AUTUMN STATEMENT SUBMISSION: NHS PROVIDERS

NHS Providers is the membership organisation and trade association for the NHS acute, ambulance, community and mental health services that treat patients and service users in the NHS. We help those NHS providers to deliver high quality, patient focused, care by enabling them to learn from each other, acting as their public voice and helping shape the system in which they operate. NHS Providers has 96% of all trusts in membership, collectively accounting for £65bn of annual expenditure and employing more than 928,000 staff.

THE CURRENT CONTEXT

We recognise and welcome that health spending has been protected relative to other public services in a time of austerity. The extra £8bn outlined in the last comprehensive spending review has offered protection to the NHS in England and avoided the real terms cuts that have affected many other areas of government spending. We also welcome that much of this additional funding was frontloaded, with a 3.8% budget increase for NHS England coming in 2016/17.

Front loaded funding

However, with this frontloading, the increases over the remaining years of the parliament are significantly less – 1.3% in 2017/18, 0.3% in 2018/19, 0.7% in 2019/20 and 1.3% in 2020/21. This will result in real cost pressure for NHS services in these years. Cuts to areas of spend within the broader remit of health care will mean further increases in this pressure. For example, public health will see a decrease in its overall budget of 9.7% by the end of this parliament – from £3.456bn in 2015/16 to £3.134bn by 2020/21.

Demand

At the same time demand levels for NHS services are also continuing to rise. Without decisive intervention they look set to continue to do so. In the NHS *Five year forward view* (5YFV), a reduction in demand growth was assumed over the lifetime of this parliament, and was needed to underpin recovery in financial and performance levels. Far from demand reducing, however, it is actually increasing at a faster rate than previously: in the first quarter of 2016/17, we have seen more than 6% increases in both A&E attendances and emergency admissions compared to the same quarter in 2015/16.

Social care

Social care is also struggling. Funding cuts limit the scope of services, individual eligibility criteria are narrowing and private care providers are exiting the market. Together with the capacity gap in community and mental health services, this crisis has translated into the largest number of delayed transfers of care on record.

Primary care

At the same time, primary care is under huge pressure and is unable to cope with the level of demand it is experiencing, meaning that significant numbers of patients who could and should be dealt with out of hospital are attending A&E departments.

Accident and emergency

As such, the accident and emergency standard has declined rapidly and significantly. Quarter 4 2015/16 performance was the worst since records began over a decade ago in 2004/05 with just four of the 138 large A&E departments seeing the required 95% of patients within four hours. These problems are no longer isolated to a small number of NHS trusts – they now affect the vast majority.

Providers' own positions

Added to this picture are the growing financial difficulties in which providers find themselves. The 2015/16 -£2.45bn aggregate position, with 157 individual providers in deficit demonstrates clearly that this not about singular management failures, but is rather a system-wide issue. It is increasingly clear that the NHS is not funded to deliver what we ask of it in the context of rising demand, wider pressures brought about by cuts to other public services and the need to maintain standards of quality and access to care.

Targeted investment

The NHS can turn the situation around, but only if any possible additional funding is rigorously targeted at the areas of greatest challenge and need, which in turn can provide the greatest return on investment.

Since 2010 the NHS has delivered this return on investment, as evidenced by its responses to recent funding challenges. Over the course 2010 to 2015, the NHS met the £20bn Nicolson savings challenge. From 2011/12 onwards, the tariff efficiency factor generated on average just over £2bn of savings each year. Trusts cut their pay bill over the first two years to 2012/13 by £1.5bn with reduced pay growth and reduction in the number of NHS staff - an estimated £5bn of total savings were generated via these methods over 2010-2015. More recently, the cap on agency spend that was introduced in November 2015 meant that over £300m was wiped off the predicted increase in agency staff spend for 2015/16.

Additionally, deficit reduction measures currently in operation - the 2015/16 £1.8bn of sustainability funding - are having a better than pound for pound return on investment. The deficit figure for the first quarter of the year was £461m, an improvement of £469m from the same stage last year.

The NHS is ready to deliver again if it is given the right level of support to do so. However, any additional investment must be targeted in the areas of greatest need to ensure the greatest impact. Based on the context outlined above, we believe that new approaches are needed to tackle the substantial challenges facing our health and care sectors.

This submission sets out six areas for consideration:

- Social care – tackling delayed transfer of care through greater support for adult social care
- Primary care – supporting primary care and collaborative budget decisions
- Capital – refocus on the need capital investment
- Productivity – support for provider productivity gains
- Short term sustainability – re-plan finances for this parliament
- Long term sustainability – develop a genuine longer term plan for the NHS

1 Tackle delayed transfer of care through greater support for adult social care

Since 2010, local government's funding from central government has been cut by 40%. Over the same period social care funding reductions have totalled £4.6bn, or a 31% reduction in real terms (ADASS Budget Survey 2016).

There have been considerable failures of supply in the care home and residential care sector. Four out of five directors of adult social care services in local authorities say that home and residential care providers are facing financial difficulty, with evidence of actual failure within the care provider market in the last six months (CQC *State of health care and adult social care in England 2015/ 16*). ADASS estimate this has affected at least 65% of councils, and thousands of individuals.

This is likely to be further compounded as adult social care planned savings for 2016/17 - estimated at £941m. Based on this estimate only 36% of directors could say that they are fully confident of being able to deliver all of their statutory duties this year, falling to just 8% who are sure they can do so next year (2017/18).

Trusts tell us that the impact of reduced social care investment can be seen in the considerable issues with delayed transfers of care. According to Lord Carter's report on acute trust productivity, these have a substantial impact on provider finances. Official statistics and trust estimates on delayed transfers of care show on any given day between 5,500 and 8,500 beds in acute trusts are occupied by patients who are medically fit to be transferred. The cost of these delays to NHS providers is conservatively estimated to be around £900m per year.

Below are a number of approaches that we believe merit exploration over the coming weeks and months:

- Bringing forward already planned investment in the parliament. The spending review stated that there will be an increase in funding for social care through the better care fund (BCF) which will see an additional £1.5bn a year in cash terms provided by 2019/20. Frontloading this settlement and cross subsidising NHS spend with other areas of local government budgets may be beneficial to reducing delayed transfers of care
- A further rise in the social care precept. Nearly all councils (98%) have taken the opportunity to raise the precept to 2% in line with new legislation. The majority of directors in councils which are raising the precept are confident that the benefit will be fully felt by adult social care. Raising both the social care precept and a bringing forward investment in the BCF could be a further option to explore.
- Examining options for how increased or restructured spend can most positively impact on reducing delayed transfers of care, including whether release of funding should be dual-keyed by NHS trusts and local authorities to ensure greater value for money, or if funding could be deployed in NHS budget baselines to tackle social care challenges.

2 Supporting primary care and collaborative budget decisions

GP practices are struggling in the current system. According to the BMA, 68% of GPs practices say their workload is unmanageable some or all of the time, with 92% saying demand has increased over the past 12 months. Additionally, 32% of GP practices describe their finances as weak, with smaller practices ceasing to operate entirely, and those that remain reducing capacity with fewer remaining GPs.

The result is GPs referring more care to secondary providers. Looking at the latest hospital episode statistics, GP referrals made for year-to-date by July 2016 increased by 3.2% compared to year-to-date July 2015 (and these showed a 3.1% increase compared to July 2014). There is also evidence that patients who cannot see their GPs

instead use A&E services - non-elective admissions for the year to date up until July 2016 increased by 3.4% compared to the same period before July 2015.

GPs and wider local health economies are responding to these pressures. GPs practices are federating to drive economies at scale. Primary and secondary care is becoming more integrated with the development on the vanguard programme and multispecialty community providers and primary accountable care organisations. However, the progress that these new organisational forms have made on reducing demand has been incremental to date.

Below are a number of approaches that we believe merit exploration over the coming weeks and months:

- Funding already within the primary care system being focused on giving support to primary care while also looking at reducing secondary care demand. For example looking at possible joint primary and secondary care governance of the prime minister's access fund for increasing capacity in general practice so it also addresses secondary care demand.
- Funding already within the secondary care system being focused on reducing secondary care demand while also giving greater support to primary care. For example exploring how funds raised via the marginal A&E tariff rate and performance fines could be used to oversee enhanced demand management across both sectors.
- Bringing forward already allocated transformation funding to support the development of new care models and integration, to pump-prime the new ways of working needed to deliver longer-term efficiencies.

3 Refocus on the need for capital investment

With the provider side deficit reaching £2.45bn at the end of the last financial year, regulators have asked trusts to undertake capital to revenue transfers in order to try and support trust balance sheets, as well as discouraging applications for genuine investment through the Independent Trust Financing Facility (ITFF). The capital budget for the Department of Health was reduced over the period 2010 to 2015 from £4.8 to £4bn, and is set to reduce in real terms over the spending review period (flat in cash terms at £4.8bn per annum). We are concerned about the consequences of repeated raids on and reductions in capital spending to meet current budgetary pressures.

Many trust capital maintenance schemes were deferred from 2015-16 to help the Department of Health manage its budget in 2015/16 and the impact of these delays will be felt in the coming years. For example, the amount of high-risk capital backlog maintenance for buildings and equipment has increased to over £775m in recent years (NHS Digital estates data 2015/16). We believe therefore that capital to revenue transfers need to cease, and other more innovative capital options should be explored to aid the longer term sustainability of the service so that it has both the capacity and capital to address the challenges ahead.

Below are a number of approaches that we believe merit exploration over the coming weeks and months:

- Looking at options within the £100bn National Infrastructure Delivery Plan for supporting the NHS and integration in future years of this parliament. With sustainability and transformation plans (STPs) still in early development phases, it is not possible yet to allocate funds specifically, but reserving some spend to support capital investment that could support integration once these plans progress would seem judicious.
- Boosting the amount available for public works loans for local authorities, with the proviso that funds are used with the NHS in line with regional planning process such as STPs.
- Looking at options to further incentivise joint ventures with private sector partners to raise capital for strategic estates developments such as biomedical campuses (in the CSR the government committed to encouraging

long term partnerships between the NHS and the private sector to modernise buildings, equipment and services, and deliver efficiencies).
- Flexing the estates and technology fund for primary care as announced in the GP 5YFV so it can also be used for capital investment that also benefits secondary care.

4 Support provider productivity gains

The NHS provider sector fully recognises the need to wring out further technical efficiency savings – and it should be recognised that people who are operating within the system are the people with the expertise to identify and drive these savings. The NHS will always uphold its responsibility for improving efficiency each year. NHS foundation trusts and trusts delivered £2.9bn in cost improvement savings over 2015/16 and have embraced the operational efficiency programme developed by Lord Carter of Coles. The provider sector has already made huge improvements in its productivity in recent years, and should be entrusted to continue to make progress. However, continuing to drive technical efficiency is challenging in a climate of having to reduce corporate staff costs, focus on strategic priorities such as STPs and curtail private management consultancy support.

Below is an approach that we believe merits exploration over the coming weeks and months:
- Looking at options to ensure the Carter review is delivered to its maximum potential. The Carter review suggests that there is more to be done to release even greater savings, to the order of £5bn by 2021. In order to realise these savings, greater support may need to be invested to create the resource capacity within trusts to deliver the review's numerous recommendations - including the roll out to community and mental health providers. Our members have indicated that with a dedicated per annum, per trust investment to help them establish dedicated capacity in analytics, project management, P.M.O and change management, they will be able to continue to deliver efficiency savings, as they have over the previous five years, at the level outlined in the Carter review.

As well as these four areas, we believe that there also needs to be a more fundamental reassessment of funding for the NHS in both the short and long term.

1 Re-plan finances for this parliament

There is an urgent need to take a more realistic look at what the NHS is able to deliver via integration savings this parliament. The plan to make up the £22bn gap as identified in the 5YFV does not adequately explain how integration will deliver over £4bn of the required savings. It now relies heavily on the ability of rapidly produced STPs to deliver integration savings at a regional level.

However, while they are in agreement that the principles behind STPs are absolutely correct, our members – NHS foundation trusts and trusts - tell us the speed with which these plans have had to be developed, and the pressure to produce plans that deliver swift system wide financial balance, means many of the assumptions contained within them are unrealistic.

This is not a stable footing for reasonable planning decisions to be taken on the. Therefore what is required is an open and honest discussion about what these plans can deliver, and how the STP process can ensure that financial planning in this parliament is based on a realistic footing.

Below are a number of approaches that we believe merit exploration over the coming weeks and months:

- Refreshing the STP planning process to set an achievable overall financial envelope for each year of the CSR once and for all. This should incorporate an honest assessment of how much of £22bn can be realised, based on a new, robust and true 'bottom up' STP planning assumptions that providers are given time and space to make, which include an assessment of what services they can deliver within the funding provided and how they can manage demand.
- This should form the basis for a new national plan which then sets out appropriate detail for providers on what they are supposed to achieve within the cost envelope allocated to it by the system for the period up to and including 2020/21.

2 Develop a genuine longer term plan for the NHS

There is little clarity, or public debate, over the long term strategy for the health service beyond the time covered in the 5YFV, looking at period from 2020 to 2040. In this period there will be a huge swell in demand, with a significantly increased aging population with long term conditions. How we pay for the management of this demand will also need to be critically assessed - 44% of the population is projected to be classified as 'dependent' (either above or below working age) by 2040 (NESHA 2008 Our Vision, Our Future, Our NHS).

The options for tackling the shift in demography over the coming decades need to be considered in detail in this parliament. While these options will take time to develop and build consensus around, this process needs to start quickly so that that decisions we need make in creating a genuine longer term plan for healthcare can be expedited.

Below is an approach that we believe merits exploration over the coming weeks and months:

- Creating an officially supported and impartial review of NHS finances and demand in the longer term. This should move us beyond the cyclical natures of parliaments and budget setting, and look instead developing options and recommendations that will address the long term sustainability of the services up to 2040. This review should also engage with national bodies, and look across at health and social care and demography, provide recommendations on the percentage of GDP to commit to spend on healthcare, how it should be funded, and how integrated care should evolve. Most importantly, it should provide national decision makers with the options to make necessary decisions now, in the short term, which will have the right longer term influence on the future of the NHS.

SUMMARY

NHS Providers believes that the current context of tight budgets, increased secondary care demand and wider social and health care pressures, means any additional funding should be invested in the areas that will have the greatest impact at reducing financial pressures on the NHS: supporting primary and social care, investing in the NHS's future through innovative capital spend, and also allowing the NHS the opportunity to continue to deliver productivity savings in its day to day operations.

This must be accompanied by a rethink of financial plans for this parliament, based on a renewed STP process that is truly provider led, robust and allows time to test assumptions thoroughly before delivery. This short term planning needs to feed into a wider piece of work that looks seriously and in detail at the long term sustainability of the NHS, the result of which provides a clear framework for decisions to be made now that will secure the NHS's future in the longer term.

NEXT STEPS

We look forward to discussing and testing out the potential of these approaches with HM Treasury in the run up to the autumn statement announcement.