



Introduction

Demand for healthcare services has grown significantly across the UK and throughout the globe. As populations age, demand will accelerate further, with greater prevalence of complex health conditions and higher expectations of a longer healthy life. [1] By 2040, for example, the number of people living with a complex condition will increase by a third to 1 in 5, [2] while the number of working-age people will increase by only 4 per cent. [3]

The costs of treating people grow exponentially as populations age, with average demand for health services in OECD countries increasing by 4 per cent a year. [4] On top of these demographic trends, the COVID-19 pandemic has exacerbated the backlog of care, which services are struggling to address.

Improving efficiency will be necessary to meet the challenge of rising demand

Unless there are radical improvements in the health and care system's productivity – that is, its ability to treat more people better with the same amount of resources – the UK risks spending an ever-increasing share of GDP on revenue for healthcare to keep up with demand. This includes both delivering a higher volume of care for the same cost in each setting (technical efficiency) and improving the allocation of resources to the most effective interventions (allocative efficiency).

Improving efficiency in both areas will be necessary to meet the challenge of rising demand. But shifting resources 'upstream', towards earlier and more preventative interventions closer to patients' homes, will be a significant change to the model of care we today. For instance, we know that a clinical intervention costs four times as much as a public health intervention to add an extra year to life expectancy. Meanwhile, we know that every pound spent on primary and community care correlates with a £14

increase in economic activity, more than investment in other care settings. [5 , 6]

The NHS Long Term Workforce Plan rightly includes an ambitious 1.5-2 per cent productivity target and a welcome cross-party consensus that something needs to change. [7] Institute for Financial Studies (IfS) analysis shows that the Workforce Plan fails to account for the significant financial outlay required to pay for massive increase in staff. [8] The IfS concludes that to avoid spending an ever-rising share of GDP on revenue for healthcare services, the NHS's productivity must rise significantly.

A growing chorus – including the Institute for Government and the Public Accounts Committee [9] – argue that there needs to be a new long-term capital strategy. This paper begins the conversation by asking how much money NHS leaders will need as part of this new strategy.