

Good health and good growth:

Healthcare, the NHS, and local economies

February 2020

Metro — Dynamics

In association with:

NHS CONFEDERATION



Introduction

Health and wealth are two sides of the same coin, with a strong link between public health and economic development, as set out in the Metro Dynamics and PHE report *'Health and Wealth: The Inclusive Growth Opportunity for Mayoral Combined Authorities'*.

This short paper – prepared with the help and insight of the NHS Confederation - examines the importance of the nation's healthcare system and its role in local economies: as an employer, as a driver and consumer of innovation, as a landowner and anchor institution within places, and as a vital element in raising wellbeing and addressing the challenge of the UK's ageing population. It is highly relevant for chief executives and leaders / chairs of local authorities, LEPs and NHS Trusts in the context of:

- ongoing work on Local Industrial Strategies and the Implementation Plans for these strategies
- Government's commitment to 'levelling up' through further devolution, closing the productivity gap and increasing healthy life expectancy
- the prevention agenda, with a Government White Paper on Prevention expected to be published this year
- work that places are doing around the country on inclusive growth and the foundational economy
- the need for integrated local economic and health & wellbeing strategies and governance through partnership working between local authorities, other local institutions, and the NHS on developing Integrated Care Strategies
- delivery of the NHS Long Term Plan and NHS multi-year funding settlement

What emerges is a clear message: the health of communities and local economies are intertwined. Good healthcare is vital for local economies and achieving their long-term growth potential – both for treating people if they become unwell, boosting the health and productivity of the labour force, and as a major employer and purchasing organisation within places.

LEPs, local authorities, Combined Authorities and the NHS need to come together to realise the benefits of healthcare innovation, to invest in prevention within communities to prevent ill health, and to ensure that the NHS has the workforce it needs to continue to care for people when they become unwell.

Summary

Opportunities

Improving efficiency and health outcomes



NHS productivity growth of 16.5% between 2004-2017, UK average of 6.7%



Average number of sick days has fallen by 43% since 1993

Supporting the economy



1.2m jobs supported by the NHS (5% of the England total)



NHS annual expenditure of £114bn, supporting economic activity and sectors

New innovations in care improving the quality of life



£7m digital/AI test bed programmes have improved health of 500,000 patients



100,000 Genomes project helping to foster UK genomics sector in market valued at £0.8bn in the UK alone

Challenges

Workforce productivity impacts due to poor health



2 million under 65s economically inactive as a result of poor health



10.7 million working days lost to poor mental health

Increasingly ageing population



Proportion of over 65s to increase from 18.4% to 24.1% in 2040



Over 65s account for 42% of hospital care

NHS staff shortages



94,000 full time vacancies in the NHS



Shortfall of 40,000 nurses nationally

Addressing these issues within Local Strategies and Integrated Care Systems (selected examples)

Contribute to the ageing population



Greater Manchester's Ageing Hub to increase economic participation of 50-64s, generating up to £0.9bn in GVA

Support innovation through collaboration



In West Midlands the Birmingham Health Partners working together to develop a new £300m life science park to spur commercialisation

Integrative Care Systems to promote more joined up care.



By 2021 every part of England will be under an ICS, which will involve collective management of healthcare resources

The NHS in the national economy

The NHS in England employs 1.2m full time equivalent (FTE) employees - approximately 5% of employment in England¹, though in some areas the **NHS employs as much as 20% of the local workforce**². Gross value added (GVA) from NHS health spending also varies across the country, up to 17% of local economic output in some cases². More broadly, **with an annual expenditure of £114bn**³ the NHS supports employment and economic activity across a range of wider services sectors as well as high value sectors like life sciences, pharmaceuticals and medical technologies. In partnership with universities, the NHS is a major driver of health-related research.

The NHS has itself increased its productivity faster than the rest of the UK economy. Research suggests that the **NHS has provided 16.5% more care pound for pound in 2016/17** than the service did in 2004/05, compared to productivity growth of only 6.7% in the economy as a whole over the same period⁴.

The NHS also plays an important role in the health of the workforce. Since 1993, the average number of sick days being taken by employees has fallen by 43%⁵. However, across the UK there are still over 2 million people under the age of 65 who are economically inactive due to sickness⁶. In some parts of the country over 10% of the working age population falls into this category, creating a major barrier to growth. Alongside this there is an epidemic of poor mental health within the UK, with one in four people suffering from a mental health condition, which places a £94bn burden on to the economy⁷ and the loss of 10.7 million working days relating to stress, depression and anxiety each year.⁸

Opportunities

Healthcare in the 21st Century presents a major opportunity to dramatically improve quality of life whilst supporting the resilience of the broader economy. **Advances in digital technology and personal data are transforming public health through predictive prevention and revolutionising the way in which individuals can manage and treat their conditions.** Apps and wearable technology can be used to better identify risks and support behavioural change before people become patients. People with pre-existing medical conditions can receive greater advice and information on their disease. In turn, personal data on the individual can be collected and used by health professionals to better understand individuals' conditions.

Analysing **population health** supports a greater understanding of health determinants across a population. This can be used to identify risks, predict patterns of need and where outcomes are distributed. From this intelligence, preventative policies can be implemented to intervene earlier to change these potential outcomes.

Digital solutions are already at the forefront of tackling some of the largest problems found within UK health. For instance, in 2018, the NHS invested £7m in test bed programmes that use AI and digital platforms including improved cancer screening and a

self-management app to provide support on how individuals can better manage diabetes. It is estimated that these solutions have helped 500,000 patients and saved over £30m for the NHS.⁹

Another revolutionary health innovation is genomics. Increased research into the human genome is enabling a better understanding of certain diseases such as cancer and tuberculosis and how variations in DNA can affect vulnerability to them, enabling a faster, more accurate diagnosis, better treatment and potential cure to diseases. The NHS genomics project is currently sequencing 100,000 genomes from NHS patients with rare diseases, and their families, as well as patients with common cancers¹⁰. The aim of this work is to create improved outcomes for patients through spurring scientific discovery, and to help kickstart a UK genomics sector. Whilst still in its infancy at present, the UK market for genome sequencing alone is valued at £0.8bn.¹¹

The **role of hospitals and NHS Trusts as anchor institutions** is an opportunity to encourage more inclusive, sustainable and healthier places. As large employers, hospitals provide fairly paid, skilled jobs for local residents, supporting people into work and offering apprenticeships and workplace progression. Hospitals have significant purchasing power and can support local businesses and supply chains through local procurement. They can also use social marketing to promote good health and wellbeing. The 40 hospital projects which the Government has suggested will be funded and built over the next ten years present an opportunity to better link the role of anchor institutions, community prosperity and inclusive growth.

A further opportunity for **healthcare to support inclusive growth** may come from potential changes to the HM Treasury Green Book, whereby local wellbeing becomes a factor in investment assessment. This would allow for social infrastructure investment to become more viable. Hospitals would be at the heart of place-based approaches to family support and interventions in early and older years.

Challenges

The UK – as with many other advanced economies – will have to contend with an increasingly ageing population. The proportion of over-65s in England is set to increase from 18.4% today to 24.1% by 2040¹². Given that the over-65s currently account for 42% of hospital care¹³, there are important implications for hospital care provision, balancing emergency care against preventative care, and ensuring strong social care provision locally. Roughly 201,000 elderly people receive local authority contributions to their long-term care at an average cost of £621 per week (£32,300 per year)¹⁴. As well as increasing costs for the public sector, care creates challenges for working people with caring responsibilities.

To add to this important long-term challenge, the NHS faces a critical issue now: that of ensuring sufficient staff for the service. Data from 2018 suggests 94,000 full-time equivalent (FTE) vacancies nationally, which equates to roughly 8% of the workforce¹⁵. Shortages vary across the country, from 4% of the workforce in the North East, to 12% in Thames Valley¹⁶. Nursing is worst affected, with a shortfall of nearly 40,000 nurses nationally¹⁷. Using

temporary workers to plug these gaps creates additional costs for the NHS and results in a lower level of care¹⁸.

Healthcare in Local Strategies

Given the above, it is clear that healthcare plays a vital role in local economies in a number of different ways. Therefore, it is important that local economic strategies reflect the opportunities and challenges of healthcare as far as possible. The NHS Confederation has recently examined a number of local strategies¹⁹ and identified some good examples of where this is already happening in places:

- **Greater Manchester** is a good example of a place that has recognised the importance of collaboration. Greater Manchester has a devolved healthcare delivery service and through its Health and Social Care Partnership which involves 10 local authorities and 12 NHS trusts, £6bn of funds are used to deliver healthcare to its resident population.²⁰

To tackle the challenges associated with an ageing population, **GM has established the Ageing Hub**, a partnership between NHS trust, local councils and a range of other organisations - including GM Police, the Universities, and Public Health England - to coordinate a strategic response. The Hub is **working to increase the economic participation of 50-64 year olds**, which is currently 4% lower than the UK average²¹. Over three years up to 2021, the Hub has set out objectives to match the UK's average rate by supporting older workers who are risk of falling out of work due to ill health. It is estimated that achieving this could deliver an increase in GVA of up to £900m.²²

- The West Midlands is another area that has a particular focus on healthcare. The West Midlands is seeking to build on the presence of the Institute of Translational Medicine and the Birmingham Health Partners coalition, to support local healthcare product innovation, by setting up a Translational Medicine and Med-Tech Commission to identify barriers to commercialisation and make recommendations on how to address these. The **development of a £300m Life Sciences Park** will provide world-class facilities for life sciences and pharmaceutical businesses to encourage wider collaboration within the partnership. It is estimated that over 10 years, **the park will provide 3,600 jobs and will generate £180m in GVA.**²³ The West Midlands also has plans to develop a Radical Prevention Fund to prevent ill-health through technology and using innovation to support health and wealth.

These are just two examples of where local places have identified the importance of healthcare not only to improve delivery of care but to boost the economy. There are more opportunities around the country to integrate this kind of thinking into economic strategy and planning.

Building collaboration amongst local economic partners and NHS trusts

As part of the NHS five-year forward view in March 2016, 44 Sustainability & Transformation Partnerships (STPs) were established across England, bringing together NHS trusts, local councils and other healthcare organisations to collaboratively determine the delivery of healthcare. STPs have been designed to support the running of services in a more coordinated way and to plan collectively to improve the health of residents.

From April 2018, the updated forward view announced that some STPs based on their success would evolve into Integrated Care Systems (ICS). These are a form of even closer collaboration, where NHS organisation, local councils and other organisations take collective responsibility for managing shared resources within the area they serve. Working together in this way is enabling local services to provide better, more joined up care for patients²⁴.

The NHS has confirmed within its 2019 long-term plan that **every part of England will now be covered by an Integrated Care System by 2021**. The Government has likewise signalled a major investment in the country's hospitals.

This creates an important opportunity for local partners and NHS Trusts to bring together the Local Industrial Strategy work and the urgent conversation needed around future care, in order to ensure that local places benefit from the opportunities of future healthcare and new investment in hospitals: in economic terms and in terms of better outcomes for patients.

Contact us

Metro Dynamics and the NHS Confederation are working around the country with Local Authorities, LEPs, and NHS Trusts to help forge better, stronger partnerships.

If you would like to speak to us about inclusive growth, Integrated Care Strategies, or the role of healthcare in local economies please contact:

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About Metro Dynamics

Metro Dynamics works around the country with local authorities, Combined Authorities and Local Enterprise Partnerships (LEPs), as well as Public Health England, NHS Trusts, and local healthcare partnerships. We are working on a range of inclusive growth projects and Local Industrial Strategies across the country.

We are also working on projects that bridge the gap between health and local places and economies. Working with Public Health England we published *Health and Wealth: The Inclusive Growth Opportunity for Mayoral Combined Authorities*. We have also recently worked with NHS Trusts to think about hospital redevelopment in ways that maximise community benefit, wellbeing, and inclusive economic growth.

About NHS Confederation

The **NHS Confederation** is the membership body that brings together and speaks on behalf of the whole NHS. We represent over 500 members across health and social care, including hospitals, community and mental health providers, ambulance trusts, independent sector organisations providing NHS care, and clinical commissioning groups.

The NHS Confederation is the only national body directly helping the health sector to engage with the devolution and local growth agenda – building partnerships with local economic leaders which drive lasting improvements in public services for our local communities. The Health Economic Partnerships work programme focuses on the many policy areas which connect health and wealth locally; including skills, innovation, population health, estates, and finance. We combine national leadership with tailored local services. Find out more at www.nhsconfed.org/localgrowth

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- ¹ NHS Workforce Statistics – May 2019 and ONS (2019) Business Register & Employment Survey
 - ² NHS (2019) The NHS Long-Term Plan
 - ³ NHS (2019) The NHS Long-Term Plan
 - ⁴ Castelli et. al (2017) Productivity of the English National Health Service: 2016/17 Update
 - ⁵ ONS (2017) Sickness Absence in the UK labour market, 2017 update
 - ⁶ ONS (2019) Annual Population Survey
 - ⁷ OECD (2018) – Mental health
 - ⁸ Health and Safety Executive (2014)- Working days lost.
 - ⁹ Imperial College Health Partners (2018)
 - ¹⁰ Genomics England (2019) – The 100,000 Genomes Project
 - ¹¹ Deloitte Monitor, 2015, Genomics in the UK: An industry study for the Office of Life Sciences, B(E)IS
 - ¹⁰ ONS (2019) Population projections - local authority based by single year of age
 - ¹³ NHS Digital (2019) Hospital Admitted Patient Care and Adult Critical Care Activity: 2018/19. Note: figures referred to are hospital Finished Consultant Episodes (FCEs).
 - ¹⁴ Competition & Markets Authority (2017) Care homes market study <https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report/care-homes-market-study-summary-of-final-report>)
 - ¹⁵ Nuffield Trust (2019) The NHS Workforce in Numbers (<https://www.nuffieldtrust.org.uk/resource/the-nhs-workforce-in-numbers>)
 - ¹⁶ Nuffield Trust (2019) The NHS Workforce in Numbers(<https://www.nuffieldtrust.org.uk/resource/the-nhs-workforce-in-numbers>)
 - ¹⁷ Nuffield Trust (2019) The NHS Workforce in Numbers(<https://www.nuffieldtrust.org.uk/resource/the-nhs-workforce-in-numbers>)
 - ¹⁸ Care Quality Commission (2018) The state of health care and adult social care in England
 - ¹⁹ NHS Confederation (2019) Health in all Local Industrial Strategies?
 - ²⁰ Greater Manchester Local Industrial Strategy (2019).
 - ²¹ A strategy for an Age-friendly Greater Manchester version 2 (2018)
 - ²² A strategy for an Age-friendly Greater Manchester (2017)
 - ²³ Birmingham Health Partners (2019) – Birmingham Life Science Park.
 - ²⁴ NHS England (2019) Integrated Care System



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