

Reform's submission to the Public Accounts Committee's inquiry on "Sustainability and Transformation in the NHS"

About Reform

Reform is an independent, non-party think tank whose mission is to set out a better way to deliver public services and economic prosperity. Our aim is to produce research of outstanding quality on the core issues of the economy, health, education, welfare, and criminal justice, and on the right balance between government and the individual. We are determinedly independent and strictly non-party in our approach.

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1. Financial and operational performance

- a. National Audit Office analysis shows that NHS deficits are masked by financial support outside of service contracts with commissioners. NHS trusts ended 2016-17 £800 million in deficit, while receiving £4.1 billion in "financial support" — £3.1 billion through interest-bearing loans, with £1 billion from the Sustainability and Transformation Fund (STF).
- b. The Office for Budget Responsibility deems the public finances to be "unsustainable" over the long term due to healthcare pressures.¹
- c. **Cash bailouts diminish incentives for providers to deliver more efficient care through the new models of care rightly championed by NHS England.** NHS England evidence shows that larger GP practices have improved care.² Professor Tim Briggs, National Director of Quality and Efficiency, argues that variation in care is so great that trusts should not receive more funding until they improve care.³
- d. **Short-term financial targets, set by NHS England, distort priorities away from medium and long-term reform of care delivery.** Using STF as revenue funding diminishes opportunities to invest in new care models, including estates and technology, to deliver sustainable long-term care.⁴
- e. Local commissioners should have greater power over funding, moving away from national financial targets and short-term care contracts, to deliver new models of care appropriate to their healthcare economies.⁵

¹ Office for Budget Responsibility, *Fiscal Sustainability Report 2017*, 2017.

² Care Quality Commission, *The State of Care in General Practice 2014 to 2017*, 2017.

³ Hugh Pym, 'Is the NHS Getting It Right First Time?', *BBC News*, 4 August 2017.

⁴ Maisie Borrows, Kate Laycock, and Daniel El-Gamry, *A Design Diagnosis: Reinvigorating the Primary Care Estate*, 2018.

⁵ Alexander Hitchcock, Maisie Borrows, and Eleonora Harwich, *Vive La Devolution: Devolved Public-Services Commissioning*, 2017.

2. National Saving initiatives

- a. The NHS has ambitious aims to deliver £22 billion savings by 2020-21 as set out in the Five Year Forward View.⁶ It is right that the NHS looks to deliver these savings to achieve value for money for healthcare. However, unlocking longer-term savings requires new care models that are yet to be implemented. As a result the NHS has not been strategic in attempting to achieve savings.
- b. The workforce is the largest area of NHS spend. Jeremy Hunt has identified agency spend as an area to reduce costs.⁷ Yet, in 2015-16 the NHS spent as much on agency doctors as it did on training student doctors (£1.3 billion).⁸ The cap on locum staff has been found to be breached by 99 per cent of trusts.⁹ NHS providers are not using clinicians in the most cost-effective way. *Reform* research suggests that 50 per cent of a GP appointments could be delivered by nurses, physiotherapists or pharmacists. This could save between £402 and £727 million of per year on the 2015-16 wage bill.¹⁰
- c. The NHS could use its estate more cost-effectively. Lord O'Shaughnessy, Chair of the new NHS Property Board, has said the NHS estate needs to be "more efficient, more attractive, better maintained, and more effectively used to support clinical quality".¹¹ As of January 2018, the NHS has saved £300 million in running costs of the estate with land disposals and modernizing expensive, out-of-date facilities. The Department of Health and Social Care has identified a further £300 million savings.¹²
- d. The Naylor Review recommended the NHS should be "taking advantage of private sector investment" to provide the additional £10 billion needed for transformation. *Reform* research has shown private investment can deliver savings.¹³ This is from co-location of services and better utilization of buildings for clinical use. *Reform* has found practice utilization can be as high as 98 per cent, but average rates in even new-build premises can

⁶ NHS England, *NHS Five Year Forward View: Recap Briefing for the Health Select Committee on Technical Modelling and Scenarios*, 2016.

⁷ Jeremy Hunt, 'Jeremy Hunt: We Need to Be Flexible about the Need for Flexible Working', *Thebmjopinion (BMJ Blog)*, 5 July 2017.

⁸ Kate Laycock, Maisie Borrows, and Ben Dobson, *Getting into Shape: Delivering a Workforce for Integrated Care*, 2017.

⁹ Becky Johnson, 'NHS Hospitals "Being Crippled" By Cost Of Agency Staff', *Sky News*, 15 August 2016.

¹⁰ Leo Ewbank, Alexander Hitchcock, and Thomas Sasse, *Who Cares? The Future of General Practice* (Reform, 2016).

¹¹ Department of Health and Social Care, *The Government Response to the Naylor Review*, 2018, 4.

¹² Department of Health and Social Care, *The Government Response to the Naylor Review*.

¹³ Maisie Borrows, Kate Laycock, and Daniel El-Gamry, *A Design Diagnosis: Reinvigorating the Primary Care Estate*.

be as low as 42.1 per cent.¹⁴ Better design reduces demand on hospitals and brings in more revenue for GP practices.¹⁵

- e. The NHS could save money through better procurement practices. NHS league tables have shown there are substantial variations in what trusts pay for the same consumable goods. The *Future Operating Model* for the NHS Supply Chain needs to better use the buying power of the NHS. Less than half of hospital goods are bought using the economies of scale the NHS writ-large can provide. This could save up to £615 million annually.¹⁶

3. Sustainability and Transformation Partnerships

- a. **STPs are not delivering strategic system-wide planning and delivery.** STPs have not stopped commissioners funding care in silos and are not working together to engage GPs, pharmacists, hospitals and mental-health trusts to deliver integrated care for patients. STPs are not working with local authorities to plan and deliver integration plans for health and social care.¹⁷ Without reform to funding models, the business incentives will not exist to integrate care.
- b. **STP money is overwhelmingly allocated to secondary care.** STPs are more “sustainability that transformation” as money is spent on reducing hospital deficits, not delivering care in the community.¹⁸
- c. **STPs need stronger executive authority and clearer accountability.** One way to achieve this could be elected STP leaders, following the example of Police and Crime Commissioners, which would further add democratic legitimacy. Another way would be to integrate healthcare commissioning into local government in devolution Deals. Directly elected mayors offer clear responsibility for decision-making on public services.¹⁹

Reform has published the following papers on NHS reform:

Maisie Borrows, Daniel El-Gamry, and Kate Laycock, *A Designed Diagnosis: Reinvigorating the Primary Care State* (Reform, 2018)

Eleonora Harwich and Kate Laycock, *Thinking on its Own: AI in the NHS* (Reform, 2018)

Kate Laycock, Maisie Borrows, Ben Dobson, *Getting into Shape: Delivering a Workforce for Integrated Care* (Reform, 2017)

¹⁴ Maisie Borrows, Kate Laycock, and Daniel El-Gamry.

¹⁵ Maisie Borrows, Kate Laycock, and Daniel El-Gamry.

¹⁶ Department for Health, *The Future Operating Model for NHS Procurement*, 2017.

¹⁷ Kate Laycock and Elaine Fischer, *Saving STPs. Achieving Meaningful Health and Social Care* (Reform, 2017).

¹⁸ Eleonora Harwich, Alexander Hitchcock, and Elaine Fischer, *Faulty by Design. The State of Public-Service Commissioning*. (Reform, 2017).

¹⁹ Hitchcock, Borrows, and Harwich, *Vive La Devolution: Devolved Public-Services Commissioning*.

Kate Laycock and Elaine Fischer, Saving STPs: Achieving Meaningful Outcomes in Health and Social Care (Reform, 2017)

Eleonora Harwich, Alexander Hitchcock, and Elaine Fischer, Faulty by Design. The State of Public-Service Commissioning (Reform, 2017)

Alexander Hitchcock, Maisie Borrows, and Eleonora Harwich, Vive La Devolution: Devolved Public-Services Commissioning (Reform, 2017)

Leo Ewbank, Alexander Hitchcock, and Thomas Sasse, Who Cares? The Future of General Practice (Reform, 2016)