

HEALTH SELECT COMMITTEE

PUBLIC EXPENDITURE INQUIRY 2014

RESPONSE TO ADDITIONAL REQUESTS FOR EVIDENCE FROM 11TH NOVEMBER EVIDENCE SESSION

THE KING'S FUND; NUFFIELD TRUST; HEALTH FOUNDATION

1. Spending on private providers including primary care contractors

1.1. Most General Practitioners are not public employees, and GP practices are not public bodies – they are usually independent partnerships or self-employed professionals. However, interest in NHS spending on non-NHS providers has usually focused on companies and charities providing hospital, mental health and community care. GPs are often not included.

1.2. In the Committee's oral evidence session Sarah Wollaston MP, as Committee Chair, asked the Nuffield Trust, The King's Fund and the Health Foundation to provide a figure for NHS spending on non-NHS provided health care which included spending on services provided by GPs.

1.2. Not including GPs, NHS England gives a figure of £10.2 billion spent last year purchasing health care from non-NHS bodies. This represents 10.7% of its total spending and will include voluntary and charitable organisations as well as others.¹

1.3. Total investment in general practice in 2013/14 was £8.8 billion². However, other primary care services – dentistry, community pharmacy, and general ophthalmic services – are also largely provided by private partnerships, sole professionals or private companies. NHS England spends a further £5.7 billion on these services.³

1.5 Overall, therefore, a broad estimate of NHS spending on non-NHS provided care services in 2013/14 would amount to around £25 billion – just over a fifth of the total NHS budget.

1.6 Nevertheless, we would note that the question of what NHS spending counts as 'public' and what counts as 'private' is not necessarily clear cut. For example, the NHS does not produce its own drugs, instead it purchases them from private manufacturers. Logically, such private provision should also count as private spending by the NHS. On this basis it is not clear where the line should be drawn on NHS spending on private provision of goods and services. The larger point however is not the form of ownership of providers of health care but rather the nature of the contract, financial incentives, management skills, professional ethics, regulatory environment etc which govern the quality of health care.

2. The funding gap facing social care

2.1. Members of the Committee asked the three organisations to provide a figure for the funding gap facing social care, equivalent to the £30 billion gap which NHS England believes the health service will face by 2020/21.

2.2. Earlier this year, the Local Government Association and the Association of Directors of Adult Social Services produced an analysis of expected net expenditure relative to future funding, similar to NHS England's work. They expect a funding gap of £4.3 billion by 2019/20. We believe this to be a realistic estimate.

3. International comparisons

3.1. Members of the Committee asked for further details of UK and English health expenditure as a proportion of Gross Domestic Product, and of how this compared to other countries.

¹ <http://www.england.nhs.uk/wp-content/uploads/2014/07/nhs-comm-board-ann-rep-1314.pdf>

² <http://www.hscic.gov.uk/catalogue/PUB14900/inve-gene-prac-eng-wal-ni-scot-09-14-rep.pdf>

³ <http://www.england.nhs.uk/wp-content/uploads/2014/07/nhs-comm-board-ann-rep-1314.pdf>

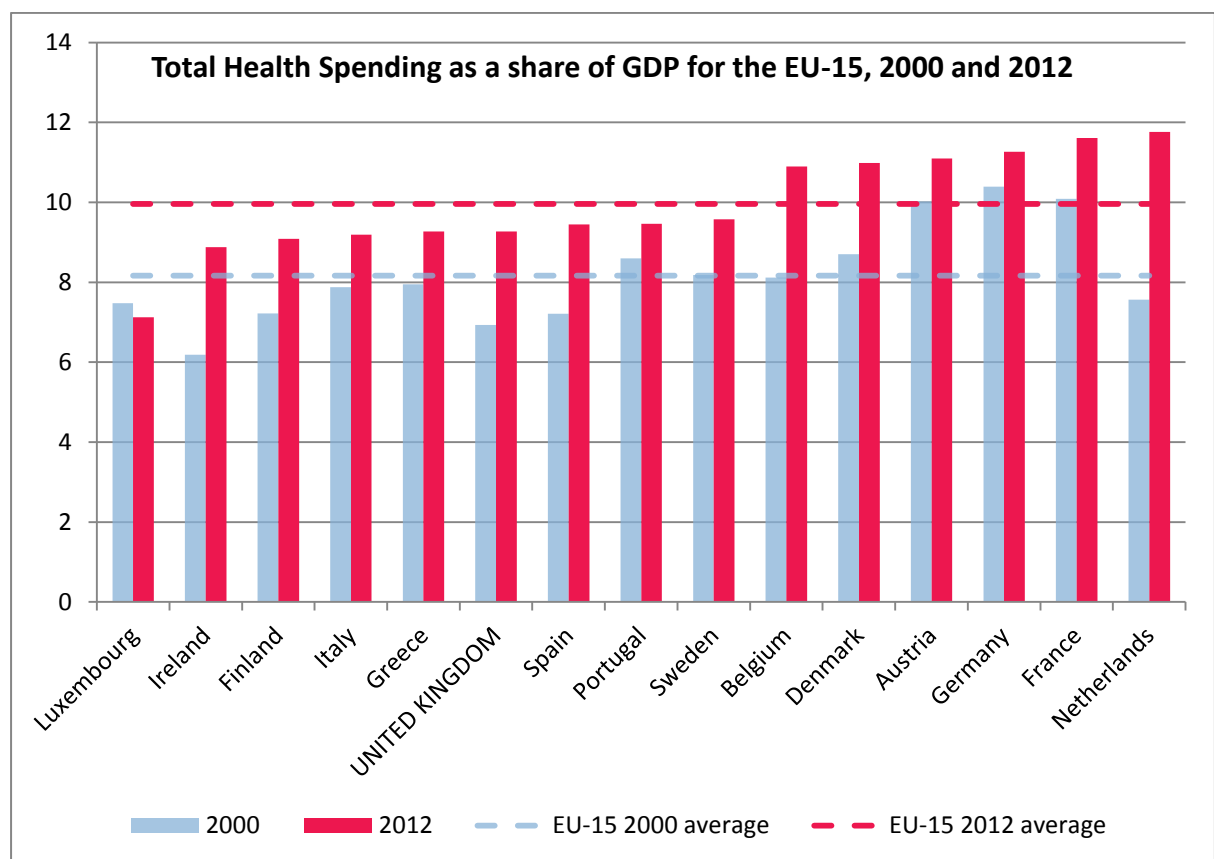
3.2. The main source of data on international comparisons of health spending is the OECD. The OECD collates data on total (public and private) health spending. The latest data are for 2012 and are calculated on a calendar year basis.

3.3 The UK's⁴ total spending on health care as a percentage of GDP is 9.3%. This is lower than the EU-15 average (10%), and is in line with the OECD average of 9.3%. The UK spends less than 9 other EU-15 countries, although that is considerably more than in 2000 when it spent less than 13 of the 15 countries. Figure 1 shows spending by country in 2000 and 2012.

3.4. The UK is notable for its high publicly funded spending on health as a share of health spending. Publicly funded spending accounts for 84% of UK health spending. This is the 3rd highest proportion in the EU15 and the joint 5th highest in the OECD as a whole. In 2012 the UK spent 7.8% of GDP on public health care. Figure 2 shows publicly funded health spending by country in 2000 and 2012. International spending comparisons are usually made on the total (public + private) figure combined as this provides a more accurate picture given the vagaries of what constitutes 'public' and 'private' spending separately.

3.5. In the data the ONS submit to the OECD, public expenditure on health care is made up of all governmental expenditure on health care including expenditure in prisons and defence. Research and development and education and training in health care are not included⁵

Figure 1: Total Health Spending as a share of GDP for the EU15 countries in 2000 and 2012⁶

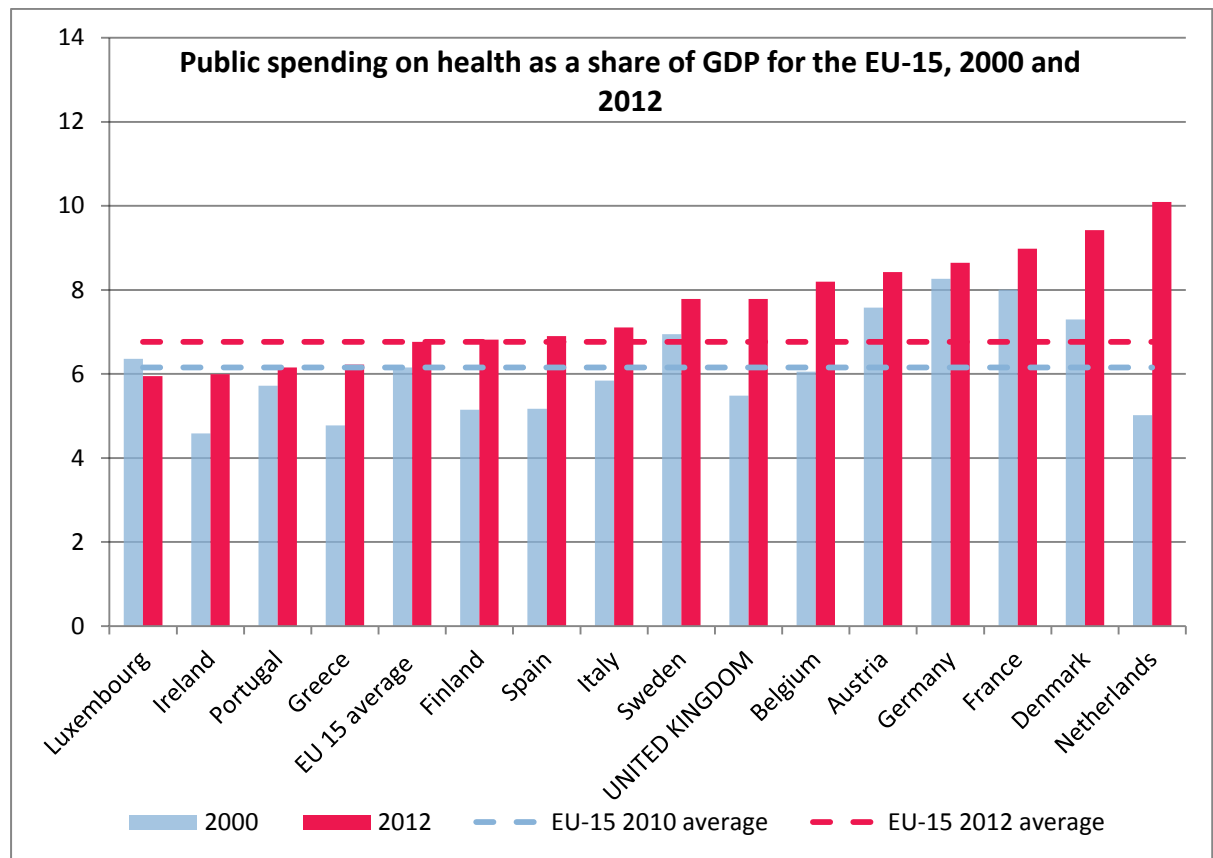


⁴ The OECD do not collect spending figures on the four UK territories separately

⁵ http://www.ons.gov.uk/ons/dcp171766_361313.pdf

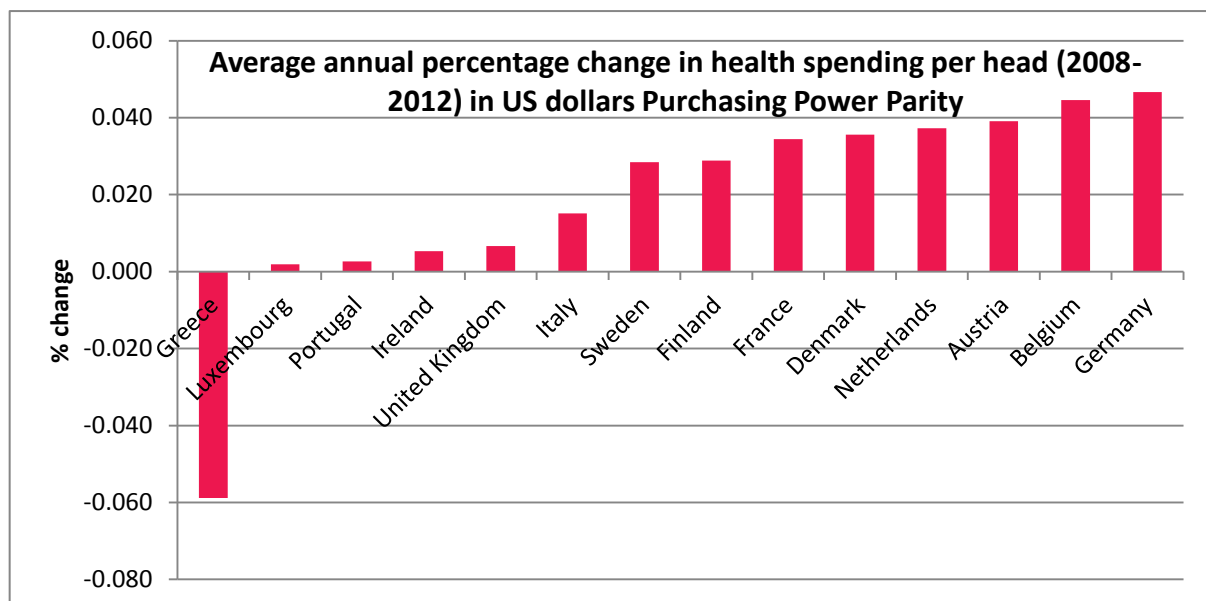
⁶ <http://www.oecd.org/els/health-systems/oecd-health-statistics-2014-frequently-requested-data.htm> Data from 2011 used for Spain and Portugal.

Figure 2: Public spending on health as a share of GDP for the EU-15 countries 2000 and 2012.⁷



3.6. Figure 3 shows how total health spending per head has changed in the most recent period. Virtually all EU countries have faced the consequences of the global financial crisis. Over the 2008-2012 period the average annual change in health spending per head in the UK has been marginally positive (in US\$ PPP). However, by the same measure it has been outpaced by most EU-15 countries.

Figure 3: Average annual percentage change in health spending per head (2008-2012), US\$ PPP.⁸



⁷ <http://www.oecd.org/els/health-systems/oecd-health-statistics-2014-frequently-requested-data.htm>

⁸ <http://www.oecd.org/els/health-systems/oecd-health-statistics-2014-frequently-requested-data.htm>