

MIND THE GAP

THE CASE FOR MORE FUNDING FOR HEALTH AND CARE

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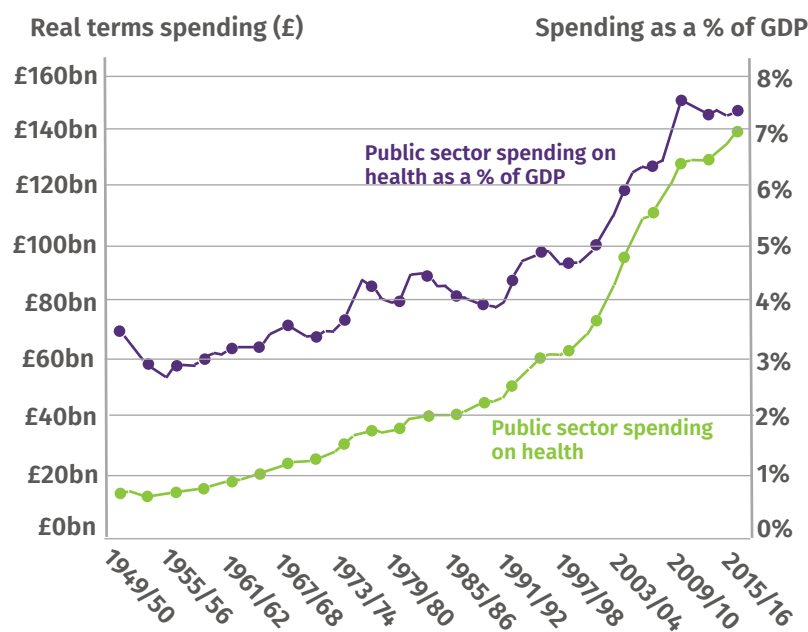
60-SECOND SUMMARY

The NHS is well into its more austere decade ever, whilst funding for social care has declined every year since 2010. The system has attempted to respond to this crunch in resources by increasing productivity – which it has done – but there is now overwhelming evidence that it is also resulting in growing deficits; increased waiting times and the re-emergence of rationing.

This paper argues that without further investment in health and care there the health and care service will continue to lag behind the curve. Better quality care will be technically and scientifically possible but will not be delivered without an increase in funding. The evidence suggests that the combined funding gap in health and care will increase to £8.4 billion in 2020/2021 and £28.6 billion in 2030/31.

The paper then sets out a recommended funding settlement to fill this gap in the short term that the Chancellor of the Exchequer should announce at the upcoming budget. This should include an increase in National Insurance (raising £3.9 billion) and reforms to pensions (raising £3 billion).

Public spending on health since 1948



Source: Health Foundation (2017)

KEY FINDINGS

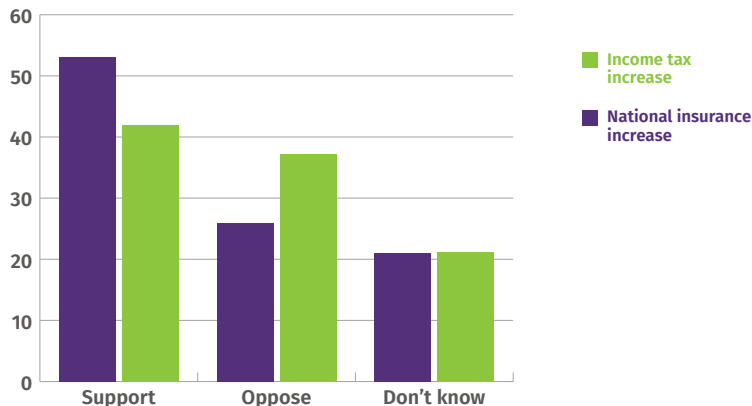
Since the creation of the NHS in 1948, spending on health in the UK has grown, on average, by 3.7 per cent per annum, with similar pressures on social care spend, as a result of demographics, rising expectations, and new treatments and technologies coming on stream.

In the wake of the financial crisis in 2010/11 however, while pressures on the system remained, the funding settlement for health and care changed. **The NHS is now well into its most austere decade ever and, with the exception of 2015/16, social care funding has declined year on year since 2010.**

The system has tried, with some success, to manage this mismatch between resources and demand by increasing productivity, with some studies putting NHS productivity above trend at 1.5 per cent per annum.

However, the evidence is now clear that we are reaching the limits of productivity growth alone. Deficits in the acute sector have ballooned, the quality and safety of care is being put at risk, waiting times are at an all-time high, and outright rationing of services has begun to bite.

Support for increasing tax to fund the NHS



Source: YouGov (2017)

POLICY RECOMMENDATIONS

1. Create a hypothecated NHS tax worth £3.9 billion to help meet the funding crisis in our health system

This would be made up of a 1 per cent rise in the higher rate of income tax (raising £1.7 billion), a 1 per cent rise in the rate of employee national insurance above the upper earnings limit (raising £1.3 billion) and by extending employee national insurance to workers above the state pension age (raising £0.9 billion).

2. Reform pensions in order to raise £3 billion a year to plug the social care funding gap

This would involve measures such as capping the tax free lump sum and reducing the earnings threshold above which the pension contributions annual allowance is tapered away.

There is an urgent need for more investment in the service. **Even assuming the most positive scenario on productivity growth in the NHS, the combined funding gap in the health and care system will hit £8.4 billion a year by 2020/21 and £28.6 billion a year by 2030/31.**

As such, we conclude that politicians will have to increase tax to ensure that our health and care system is sustainable in the future. Some may argue that this is politically unfeasible but this is not borne out in the polling (with a majority in favour of increased spending via tax increases) or by experience (for example Gordon Brown's national insurance rise in 2002).

We recommend that the Chancellor of the Exchequer takes the first step down this path at the upcoming autumn statement to plug the immediate gap in health and care (up to 2020/21) and buy time for politicians to come together – across parties – to find a long-term sustainable solution.

The progressive policy think tank

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