Dr Sarah Wollaston
Chair, Health Select Committee
House of Commons
Westminster, SW1A 0AA

5 September 2016

Dear Sarah,

Following our recent catch up phone call, we agreed I would write to set out our current view of the state of the NHS provider sector – which, this year, will account for over £70bn of the core £107bn NHS budget – and the stark choices we believe the NHS must now face. We hope the Committee would be interested in conducting a short, focussed, inquiry into the issues we set out below as part of its Autumn programme.

Sounding a warning bell
Thanks to the dedication and professionalism of frontline staff, NHS performance rarely drops precipitously but, rather, declines on a long, slow, trajectory, as in the 1980's and 1990's. The degree of deterioration only becomes fully apparent in retrospect. Judging when to sound the alarm bell during any period of decline is, therefore, difficult.

But the trust leaders we represent are now clear that, despite their best efforts and the strong support of the new leadership team at NHS Improvement, it is no longer possible for their trusts to provide the right quality of service and meet the required performance targets on the funding available. They believe something now has to give. Either the service receives more funding than is currently planned or we need immediate choices, however undesirable they may be, on whether to reduce the priorities the NHS is trying to deliver, ration access to care, relax performance targets, close or reconfigure services, extend charges or co-payments, or reduce the size of the workforce.

The gap between what is expected of the NHS and the funding available
The evidence of the gap between what the NHS is being asked to provide and the funding now available is widespread and compelling:

Missed performance targets

- Performance against the accident and emergency standard has declined rapidly and significantly. Quarter 4 2015/16 performance was the worst since records began over a decade ago in 2004/2005 with just four of the 138 large A&E Departments seeing the required 95% of patients within four hours; and

- The 18 week referral to treatment target for elective operations is now being missed routinely. According to NHS England estimates, the total elective waiting list was 3.7 million in March 2016, the highest level since December 2007. Leading experts have suggested that under the current

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approach, this target will be irrecoverable.

Rapidly rising demand significantly above expectations and predictions

- Demand continues to rise inexorably, much higher than predicted in the Five Year Forward View and spending review plans. These assumed significant demand reductions over the lifetime of this parliament which were key to delivering the financial and performance levels assumed in those plans. Far from demand reducing, it is actually increasing at a faster rate than previously. For example, NHS Improvement has reported that, in the first quarter of 2016/17, we have seen more than 6% increases in both A&E attendances and emergency admissions compared to the same quarter in 2015/16.

A crisis in social care with major problems or gaps in primary and out of hospital care

- We are in the middle of a full blown crisis in social care as funding cuts bite, individual eligibility criteria narrow and private care providers exit the market. Together with the capacity gap in community and mental health services, this crisis has translated into the largest number of delayed transfers of care on record. At the same time, primary care is under huge pressure and is unable to cope with the level of demand it is experiencing, meaning that significant numbers of patients who could and should be dealt with out of hospital are attending A&E departments. Our hospitals are therefore now being asked to continuously run at capacity levels that are unsustainable and, in many cases, risk patient safety.

Finance deficits

- The provider sector deficit in 2015/16 was an unprecedented £2.45bn. Taking into account non-recurrent savings, capital to revenue transfers and accounting adjustments, this figure climbs to over £3.5bn; and

- The Department of Health avoided breaching its departmental expenditure limit by the narrowest of margins, only made possible by an administrative error in its favour and a series of accounting practices described by the National Audit Office as “unsustainable”.

Workforce shortages

- The NHS is facing significant and widespread shortages of permanent staff affecting nursing, general practice, emergency medicine and a range of different specialisms. This has led to unavoidable hospital service closures, unsustainable pressure on GPs and a further hit on NHS finances through an unaffordable extra £3.6 billion agency staff bill in 2015/16.

The widespread nature of these challenges

- These problems are no longer isolated to a small number of NHS trusts – they now affect the vast majority. For example, in the first three months of 2016/17, 94% of type 1 hospital A&E departments missed the four hour A&E standard. At the end of 2015/16, nearly two-thirds of all trusts were in deficit, with over 85% of acute hospitals in deficit.

The provider sector response

Our members tell us they are doing all they can to recover performance. They welcome the extra new support that new leaders at NHS Improvement and the other national NHS bodies are providing. This financial year’s combination of £1.8 billion sustainability and transformation funding and the first sensible tariff for four years means that trusts have reduced the Quarter 1 deficit from £930 million last year to £461 million this year. This shows that providers can deliver what’s required if they are given a reasonable task for which they are appropriately funded and supported.

But, as your committee pointed out in its recent report on the spending review settlement, the settlement is significantly front loaded. We have only been able to afford this investment because of the

3.8% NHS funding increase in 2016/17 and, even then, we are left with a significant underlying provider deficit. Core NHS England funding increases drop to just 0.7% in 2017/18 and 0.3% in 2018/19. Given the difficulties we have had in making 2016/17 finances work, NHS trust leaders tell us they can no longer deliver what is expected of them on this level of increase.

The stark choices the NHS now faces

A range of options are now open to political and NHS system leaders. Providing additional funding is the most obvious. If, however, there is to be no more funding, the NHS must now make some quick, clear, choices on what gives, however unpalatable these choices may be. No trust Board wants to depart from the key principle of NHS care being available to all based on clinical need not ability to pay. But, faced with this clear, national level, gap the logical areas to examine would be:

- Reducing the number of strategic priorities the NHS is currently trying to deliver. Our members tell us that they are inundated with new initiatives they "must implement" ranging from seven day services and mental health and cancer taskforce recommendations to moving to a paperless NHS and a raft of new patient safety related initiatives. Whilst these are perfectly sensible individually, collectively they are impossible to deliver in the current environment;
- Formally rationing access to care in a more extensive way;
- Relaxing performance targets;
- Closing or reconfiguring services;
- Extending co-payments or charges; or
- Reducing / more explicitly controlling the size of the NHS workforce which accounts for around 70% of the average trust budget. But, clearly, controlling the size of the workforce would have to be linked to some form of reduction in what the NHS is being asked to deliver.

Individual health and care systems are already making decisions of this type on a piecemeal basis. For example, in the last three months, CCGs like St Helens and Vale of York have developed new proposals to ration care. Several of our members - in Grantham, Chorley, and Oxfordshire - have had to close services on safety grounds. A number of trusts have announced plans to reduce the size of their workforce.

Somewhat understandably, these local decisions have met with opposition, not least because some are inconsistent with the overall NHS policy framework – a framework which prevents the NHS from making the changes that other public services, such as local government, have made when facing similar financial challenges.

Trust leaders believe the NHS must now have an open, honest, realistic, national level debate on what gives, translating into appropriate changes to this framework and national NHS leaders explaining why such changes are necessary. Any such debate must extend beyond the NHS and involve the public. The earlier it starts and the more open and honest it is, the better.

What we cannot continue doing is asking local leaders to deliver the impossible, make piecemeal local decisions and then carry the can locally for these decisions when they are driven by this national level gap. It is also untenable to ask NHS frontline staff to try to close the gap by simply working harder and harder.

We strongly support the current sustainability and transformation planning (STP) process to enable local health and care systems to chart a path to sustainability by 2020/21. But the problems the NHS faces are immediate. Trusts and CCGs must develop immediate plans that close the larger gap they will face from April 2017. Failure to do this now means the NHS will be unable to live within its 2017/18 budget.

I hope this letter is helpful in setting out the choices trust leaders believe the NHS now faces. If we can be of any assistance in supporting the Committee's deliberations, please do not hesitate to get in contact.

Yours sincerely,

Chris Hopson
Chief Executive