

Annex A

**Extracts from a document drafted by the Department of Health with contributions from HM Treasury, dated 21 January 2000**

- 1) EU average total healthcare spending as a proportion of GDP was 8% in 1997, the last year for which figures are available. To estimate the UK total healthcare spend needed to reach EU average level in 2006/07, assumptions need to be made about:
  - i) the EU average in 2006-07;
  - ii) UK GDP in 2006-07;
  - iii) GDP deflator over the period up to 2006-07;
  - iv) size of the private health sector in UK in 2006-07;
  - v) the starting point is taken as planned UK total gross spending on healthcare in 2000/01 of £55.7bn.

2) Table 1:

	EU health spend as % of GDP in 2006/07	UK GDP in 2006/07	GDP deflator	Size of private healthcare	Base year UK total growths
Assumption	no change since 1997	November PBR up to 2004/05. 2.25% real growth a year thereafter.	Constant at 2.5%.	Flat proportion of GDP	2000/01 plan
Result	8%	£1,235bn	2.5%	1% of total	£55.7bn

- 3) This set of assumptions points to UK total healthcare spending of £74.5bn in 2006/07 to meet the 8% of GDP level. This implies annual average real terms increase of 5% in each year from 2001/02 to 2006/07. If income, including prescription charges, rose at the same rate, then NHS net spending funded from the Exchequer would also need to rise at 5% a year in real terms.
- 4) A number of points to note:

**Risk around assumptions:**

- i. The assumption that the EU level will remain flat between 1997 and 2006/07 may be risky. The long term trend is upwards, and in periods of economic growth the proportion of GDP taken up by health spending tends to rise. This could be offset by EU enlargement by 2006/07 bringing additional lower income countries into the average. But, if the 8% level rose to 8.3% by 2006/07, for example, UK total gross would need to grow by 5.7% a year to meet that level.
- ii. The assumption for UK GDP growth of 2.25% post 2004/05 may be modest. If a 2.5% assumption is used instead, this adds a further 0.3% a year to UK gross health spending to meet EU level.
- iii. All figures refer to UK spend. Within the UK, England has lower health spending and higher GDP relative to population sized. If healthcare in England were to meet EU spending levels, the average annual real terms increases would need to be higher than the UK figure.

**Extracts from a document drafted by No 10 and send to the Department of Health, copied to HM Treasury**

**Are the 5% real term increases and the EU average just aspirations or spending commitments?**

What we can deliver is always dependent on what we can afford. But we have achieved 5% increases on average in the period covered by the current comprehensive spending review. If we continue to manage the economy properly then, as the Prime Minister made clear in the House of Commons on 19 January, he is 'entirely confident' that we will be able to sustain increases in funding for the health service at that sort of level and over time reach the EU average.

**Note**

Because some of the assumptions needed to forecast health spending as a proportion of GDP are market sensitive and could be misinterpreted as policy signals, we should be very cautious about discussing detailed forecasts beyond 2001/02, when on present plans UK health spending is expected to reach around 7% of GDP.

Annex B

Further information is exempt, under Section 21 of the Freedom of Information Act:

**21 - Information Accessible by Other Means**

- (1) Information which is reasonably accessible to the applicant otherwise than under section 1 is exempt information.
- (2) For the purposes of subsection (1)-
  - (a) information may be reasonably accessible to the applicant even though it is accessible only on payment, and
  - (b) information is to be taken to be reasonably accessible to the applicant if it is information which the public authority or any other person is obliged by or under any enactment to communicate (otherwise than by making the information available for inspection)

to members of the public on request, whether free of charge or on payment.

(3) For the purposes of subsection (1), information which is held by a public authority and does not fall within subsection (2)(b) is not to be regarded as reasonably accessible to the applicant merely because the information is available from the public authority itself on request, unless the information is made available in accordance with the authority's publication scheme and any payment required is specified in, or determined in accordance with, the scheme.



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