

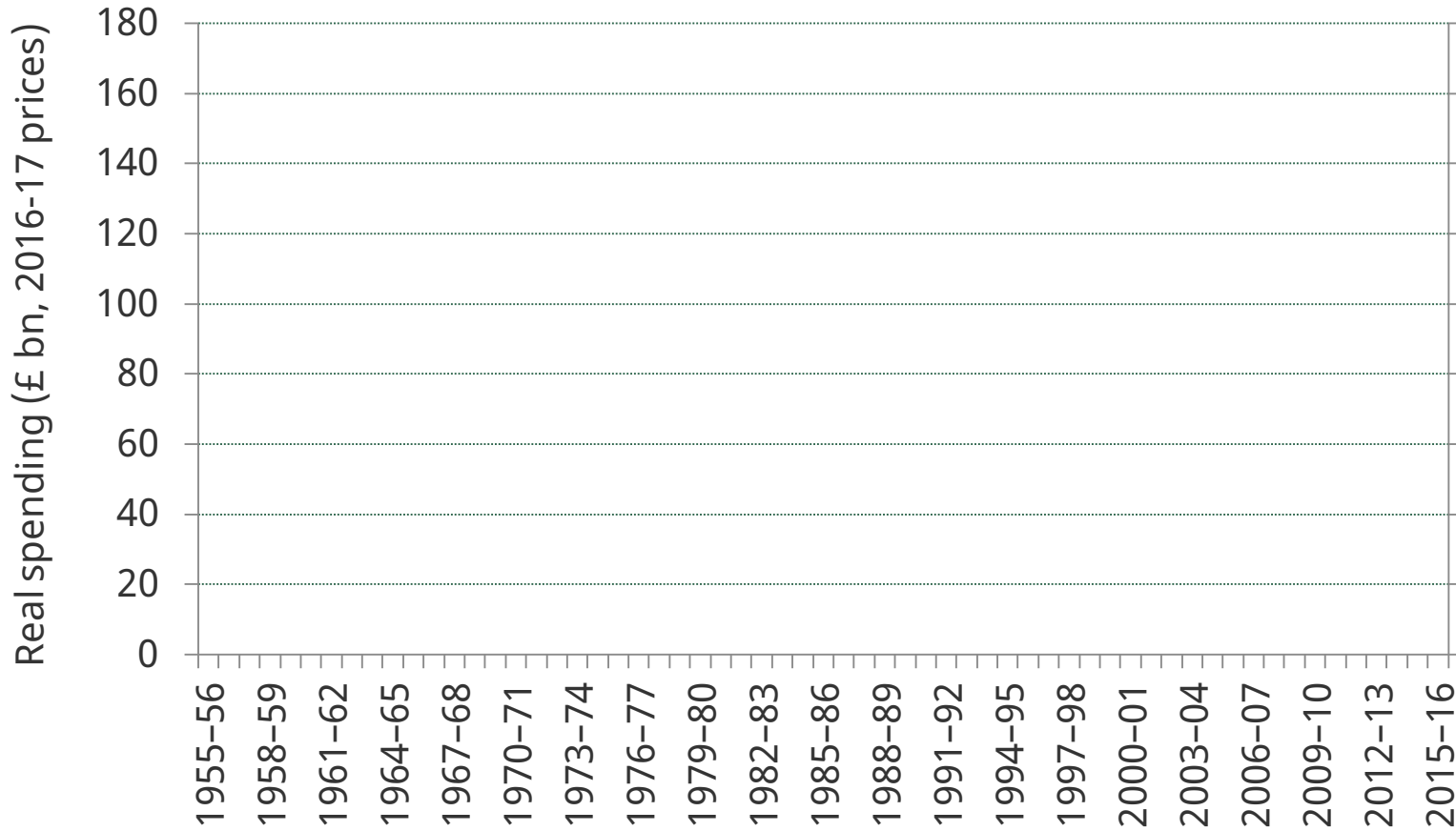
IFS Green Budget 2017

Public spending on the NHS and social care

George Stoye, Institute for Fiscal Studies

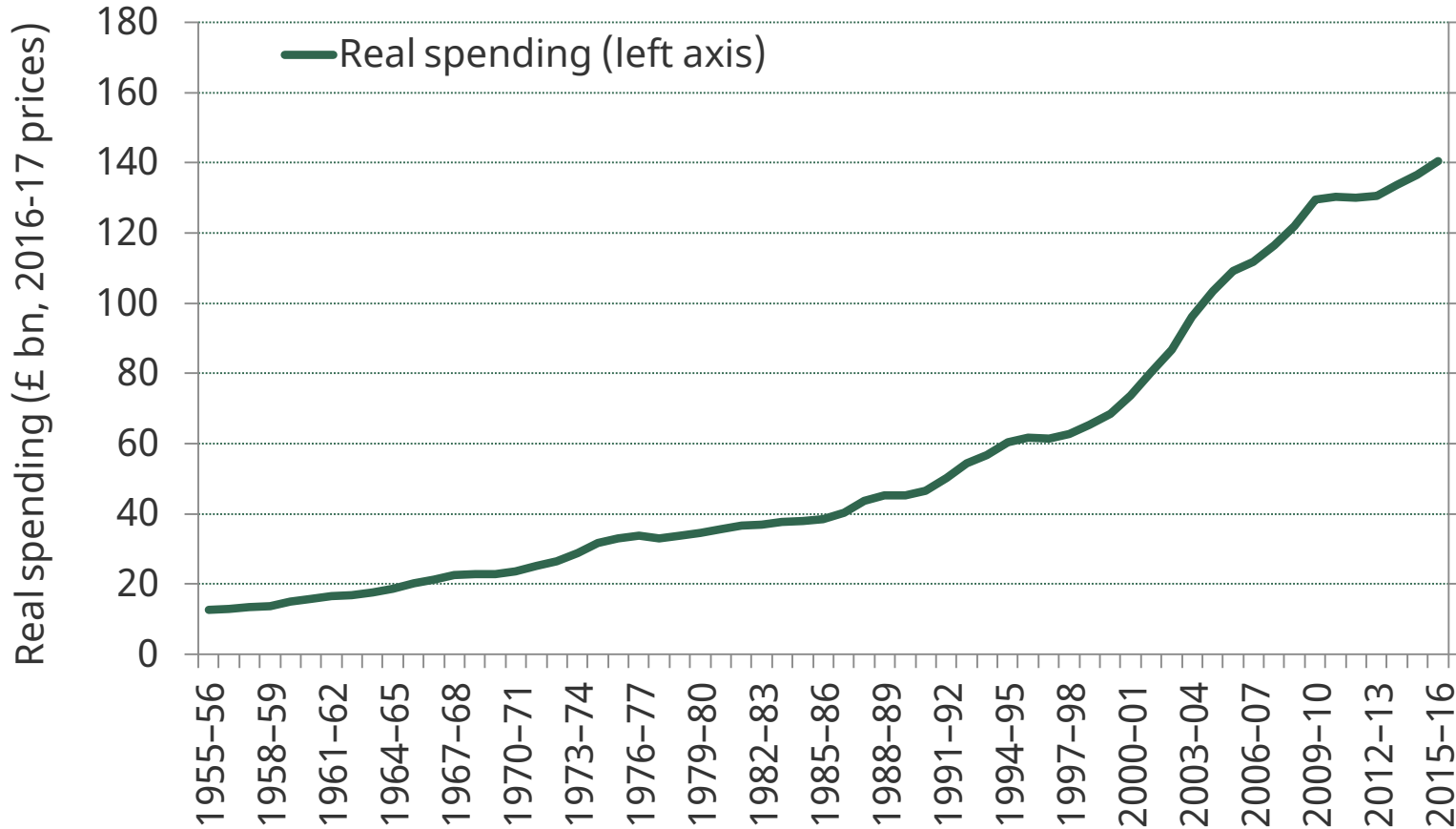
#IFSGreenBudget @TheIFS

Annual UK public spending on health, 1955-56 to 2015-16



Source: Figure 5.1 of the Green Budget

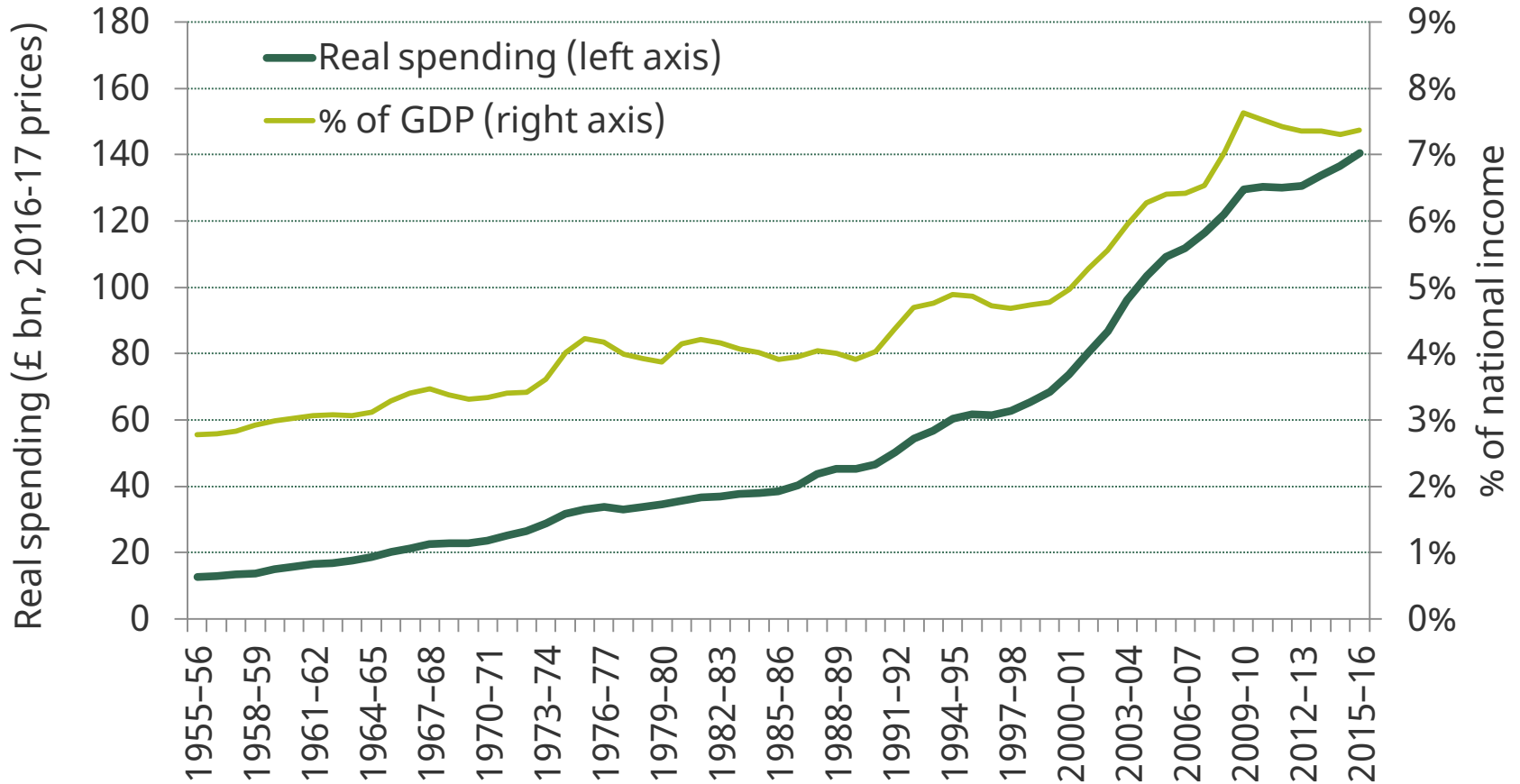
Annual UK public spending on health, 1955-56 to 2015-16



Source: Figure 5.1 of the Green Budget

Large increase in real spending over time

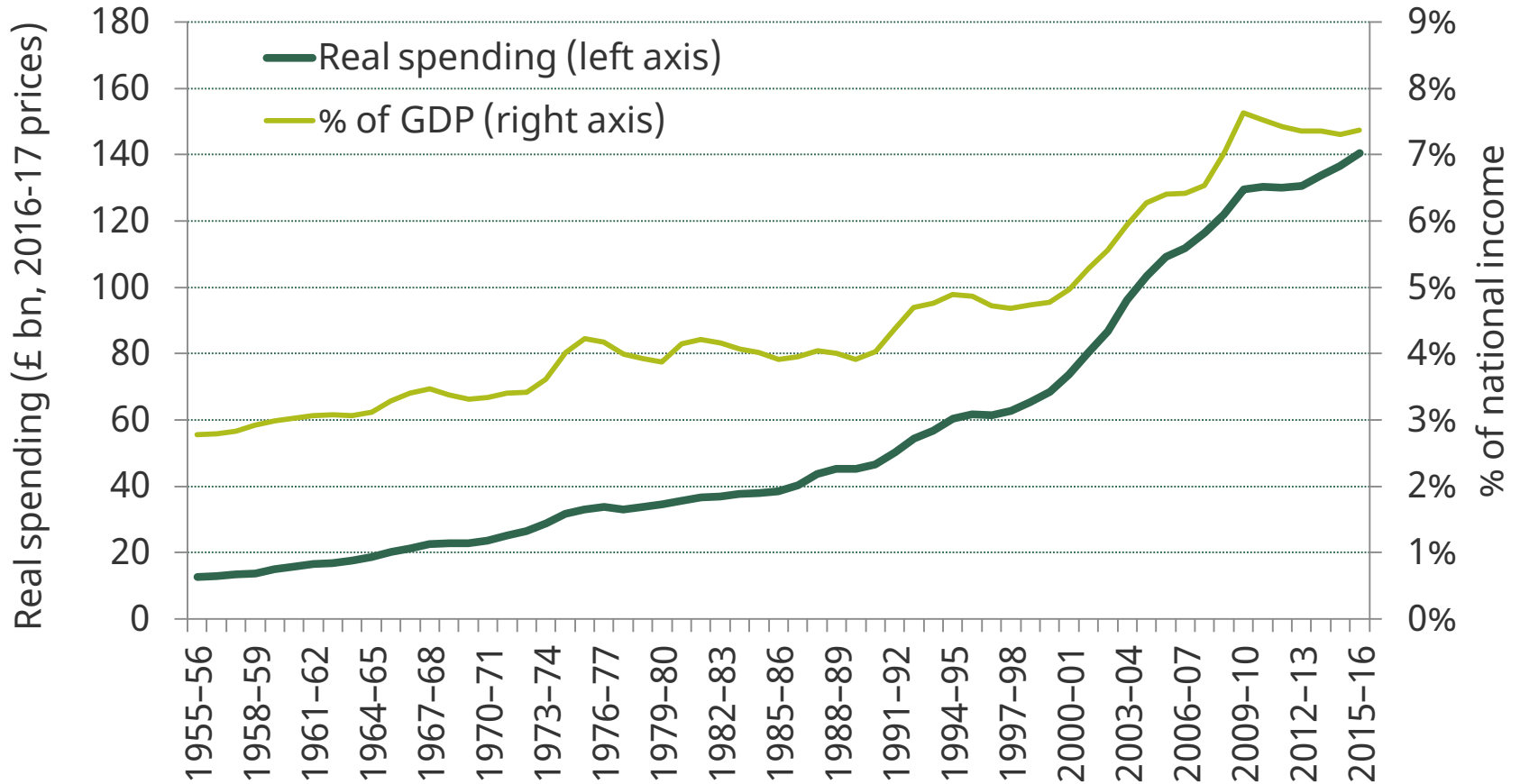
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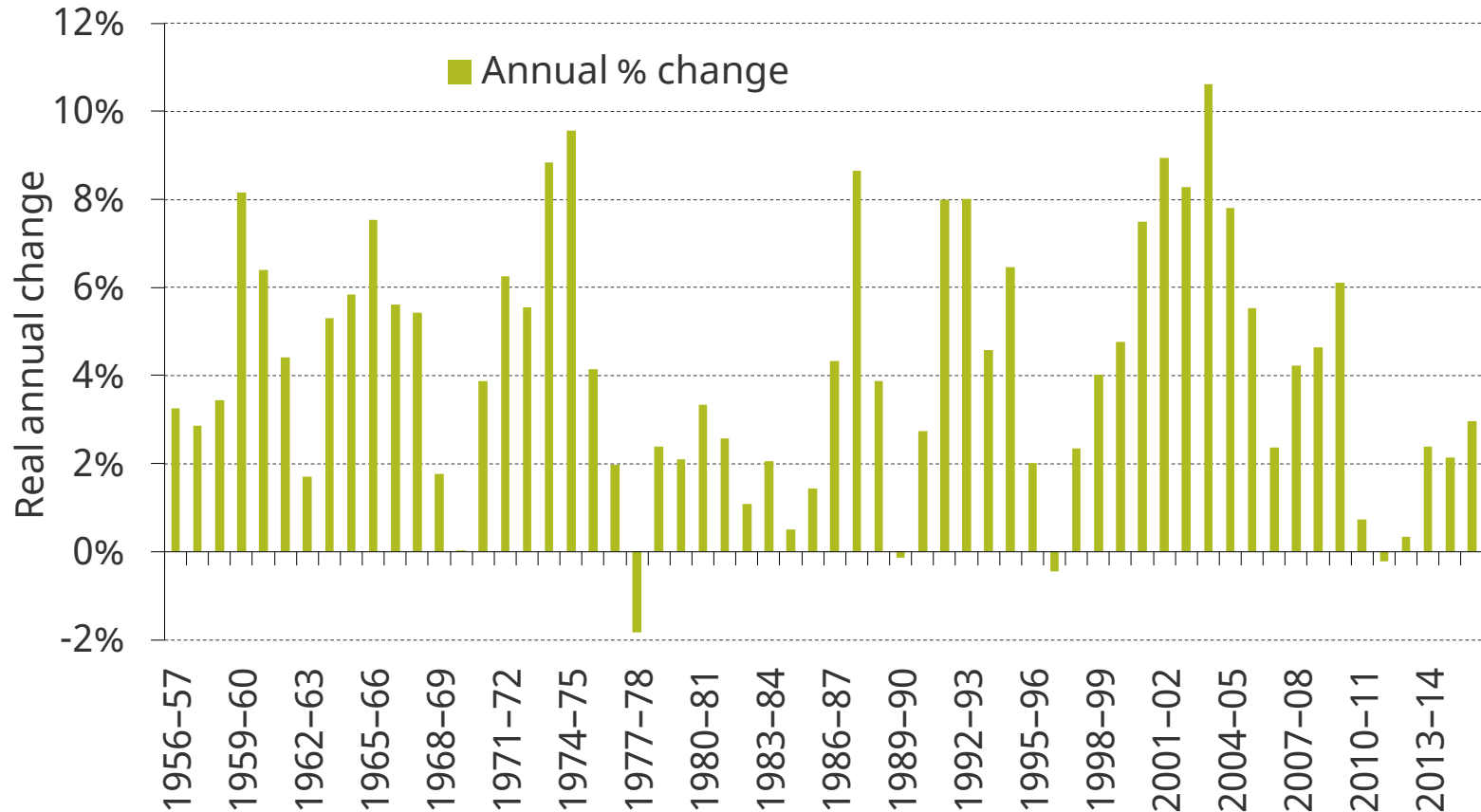
Annual UK public spending on health, 1955-56 to 2015-16



Source: Figure 5.1 of the Green Budget

Average annual growth rate of 4.1%

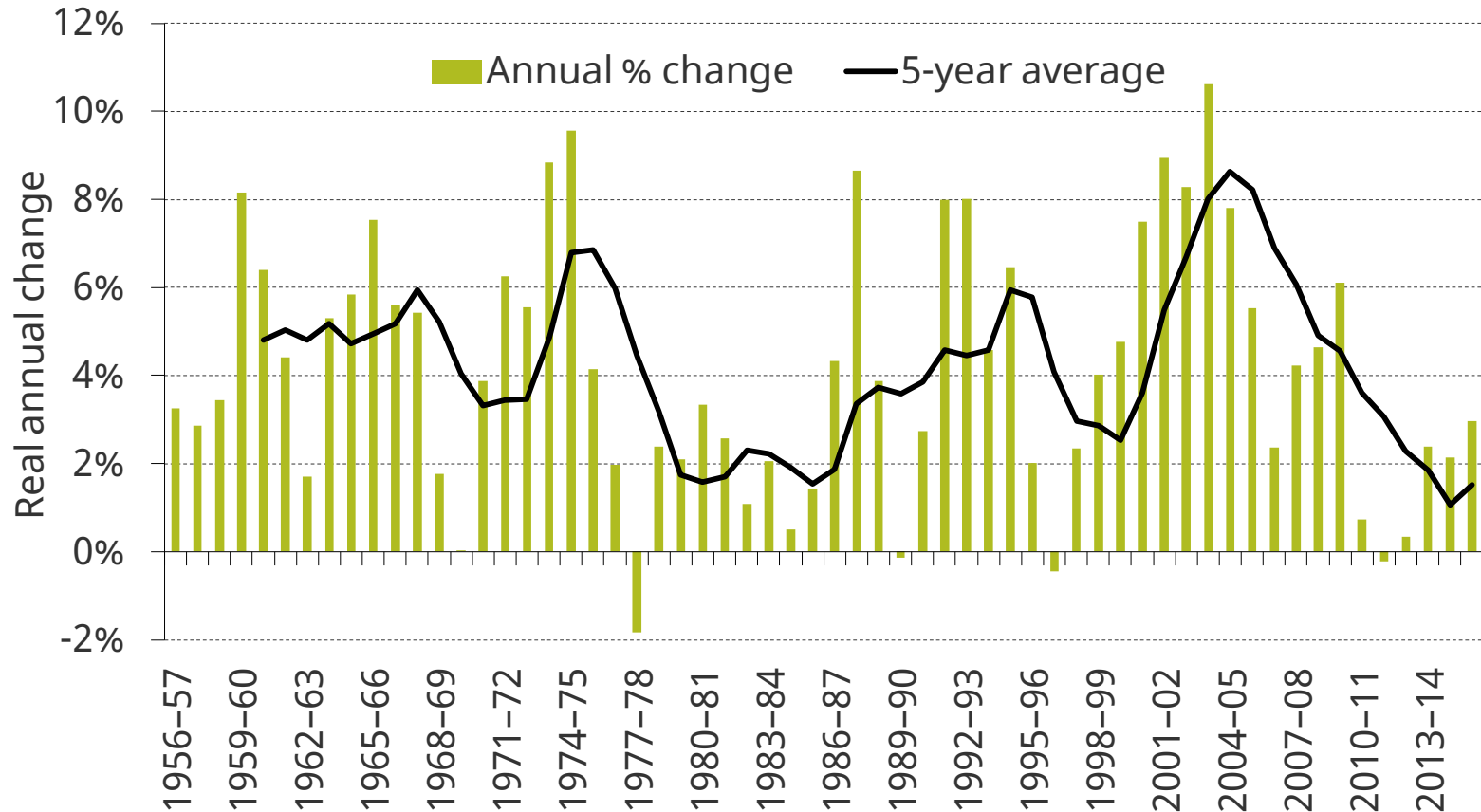
Annual real growth in UK public spending on health



Source: Figure 5.2 of the Green Budget

Substantial variation in the real growth rate across different years

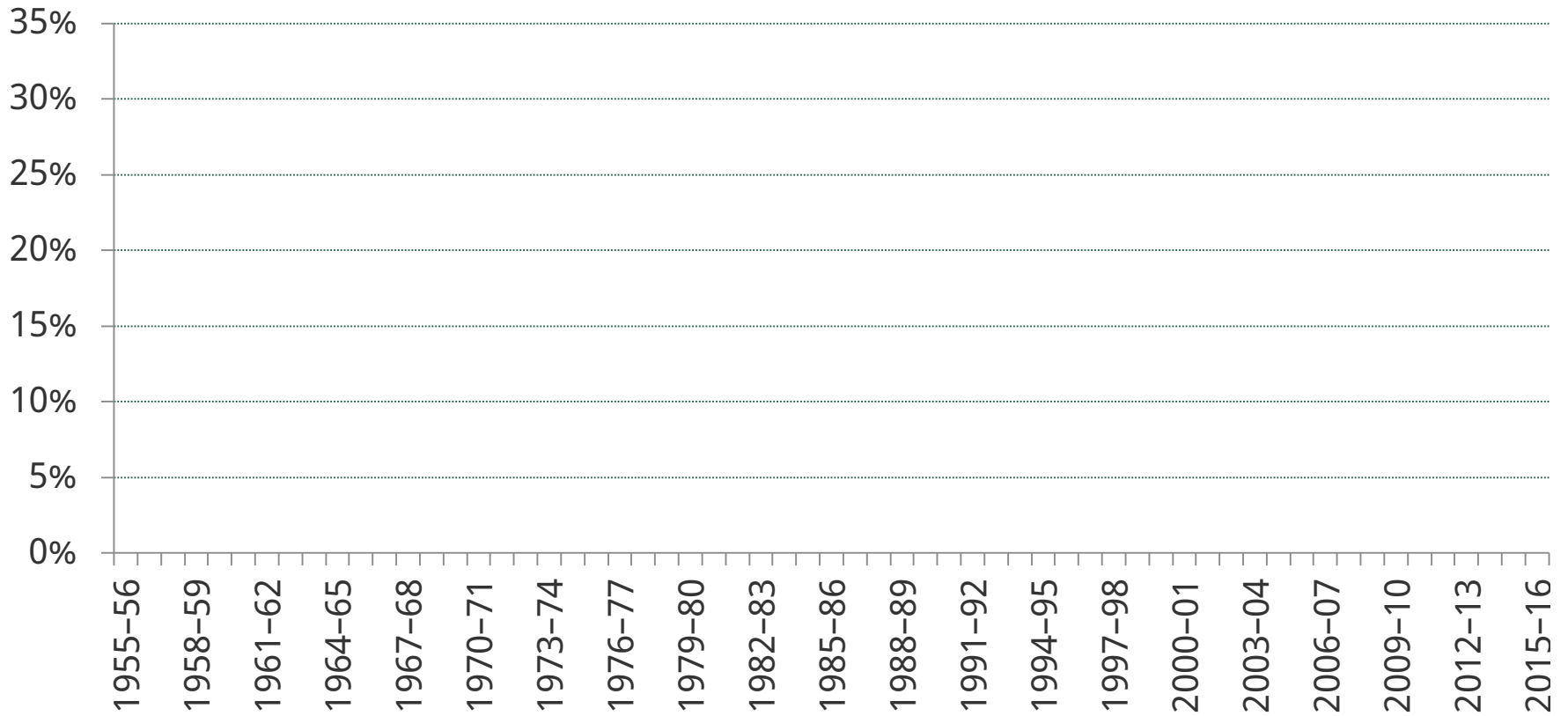
Annual real growth in UK public spending on health



Source: Figure 5.2 of the Green Budget

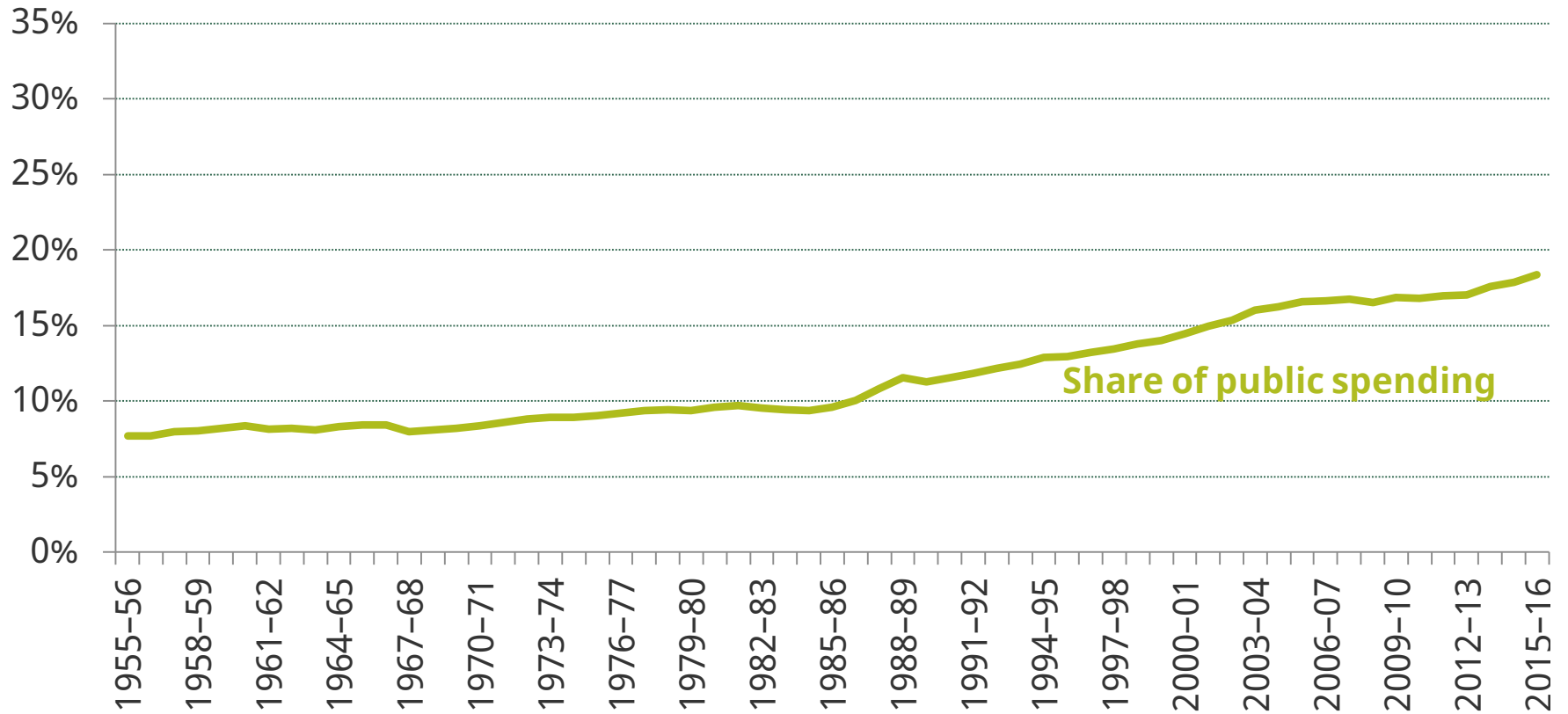
2009-10 and 2014-15 was the lowest 5-year growth rate since a consistent time series of health spending began in 1955-56

Health as a share of public spending, 1955-56 to 2015-16



Source: Figure 5.3 of the Green Budget

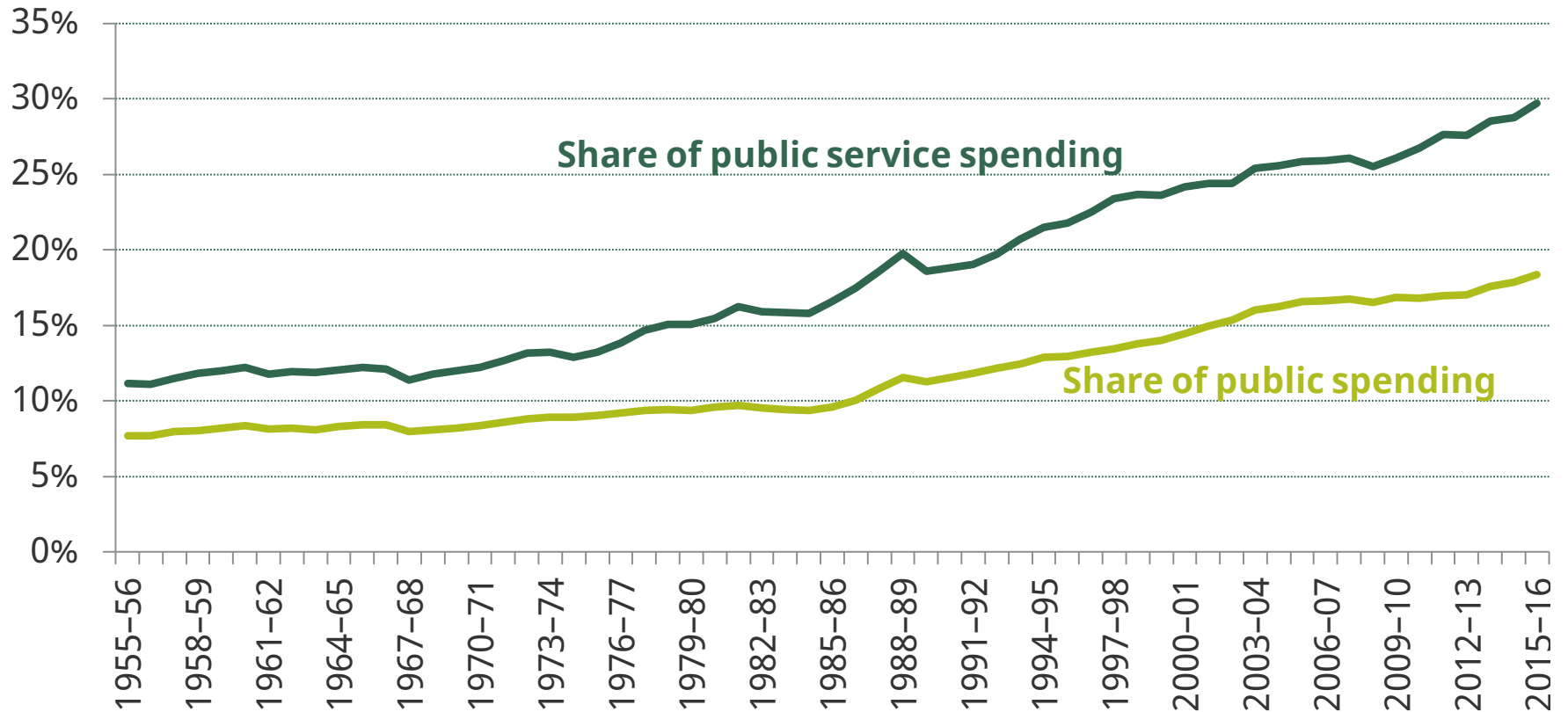
Health as a share of public spending, 1955-56 to 2015-16



Source: Figure 5.3 of the Green Budget

Health spending continued to rise as a share of total public spending after 2009-10

Health as a share of public spending, 1955-56 to 2015-16



Source: Figure 5.3 of the Green Budget

The share of service spending rose at the same rate as in the 2000s (when spending growth was at a historical high)

Health spending in England

The Department of Health (DH) is responsible for health spending in England

- Spending on NHS England sits within wider DH budget (87% in 2015-16)

In 2013, NHS England estimated that the NHS in England would face a shortfall of £27 billion (2016-17 prices) in 2020-21 if NHS funding did not rise from 2014-15 levels

The preferred option put forward by Simon Stevens in October 2014 was to increase NHS funding by £7 billion (2016-17 prices) between 2014-15 and 2020-21

- This set the NHS the ambitious aim of achieving annual productivity gains of 2.4% (compared to an average of 0.9% between 1997 and 2014)

The government committed to meeting this target in a pre-election pledge in 2015

Health spending in England (2016-17 prices)

DH spending will increase by £8.4 billion between 2014-15 and 2020-21

- Increase from £115.4 billion to £123.8 billion

NHS England spending will increase by more: £11.6 billion

- Increase from £99.9 billion to £111.5 billion

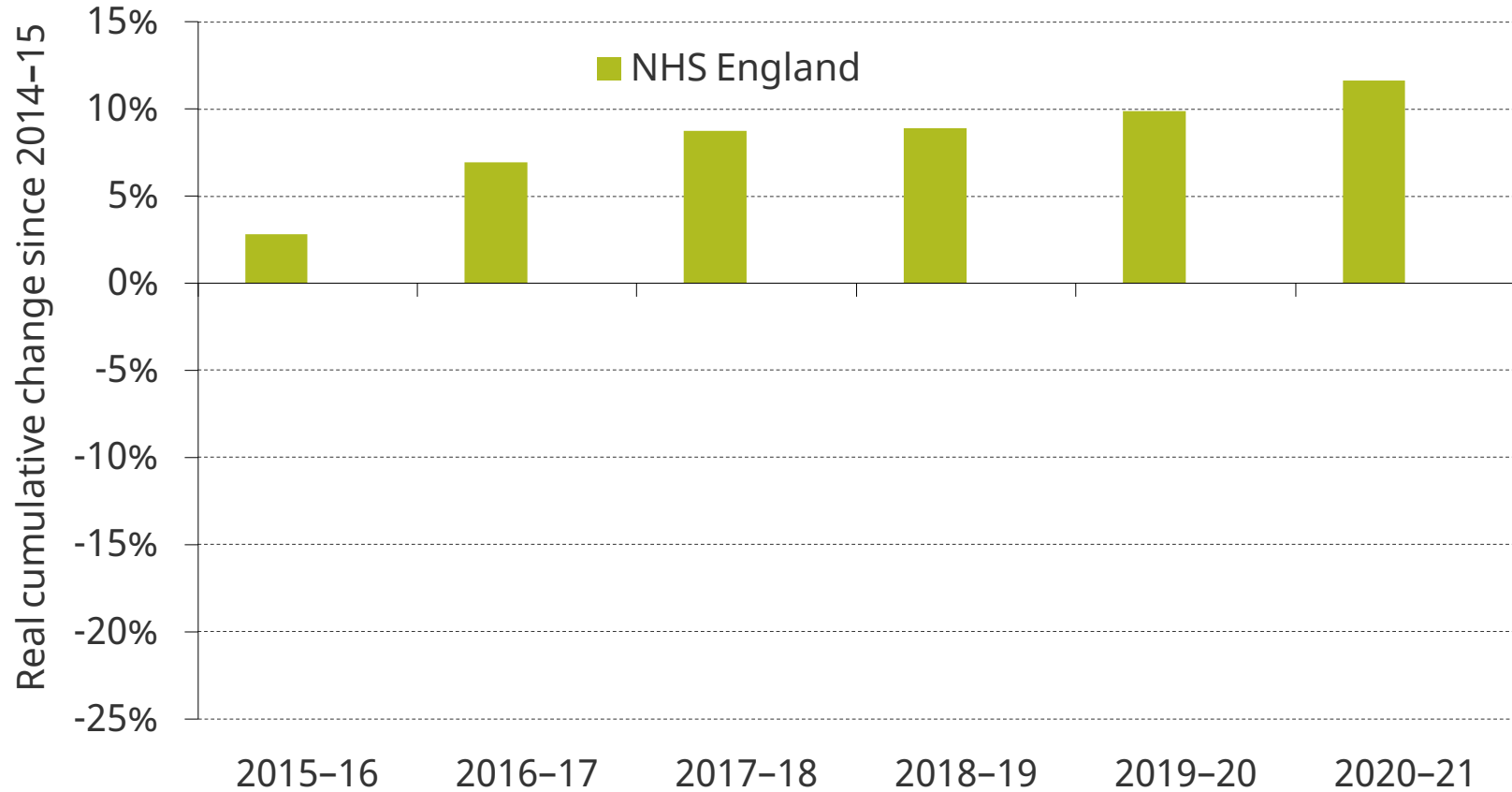
NHS England will account for more of the DH budget over time

- Increase from 86.6% in 2014-15 to 90.1% in 2020-21

The rest of the DH budget will fall by £3.2 billion over this period

- This is a reduction in funding for training future staff, funding medical research and public health initiatives

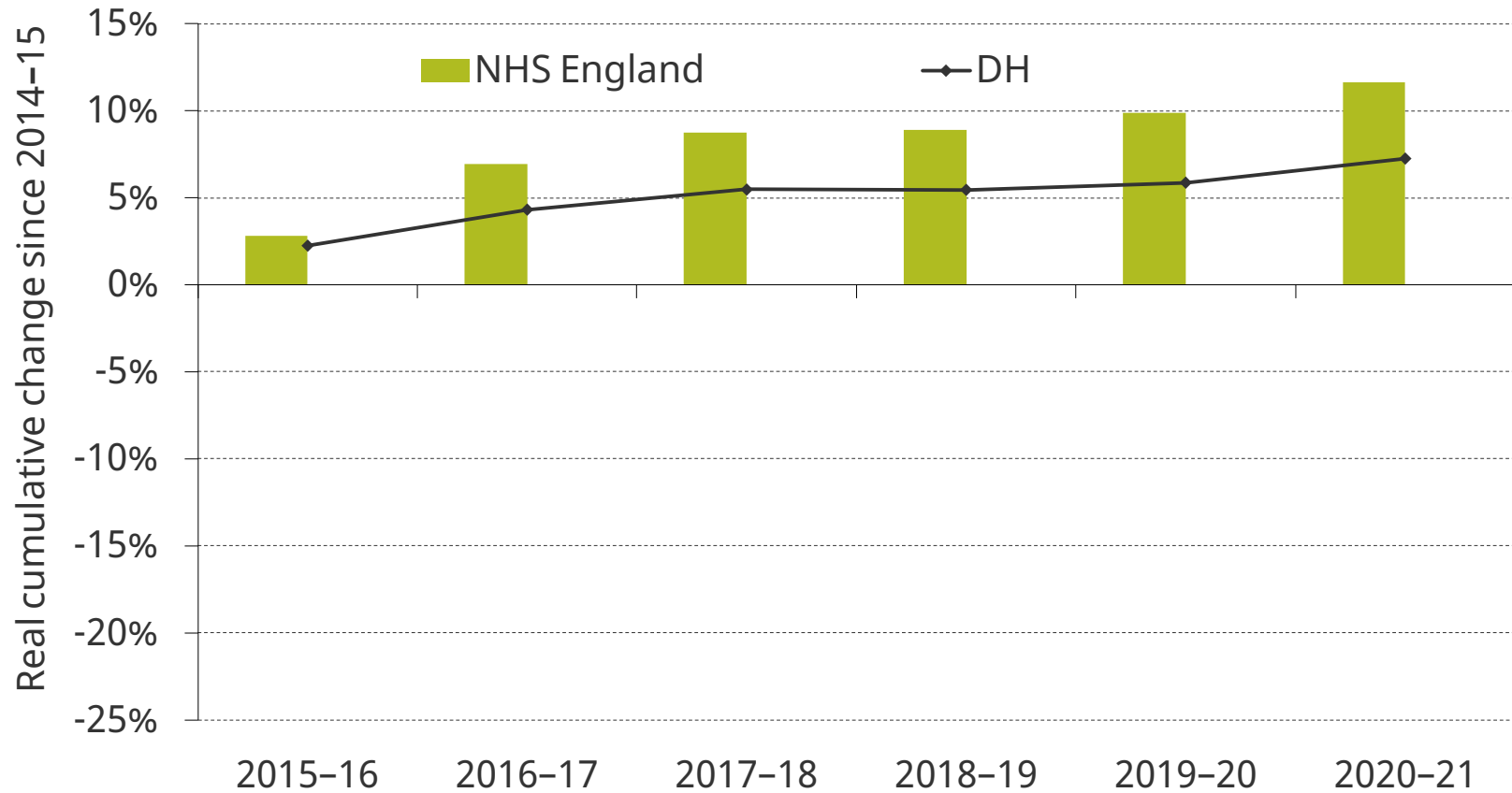
What do the Spending Review plans imply for spending?



Source: Figure 5.7 of the Green Budget

NHS England spending will increase by £11.6 billion (2016-17 prices)

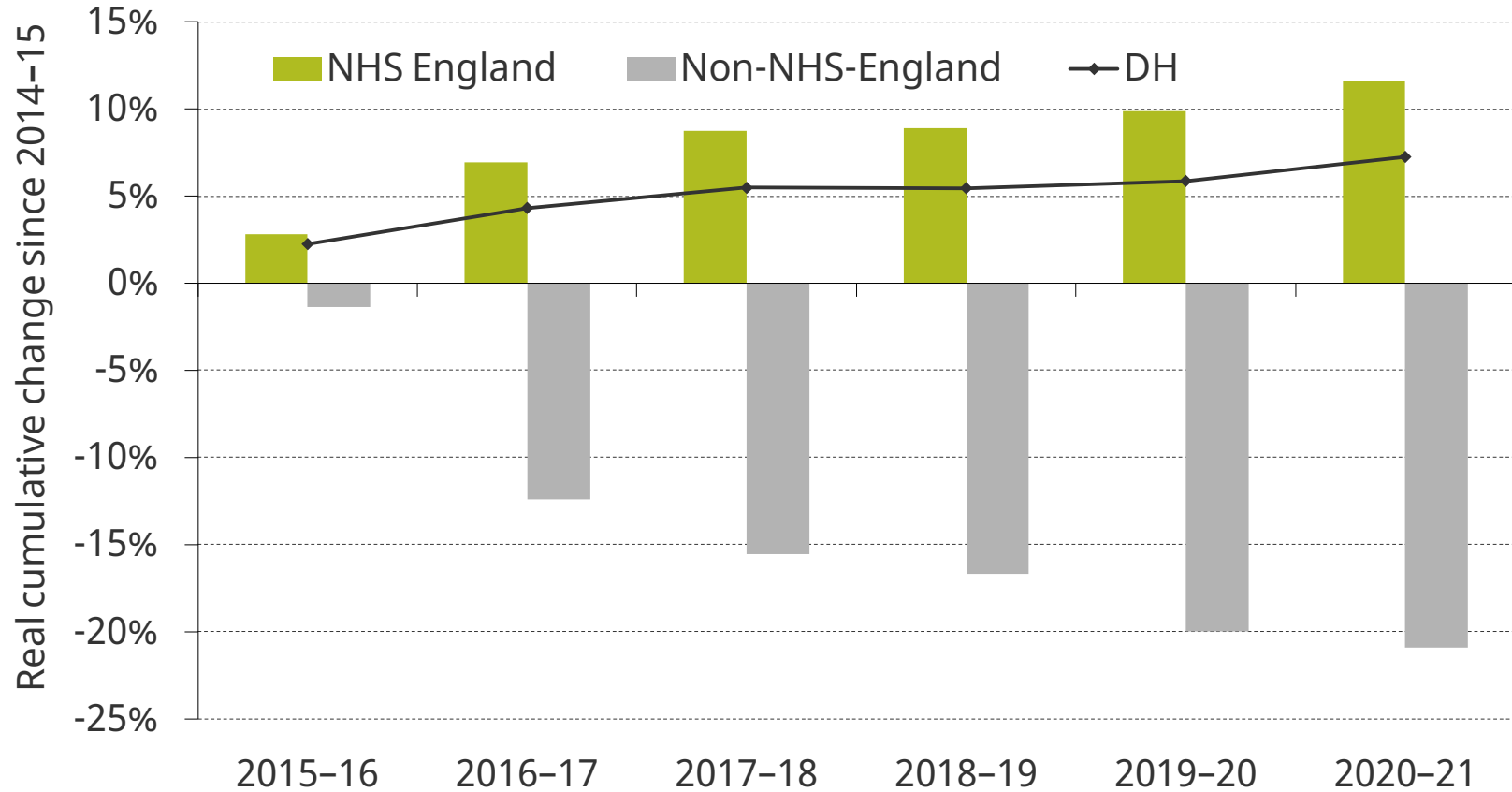
What do the Spending Review plans imply for spending?



Source: Figure 5.7 of the Green Budget

DH spending will increase by a smaller amount: £8.4 billion

What do the Spending Review plans imply for spending?



Source: Figure 5.7 of the Green Budget

Other DH spending will fall by £3.2 billion

Demographic pressures

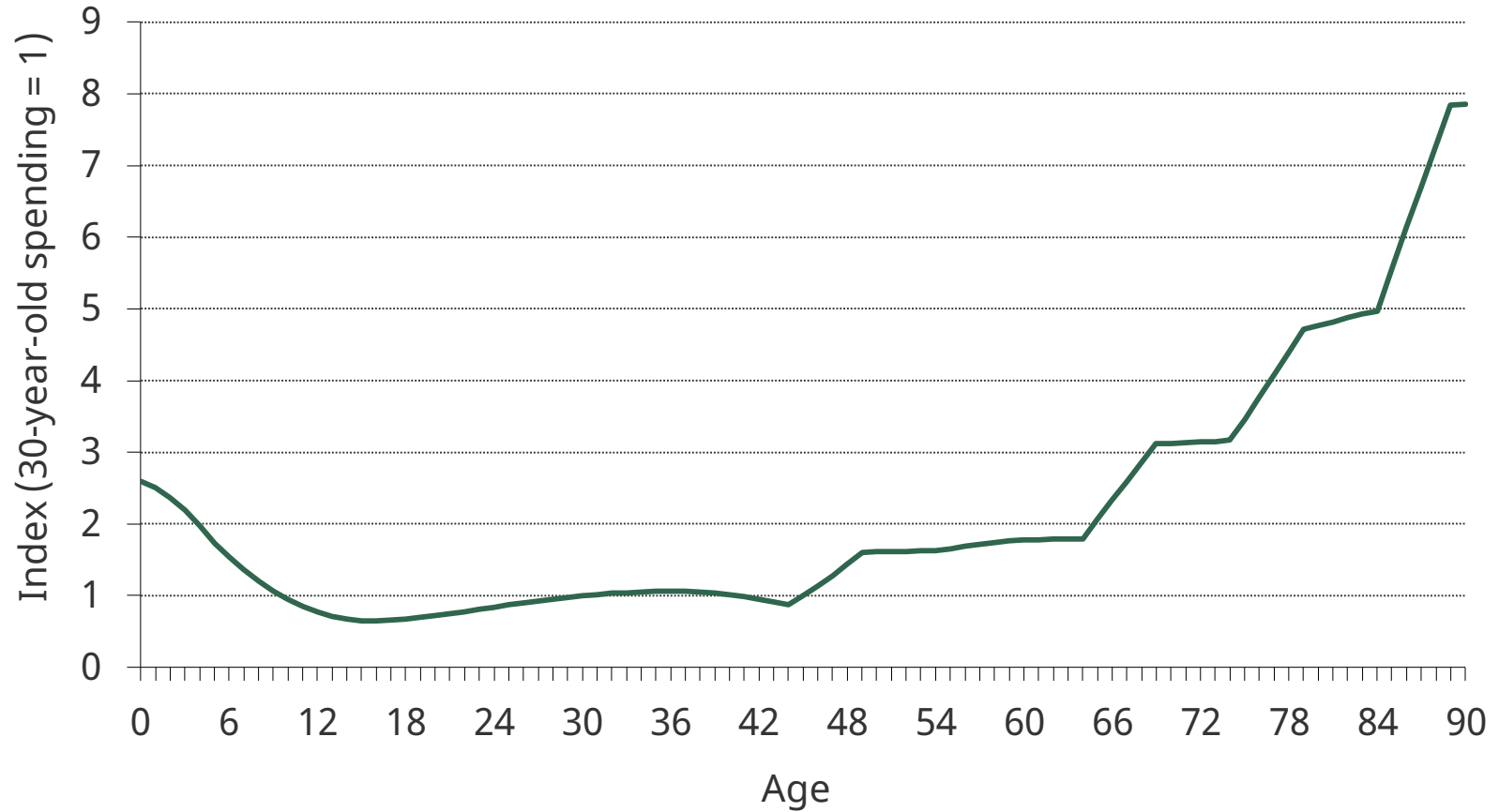
One obvious pressure on demand for care is a growing population

- The English population grew by 0.8% per year between 2009-10 and 2015-16
- ONS forecasts indicate further growth of 0.8% per year up to 2019-20

Ageing of the population is also important

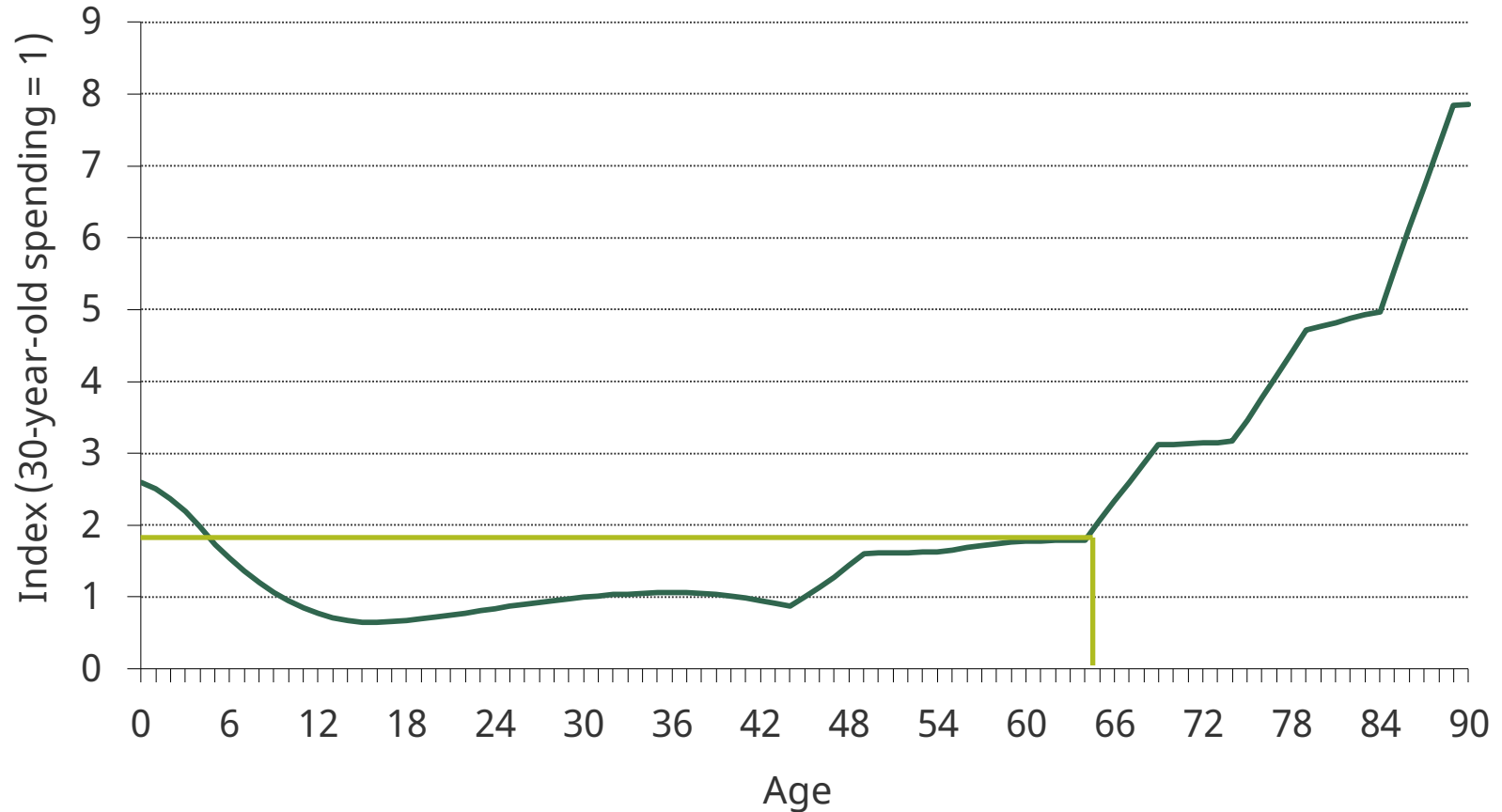
- The population aged 65+ is expected to grow strongly
- Older individuals use, on average, more care than younger individuals
- An older population will therefore require more health spending

Current age profile of UK health spending



Source: Figure 5.8 of the Green Budget

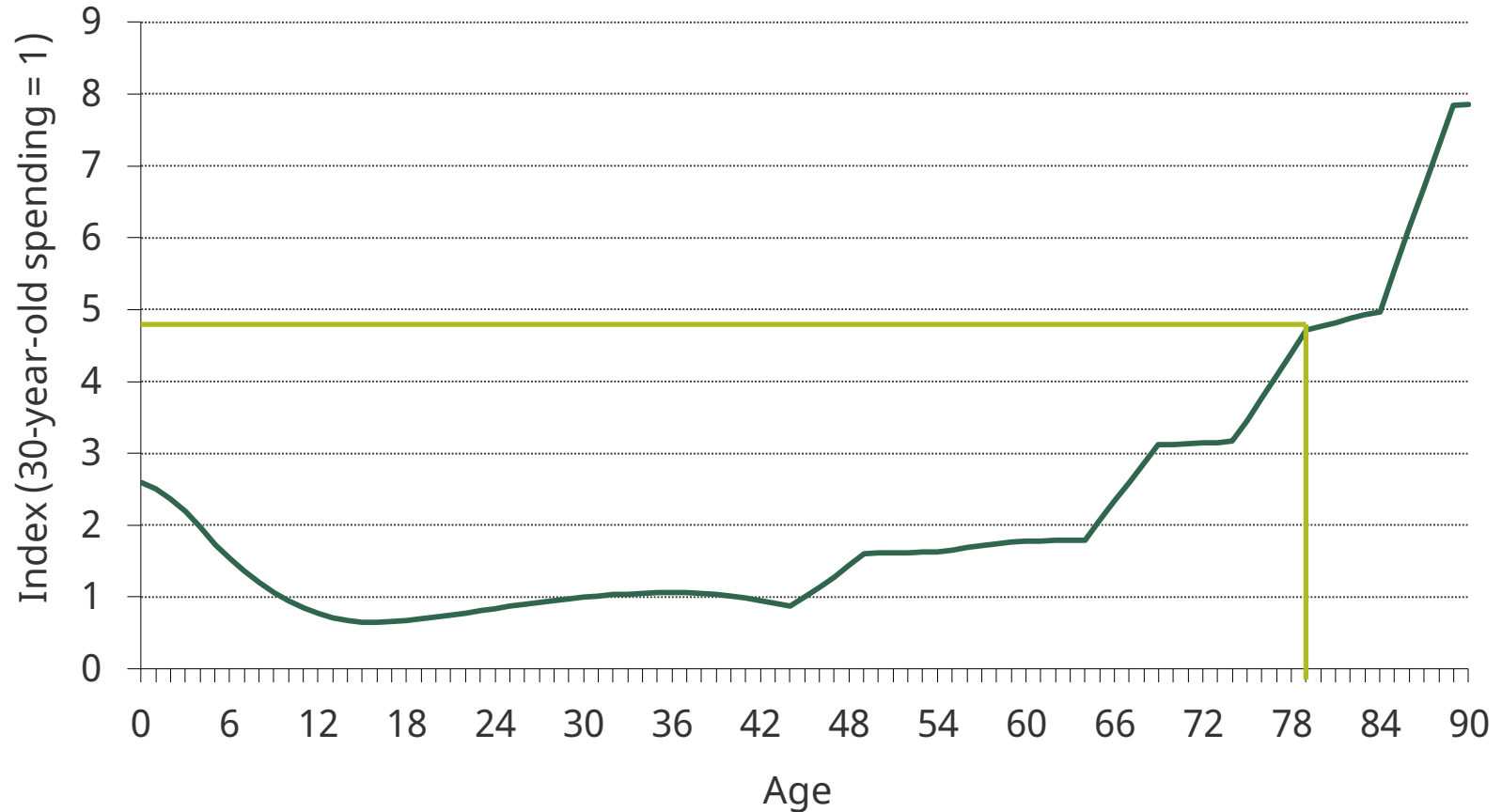
Current age profile of UK health spending



Source: Figure 5.8 of the Green Budget

Almost double the spending on a 65 year old than a 30-year old

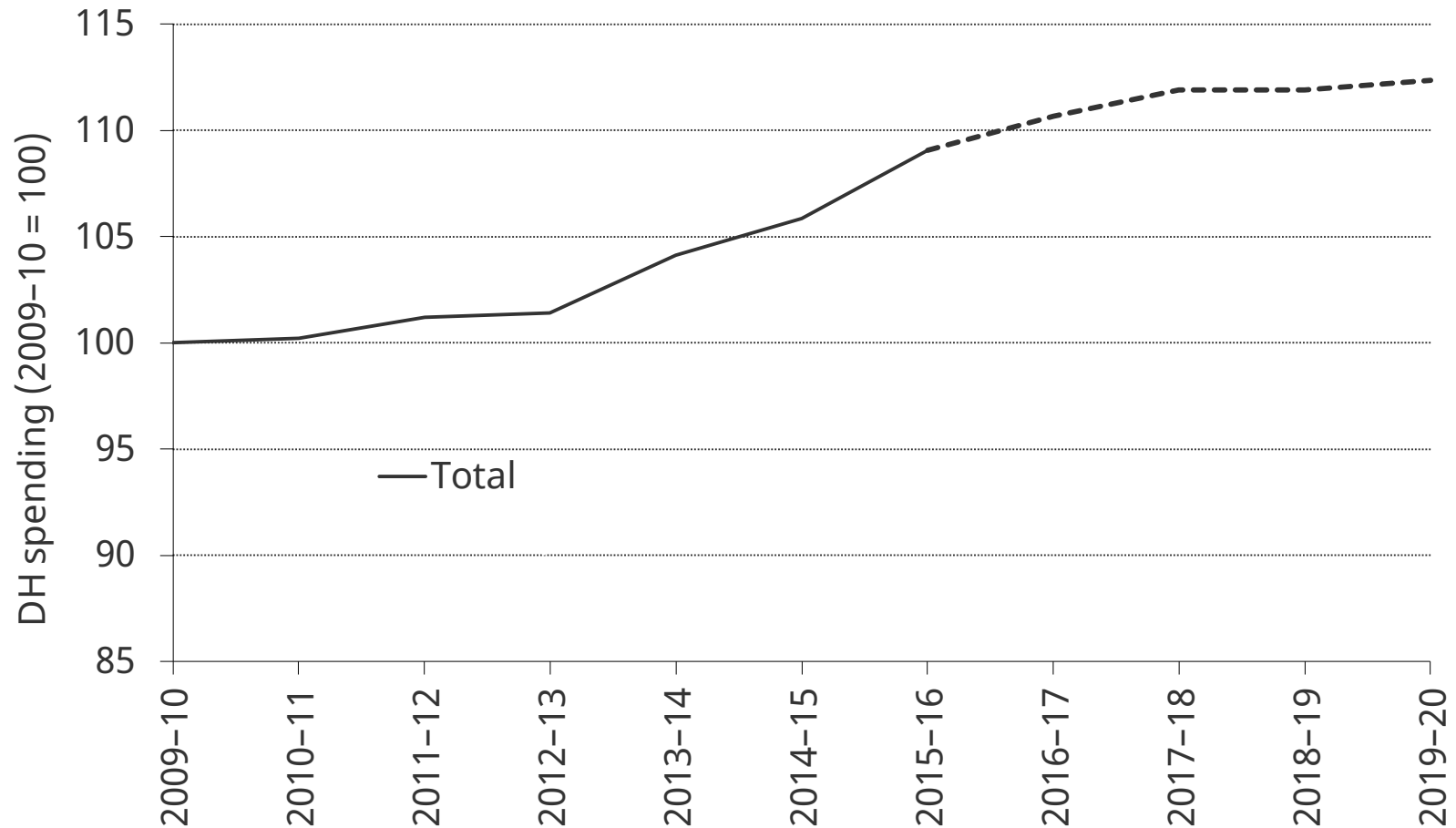
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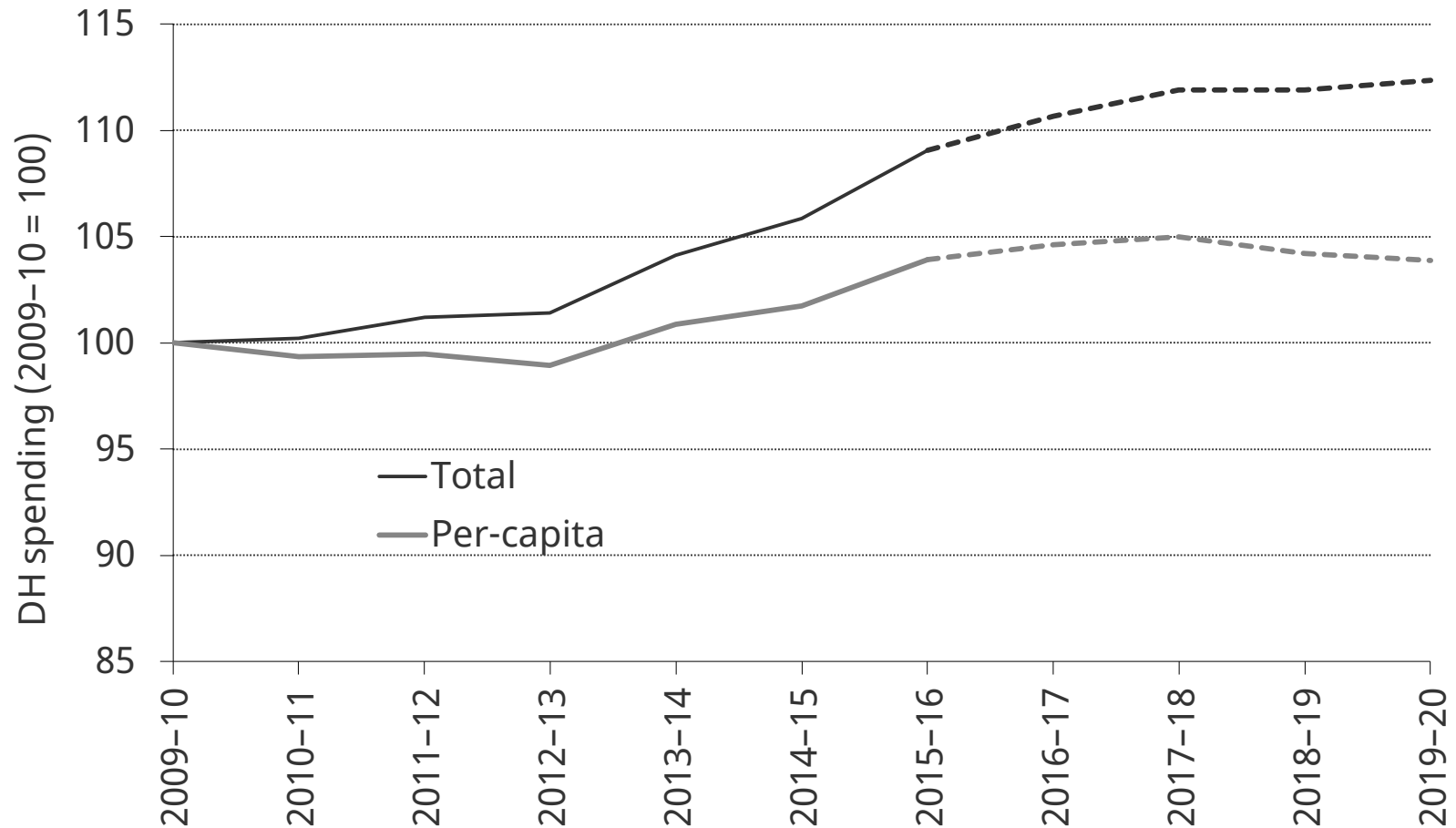
Source: Figure 5.8 of the Green Budget

Almost 5 times higher spending on an 80 year old than a 30-year old

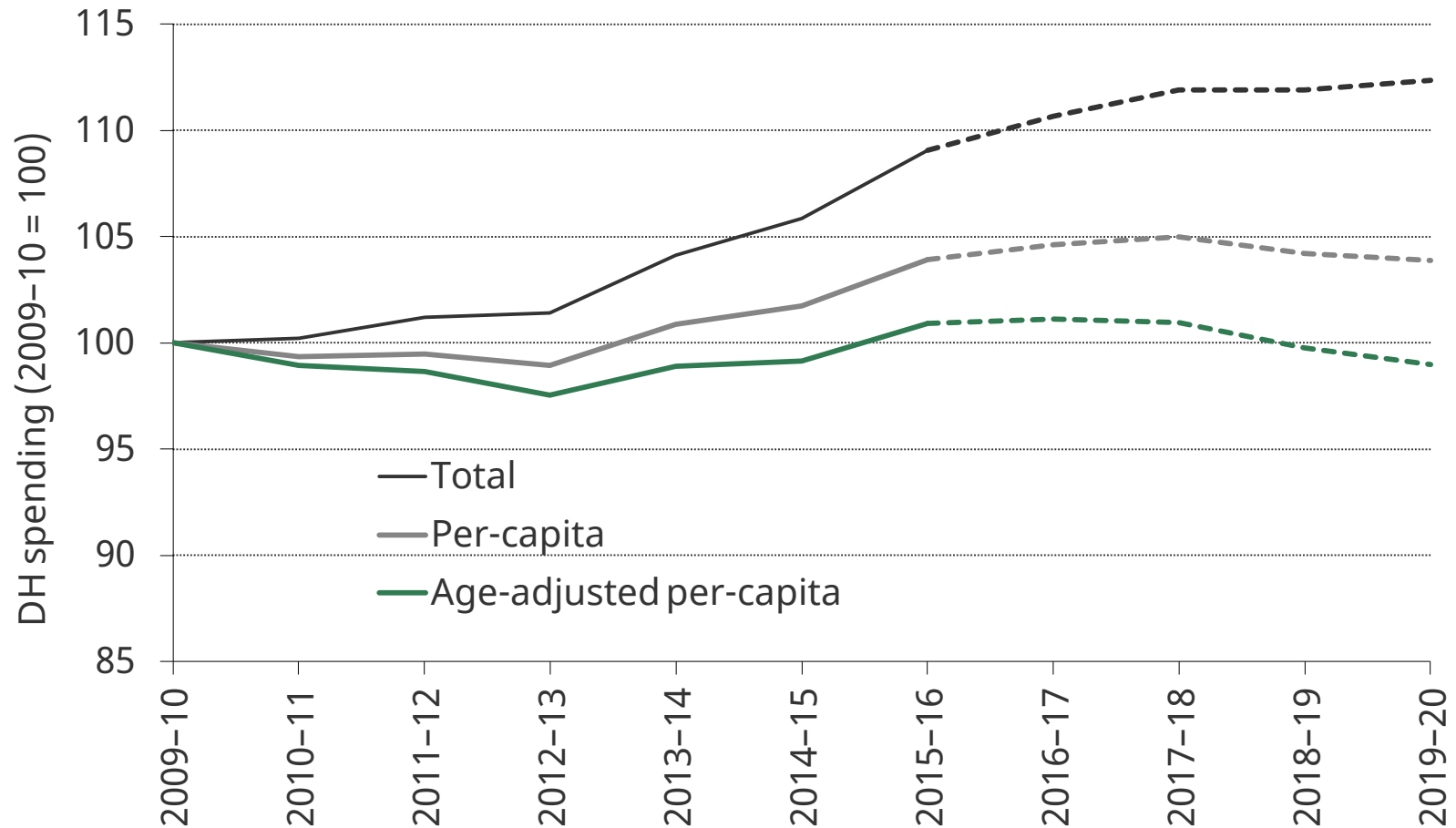
Real-terms Department of Health spending (2009-10 = 100), 2009-10 to 2019-20



Real-terms Department of Health spending (2009-10 = 100), 2009-10 to 2019-20



Real-terms Department of Health spending (2009-10 = 100), 2009-10 to 2019-20



Short-run pressures on health spending

Demographic pressures will increase demand on health services

- Age-adjusted per capita DH spending will fall between 2009-10 and 2019-20
- Age-adjusted per capita NHS spending will rise slightly between 2015-16 and 2019-20

At best this indicates that per-capita health spending will have remained roughly flat over an entire decade

Regardless of the ability to meet demographic pressures, the NHS will find it challenging to meet an array of other demand and cost pressures

- Change in available treatment
- Increase in chronic conditions
- Potentially substantial cost pressures
- Other policy issues (e.g. 7-day NHS, junior doctors' contracts etc)

In England, social care is predominantly the responsibility of local authorities

- This includes services for both adults and children
- The NHS funds a small but increasing share of LA-organised services

The majority of social care is funded privately or provided informally

- There may be more scope to make alternative arrangements in social care, in a way which is less possible for health care

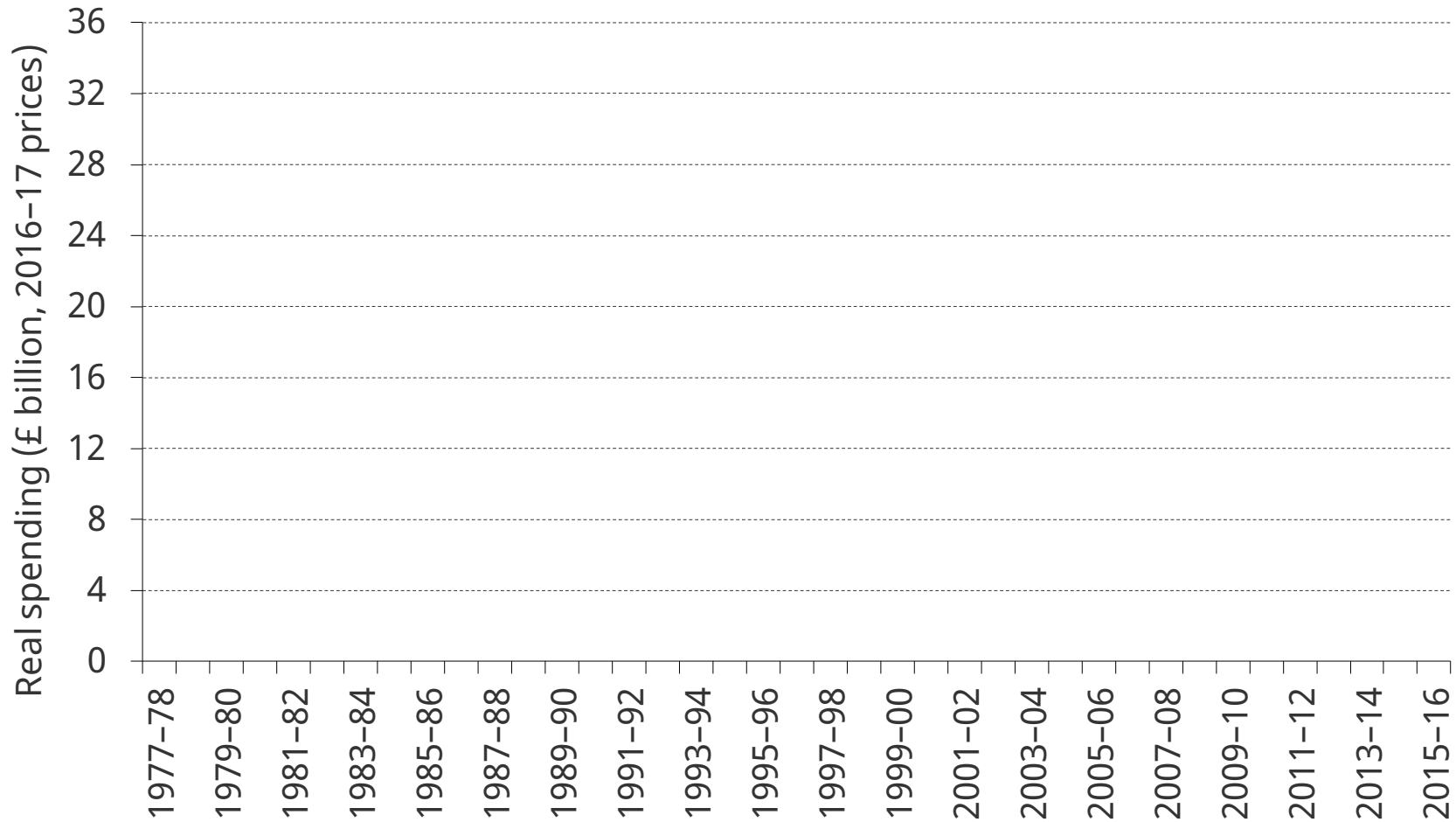
Social care faces many of the same pressures as the NHS

- A growing and ageing population will require more care

Unlike health care, spending on social care has fallen since 2009-10

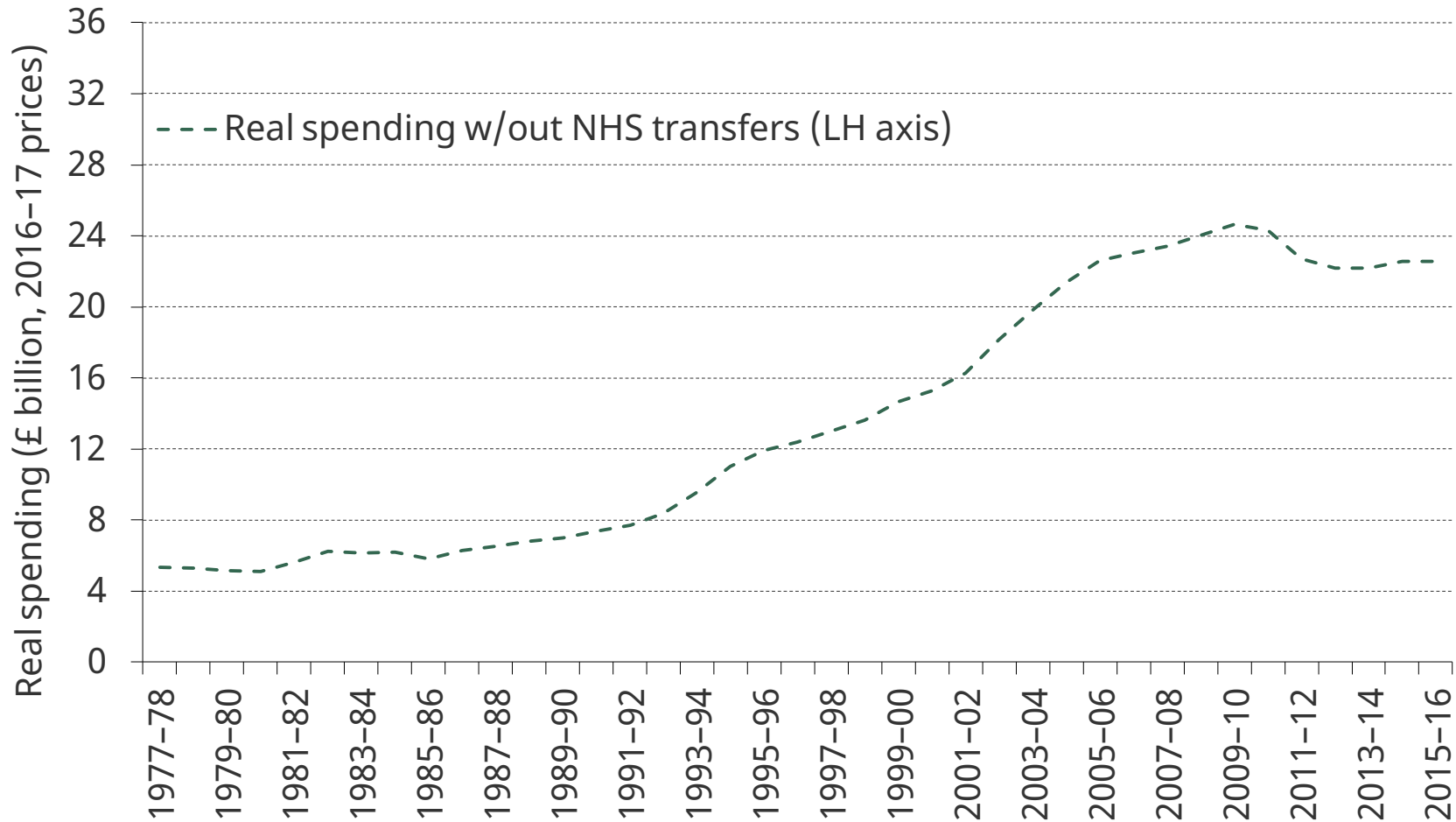
- A fall of 1% between 2009-10 and 2015-16

Social care spending by local authorities in England, 1977-78 to 2015-16



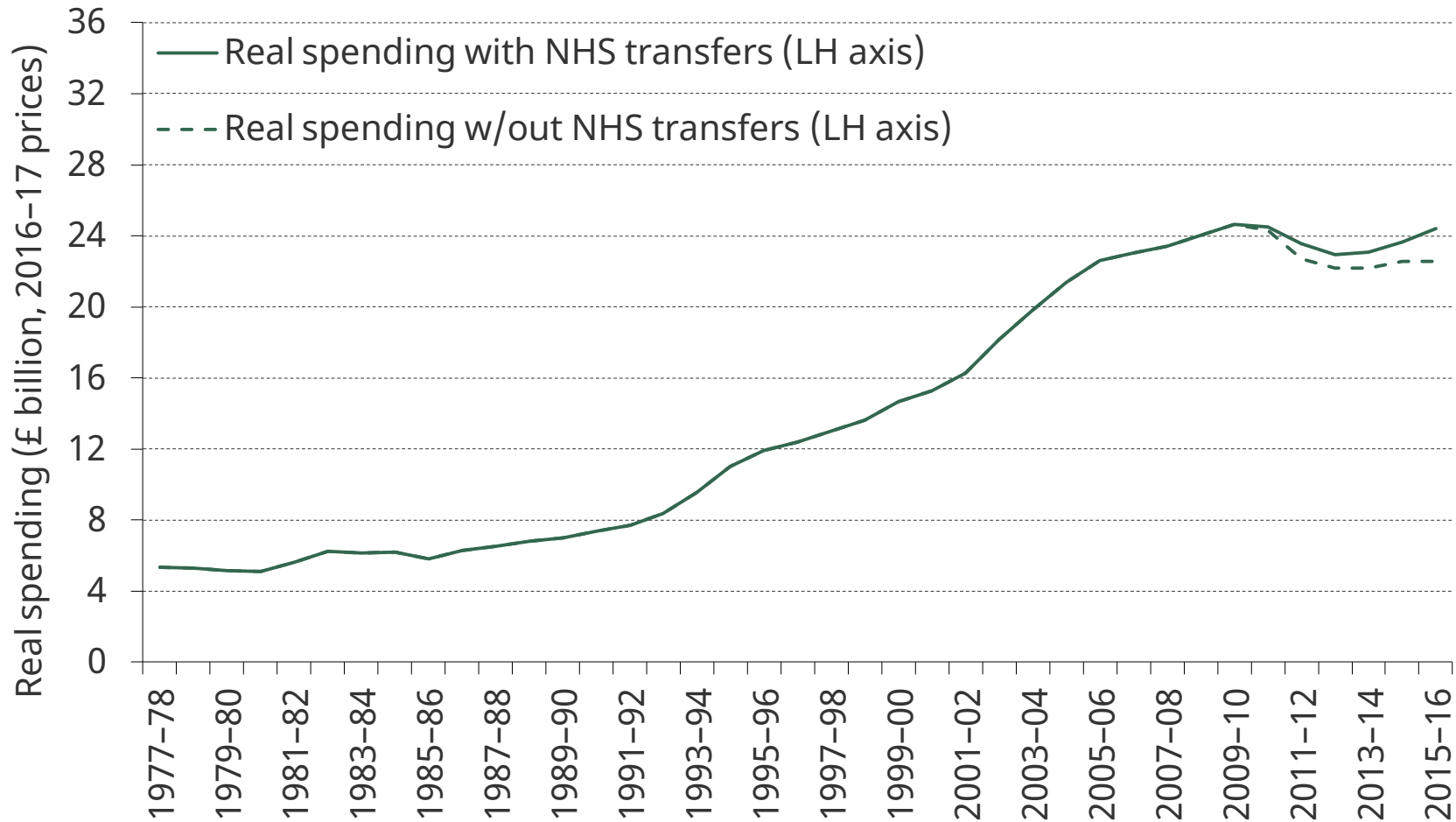
Source: Figure 5.12 of the Green Budget

Social care spending by local authorities in England, 1977-78 to 2015-16



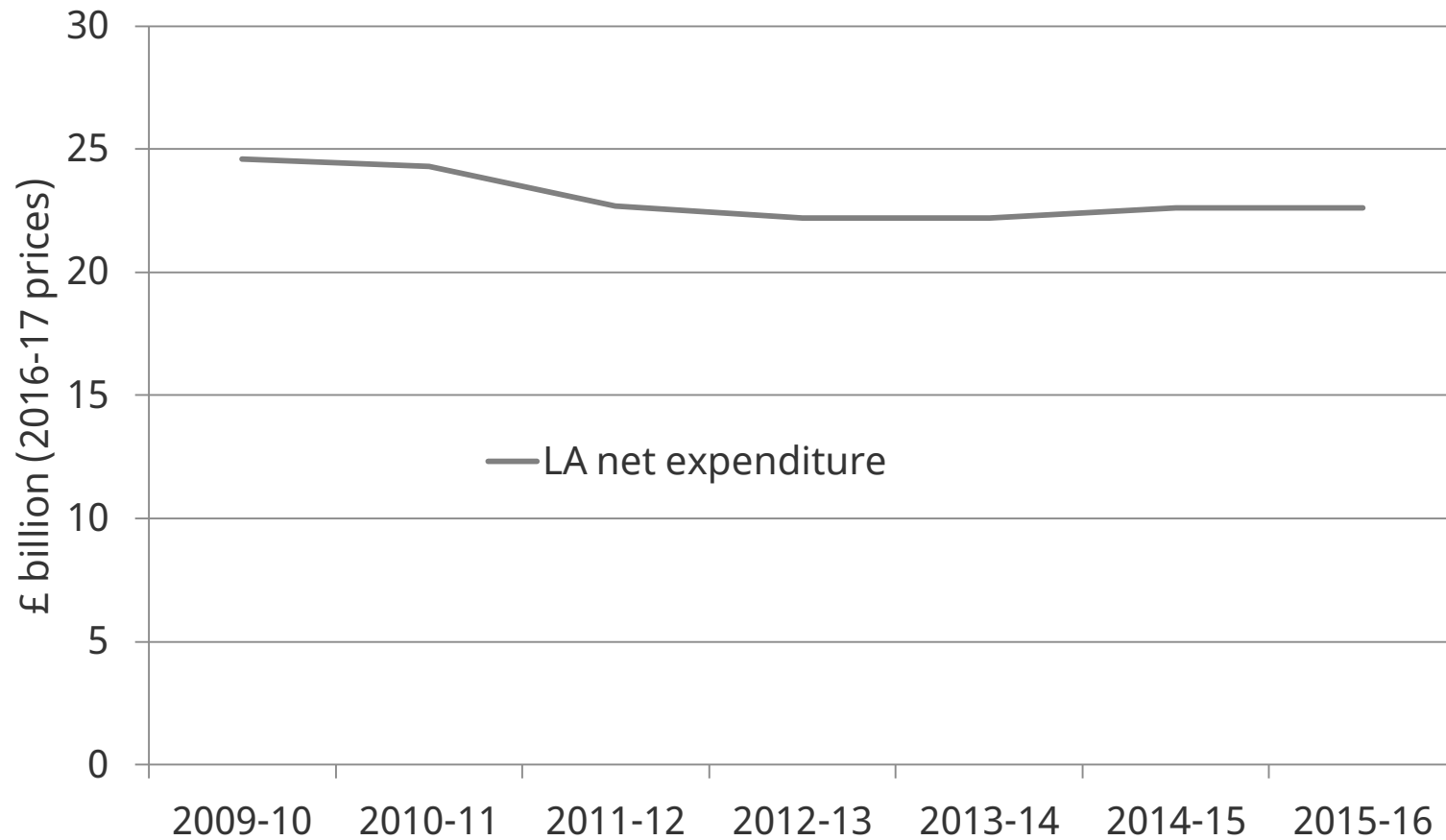
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Social care spending by local authorities in England, 1977-78 to 2015-16



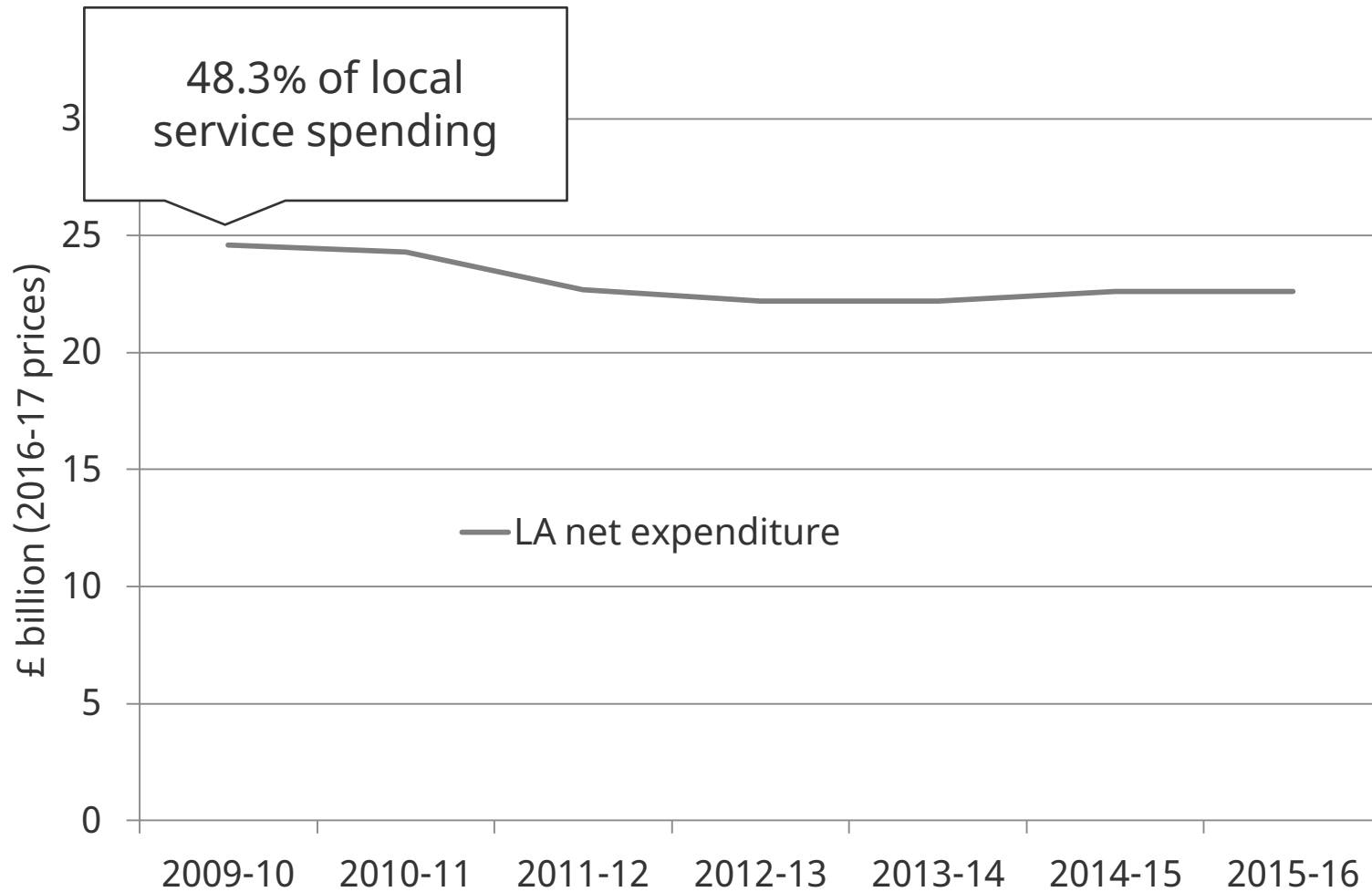
Source: Figure 5.12 of the Green Budget

Public social care spending, 2009-10 to 2015-16 (2016-17 prices)



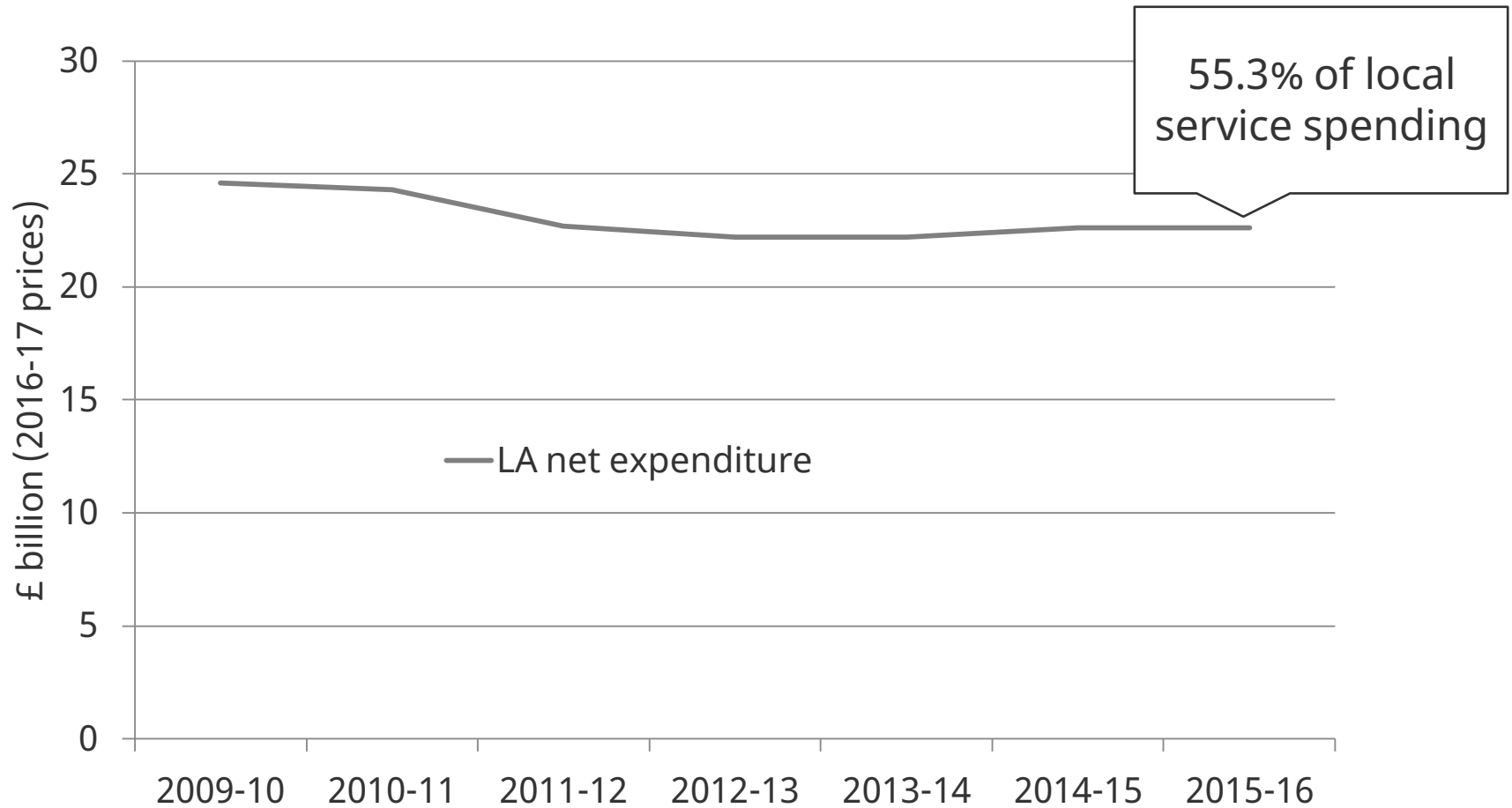
Source: Table 5.6 of the Green Budget

Public social care spending, 2009-10 to 2015-16 (2016-17 prices)



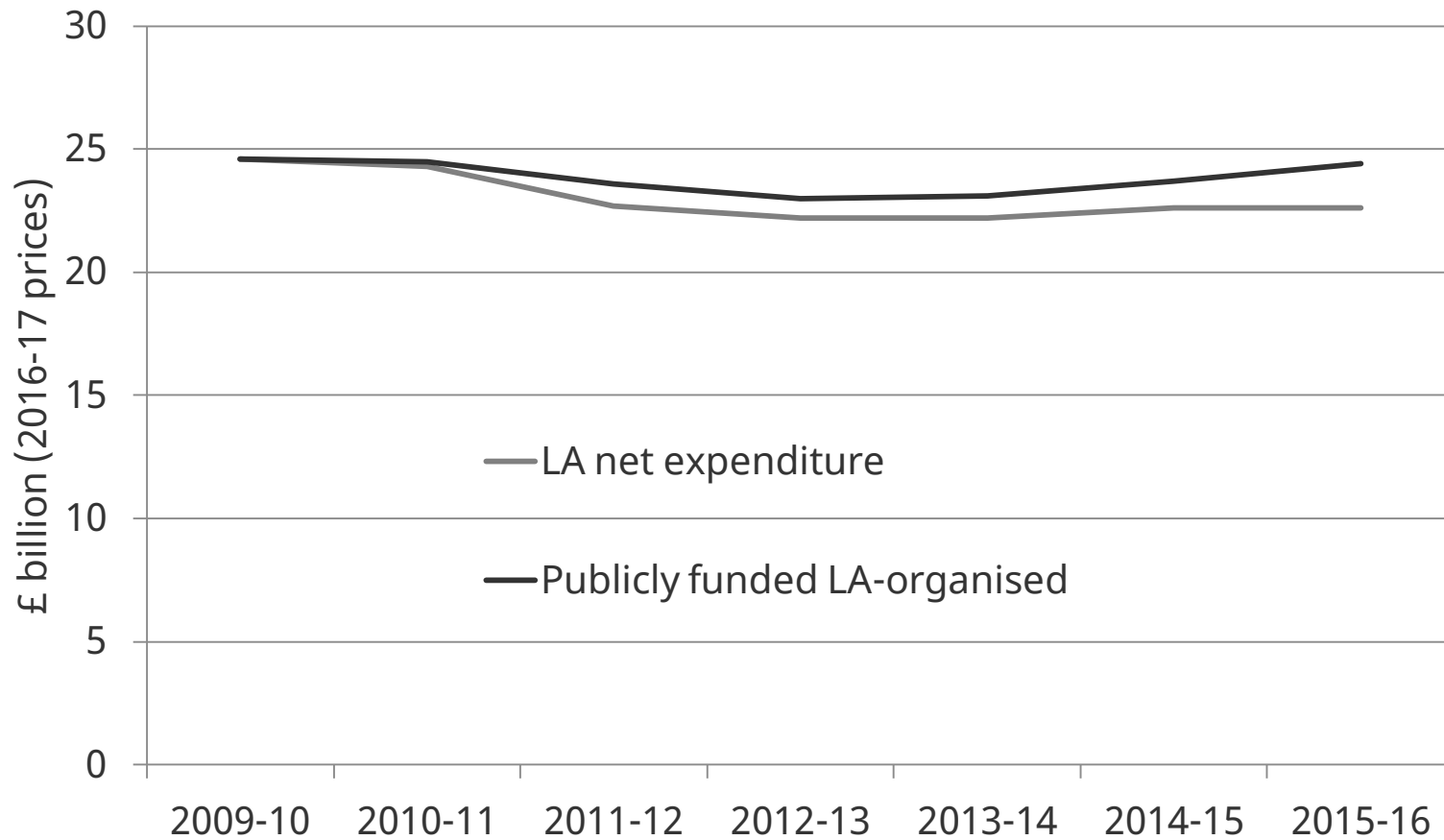
Source: Table 5.6 of the Green Budget

Public social care spending, 2009-10 to 2015-16 (2016-17 prices)



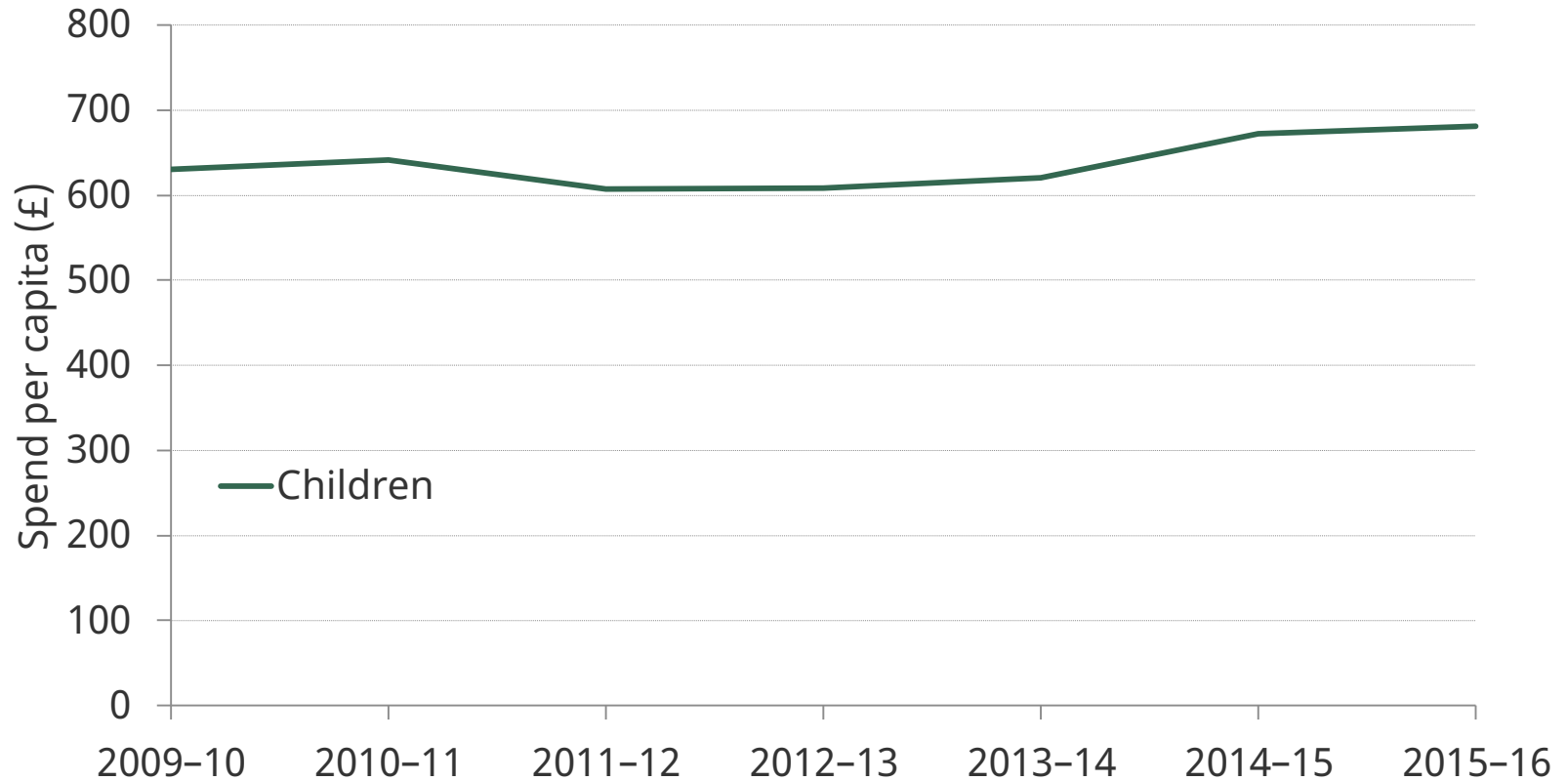
Source: Table 5.6 of the Green Budget

Public social care spending, 2009-10 to 2015-16 (2016-17 prices)



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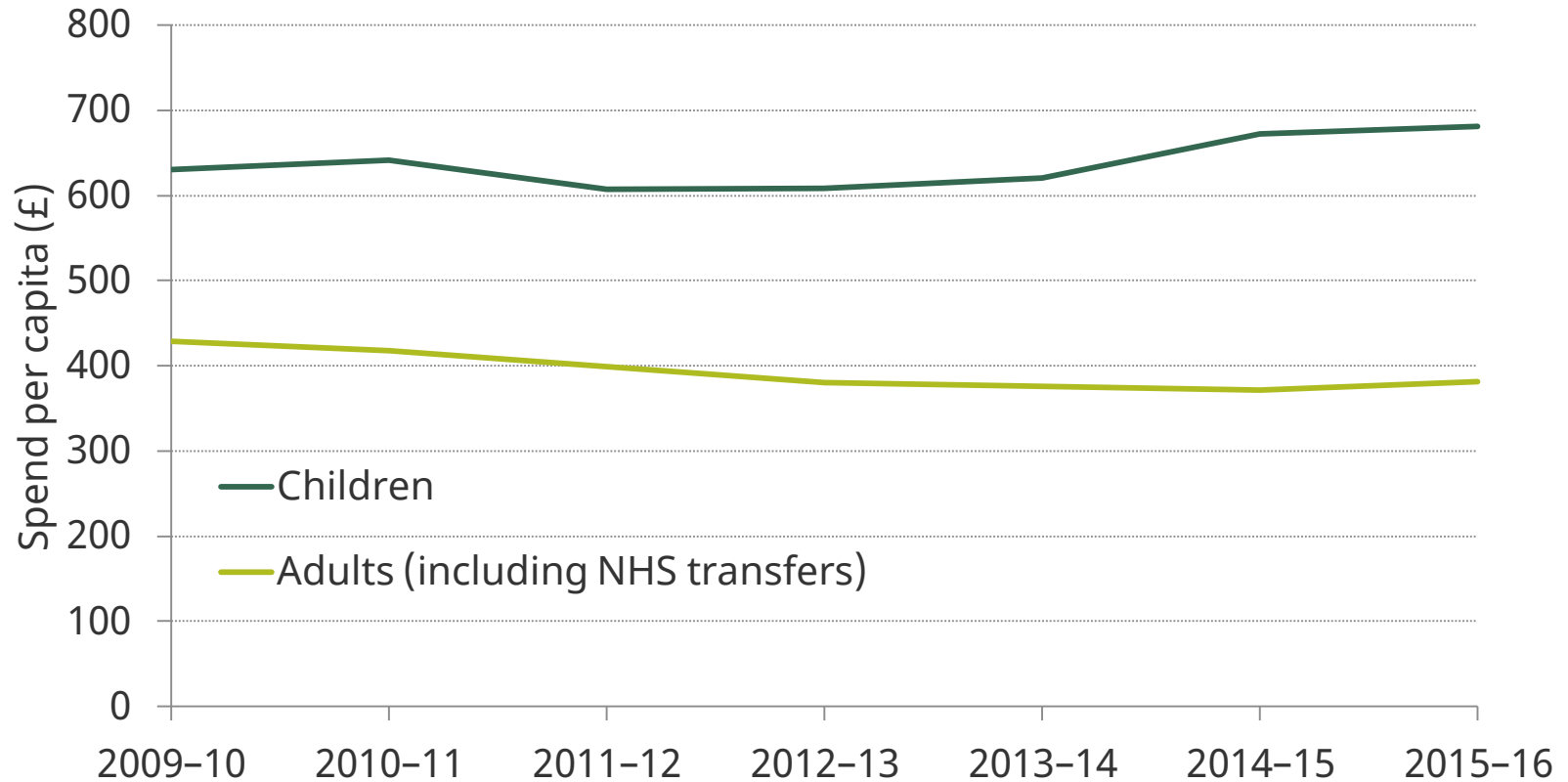
Public social care spending per capita by age group, 2009-10 to 2015-16 (2016-17 prices)



Source: Figure 5.13 of the Green Budget

Per-child spending increased by 8.1% between 2009-10 and 2015-16

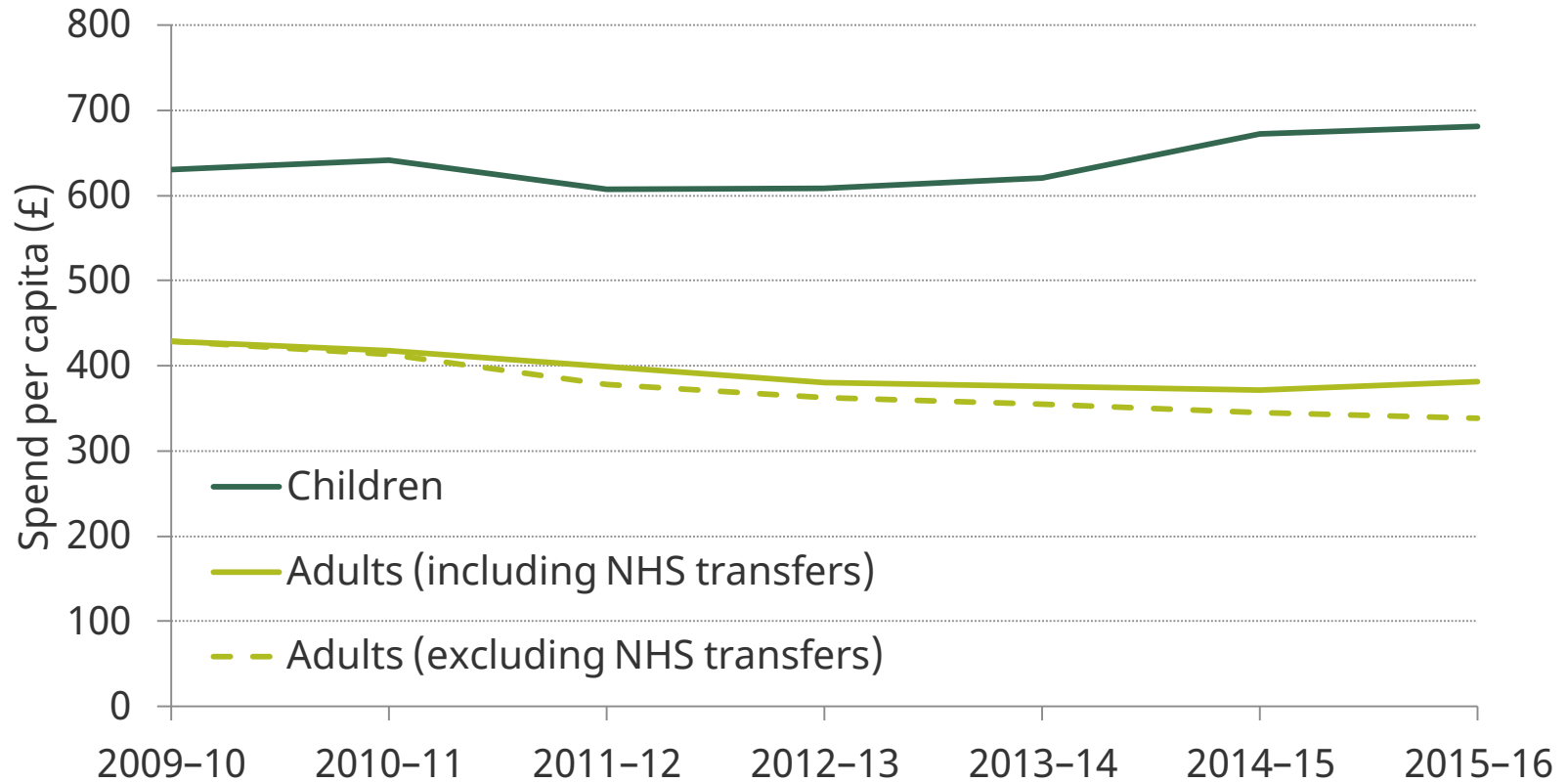
Public social care spending per capita by age group, 2009-10 to 2015-16 (2016-17 prices)



Source: Figure 5.13 of the Green Budget

Per-adult spending decreased by 11% between 2009-10 and 2015-16 (or a 21% fall if NHS transfers are excluded)

Public social care spending per capita by age group, 2009-10 to 2015-16 (2016-17 prices)



Source: Figure 5.13 of the Green Budget

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Future social care spending

Future spending on social care is very uncertain

- Uncertainty over future local authority revenues
- Uncertain degree of protection for social care from future cuts

Demographic pressures will cause per-capita spending to fall in the absence of additional funding

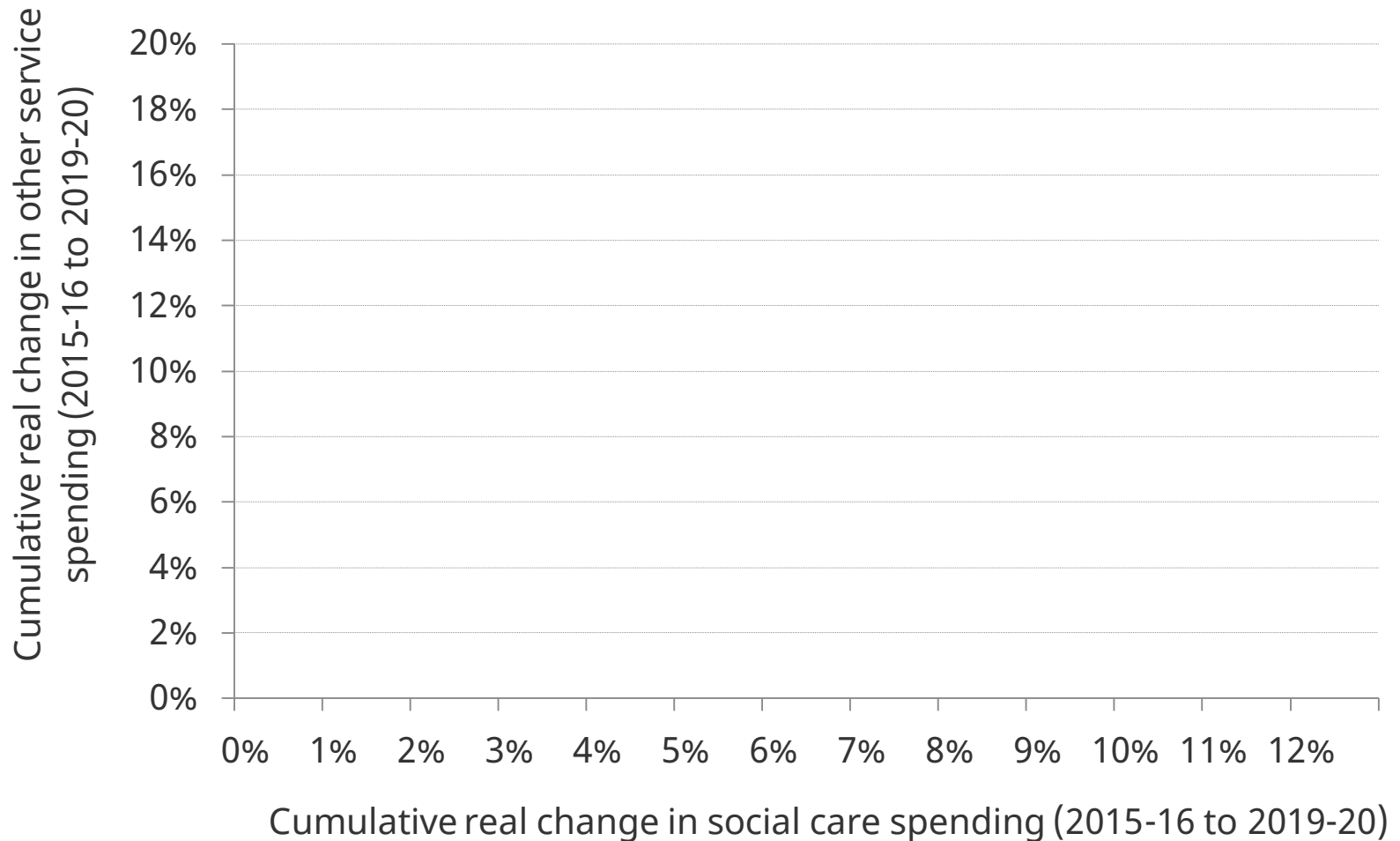
- Spending of £25.1 billion required in 2019-20 to maintain 2015-16 spending levels

Local authority revenues are also expected to fall by 7.4% between 2015-16 and 2019-20

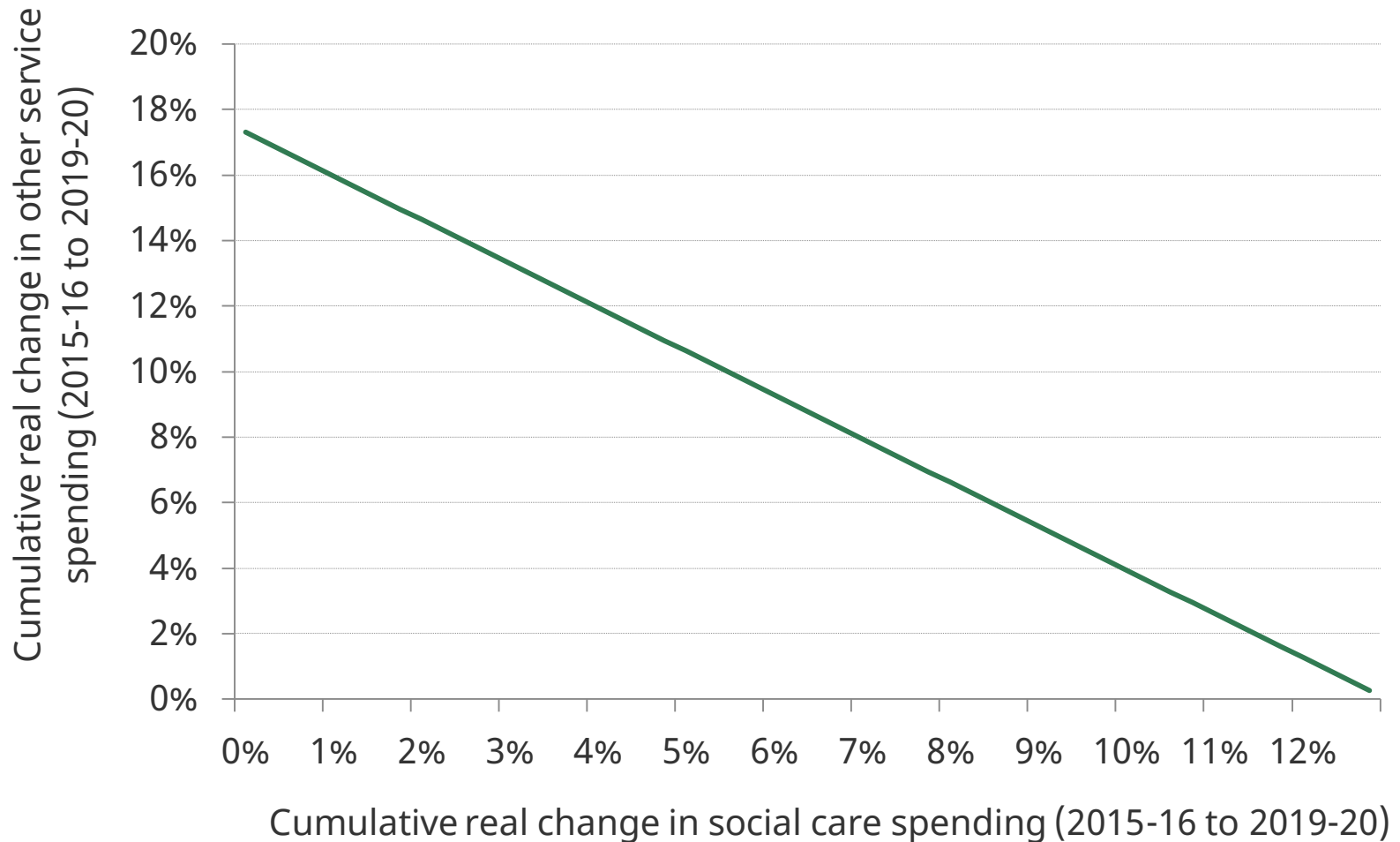
Local authorities will likely have to trade off spending on social care with spending on other services

- These services have already experienced deeper cuts between 2009-10 and 2015-16

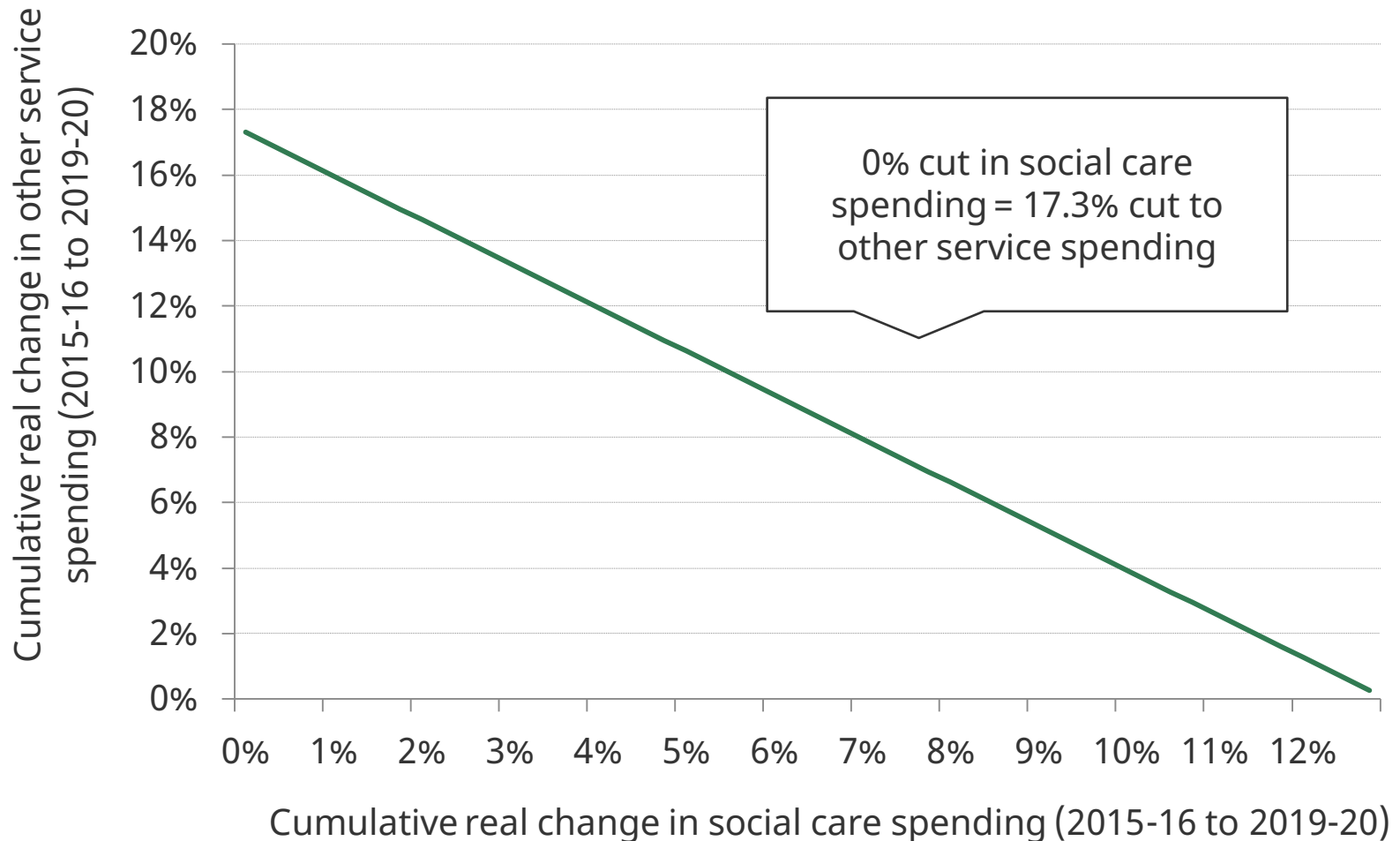
More funding for social care implies higher cuts to other local service spending



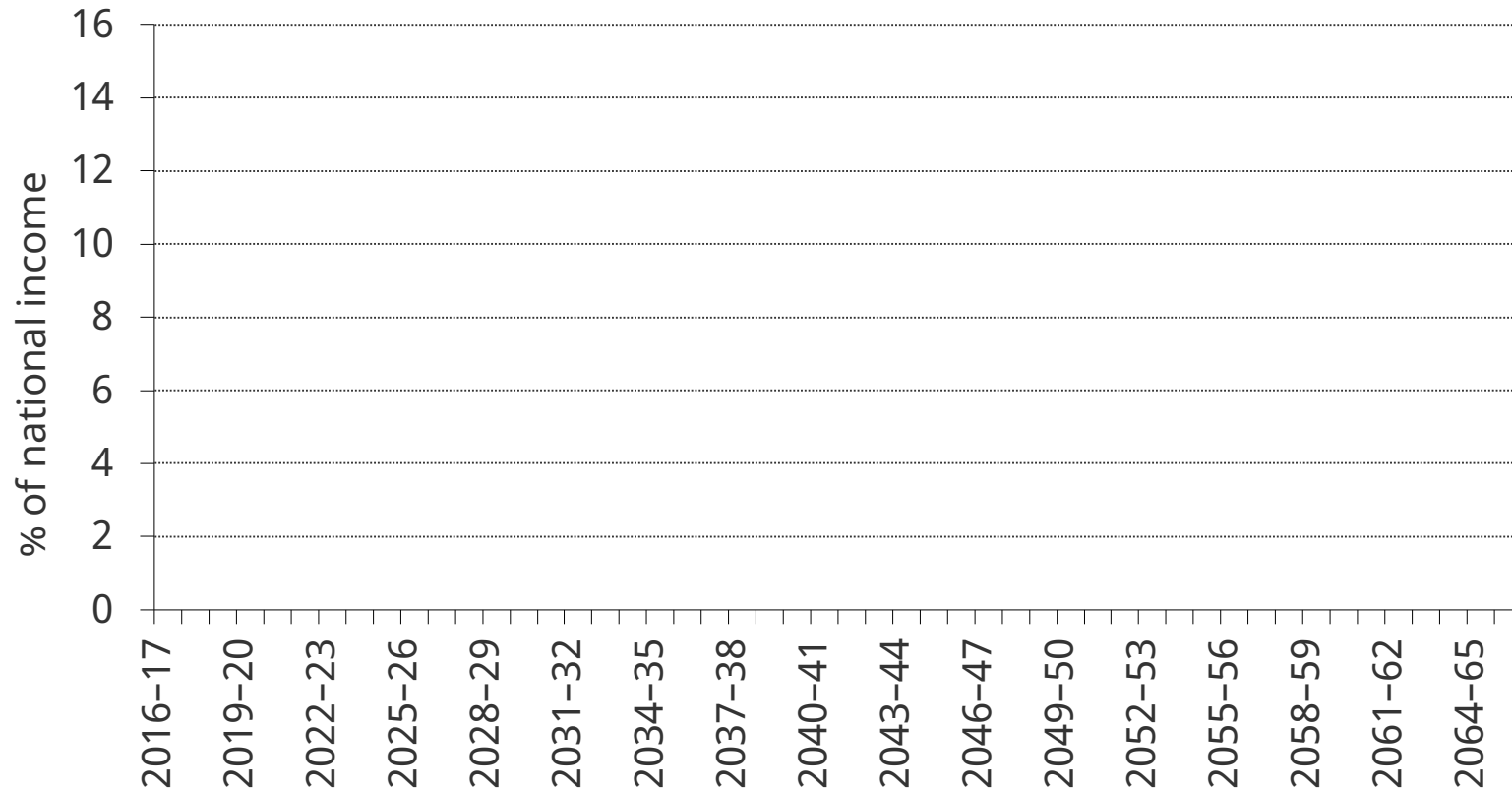
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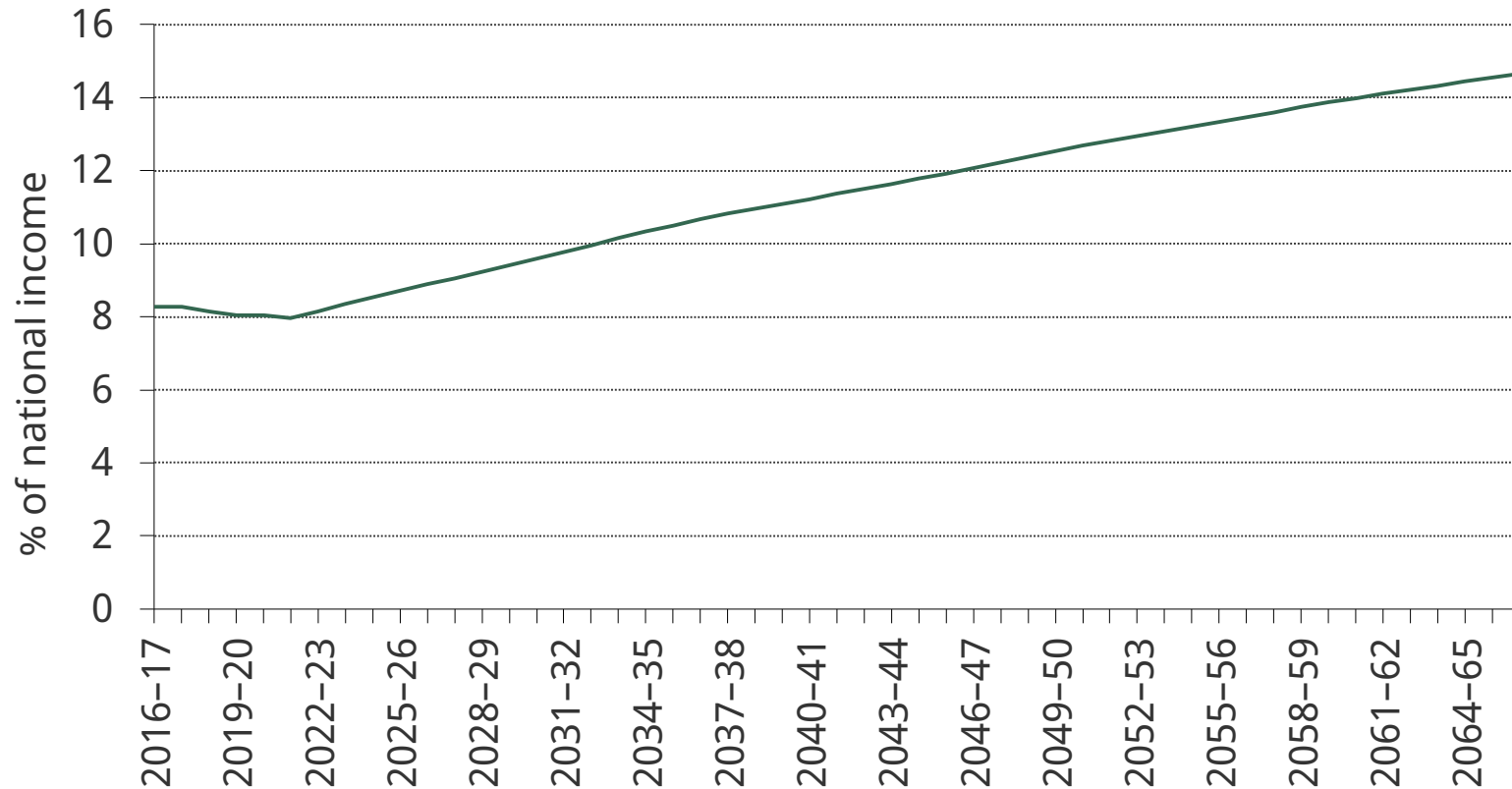
OBR central forecasts of combined public spending on health and long-term care as a percentage of GDP between 2016-17 and 2064-65



Source: Figure 5.14 of the Green Budget

Latest projections indicate future spending of 14.7% by 2066-67

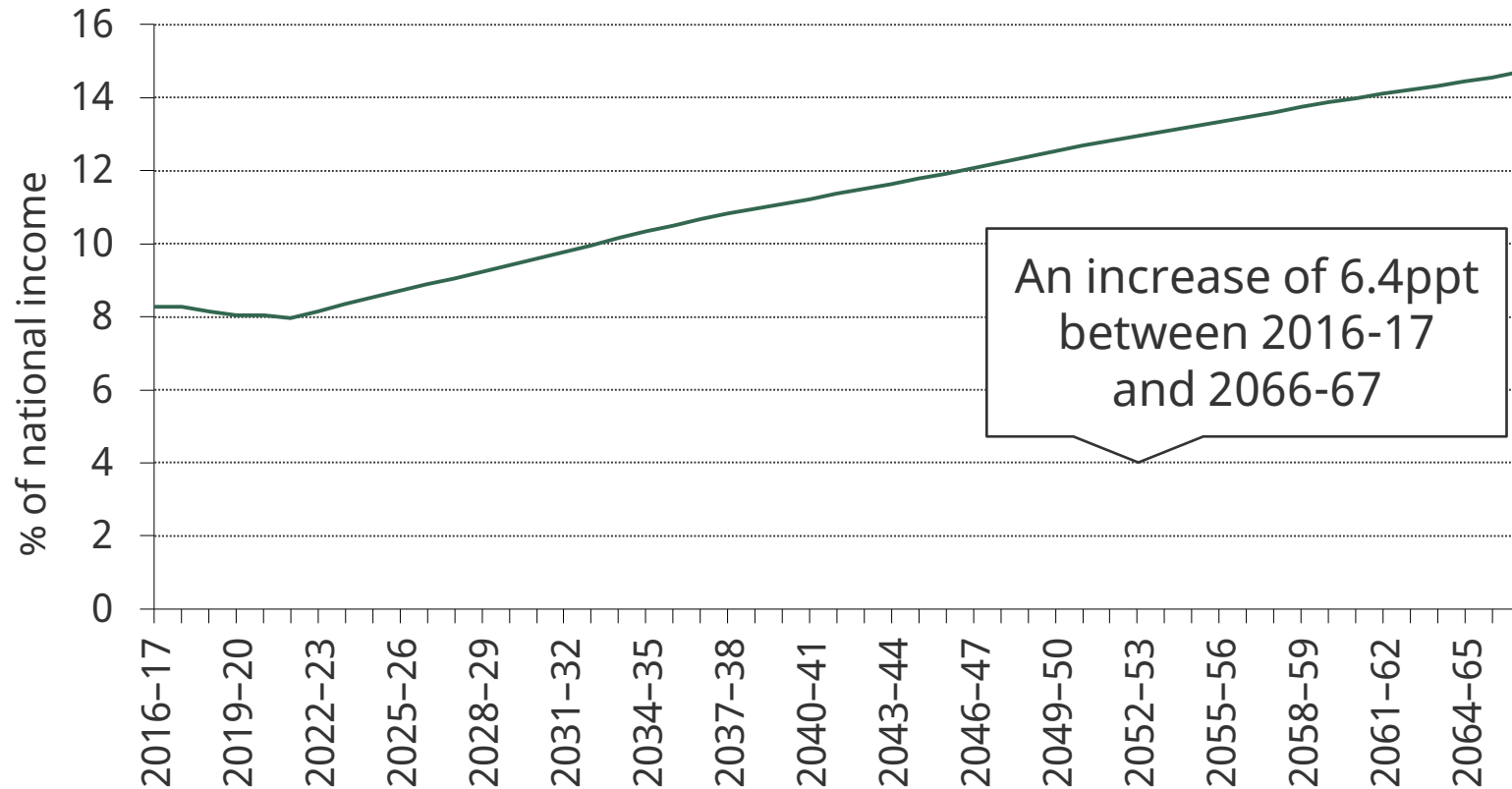
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Latest projections indicate future spending of 14.7% by 2066-67

Summary

Spending on health and social care have taken different paths since 2009-10

- DH spending increased in real terms by 9.0% between 2009-10 and 2015-16
- Social care spending in England fell by 1.0% over the same period

English health spending will rise over the next few years

- NHS spending will increase by £11.6 billion (1.9% p.a.) between 2014-15 and 2020-21
- But a 20.9% cut to the wider DH budget
- This will roughly meet demographic pressures but not other costs

Future social care funding is uncertain but likely to fall if significant new resources are not devoted to social care

- Demographic and cost pressures will also continue in this area

Substantial long-term pressures exist (regardless of short-term decisions)

- OBR projections indicate 14.7% of national income may be spent on health and long-term care by the mid 2060s
- We must make sensible decisions now about organising and funding such a system