

What does the CSR mean for Health? December 2010

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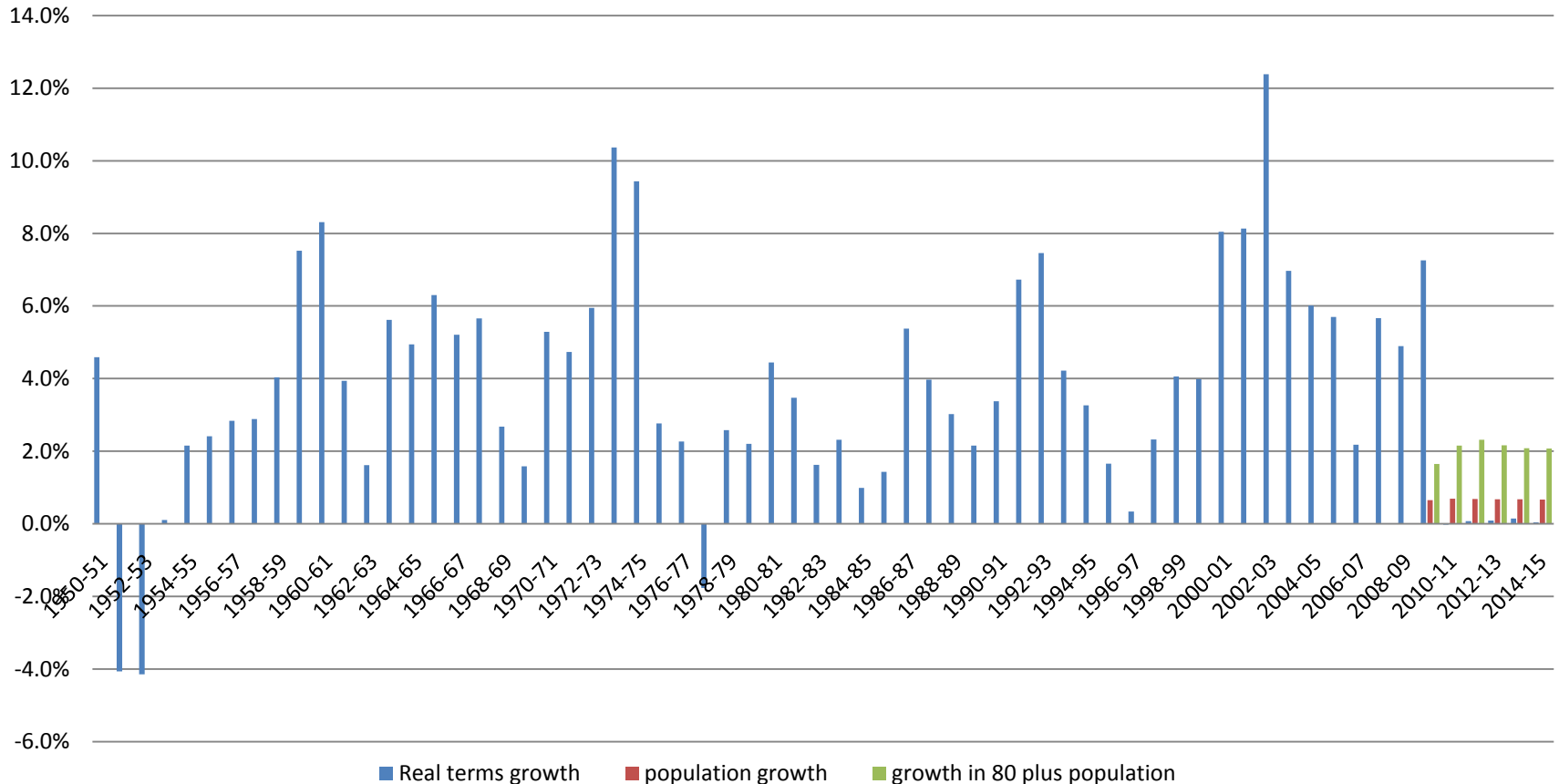
Health in a privileged Position

- Overall Health Funding increasing by 0.1% per annum on average over CSR

	2010-11	2014-15	Real terms change
Resource DEL	£98.7bn	£109.8bn	1.3%
Capital DEL	£5.1bn	£4.6bn	-17%
Overall DEL	£103.8bn	£114.4bn	0.4%

The Scale of the Challenge

Annual Real Terms Growth in UK NHS Expenditure



Source: Nuffield Trust (IFS, ONS and HMT data)

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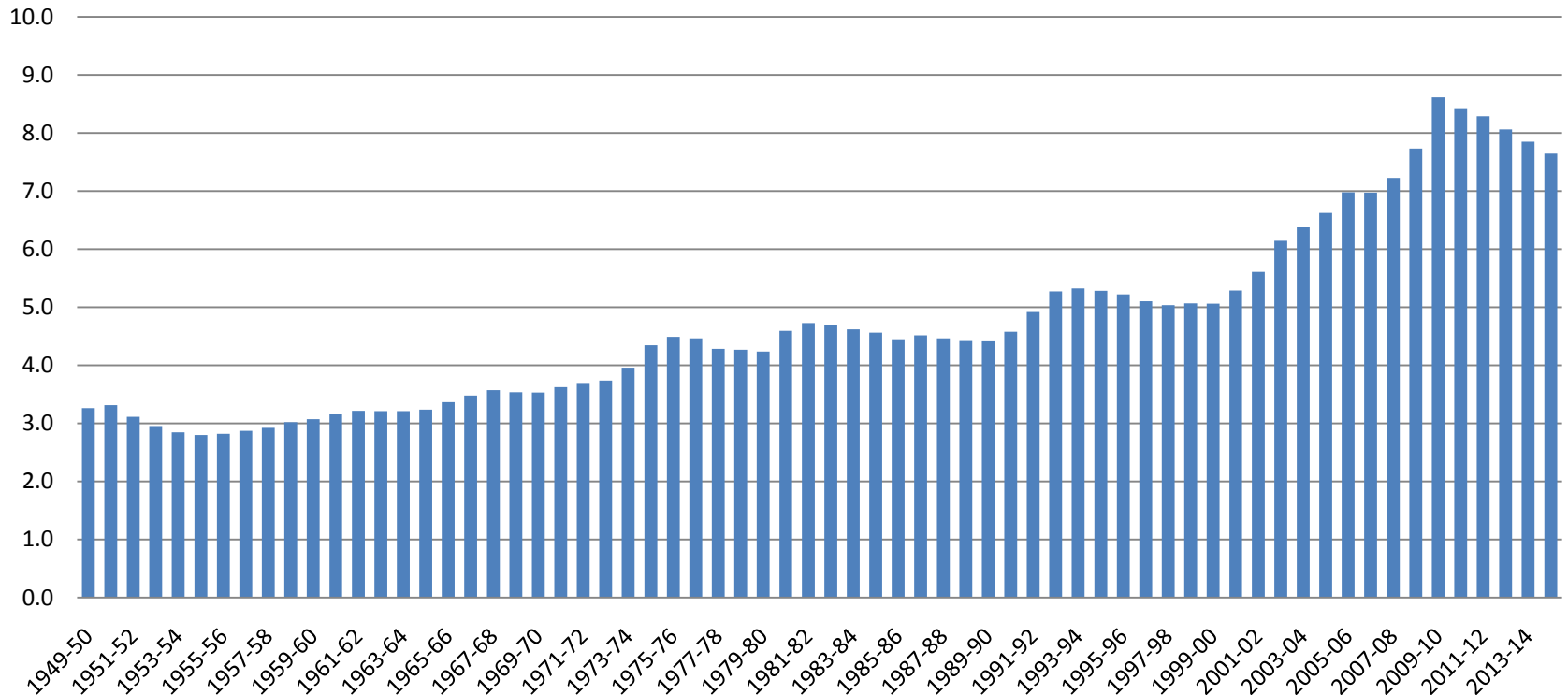
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Health Spending

UK Health Spending as a share of GDP



Source: Nuffield Trust (IFS and HMT data)

■ % of GDP

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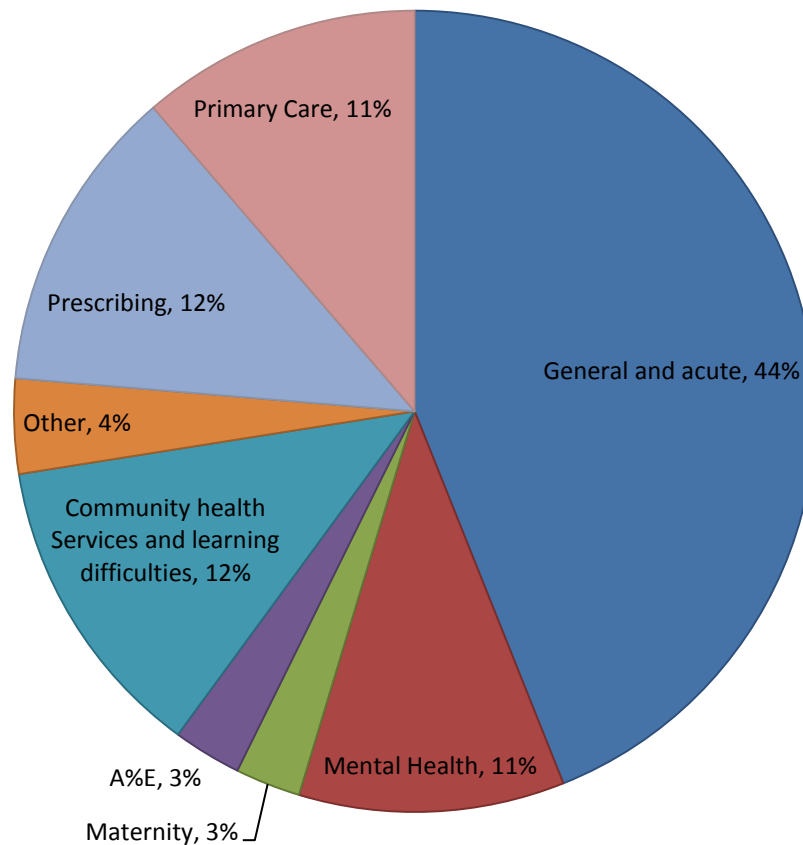
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What is the money buying?



Source: Nuffield Trust analysis of DH data

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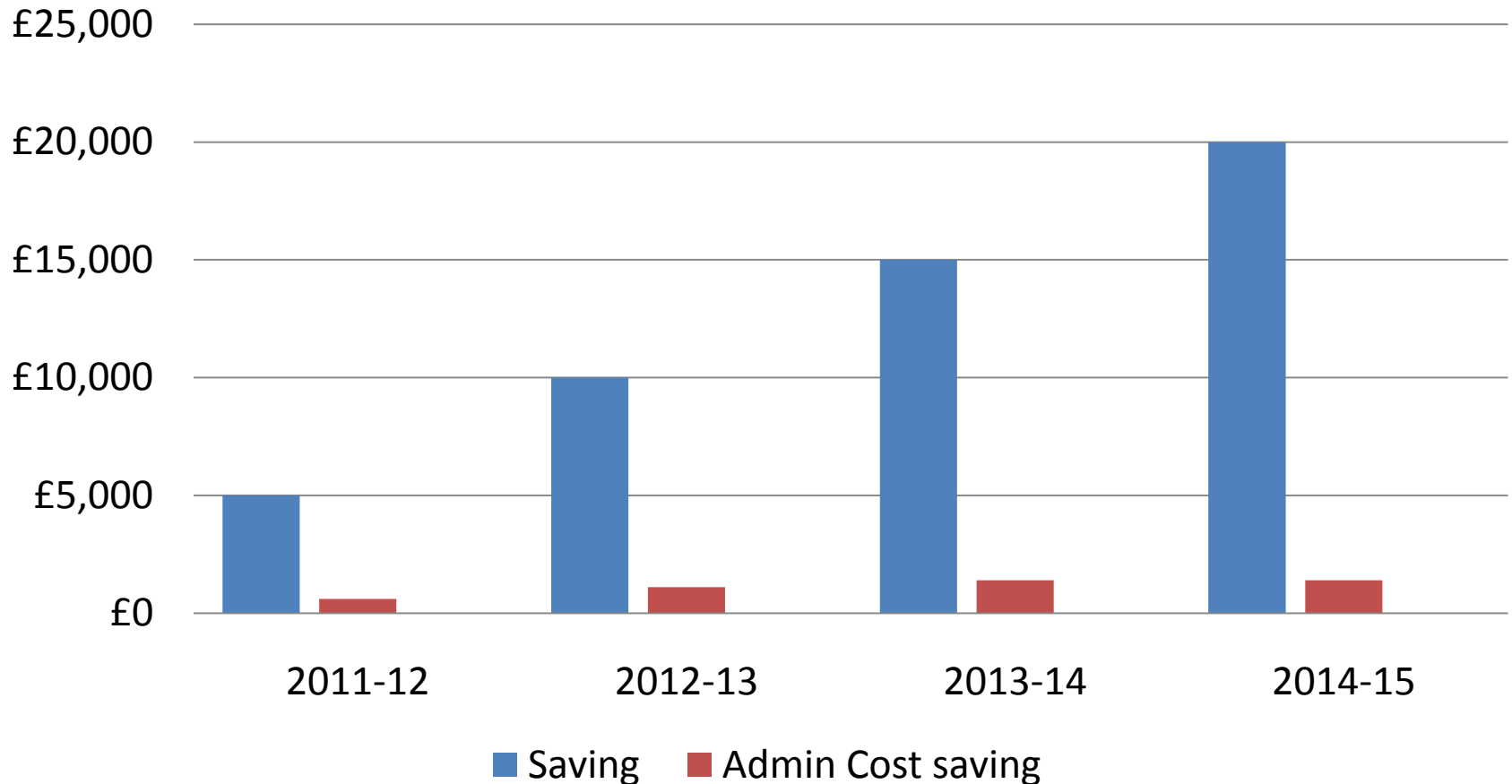
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The Efficiency Challenge (£ million)



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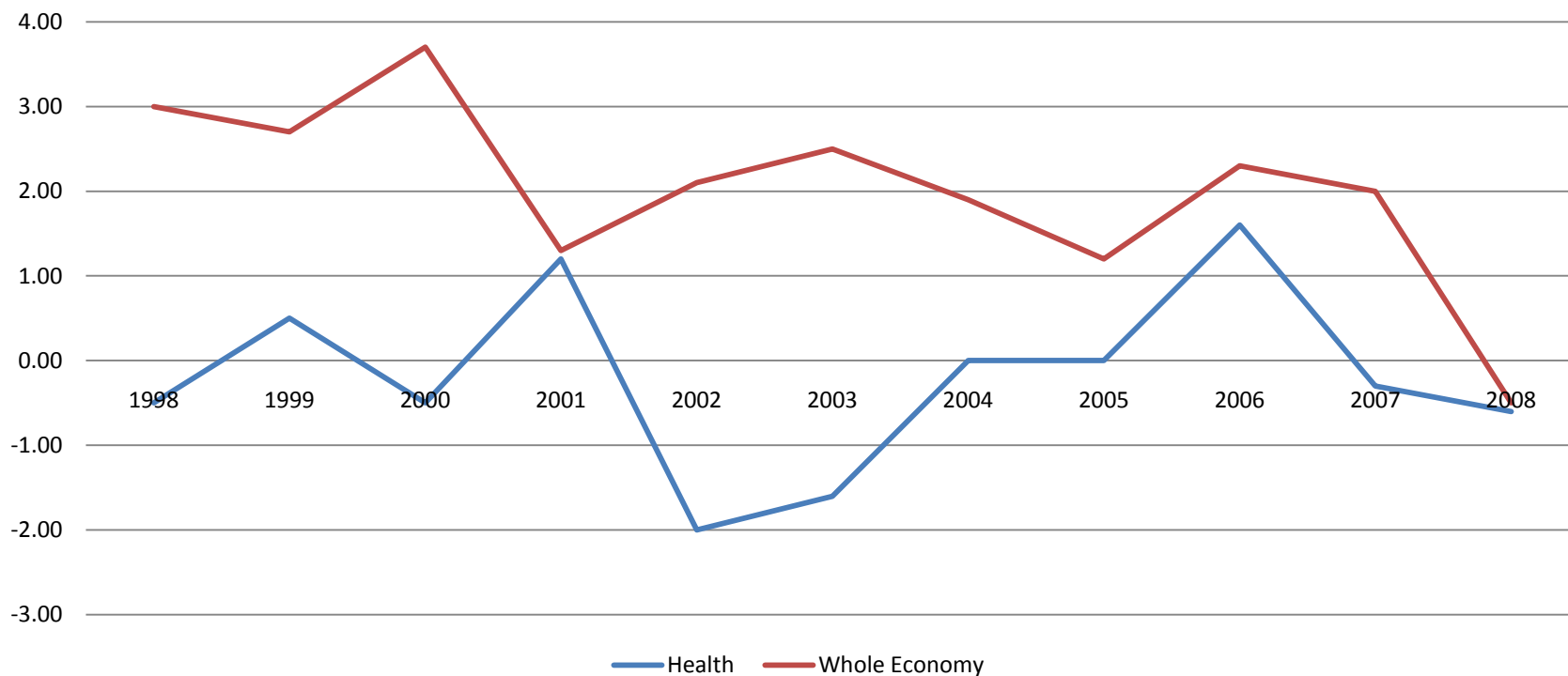
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The Productivity Story so far

Productivity Growth in Health and the General Economy



Source: ONS

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What will the NHS do?

- 2010-11 to 2013-14
 - Control pay with the settlement freeze for all staff earning more than £21,000
 - Bear down on hospital efficiency through a tight framework for prices (PBR)
 - Implement the QIPP programme
 - Reduce management costs by 33% (cumulative real)

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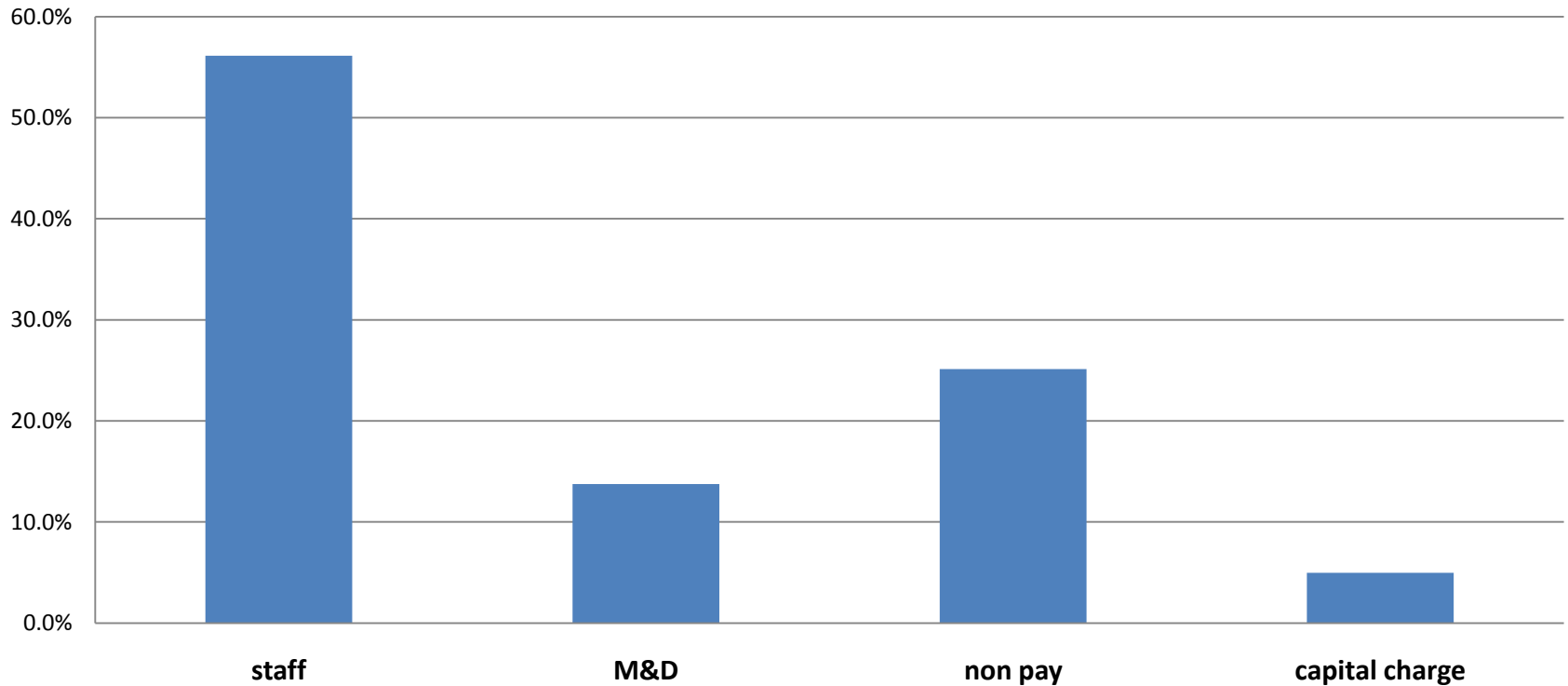
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NHS Costs

Share of HCHS Expenditure



Source: Nuffield Trust analysis of DH data

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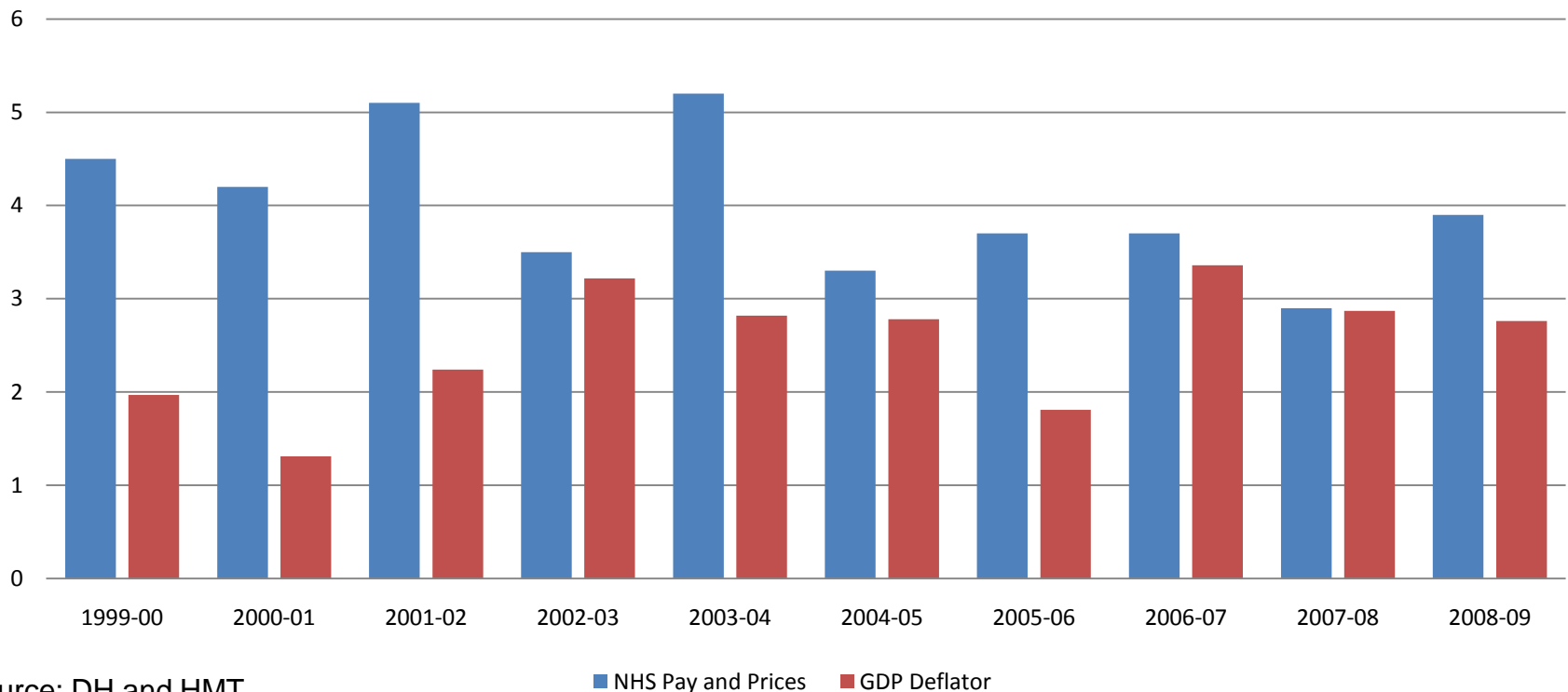
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Spending Pressures

A comparison of Health Service Pay and Price Inflation and the GDP Deflator



Source: DH and HMT

■ NHS Pay and Prices ■ GDP Deflator

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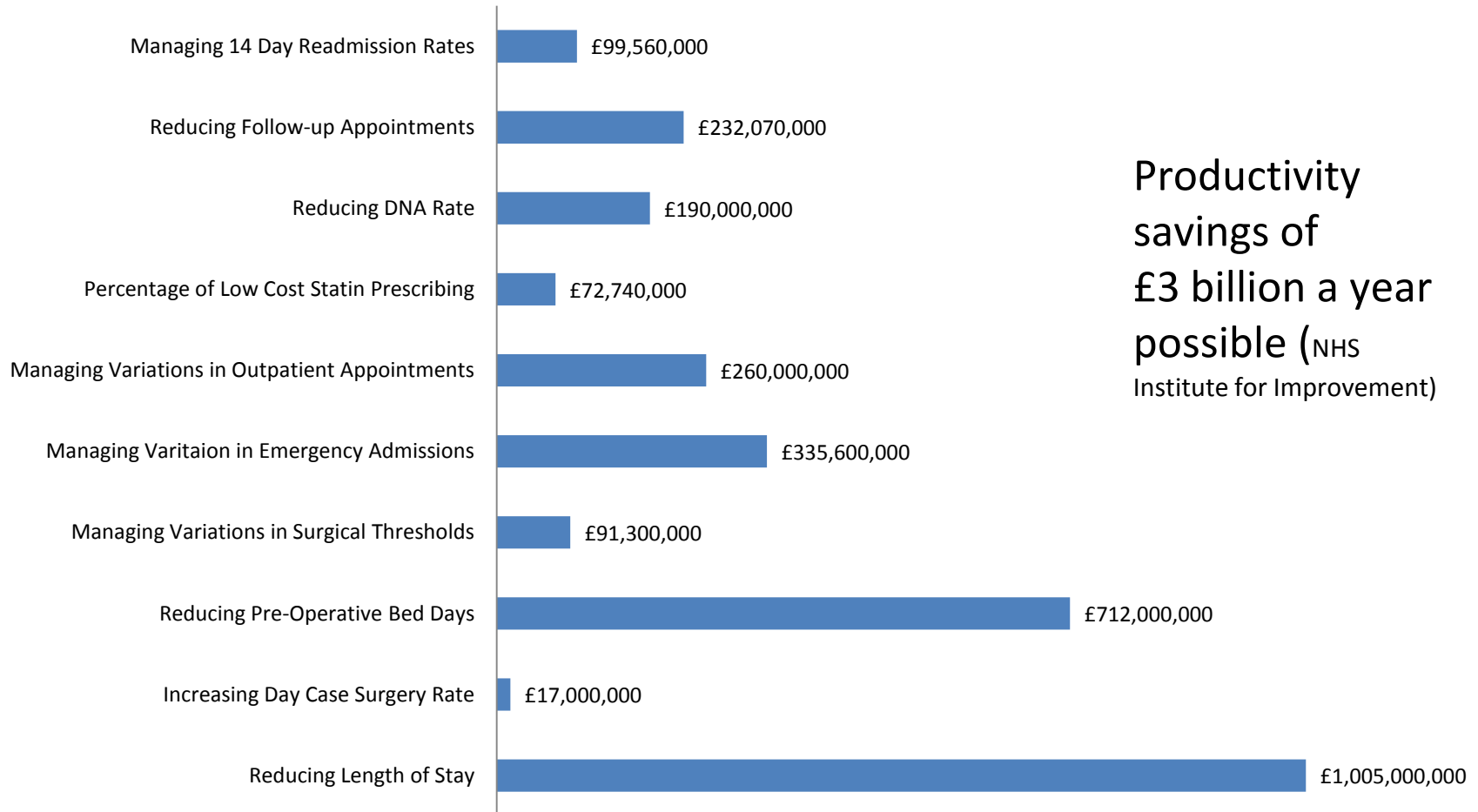
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Better Care, Better Value Productivity Savings Estimates



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What happens from 2013 – from managerialism to system change

The NHS is reformed ‘*Liberating the NHS*’

- Reformed commissioning – GP consortia replace PCTs
- Competition and choice
- Performance management by outcomes not process targets
- Providers become Foundation Trust and greater scope for private and not for profit entry
- New economic regulator established

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Will it work?

- Technical efficiency improvements on their own probably not big enough to bridge all of the gap.
- System reforms offer scope to improve allocative efficiency but:
 - Unlikely to deliver change to scale in the timescale;
 - May not be radical enough in some areas to really drive major allocative efficiency gains (pricing, integration across services, scale of new entry)
- Workforce costs are critical.

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