

Health and Social Care

Delivering a Secure Funding Future

An interim report



Introduction

We are a panel of independent specialists with extensive experience across the fields of healthcare, social care and health economics. We have been working to develop a response to the funding crisis facing our health and social care services. We were brought together at the suggestion of Liberal Democrat Shadow Health Secretary, Norman Lamb MP, to provide a view on the financial problems facing health and care, and possible solutions to them.

While the panel was convened by the Liberal Democrats and some members are affiliated to the Liberal Democrat Party, our discussions and our recommendations have been arrived at independently and are informed by our own professional backgrounds and experiences. We have worked in a non-partisan way, to examine evidence from known sources and in consultation with people who have acknowledged expertise in the health and care sectors. Our starting point remains the basic principles of the NHS – that of universal availability and access free at the point of need.

Our conclusions will play a part in informing Liberal Democrat policy on the issue of health and care funding. However, we sincerely hope that they will also be of interest to health and care policy makers of all political persuasions.

Our work is taking place over a six-month period and we have not yet completed the project. However, we have been asked to issue an interim report on our progress to assist discussion and debate. We intend to conclude our work later in the Spring.



Conclusions

Our interim conclusions are as follows:

1. The current funding settlement for our health and care services is not fit for purpose.

It is well documented that there is a projected funding gap in the region of £20bn across health services by 2020/21 and a further £6bn gap in social care. Yet the Government propose to spend a falling percentage of national income on health and care, at a time when demand is rising by about 4% a year. The proportion of GDP we spend on health is low compared to our European neighbours (ranking 13th out of the original 15 EU members) and is set to continue falling. While we welcome the announcement of additional funding for social care in the recent Budget, we are concerned that this amount will not be sufficient to plug existing gaps – which the most recent estimates suggest will be £2bn this year alone – and are keen to see a long-term solution which will ensure services are given a secure footing in the medium to long term.

2. We will propose the establishment of an independent body to make health and care budget recommendations to Government,

setting out what is needed to deliver services and essentially providing a similar function to that of the Office of Budget Responsibility. We believe that improving transparency and independence in budget setting for health and social care is essential – not only for the stability of services but also for improving public trust in how their taxes are being spent. There often appears to be little, or no, link between Government policy priorities in the health and care, and funding allocations. It is essential that, if we are to ask the public to contribute even more public money to the NHS and social care, that we also increase awareness of how this money is used.

3. We believe the Government cannot continue to expect health and care services to close a funding gap of this size through further efficiencies.

It is well documented that our NHS is already one of (if not the most) efficient health services in the world. While we should always continue to strive for a system which is as efficient as possible, for instance through increasing digitalisation of services, tele-medicine etc. This will in itself require additional finances and we do not believe that potential long-term savings will be sufficient without real upfront investment alongside.

4. Additional investment in health and care services must be strictly targeted.

We are acutely conscious that in asking people to pay more towards our health and care services, policy makers have an obligation to ensure that money is used in the most efficient way possible. As such, we recommend that the additional funding should, for at least the next three years, be ringfenced as an investment in out-of-hospital-care, specifically for use in primary care, mental health, social care and community services.



5. **We are unanimously of the opinion that it is necessary to raise additional revenue for health and care through taxation.**

We base this on all available estimates of the size of the shortfall in NHS and care funding. We are already seeing the fundamental principles which underpin these services – of universal availability and access free at the point of need – being undermined by longer waiting lists and rationing of NICE approved treatments.

We remain a long way off from achieving genuine equality of access for those with mental ill health and in social care, we know that over a million older people are not getting the care and support they need. We are considering a number of options for where additional taxation should come from, taking account of how we can raise the amount of money needed; but also, how this can be done in a way which is progressive and takes account of intergenerational fairness. The options under consideration are as follows and we will conclude which of these we think is preferable, in our final report:

- A Raising income tax:** A one percent increase on all income tax rates would raise just over £4.6bn in 2017-18. We believe a key benefit of this approach is that it is fairly uncomplicated, and therefore transparent way of raising the additional revenue.
- B Raising National Insurance Contributions (NICs):** A one percent rise in NICs would generate a similar amount to a one percent rise in income tax. At present, we also believe there are some anomalies in the way NICs are charged. If reformed, they would present a progressive means of raising a greater amount of revenue. These would include reviewing the option of extending the upper earnings limit on NICs and/or extending the requirement to pay NICs to people who continue working past the age of 65.
- C Introducing a dedicated health and care tax:** Hypothecation of taxation which is used to pay for health and care would offer some clear benefits, including that it would improve understanding of what health and care cost, and enhance transparency about how our taxes are used. We think the natural basis for this tax would be current National Insurance, but we would suggest that this would need to be combined with a means of raising additional revenue in the short term, but will also consider the impact this would have on the devolved nations. We are aware that the revenue raised in this way would be affected by changes in the business cycle and so appropriate adjustment and flexibility would be required.

These are our key conclusions to date. We will be exploring these issues further and setting out a longer list of recommendations in our final report. In the meantime, we hope that this interim report outlines the direction we are taking and makes clear the scale of the challenge we are attempting to tackle. We believe that our health and care services are the most essential safety nets our Government provides and that it is essential we safeguard them for generations to come. We encourage policy makers, of all views, to be prepared to think boldly and ambitiously about how we can achieve this.

- **Amna Ahmad**
- **Professor Dinesh Bhugra CBE**
- **Professor Nick Bosanquet**
- **Sir Stephen Bubb JP FRSA**
- **Dr Peter Carter OBE**
- **Professor Clare Gerada MBE FRCGP FRCPsych**
- **Cllr Richard Kemp CBE**
- **Professor Paul McCrone**
- **Katherine Murphy**
- **Sir David Nicholson KCB, CBE**