in the years ahead, to deliver widespread improvements set out in our NHS long term plan."

Saffron Cordery, deputy chief executive of NHS Providers, which represents NHS hospital trusts, said in response to the announcement, "There have been unsustainable levels of debt in the trust sector for some time. The unprecedented pressures created by covid-19 are placing an even greater strain on trust finances.

"Additional funding has already been set aside to cover these costs, but the decision to cancel all NHS debt should go a step further in removing any financial constraints in the NHS's response to covid-19 and subsequent recovery."