The King's Fund

Ideas that change health care

# Future healthcare spending: what are the limits?

**Swedish Forum on Health Policy: Stockholm 2013**

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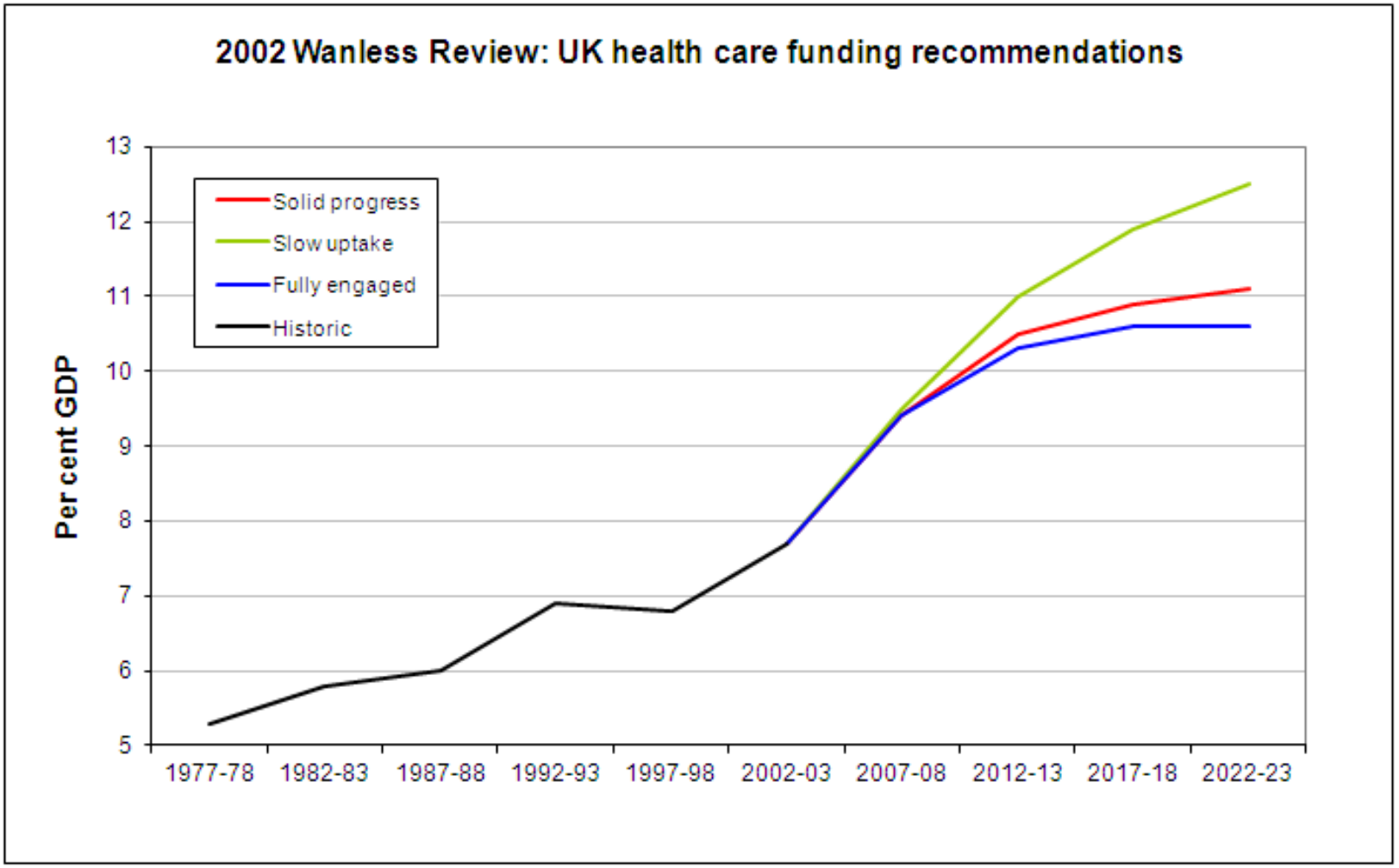
**Chief Economist**
**The King's Fund**
June 2013

# Future UK NHS funding: 2002 Wanless review



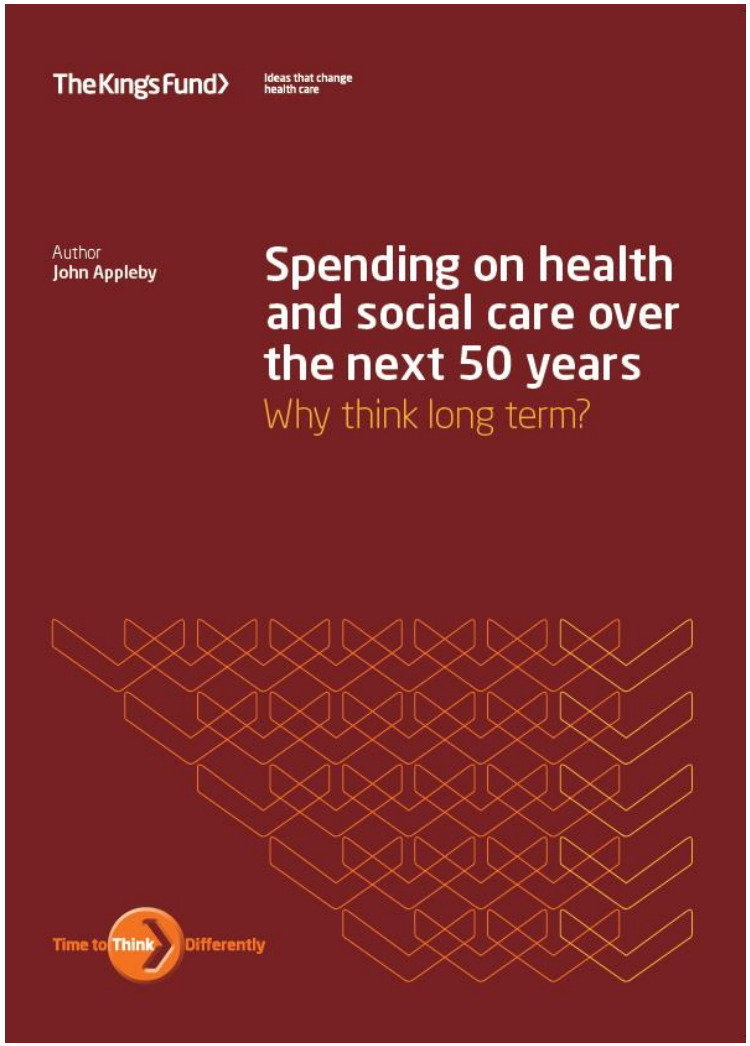
If something cannot go on forever, it will stop!

*Sir Derek Wanless, quoting Herbert Stein ('Stein's Law')*

What outcomes will be possible for our future health? What resources will be needed to achieve them, in health care and elsewhere? How can we minimise the cost and how do we decide how much is justified? How do we create the flexibility to react when inevitably circumstances change? Is there a willingness and an ability, individually or collectively, to pay the cost?

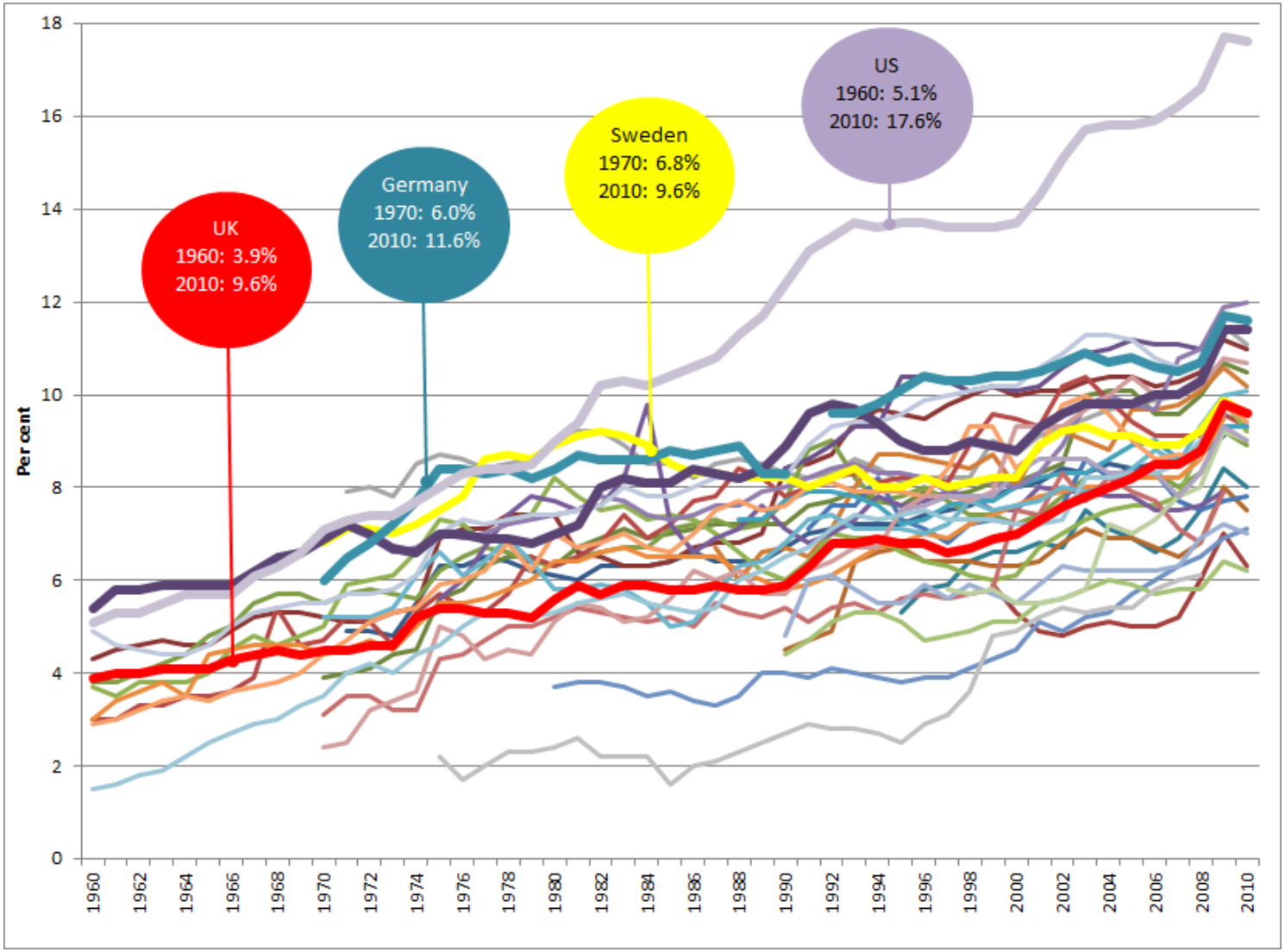
*Sir Derek Wanless*

Wanless D, Appleby J, Harrison A, Patel D (2007). *Our future health secured?: A review of NHS funding and performance*, London: The King's Fund.

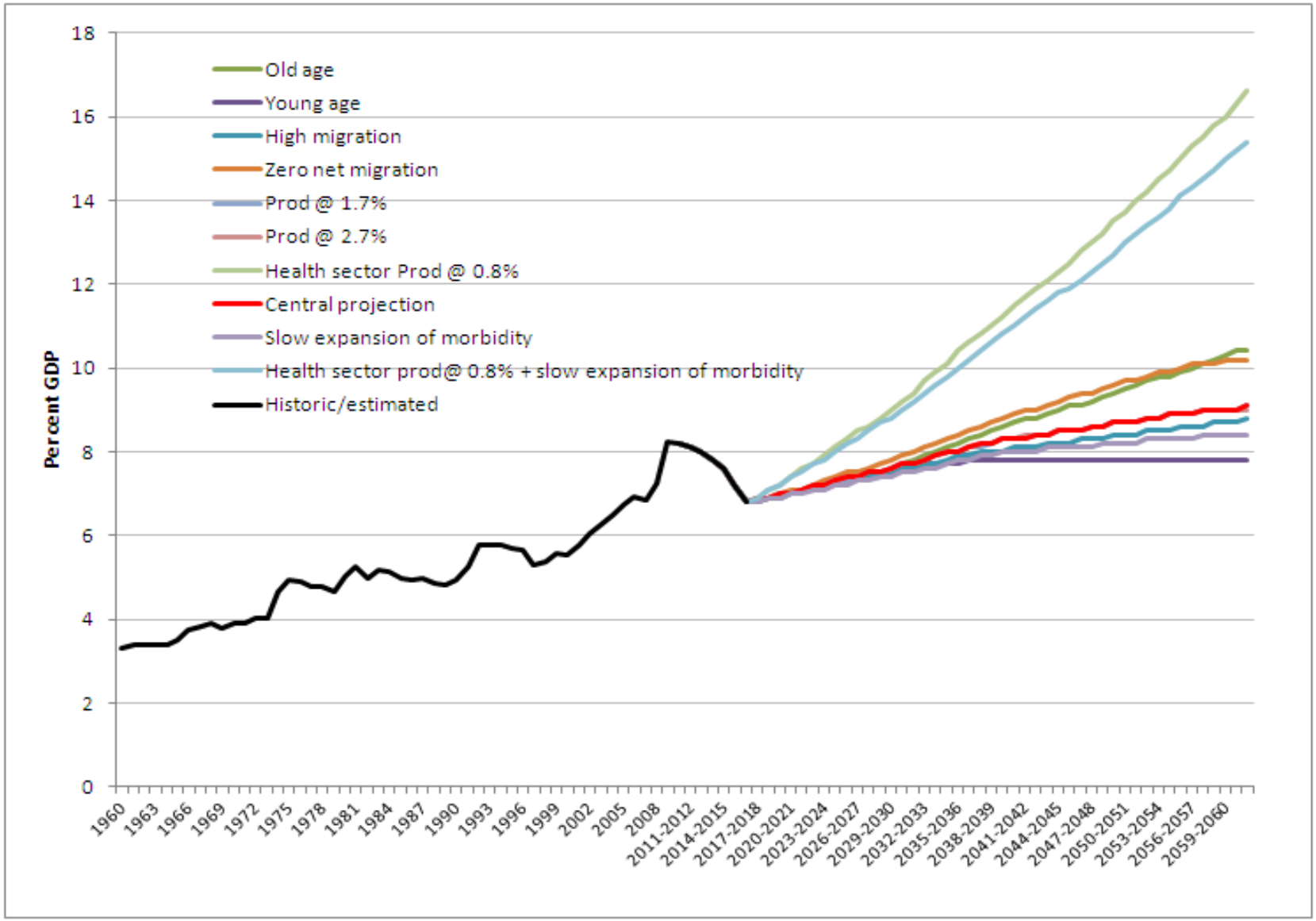


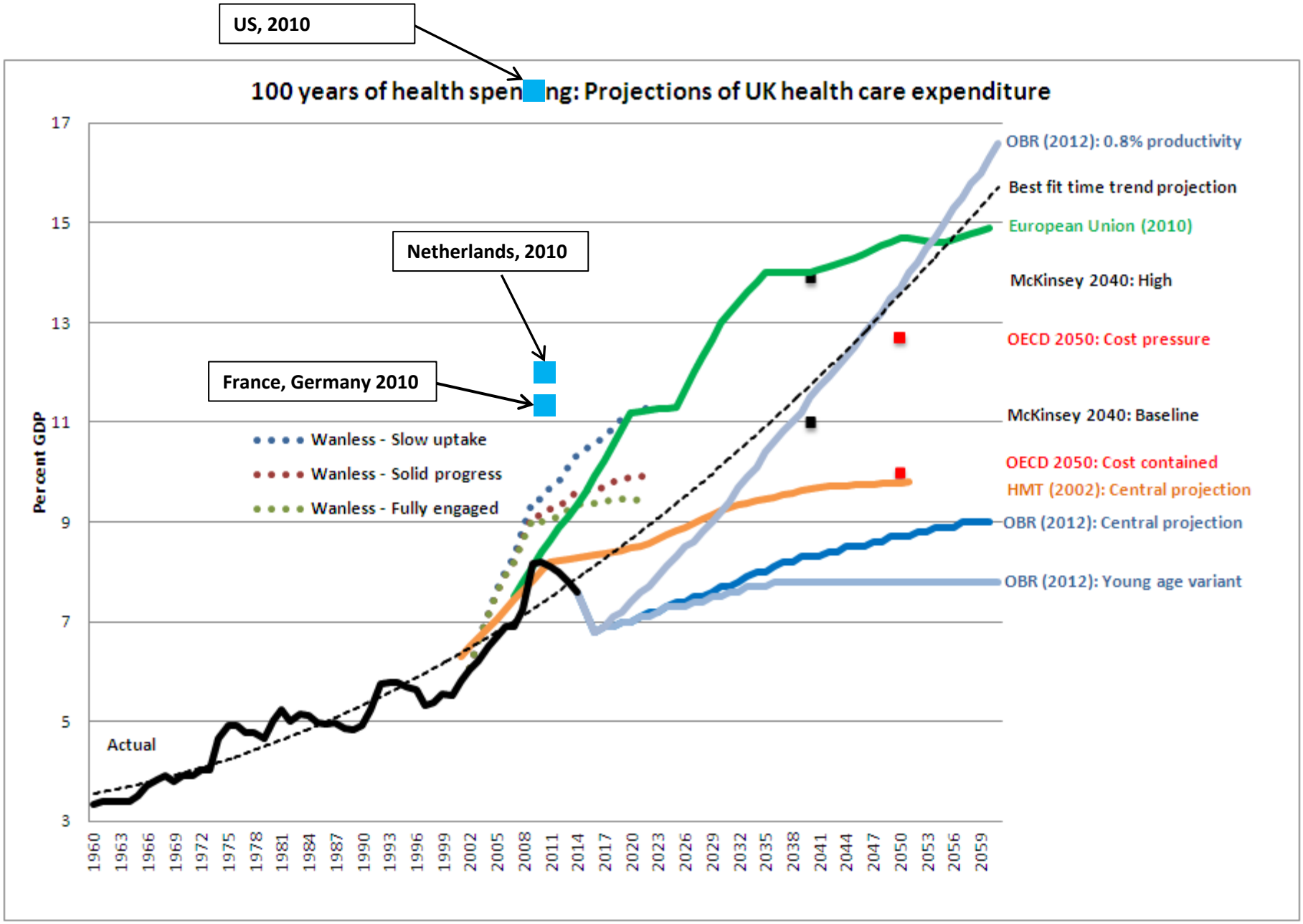

http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Spending%20on%20health%20...%2050%20years%20low%20res%20for%20web.pdf

# International trends in health spending: 1960-2010 (OECD)



# UK health care spending projections (per cent GDP): 2062 (OBR variants)




US, 2010
100 years of health spen ng: Projections of UK health care expenditure
Netherlands, 2010
France, Germany 2010
Wanless - Slow uptake
Wanless - Solid progress
Wanless - Fully engaged
Actual
Percent GDP
17
15
13
11
9
7
5
3
1960
1963
1966
1969
1972
1975
1978
1981
1984
1987
1990
1993
1996
1999
2002
2005
2008
2011
2014
2017
2020
2023
2026
2029
2032
2035
2038
2041
2044
2047
2050
2053
2056
2059
OBR (2012): 0.8% productivity
Best fit time trend projection
European Union (2010)
McKinsey 2040: High
OECD 2050: Cost pressure
McKinsey 2040: Baseline
OECD 2050: Cost contained
HMT (2002): Central projection
OBR (2012): Central projection
OBR (2012): Young age variant

# Drivers of spending pressures

- Demographic factors and health status
- Income
- Consumer/patient behaviours
- Treatment practices
- Technological progress
- Health prices and productivity
- Health care system organisation

# Ageing….not a major driver of increased spending

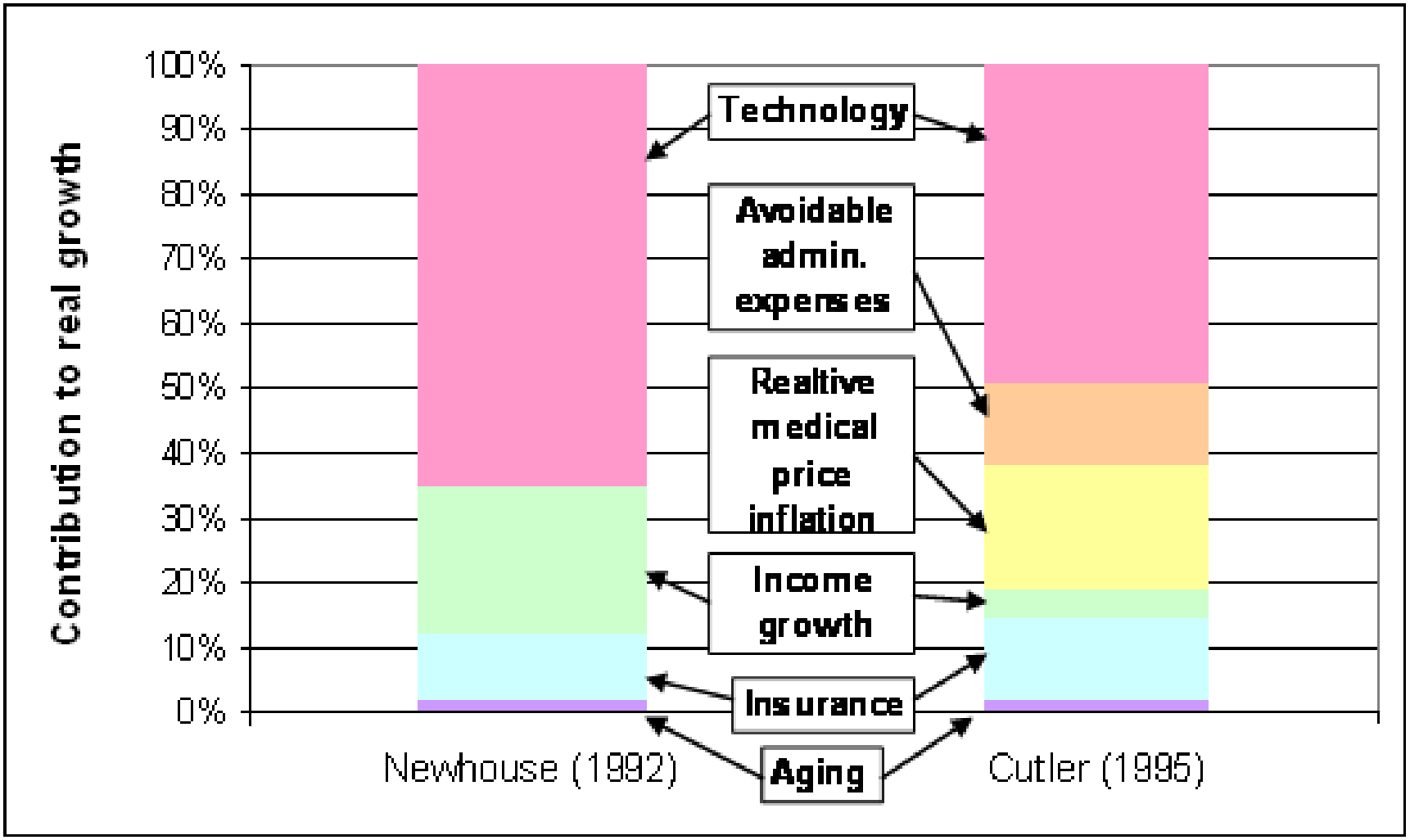
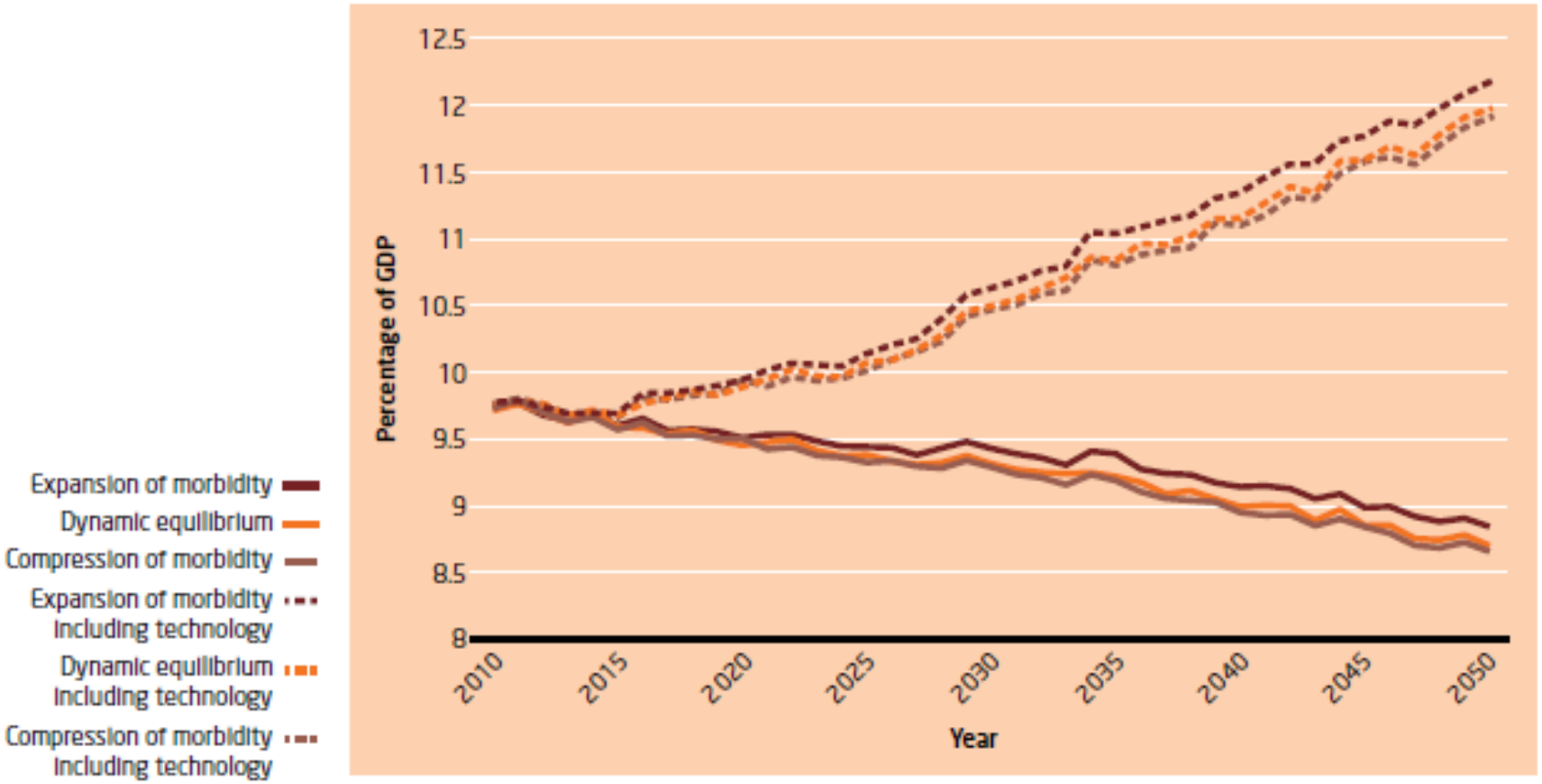


**Figure 18** Projected health spend as a percentage of GDP: three scenarios with and without assumptions about improvements in technology




Source: Ministry of Health and Social Affairs Sweden (2010)

The review estimated that, by 2050, the difference between the expansion of morbidity (worst) and the compression of morbidity (best) would be 3.9 billion QALYs – equivalent to 49,000 people living in perfect health to 80 years old. The review took this further by placing a value on this difference based on typical estimates of the value of a QALY (in Sweden, at the time of the review, the value used was 655,000 Swedish kronor per QALY [about £61,000]).

One reason for making these calculations is that all three scenarios turn out to be more highly valued than the costs of the 'higher ambition' assumed in the projections model (*see* Figure 20, opposite). In other words, there is a suggestion that the population would be willing to pay more than the estimated extra costs of improving the quality of care (as represented by the 'raised level of ambition' assumption).

# Limits to growth?

*Income growth will continue to drive a rising health share of GDP in decades to come, as spending on new medical technologies continues to increase more rapidly than incomes.*

*But…*

*Ultimately, this effect must diminish as the opportunity cost of additional growth in health spending rises—exacting a growing trade-off in the forgone consumption of all other goods and services.*

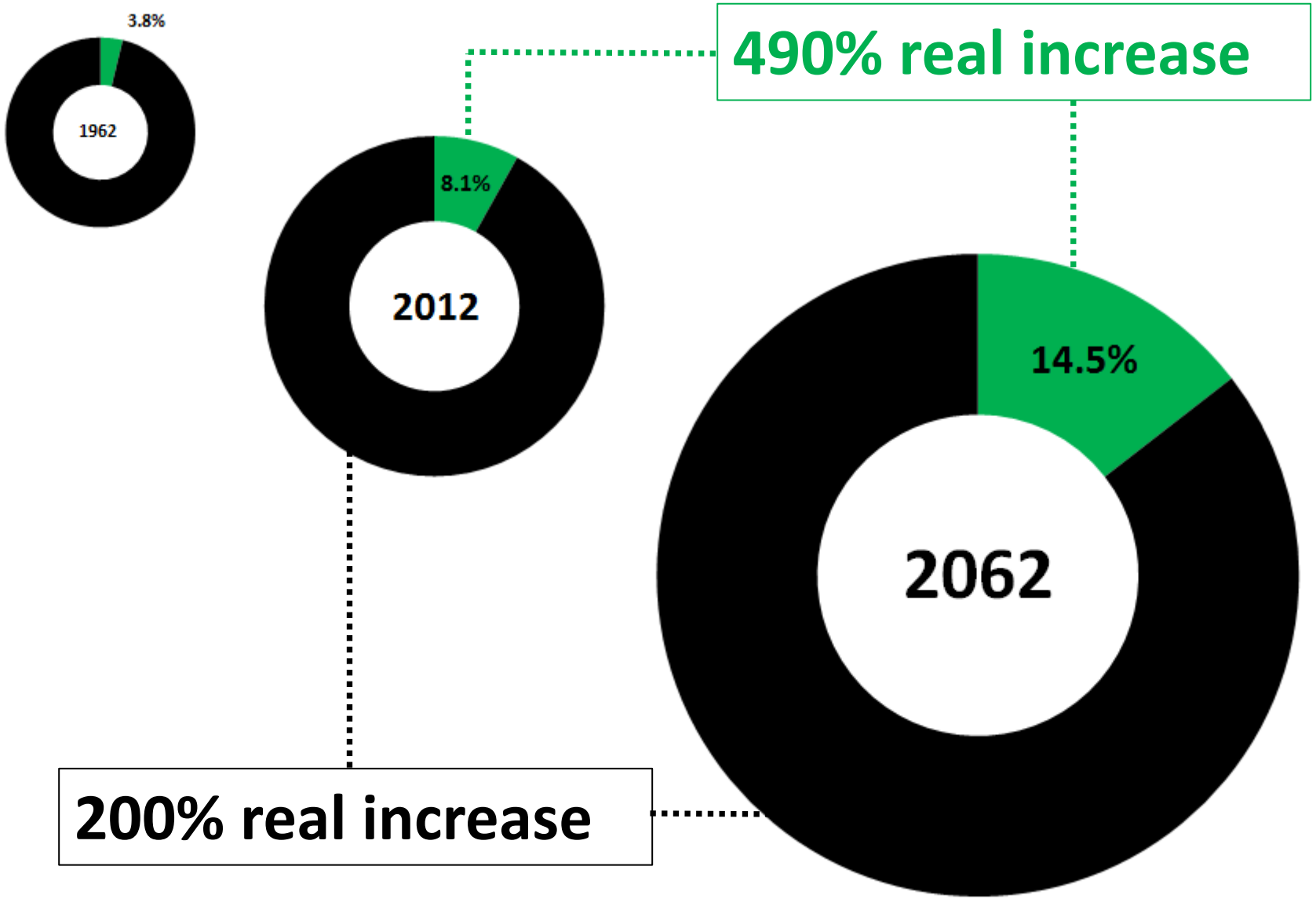
Smith S, Newhouse JP, Freedland MS (2009) Income, Insurance, And Technology: Why Does Health Spending Outpace Economic Growth? *Health Affairs* October 2009 vol. 28 no. 5 1276-1284

# Possible future spending on UK health spending: OBR highest projections

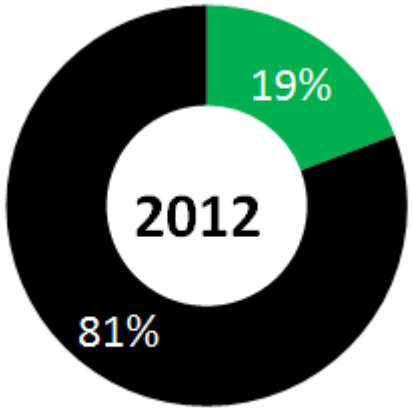
| | Percentage of GDP | | Spend at 2016/17 prices | | Per head of population | |
|---|---|---|---|---|---|---|
| | 2016/17 (%) | 2061/62 (%) | 2016/17 (£bn) | 2061/62 (£bn) | 2016/17 (£) | 2061/62 (£) |
| **Health care** | 6.8 | 16.6 | 114 | 811 | 1,745 | 9,914 |

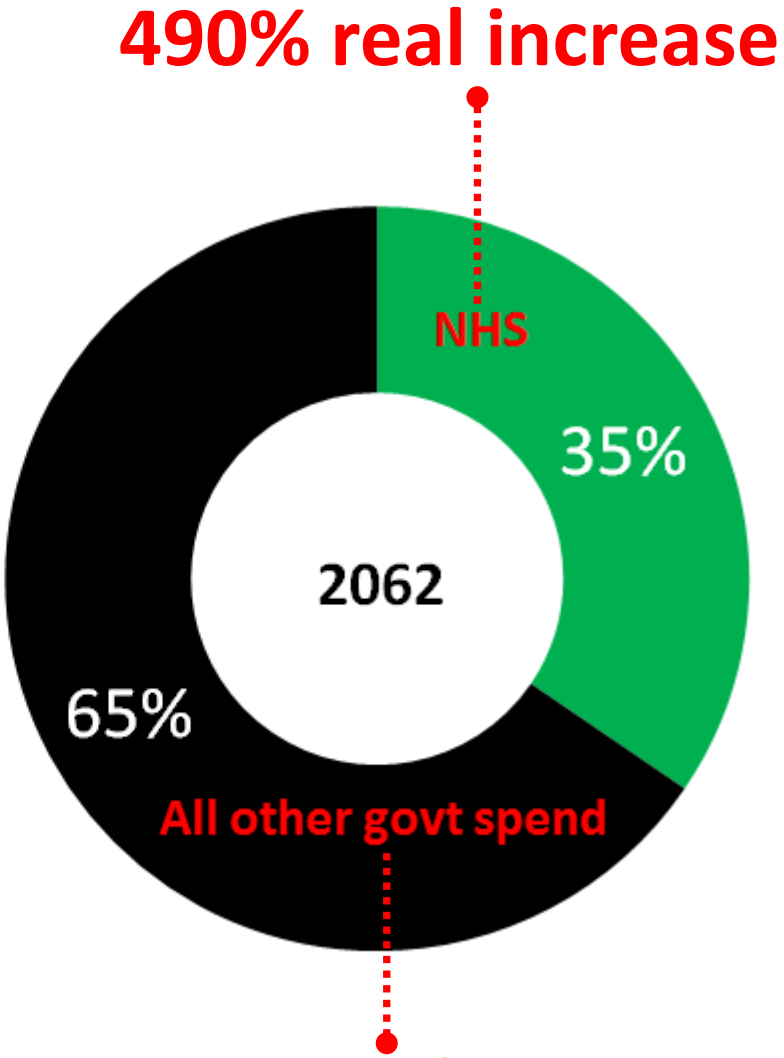
## Future UK health care spending?

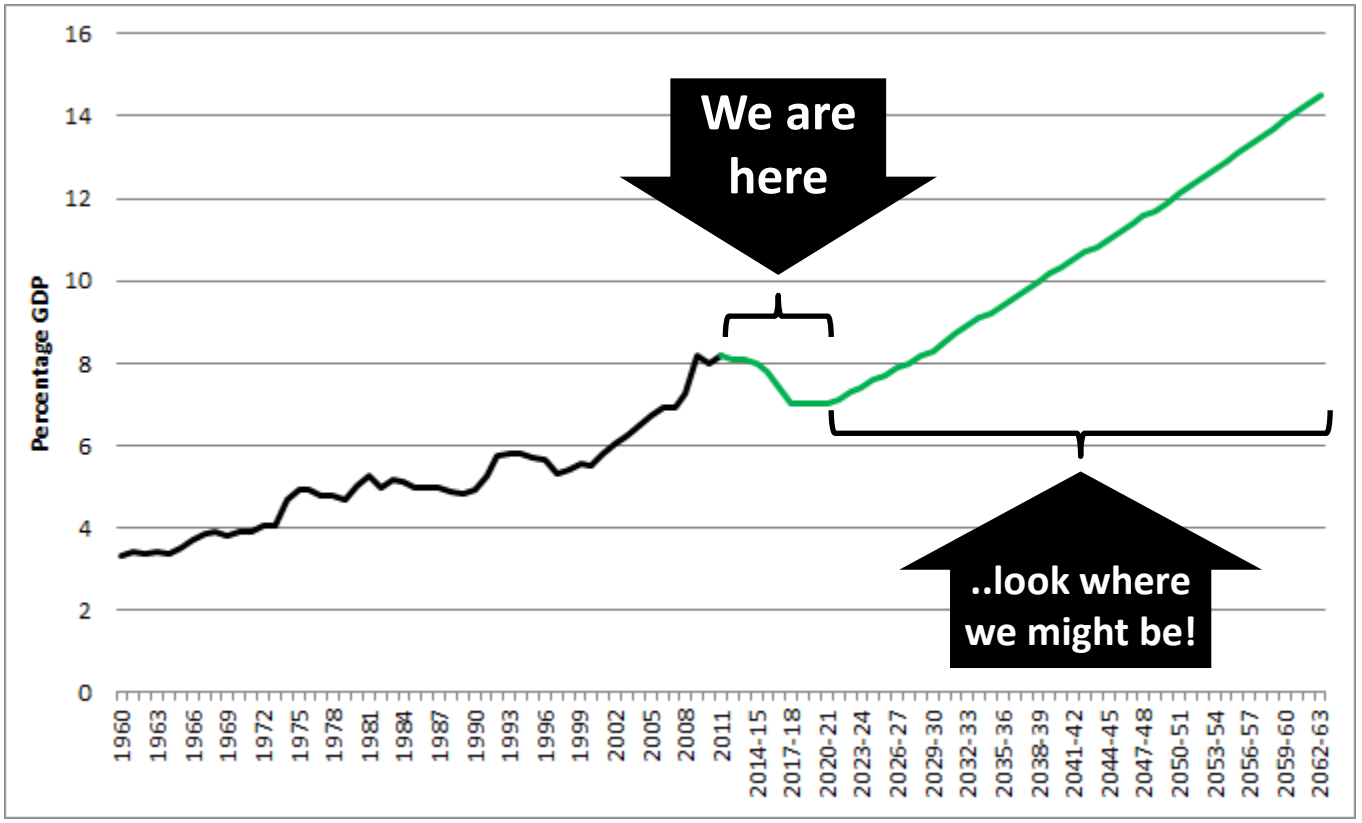
OBR, 2013: highest projection



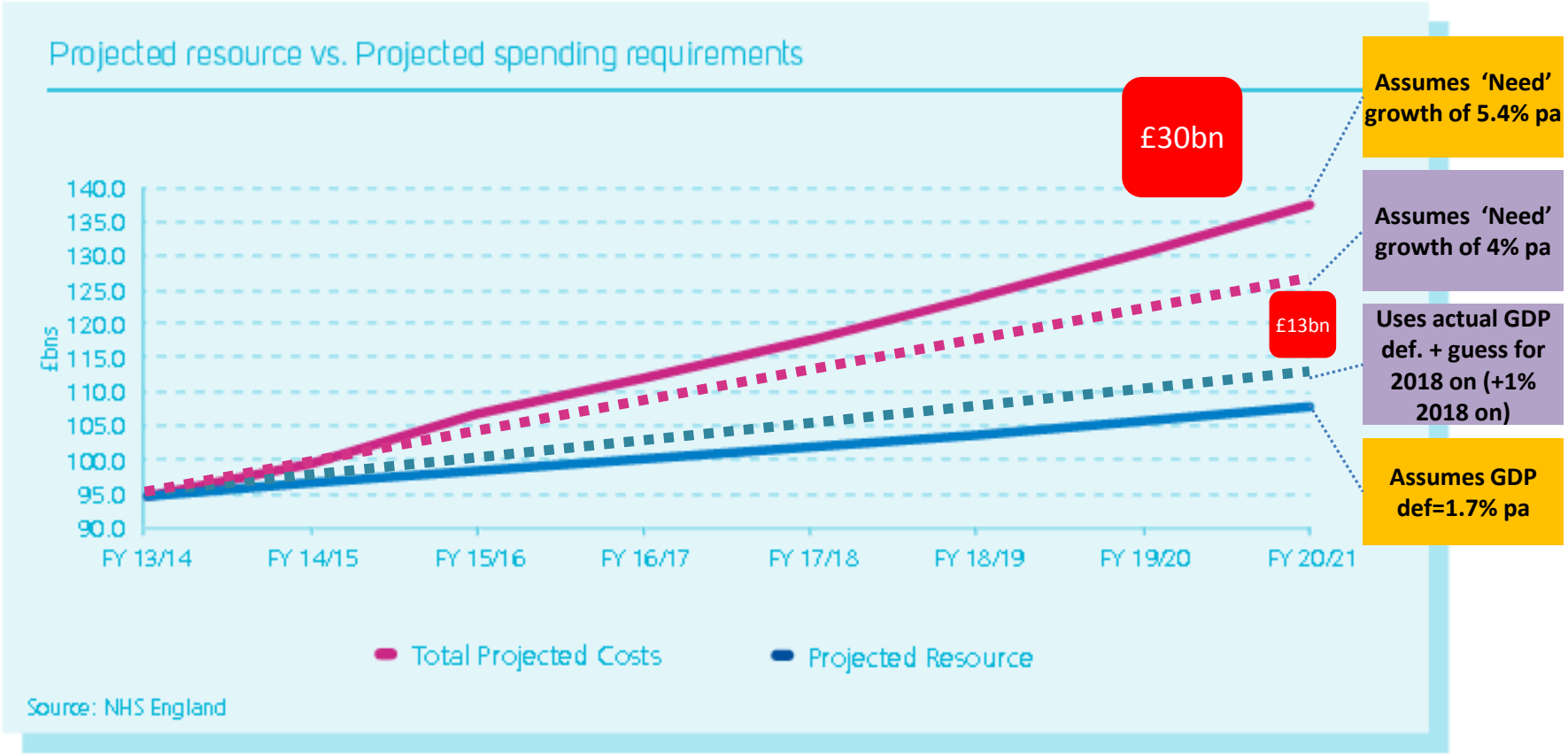
**Future UK health care spending?**
**Percentage of all Government spending**
OBR, 2013: highest projection




Percentage GDP
16
14
12
10
8
6
4
2
0
We are here
..look where we might be!
1960
1963
1966
1969
1972
1975
1978
1981
1984
1987
1990
1993
1996
1999
2002
2005
2008
2011
2014-15
2017-18
2020-21
2023-24
2026-27
2029-30
2032-33
2035-36
2038-39
2041-42
2044-45
2047-48
2050-51
2053-54
2056-57
2059-60
2062-63

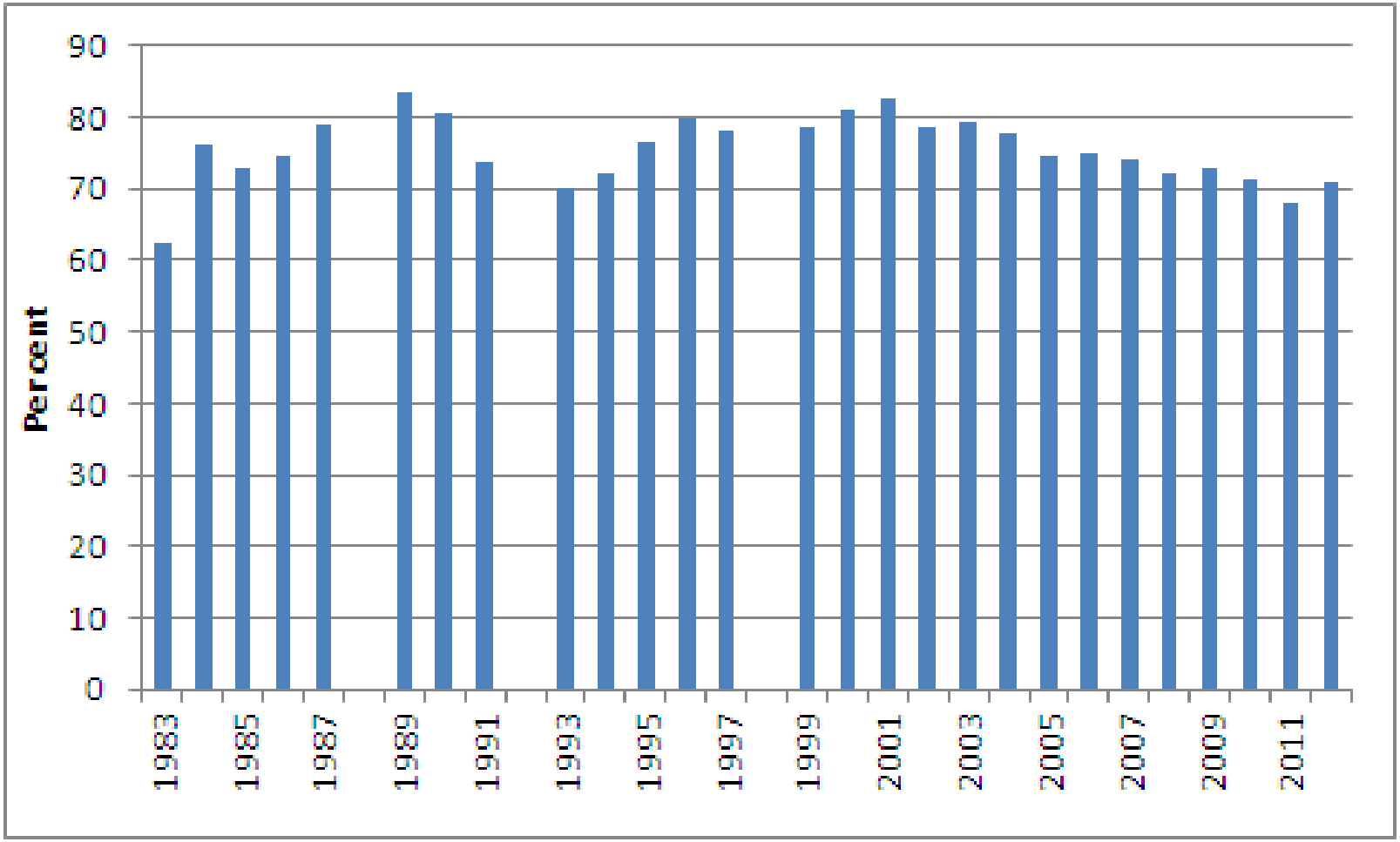
# Latest news: NHS England: *Call to Action*: £30bn gap by 2020/1




The broad consensus is that for the next decade, the NHS can expect its budget to remain flat in real terms, or to increase with overall GDP growth at best.

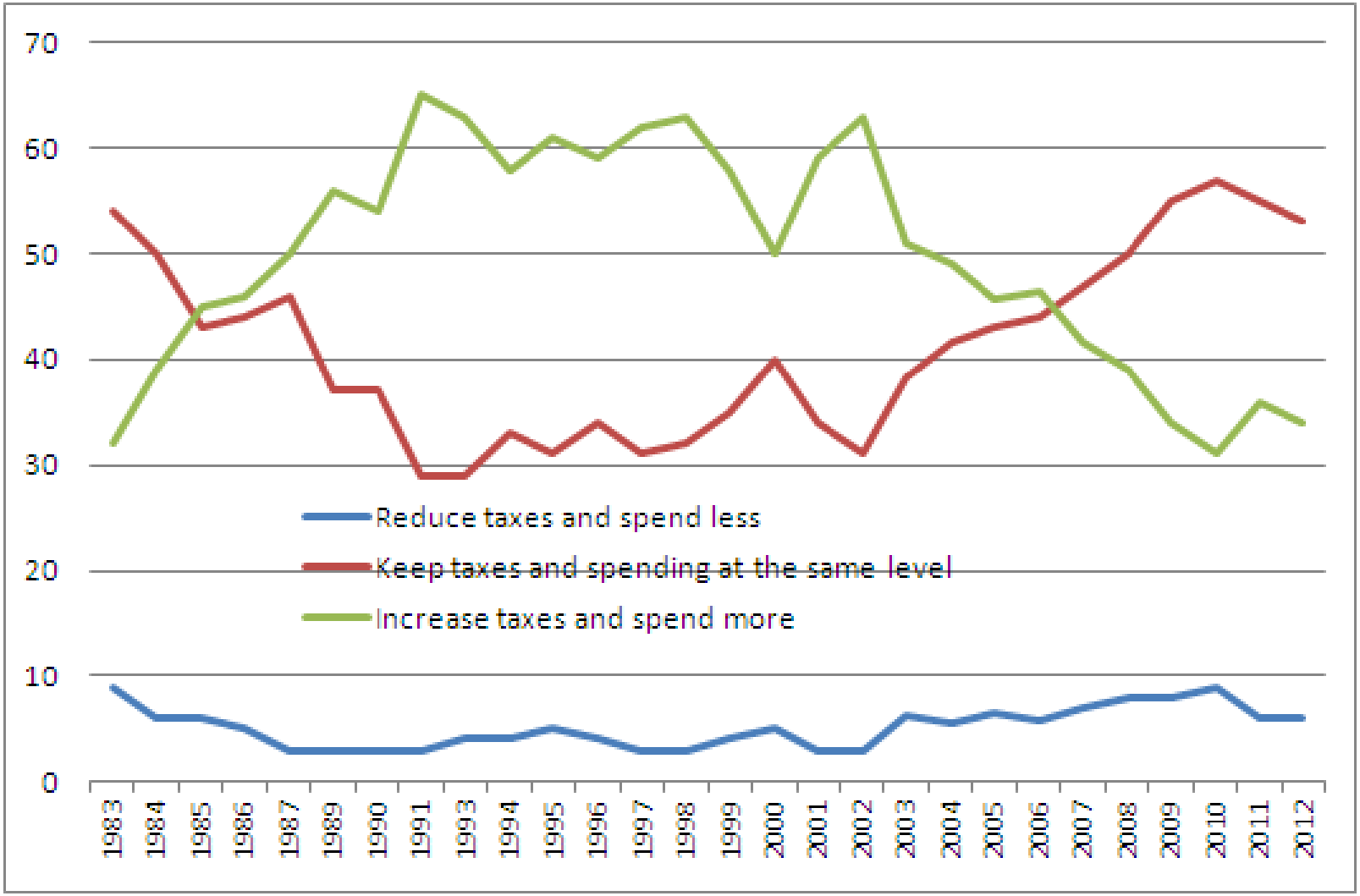
Spending pressure trends upwards.
But where will the resources come from?
And are we, in Wanless's words, willing to pay the cost?

# Public's priorities for extra government spending: Health 1st and 2nd priority



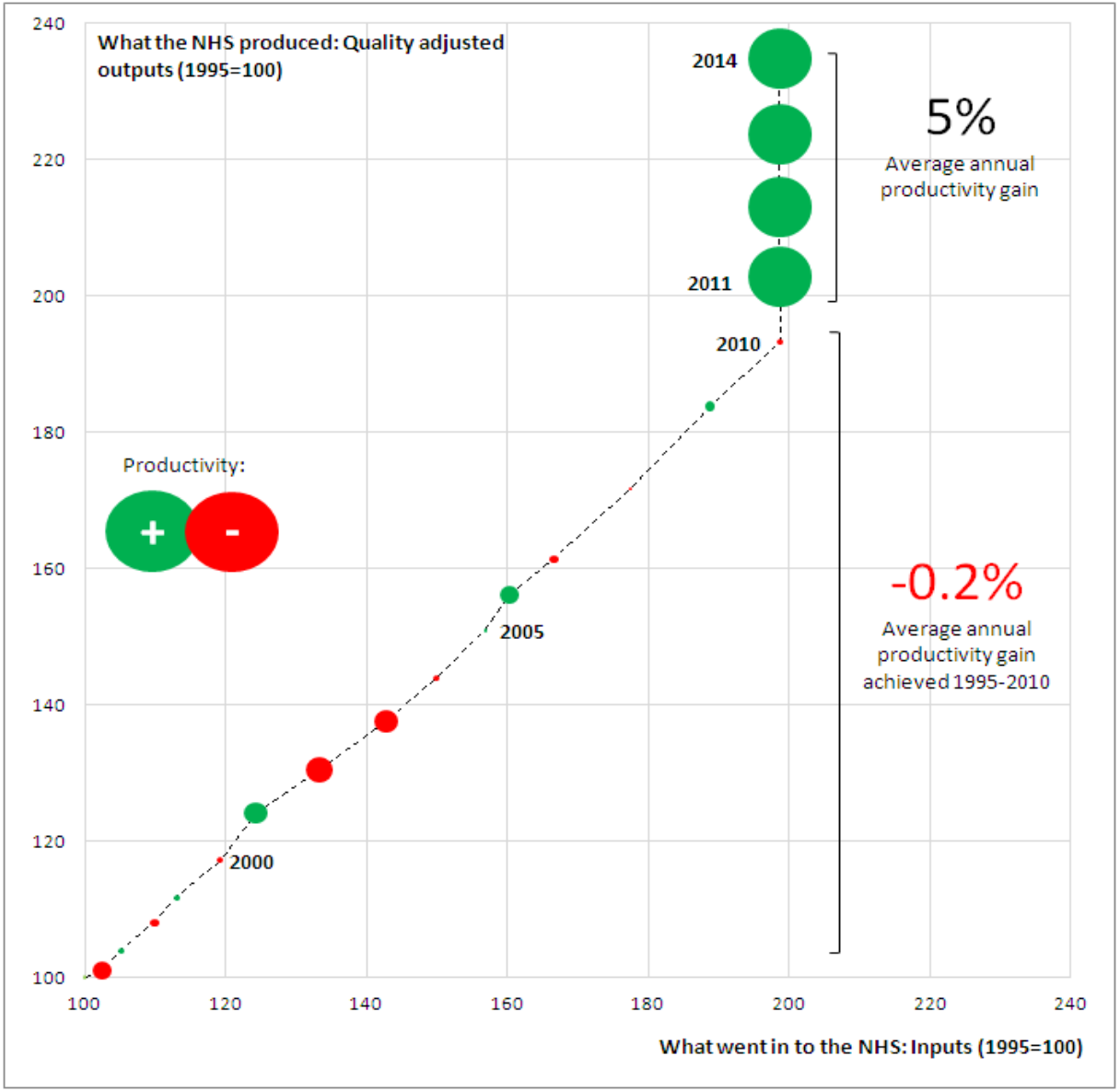

(BSA survey)

# Health priority…but willing to pay more tax?

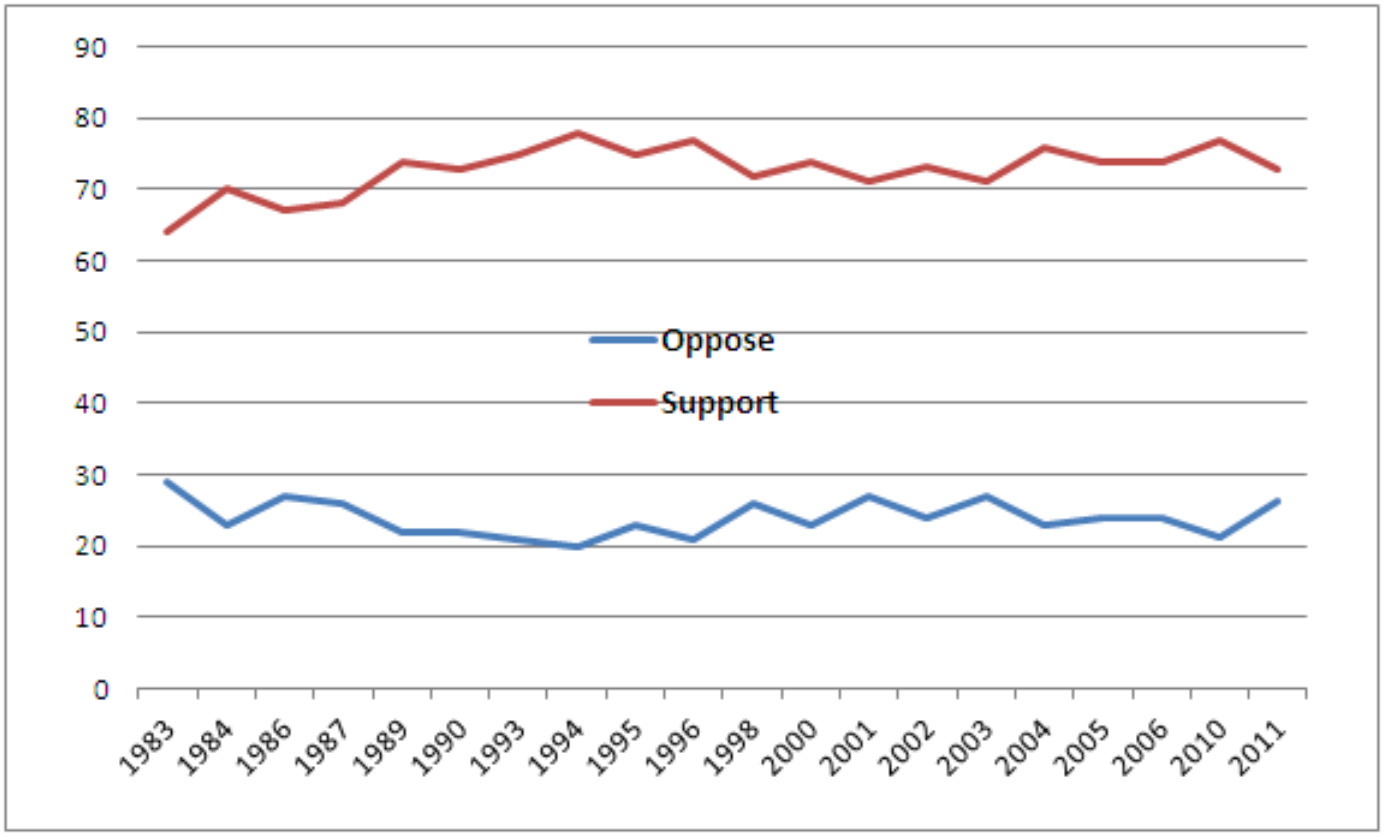



**Public attitudes to tax and spend (BSA survey)**

# Greater productivity?



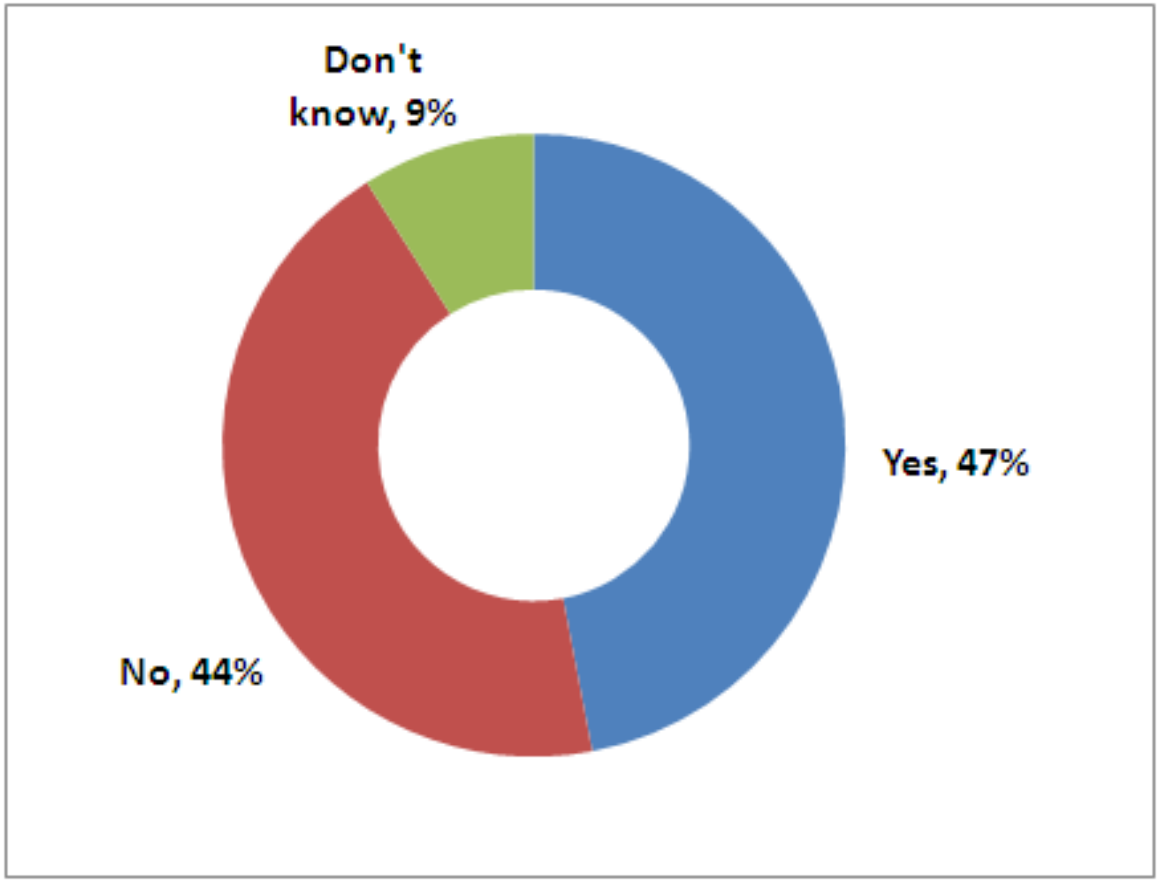
# Capping the NHS offer: Two tier, part tax part private?




*"It has been suggested that the NHS should only be available to those on lower incomes. This would mean that contributions could be lower and most people would then take out medical insurance to pay for health care.* ***Do you support or oppose this idea?"***

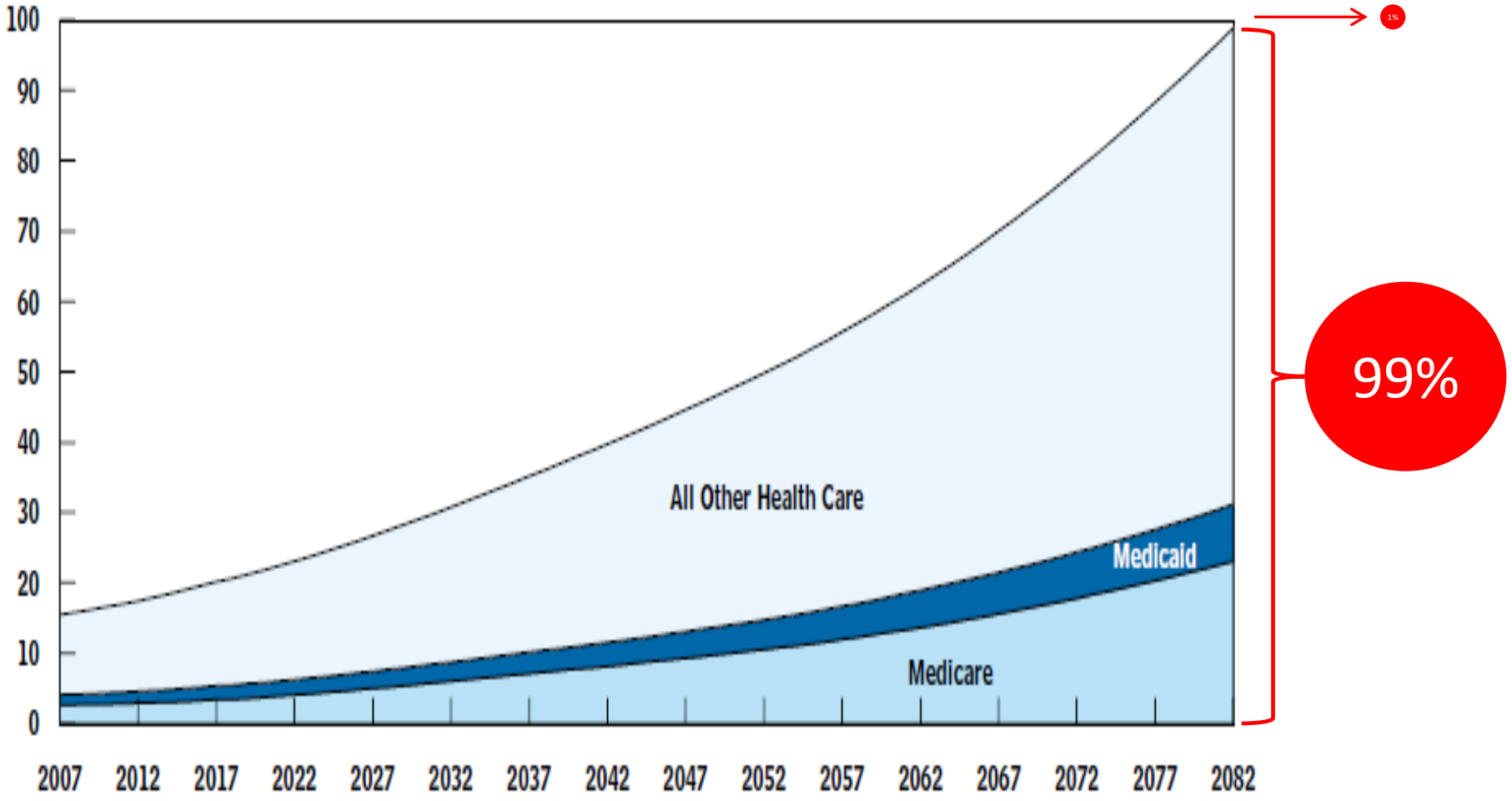
**BSA surveys**

# *In ten years' time do you think the NHS will still be paid for by taxes and free to all?*




British Social Attitudes survey: 2010

# And if we think we have problems….US health care spending projections to 2082!



Thank you

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