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The Surgeon, Journal of the Royal Colleges of Surgeons of Edinburgh and Ireland
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Matter for Debate

How much should we spend on health care?

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ARTICLE INFO

Article history:
Received 10 October 2014
Received in revised form
12 November 2014
Accepted 15 November 2014
Available online 10 December 2014

Keywords:
NHS
Spending
Health economics

ABSTRACT

Background: For a tax-funded health service such as the NHS, how much is spent in total is a crucial (and necessary) decision which precedes and determines the consumption of health care by individuals. Determining total spending in private markets is not a particularly important (or necessarily interesting) issue as it is merely the sum of all the private spending decisions of individual consumers in the market. However, economists would argue there are parallels between these (collective) public and (individual) private decisions; both involve balancing costs and benefits, and trade offs with other ways of spending limited budgets.

Main findings: Economists would further suggest a decision rule to identify how much to spend on health care (or anything else for that matter); continue increasing spending on health care until the next pound yields greater benefit from spending on some other, non-health, care activity. Although NICE operate a version of this decision rule when assessing the cost effectiveness of individual health technologies, its wider application to decide on total health spending (versus other beneficial uses of society's scarce resources) has prohibitive data implications and requires agreement on the value of the benefits side of the calculation.

Conclusions: Given that a decision has to be made however, in practice the decision process falls within the political sphere, informed, up to a point, by data on the determinants of spending (eg population projections), international benchmarking and the exigencies of prevailing macroeconomic circumstances.

Introduction

With news of growing financial distress emerging from NHS organisations around the UK and with health care set to be a central theme of next year's general election campaign, it's worth asking a question the then Chancellor Gordon Brown posed Derek Wanless over a decade ago: how much should we spend on the NHS?

In fact, at the time Brown asked Wanless this question the political decision had already been taken to boost NHS spending. Tony Blair had revealed in January 2000 on the BBC Breakfast with Frost programme the government's intention to increase health spending to match the average of the then fifteen countries that made up the European Union (EU-15)[1] – an apparently unilateral decision which enraged Brown.[2] But at the time the UK was spending 7% of its GDP on health care – 1.5% privately and just 5.5% of public money on the NHS.[3] The

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http://dx.doi.org/10.1016/j.surge.2014.11.004

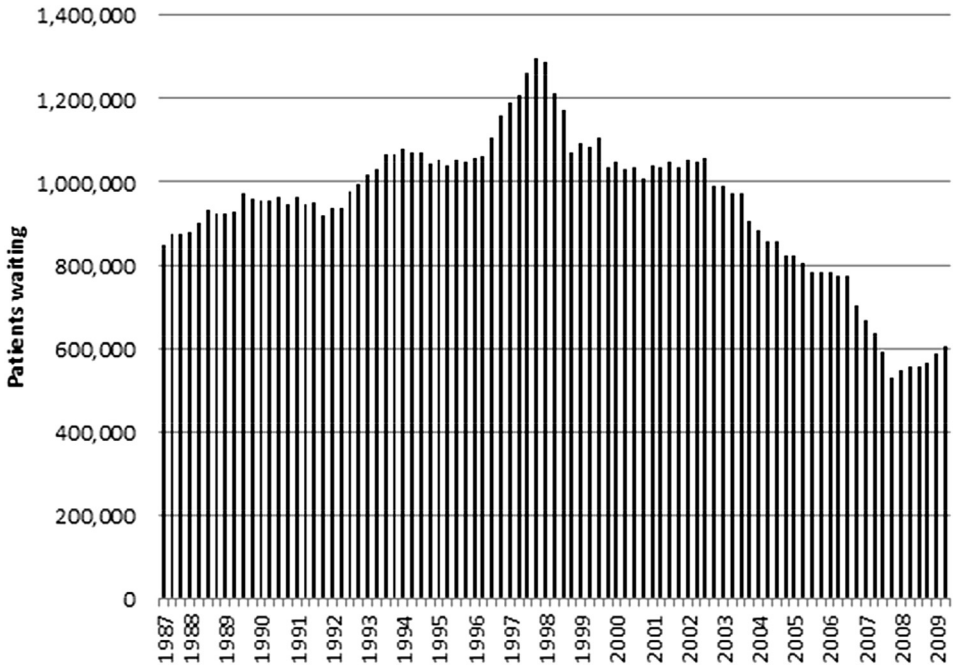

Fig. 1 – Inpatient waiting lists: English NHS: 1987–2009. Source:[4]

EU-15 average spend in 2000 was around 9% of GDP. Money, or rather, the lack of it, was mirrored by the performance of the NHS. The inpatient and day case waiting list had reached its highest level ever by the turn of the century (Fig. 1).

While one in fifty of the population was waiting for a bed in hospital in 2000, it was the length of time people languished there which, even the short time since, seems so shocking. Over 50,000 patients were still waiting over a year to be admitted to hospital as an inpatient for example. (Just six years later this had reduced to nearly zero.)[4]

With key and very public measures of performance such as waiting times hitting the red section of the dial, and with a growing volume of media stories of personal tales of woe, the message being sent up the NHS managerial line to the 'top of the office' in late 1999 was 'send more money!' (Or, presumably, to expect even lengthier waiting lists and waiting times and more grief from the media.) Blair's response – to match the EU-15 average – may have seemed somewhat lacking in ambition, but adding two percentage points of GDP (equivalent to £20 billion in 2000 – nearly £28 billion in today's prices) was anything but insignificant. Gordon Brown's response was to invite Derek Wanless to review the future of NHS funding in order to put some analysis on the bones of the political decision.

The Wanless review of NHS funding

Although the question Wanless faced had been one politicians of necessity had had to answer since the inception of the NHS (after all, a budget had to be set each year), it is perhaps surprising that the review of NHS funding by Wanless was really the first in the history of the NHS to try and get to grips with such a fundamental issue. The old civil servant's joke about NHS budget setting – last year's money plus a bit for scandals – was no longer fit for purpose.

Wanless's approach inevitably combined a great deal of number crunching, population projections and estimates of need on the one hand, with the political reality of a Treasury naturally insistent on pushing the need for the NHS to use public money as efficiently as possible and the fact that there were plenty of other pressing claims on government's limited revenues.

Derek Wanless produced his final recommendations for future UK NHS funding in 2002[5] based on a 'vision' for the NHS described in terms of the quality of the service it should offer over the two decades to 2022; standard best practice pathways of care for patients, very short waiting times, etc. The review also suggested annual NHS productivity improvements of around 2–3%. On the demand side, Wanless set out three future spending scenarios (which also varied assumptions about NHS productivity) which made different assumptions about the health (and hence demand on the NHS) of the UK population. A population more 'engaged' with its own health and more responsive to preventative health measures would, for instance, need fewer and less intensive health services and hence would attenuate the need for funding increases. On the other hand, poorer NHS performance on productivity would mean a need for higher spending overall.

Wanless recommended increasing UK NHS spending from around 7.5% in 2002 to between 10.5% (the 'fully engaged' scenario) to either 11% (the 'solid progress') or 12.5% ('slow uptake') by 2022/23 (Fig. 2). There was no doubt which scenario the Treasury preferred. A 'fully engaged' population together with a health service steadily improving its productivity at around 2% a year not only produced the lowest need