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Lay Summary

PRODUCTIVITY OF THE ENGLISH NHS: 2014/15 UPDATE

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The latest productivity report from the Centre for Health Economics updates our historical series to account for growth between 2013/14 and 2014/15, and looks at trends since 2004/05.

NHS productivity is measured by comparing growth in the outputs produced by the NHS to growth in the inputs used to produce them. NHS outputs include the amount and quality of care provided to patients. Inputs include the number of doctors, nurses and support staff providing care, the equipment and clinical supplies used, and the hospitals and other premises where care is provided.

The measure of NHS output captures all the activities undertaken for all NHS patients wherever they are treated in England. NHS output has increased between 2004/05 and 2014/15 primarily because ever more patients are receiving treatment. Compared to 2004/05, hospitals are treating 4.6 million (27%) more patients, while the number of outpatient attendances has increased by 19%.

The output measure also accounts for changes in quality. On the upside, there have been year-on-year improvements in hospital survival rates. On the downside, waiting times have been getting longer since 2009/10, although they remain shorter than they were in 2004/05. Taking account of the amount and quality of care, overall NHS output increased by 51% between 2004/05 and 2014/15. Output growth between 2013/14 and 2014/15 amounted to 2.49%.

Increased NHS output has come about in response to pronounced increases in NHS expenditure. This has funded both higher wages and more staff and resources. Wages rose by 19% between 2004/05 and 2014/15, while there was a 10% increase in the number of NHS staff. There has been increased use of agency staff, but there have been periods of retrenchment, notably whenever the hospital sector has been struggling to reduce deficits.

Between 2004/05 and 2014/15 the use of materials and capital increased respectively by 111% and 105%. Altogether NHS inputs have increased by 46% since 2004/05, with input growth between 2013/14 and 2014/15 amounting to 1.94%.

We calculate productivity growth by comparing output growth with input growth. Over the last decade NHS productivity has increased by 13.63% in total. Productivity growth has been especially strong since 2009/10, year-on-year growth averaging 1.37%. Growth between 2013/14 and 2014/15, as these latest figures show, amounted to 0.53%.

This rate of NHS productivity growth since 2004/05 compares favourably with that achieved by the economy as a whole. Annual NHS productivity growth kept pace with that of the economy up to the recession in 2008/09. Since then NHS productivity growth has consistently outpaced that of the economy, which has stagnated.

Full report available at:

https://www.york.ac.uk/media/che/documents/papers/researchpapers/CHERP146_NHS_productivity_update2014_15.pdf

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