HFMA briefing
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hfma

Looking ahead: **the NHS at 100**

MAKING PEOPLE COUNT

FUTURE FOCUSED FINANCE

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Foreword

On 5 July 2018 the nation celebrates the 70th birthday of the National Health Service. The NHS is a much-loved institution that the country is rightly proud of. Media coverage in the build-up to the birthday and the prime minister's recent funding commitment outside of the normal budget processes, demonstrate the special place that the NHS holds in the psyche of the population.

However, the challenges facing the NHS are significant. Waiting lists are increasing, A&E attendances are rising and access to GP appointments can be difficult. Alongside this is a growing population who are living longer and developing more complex conditions, which increases demand on an already overstretched service.

Those of us who work in the NHS, and there are many, are proud to be a part of it, and we want to play our role in ensuring that it remains the much-loved institution that we know. This report from the HFMA contributes to our ability to do that.

While much of the political focus is, rightly, on frontline staff in the NHS – the doctors, nurses and healthcare professionals who deliver the care that the population needs – the finance function plays a vital role in enabling care to be delivered effectively and appropriately.

Finance staff in the NHS work across the whole health and care system, supporting the diversity of services and organisations that make up the NHS that the public sees. Those who have contributed to this report have considered how we, as finance professionals, can work in our organisations and wider economies to ensure that the NHS reaches its 100th birthday in 2048 in a stronger, more robust, position and can meet the changing demands of society.

This report helps us to address the inherent short-term focus of the NHS and encourages us to look forward over the next 30 years. Those who will be leading the NHS into its 100th birthday are now in the early stages of their careers. The HFMA has given them much to think about as they progress and will offer them the support they need to develop. However, this work also challenges those of us who have worked in the system for many years, to look to the future and make changes that will allow the NHS to support us for many generations to come.

Alex Gild, HFMA president

Introduction

In July 2018, the NHS will be 70 years old. Many commentators, including the HFMA, have called for a long-term plan for the NHS to take it through to 100 years and not just focus on the next two, three or five years. Consequently, the HFMA, with others, has carried out some long-term thinking about the factors that will impact on the financial future of health and social care over the next 30 years.

As well as marking the 70th birthday of the NHS, the objective is to help HFMA members, and others, think about and plan for the future. This report explores the key challenges we think will have the biggest impact on the financial future of health and social care. While it is difficult to predict with any certainty what the future holds, we highlight the likely direction of travel and provide insight which will help inform the decisions that are being made now.

This report draws together the output of a series of interviews and a roundtable discussion (pictured) involving senior finance staff in the NHS and representatives from the accountancy bodies. We are grateful to all those who contributed to this report (see page 2). We have combined these views with published research findings to consider how the finance profession should act now to contribute to a sustainable future for the health and care system.

While much can change in 30 years, many aspects have remained consistent in the last 70, including the fundamental basis of the NHS that care is free at the point of delivery, based on need not ability to pay. It is with that guiding principle that we consider the challenges we face in the coming 30 years; defining the issue and the implications of it for the finance function and the wider NHS and care system. This work has been sponsored by Future-Focused Finance which, with the HFMA, contributes to the development of the NHS finance function and plays a key role in ensuring that the profession remains fit for purpose.

Future challenges

When considering the future challenges for the NHS, it is important to recognise that we must first meet today's demands in order to develop a sustainable service. However, we must be cognisant of the change that will occur over the course of a generation and not just think of our current issues in future terms. While we hope that the guiding principles of the NHS remain constant, the pace of change of technology and the consequential impact on how we live, work and deliver healthcare will mean that the finance teams of 2048 may be facing a very different set of challenges.

History tells us the NHS is facing many of the same challenges today as it has through the past 70 years. In 1949, just a year after its birth, the NHS overspent its budget by 130%[1]. In 1979, a Royal Commission on the NHS[2] reported concerns about the cost of an ageing population and technological developments:

> 'Technological and service developments in the NHS have implications for its cost. The NHS has already to spend about one per cent more each year merely to provide its existing standard of service on account of the increasing numbers of elderly. While some scientific advances reduce costs, most tend to increase them, so the future state of the national economy will have an important influence on the NHS and its capacity to provide new or better services.'

Nearly 40 years on, these are still some of the primary concerns for the service and the strategy for the next 30 years needs to consider how to address these areas in a sustainable manner.

Our roundtable event, held in May 2018, identified many challenges ahead, not just for the health and care system, but also the wider public sector. All of these challenges are well documented, and this report draws on some of the research carried out by others into similar areas. Where this report differs is the focus on how the finance function can address and support the system challenges identified.

A wide range of issues have been discussed during the course of this work. Some of these issues are fundamental problems that face the whole economy, such as the impact of changing demographics. Others are challenges that the health and care system faces in order to meet the demands put upon it, such as the need for a changing workforce and the effective exploitation of developing technologies.

The prime minister, in her June 2018 speech on NHS funding, identified five priorities for the NHS: putting the patient at the heart of how care is organised; a workforce empowered to deliver the NHS of the future; harnessing the power of innovation; a focus on prevention, not just cure; and true parity of care between mental and physical health.

The next sections explore three key areas that cut across these priorities and the challenges that the NHS and the finance function face. The fourth section considers the impact on the finance function in greater detail.

[1] *Nursing Times, The birth of the NHS, 5th July 1948*, January 2008

[2] Socialist Health Association, *Royal Commission on the NHS*, 1979, chapter 22

Looking ahead: the NHS at 100 – summary

The HFMA believes there are three key areas that will have an impact on the financial future of health and social care over the next 30 years. These changes will affect how the finance function works and the skills that finance staff need.

Demographic change

- In 2048, the UK population is forecast to be 74.3 million, an increase of 8.7 million from 2016.
- 3.9 million people will be over the age of 85 (2016: 1.6 million). 70% of these will have at least one long term condition.
- Tackling lifestyle and behavioural health determinants must be a priority.
- Prevention is key but is that through education, incentivisation or regulation?
- Investment in prevention requires a long-term outlook.
- The wider public sector needs to recognise that investment in one area may realise savings in another.

Changing roles of the state, society and the individual

- The state needs to create the environment for people to lead healthier lifestyles.
- Debate is needed about what the population is willing to pay for the health and care system and what they should expect in return.
- Self-care, and the development of stronger communities, enable people to stay well.
- Personalised approaches recognise the role of the individual in their own health and wellbeing.
- Integration of services at a local level, with blurred organisational boundaries, will support work across the wider determinants of health.

Technological developments

- Personalised medicine will tailor treatment to the individual, reducing standardisation of process.
- The population expect to be able to access health and care services virtually when appropriate.
- Self-care will be further enabled through the use of personal technology.
- Technological advances have to support the whole population and not increase health inequalities through lack of access to technology.
- Large volumes of health and behavioural data will be generated.

The changing finance function

- Close working with other public sector bodies
- Focus on long term business planning
- Development of integrated business cases
- Increased analytical and interpretive skills
- Increased business partnering
- Long-term workforce planning and talent management

- Career paths across the whole NHS and wider public sector
- Increasing automation of transactional finance
- Emphasis on behaviours as well as technical skill
- Broader understanding of wider public sector
- Multi-sector investment appraisal
- Ability to adapt to changing practices and working environments

Demographic change

When the NHS was created in 1948, it was to serve a population of just over 50 million people. Since then the population has increased steadily, as shown in **Figure 1**. In 2048, when the NHS is 100 years old, the Office for National Statistics predicts the UK population will have reached 74.3 million[3]; an increase of 8.7 million people from the last published actual population statistics in 2016[4].

This population increase will be brought about through longer life expectancy, hence more births than deaths, and through an increase in net migration. **Figure 1** also demonstrates the changing age profile of the population, with a decreasing proportion of young people and a rapidly increasing older population.

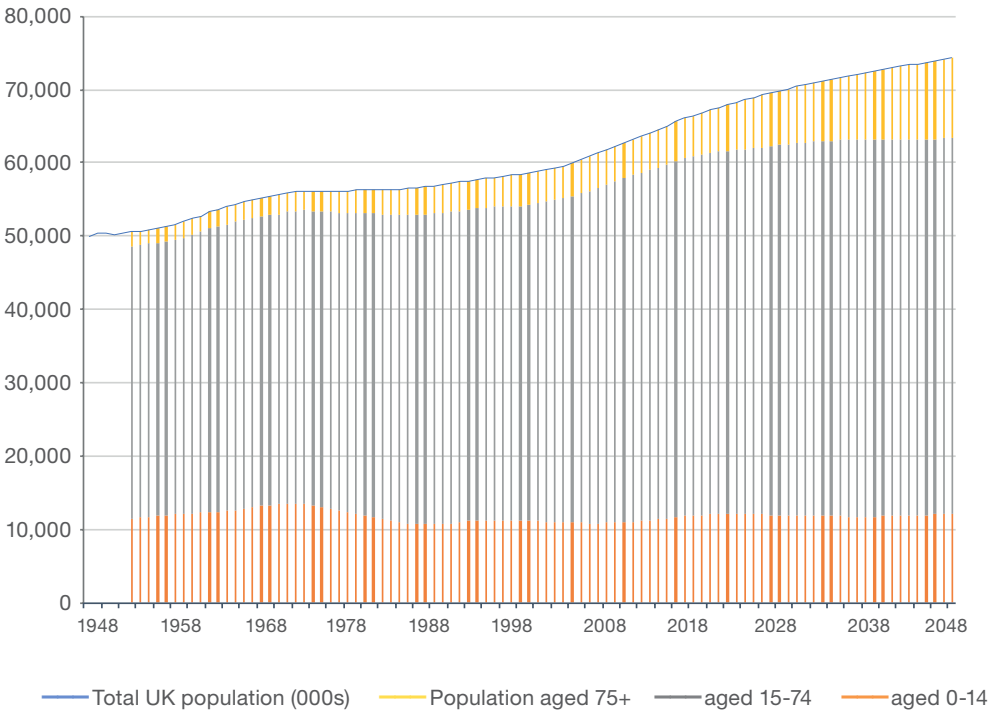
Net migration is currently predicted to account for 54% of the increase in population by 2048, although the impact of leaving the EU has not been included in the numbers as it cannot currently be quantified. Migrants tend to be primarily of working age, between 20 and 36 years, which has an additional, indirect, impact on population growth through the related birth rates of those who have moved to the UK[5].

The prevalence of long-term conditions is known to be increasing at a faster rate than the growth of the population. For example, between 1996 and 2015, the number of people in the UK diagnosed with diabetes increased from 1.4 million (2.4%) to 3.5 million (5.8%)[6].

Future challenges

The health and care system in its current form is struggling to meet the demands of the population with the funds available. It is therefore unlikely that an additional 8.7 million people, with increasingly complex medical conditions, can receive the health and social care they require without significant changes to the way in which the population's health is managed and care is delivered.

Figure 1: UK population 1948 - 2048



Note: age split data not available for 1948 - 1952

[3] Office for National Statistics, *Population estimates*, June 2017

[4] Office for National Statistics, *Overview of the UK population*, July 2017

[5] The Migration Observatory, *The impact of migration on UK population growth*, January 2018

[6] Diabetes.co.uk, *Diabetes prevalence*, 2018

The Office for National Statistics recognises this pressure in its most recent population forecast[7]:

> 'The population of the UK is constantly changing and is projected to continue changing in the coming decades. With lower birth rates and higher life expectancy, the shape of the UK population is transforming. Whilst longevity is something to celebrate, the proportion of those of a working age is shrinking whilst those of a pensionable age is increasing. While a larger population can increase the size and productive capacity of the workforce, it also increases pressure and questions the sustainability to provide social services such as education, healthcare and housing.'

Within this larger population, it is predicted that there will be 3.9 million people over the age of 85 (2016: 1.6 million), of whom 70% are likely to have at least one long-term condition. Those with one or more long-term conditions are intensive users of health and social care services, accounting for 50% of GP appointments[8] and 70% of inpatient bed days, among other high service usage. The two key factors in developing a long-term condition are lifestyle and ageing, but there is significant variation across the country linked to levels of deprivation. The population predictions show that the nation will continue to age, so the focus must be on lifestyle and the reduction of health inequalities in order to address demand for services, through prevention and delaying the progression of long-term conditions.

The increasing prevalence of long-term conditions and the rising number of co-morbidities is recognised as one of the key challenges facing the health and care system over the next 30 years. A similar issue is facing most developed countries and the World Health Organisation has highlighted it as a clear problem:

> 'Globally, chronic conditions are on the rise. Due to public health successes, populations are ageing and increasingly patients are living with one or more chronic conditions for decades. Urbanization, adoption of unhealthy lifestyles, and the global marketing of health risks such as tobacco are other factors contributing to an increase. This places new, long-term demands on health care systems. Not only will chronic conditions be the leading cause of disability throughout the world by the year 2020; if not successfully managed, they will become the most expensive problems faced by our health care systems.'[9]

Modelling carried out by Public Health England in 2013 showed that 55% of the determinants of ill health were due to behavioural factors[10] (for example, tobacco and unhealthy diets) or social circumstances (for example, education, housing and employment), with only 10% directly attributable to health services. The *NHS five year forward view*[11] recognises the importance of prevention and commits to working with public health colleagues, and wider local government, to support and incentivise healthier behaviour.

> "Prevention is not a matter for health services alone, it needs a society wide effort"
>
> **Don Redding, National Voices**

> "We are creating a time bomb in health if we don't get those early years right"
>
> **Phil Bradley, Northampton General Hospital NHS Trust**

7 Office for National Statistics, *Overview of the UK population*, July 2017

8 Department of Health, *Long term conditions compendium of information*, May 2012

9 World Health Organisation, *Innovative care for chronic conditions,* 2002

10 Public Health England, *Strategic plan for the next four years: better outcomes by 2020*, April 2016

11 NHS England, *NHS five year forward view*, 2014

"Why did it take a ban on smoking to have such a marked effect when we all know how detrimental smoking is to your health?"

Elizabeth O'Mahony, NHS Improvement

With lifestyle having such a strong impact on the development of some long-term conditions such as type 2 diabetes, tackling the causes and associated behaviours must be a priority for the health and care system. Prevention should be considered at all stages of life and health. Despite the difficulties in incentivising behaviour, the state has a role to play in enabling people to make healthier choices. Dr Steven Laitner believes that this has to start in the womb with maternal health.

Prevention can be approached in two ways, the paradox of which is discussed by Geoffrey Rose in his 2001 paper, *Sick individuals and sick populations*[12]. Prevention can be targeted at a high-risk individual, identified through screening or lifestyle behaviour such as smoking. This concentrates prevention where it is most likely to be effective and engages the individual as it is tailored to them. This type of prevention can form part of care access thresholds where a person is required to lose weight or stop smoking before a procedure can be carried out and a support package to do so is offered.

The subsequent improvement in the individual's health may result in the intervention not being required. Adrian Snarr, NHS England, says that if cost savings are made as a result of this improved health, consideration should be given to using those savings for front-end public health work. He acknowledges that this is easy to say, but much more difficult to do.

While targeted prevention can have a significant impact on the individual concerned, it does not tackle the wider, population level, causes of disease that the state would like to address. Population-level prevention can be radical but the benefit to the individual is small. This is the prevention paradox – an action that has an impact on the health of the overall population is only going to have a small impact on the individual, so their motivation to behave differently is low.

Geoffrey Rose explains this: 'Mostly, people act for substantial and immediate rewards, and the medical motivation for health education is inherently weak. Their health next year is not likely to be much better if they accept our advice or if they reject it.'

There are three main recognised ways to change people's behaviour; educate, incentivise or regulate. Implementing the ban on smoking in public places was a gradual process that resulted in regulation. It began with an education programme in schools and the wider population, coupled with taxation increases to encourage people not to buy cigarettes.

Ian Moston, Northern Care Alliance NHS Group, highlights that, even though we know most of the things that are good for health in the long term and that can reduce health risks, the big question is how to incentivise the population to take the appropriate actions.

Incentivisation can have unintended consequences. It is too early for an evaluation to take place, but there is some concern in Scotland that the newly introduced minimum alcohol pricing may not lead to a reduction in alcohol intake and may result in a reprioritisation of household budgets.

The difficulty of incentivising people to act in a certain way is a a widely acknowledged concern. This is compounded by the challenges health economies face when they want to invest in prevention. The financial savings brought about by effective prevention can be difficult to quantify and, in times of limited resources, committing funds for some unknown future benefit can be difficult to justify.

The multi-faceted nature of health determinants can also mean that investment in one part of the public sector may result in an impact elsewhere. For example, an investment in health services designed to get people back to work may show the biggest cost saving in the welfare system, but these

[12] Rose, G, *Sick individuals and sick populations*, International Journal of Epidemiology, Volume 30, Issue 3, 1 June 2001, p427-432

"As a whole system we need to accept that some people will spend money and others will get the benefit"

Rob Whiteman, CIPFA

savings would remain within the welfare system and not be recognised as a health benefit.

Rob Whiteman, CIPFA, believes that all organisations should be much more transparent about their spending on prevention with a declaration in the body's annual report and accounts. Understanding that not all benefits of prevention are fiscal can also assist in building the case for working in this area, but can prove challenging.

The prevention agenda requires a long-term focus to realise the benefits, but there is an inherent short termism in the system, which is not explained by crisis management. While the current government has committed to a long-term funding settlement for the NHS, this is the exception rather than the norm, meaning that a necessary focus on short-term financial targets has prevented the NHS from carrying out effective long-term planning.

An enquiry into the long-term sustainability of the NHS published by the House of Lords in 2017[13] concluded:

> 'Those charged with planning and making decisions which affect the whole NHS seem to be plagued by short-term pressures and, as a consequence, lack the ability to look beyond the 'here and now' to the longer term. Long-term planning for NHS and adult social care services is clearly insufficient. This short-termism represents a major threat, and seems to have been a longstanding problem; even when resources were more plentiful, little thought was given to the longer-term problems the NHS faced.'

In her June 2018 speech announcing a five-year funding plan for the NHS, the prime minister observed that the inconsistent and short term funding settlements of the past 70 years has led to a system of planning from one year to the next, preventing much needed investments in technology, buildings and workforce.

"We need to break the short-term cycle, whether it is technology or other investments. Everything we need to do has to be backed up by a business case and it has to stack up, but our horizons aren't long enough for revenue or for capital. We seem to be fixed on short-term business decisions, but we need to look 10, 15, 30 years out and be brave if the payback is a distance in the future"

Adrian Snarr, NHS England

[13] House of Lords, *The long-term sustainability of the NHS and adult social care*, April 2017

"A shared strategic intention to develop a 10-year plan for the NHS that government may back with enough funding to keep pace with the needs (health education, prevention and treatment) of our growing and ageing population could be a tremendous gift for the future. It would give certainty and help our NHS push on to 100 years and beyond"

Alex Gild, Berkshire Healthcare NHS Foundation Trust, HFMA president

The short-term focus can often mean that service reconfiguration or change is only undertaken when something fails, or is about to, meaning that it can be reactionary and, in itself, just a short-term fix. Taking a longer-term view will enable more sustainable solutions to be developed, with corresponding discussions with the local population about what this might mean for other services.

In a health and care system where we are trying to effect transformational change, it is important to recognise that change takes a lot longer than we might expect. We have to take a long-term view. In this area, the benefits of more integrated working can become apparent where local authorities consider commissioning to have a 10-year cycle, allowing others to take advantage of that flexibility in local planning.

However, even the long-term nature of local authority planning is threatened by financial pressures, with local authorities making more short-term decisions in order to survive, according to Rob Whiteman, CIPFA.

Implications for the finance function

It is vital to the future sustainability of the health and care system that the right workforce is in place. The system could look very different in 30 years' time and the lead time to train finance staff is long and medical professionals even longer.

A recent report on the mental health workforce by The Centre for Mental Health[14] noted that people are being trained for the jobs that are available now rather than considering the roles that will be required in the future. All the while a short-term focus on staff training is maintained it will exacerbate the propensity to just do more of the same rather than plan for the longer term.

Long-term workforce planning and talent management has to be priority for the finance function in order to develop a sustainable workforce. This planning should take place at a larger scale than just an individual organisation or a local health economy in order to better manage the talent

"When you are looking at your talented individuals, you have to have confidence and think about the wider NHS. Leadership can be very reluctant to let people go, but those who have worked across provider and commissioner sectors can bring something quite valuable"

Elizabeth O'Mahony, NHS Improvement

[14] Centre for Mental Health, *The future of the mental health workforce*, September 2017

> "Moving between sectors doesn't happen within the NHS. We have created quite different career paths in commissioners and providers and that can only harm us"
>
> **Steve Wilson, Greater Manchester Health and Social Care Partnership**

In summary: demographic change

- In 2048, the UK population is forecast to be 74.3 million, an increase of 8.7 million from 2016.
- 3.9 million people will be over the age of 85 (2016: 1.6 million). 70% of these will have at least one long-term condition.
- Tackling lifestyle and behavioural health determinants must be a priority.
- Prevention is key but is that through education, incentivisation or regulation?
- Investment in prevention requires a long-term outlook
- The wider public sector needs to recognise that investment in one area may realise savings in another.

in the system and enable people to work in different areas for a period of time.

The value of this was widely acknowledged by the roundtable participants, with a discussion around the benefits of plurality in recruitment for the wider public sector. However, while the value of a broad experience is recognised, the reality is that it does not happen easily.

Finance teams should appreciate the transferable skills that staff hold from other areas of the business and enable sector-specific training to be undertaken where necessary to ease the transition.

The finance function is driven by adherence to statutory returns and the organisation control total. This can lead to a short-term focus on annual budgets with little recognition of long-term financial plans beyond the term of the set planning process.

Changing the approach to a long-term planning cycle means that the embedded short-term target culture in finance teams, and the wider organisation, will be challenged. This could have an impact on job descriptions, performance objectives and working practices, meaning that staff training needs may change. Local recruitment and appraisal processes have to be aligned with the wider organisational strategic objectives in order that they may be achieved.

> "As a finance function, we have to change the focus away from solely looking at I&E and concentrate on the balance sheet. We are much better at making multi-year decisions when we look at the investments needed over that period and whether we have the cash to support them"
>
> **Ian Moston, Northern Care Alliance NHS Group**

The changing role of the state, society and the individual

Changing public expectations, an increasing use of technology to support day-to-day life and new ways of working mean that the health and social care system must consider the evolving nature of the population, as well as the differing make up of it.

The 1979 Royal Commission into the NHS[15], had the following to say about society and the behaviour of the population:

> 'The NHS reflects the society around it – both society's aspirations towards good health and its careless attitudes towards bad health. Then again, the NHS mirrors, and always will, not only the imperfect nature of medical science but the diffuse and ill-defined understanding we have of our own health, whether good or bad.'

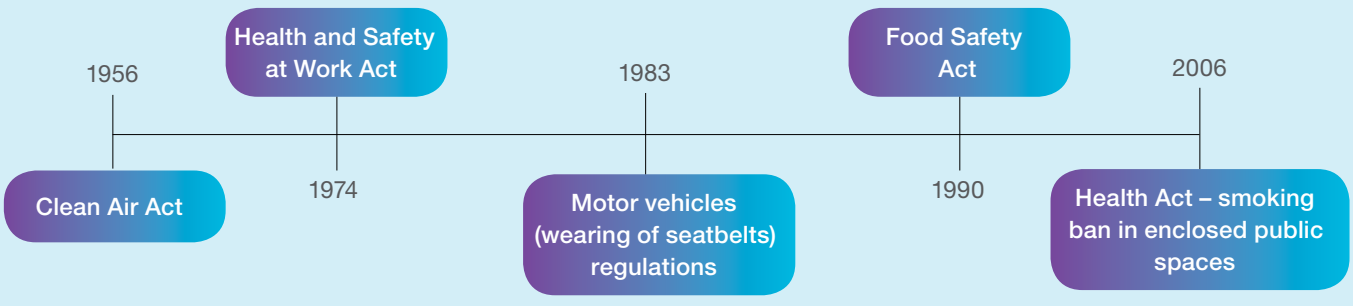
It went on to say:

> 'We considered that there were major areas where government action could produce rapid and certain results: a much tougher attitude towards smoking, towards preventing road accidents and mitigating their results, a clear commitment to fluoridation and a programme to combat alcoholism, were among the more obvious examples. But such action had to be matched by other measures. We saw a need for more emphasis on health education and the development and monitoring of its techniques, for greater involvement of GPs and other health professionals, and for better in-service training for teachers in health education. The imaginative use of radio and television would be important. We felt that much more could be done to emphasise the positive virtues of health and the risks of an unhealthy life style, and that this should include environmental and occupational hazards as well as personal behaviour.'

State action over the life of the NHS has had a big impact on the health needs of the population. Legislation such as the *Clean Air Act* in 1956 was revolutionary at the time but is now an integral part of how we live. The legislation that has had the biggest impact on public health is shown in **Figure 2**.

> "The biggest challenge facing the NHS is adapting and keeping up with the changing needs of society; both in terms of the absolute health and care needs of the population and in the way that people want to access care and support"
>
> **Dr Steven Laitner, GP**

Figure 2: Selected parliamentary acts since 1948 affecting the health of the population



[15] Socialist Health Association, *Royal Commission on the NHS*, 1979, chapter 22

"Data in the next five years will highlight where we are consuming health and care resource and how this relates to social exclusion and deprivation"

Lee Outhwaite, Chesterfield Royal NHS Foundation Trust

Future challenges

The role of the individual in their health and care is increasingly being recognised through the development of personalised approaches across both health and social care, with a much greater emphasis on wellbeing. These approaches also enable a targeted prevention strategy for these individuals to avoid exacerbation of pre-existing conditions or development of new ones.

However, as the state struggles to meet demand, more responsibility falls on the individual to undertake self-care and use the NHS differently. Claire Murdoch, NHS England, believes this also asks the system to behave differently as more education and support is required to help people to manage their own health and wellbeing. It is the responsibility of the system, having done all it can to support somebody to stay well, to be able to react quickly and appropriately when somebody needs it. It is vital that self-care does not become no care.

Personalised approaches encourage the use of community assets, drawing in many aspects of a person's life. As more people self-care in this way, the community surrounding them becomes stronger. This community may be the traditional, geographically based grouping but may equally be a virtual community maintained through social media or other means.

It is recognised that an undifferentiated, standardised approach to care can drive inequalities. If care is not adapted to a person's needs it can increase isolation, preventing somebody from living as they wish. However, it is also important to understand that an increased reliance on self-care and individual responsibility for health and wellbeing could increase social exclusion for some groups who are unable to behave in the way that the system expects for a variety of reasons.

The changing role of the individual reflects the changing nature of the society within which the NHS operates. A poll by Ipsos MORI for The Kings' Fund in 2017[16] showed that 77% of the population believe that the NHS should be maintained in its current form. However, a more recent poll[17] for NHS Providers and others showed that 46% of the population believe that the NHS is going to get worse or much worse over the next few years. While there is a commonly held view, supported by both of these polls, that the public would be willing to pay more in taxes to support the NHS, there is a

"There will always be a tension about prioritising resources in a tax funded system. There is a debate to be had about whether we can afford the latest and newest treatments and medicines that come along, which may be impeding our ability to do some of the other things that are needed"

Robert White, National Audit Office

[16] The King's Fund, *What does the public think about the NHS?,* September 2017

[17] Ipsos MORI, *NHS at 70: Public attitudes to the health and care system*, May 2018

> "We are going to have to make some really difficult trade-offs. One of our jobs as finance professionals is to expose that, put the data together and help people make that decision"
>
> **Caroline Clarke, Royal Free NHS Foundation Trust**

need for a debate about both what that level of funding might be and what the public can expect in return.

The need for adaptation is not only about the NHS adapting to meet the needs of society. Those attending the roundtable also highlighted the importance of talking about end of life in a new way and being realistic about healthy life years. The Dying Matters Coalition[18] highlights the need for a fundamental change in society where dying, death and bereavement are seen and accepted as the natural part of everybody's life cycle. The understanding of the wider social value of treatments is a difficult but necessary discussion in a society that prioritises extension of life over quality. This view is supported by the Ipsos MORI poll, which suggested services that could be rationed, where 76% of the population said that short-term life extending drugs for the terminally ill should be available to everybody. Rob Whiteman, CIPFA, acknowledges that this is a difficult debate but one that finance professionals should encourage.

NHS England has begun to consider the wider health determinants of society through its Healthy New Towns work, which works with housing developers to implement principles which promote health and wellbeing. For example, in Bicester, a significant increase in housing stock is being complemented by cycle paths, green spaces and work with the local primary education system to encourage parents and children to live healthier lifestyles[19]. By including health and wellbeing in the housing agenda, it recognises that the state has a part to play in improving population health. Claire Murdoch has frequently spoken about the importance of housing to health and wellbeing. She believes that, as a health service, we should be more interested in housing and not consider it to be an issue exclusive to local authorities.

The ban on smoking in public places in 2007 has played a key part in reducing the number of smoking related hospital admissions, including cardiac and respiratory issues. This state action tackled a key public health issue where previous encouragement, through tax increases and education, had failed to make a significant impact. The role of the state in the future may need to include action on other health and wellbeing issues – for example, obesity – through incentives such as the sugar tax. The government has stated that it is committed to national action where this supports people to make healthier choices. However, this needs to be cognisant of the difficulties in incentivising and that the potential impact on behaviour may not be as expected.

> "The role of government is to facilitate people's good health by making it easier for people to make healthier choices"
>
> **Mark Knight, HFMA**

[18] Dying Matters, *About us*, 2018

[19] Design Council, *What is a healthy new town?,* May 2017

"We are now on the cusp of something that delivers a fundamental change in the nature of the purchaser provider split. For accountants, and the finance profession, that is going to be really interesting. We are driven by organisations; we produce a set of accounts for an organisation and we are going to start to move into a period where organisations are blurred. I think we are on the cusp of breaking down those organisational barriers"

Steve Wilson, Greater Manchester Health and Social Care Partnership

There is growing discomfort at the thought of a paternalistic state, although some believe that it is overplayed. Concerns over data usage to manage the health of the population have also been raised. However, there is broad agreement that the state has a role to play in creating the environment for people to lead healthier lifestyles.

The state also has a role to play in generating debate around the population's health and wellbeing. This debate may be about the consequences of lifestyle and behaviour but, at a local level, this debate can also be valuable in discussing system priorities and how funding should be allocated.

Place-based approaches, which are being successfully deployed now, and the further development of integration across not just health and social care but also housing, justice, and welfare could result in societies with strong local identities and a significant devolvement of decision-making power to local areas.

The NHS and social care are interdependent services run by a multitude of organisations across health and local government. Many people interact with both through the course of their lives. The recent rebranding of the Department of Health to the Department of Health and Social Care recognises the importance of integrated working at the highest level of government but applying this in practice can be more problematic. The government is willing to look at areas where legislation and regulation contribute to these difficulties[20].

Jackie Chai, Dorset HealthCare University NHS Foundation Trust, recognises that the coming together of health and social care is a significant challenge for the NHS over the next 30 years and will impact all facets of the services – people, ways of working and the technology used.

"If we are going to cross the cultural divide we need people who are confident to speak across boundaries. They need the ability to be comfortable when things are not clear and have the expertise to get things done"

Jackie Chai, Dorset HealthCare University NHS Foundation Trust

> "We have to realise that the 9 to 5 job is dead. We need to rethink how we offer jobs and the technology that we use to enable them. How can we make our jobs and departments much more attractive to people?"
>
> **David Ellcock, Future-Focused Finance**

Implications for the finance function

Changing working practices within the population will also impact the NHS finance function, with more potential for remote working and a greater demand for flexibility.

The finance workforce is already experiencing a change, with much more emphasis on recruiting for behaviour as well as technical skill. Future-Focused Finance is developing a framework setting out the behavioural and personal characteristics required by finance staff working in the NHS, to support this approach. Jackie Chai believes that the future workforce will be much more interested in the social benefit that comes from working in the NHS and being able to invest in that cause.

The challenge of integration for the finance workforce is significant. Even while working together, the cultural differences between different parts of the health and care system can be vast and work is needed to address that. As integration of provision expands beyond just health and social care into housing, welfare and education, the challenge of working with different policy cultures will grow.

The need for a strong and competent finance workforce is clear, both to ensure the current NHS is sustainable and that the future service develops effectively. Work needs to be done to address the expectations of those seeking these roles in the future.

The HFMA's staff attitudes survey[21] found that 60% of deputy or assistant finance directors did not aspire to become finance directors due to the potential heavy workload, stress, political interference, unrealistic expectations and job insecurity in a director's post.

In summary: changing roles of the state, society and the individual

- The state needs to create the environment for people to lead healthier lifestyles.
- Debate is needed about what the population is willing to pay for the health and care system and what they should expect in return.
- Self-care, and the development of stronger communities, enable people to stay well.
- Personalised approaches recognise the role of the individual in their own health and wellbeing.
- Integration of services at a local level, with blurred organisational boundaries, will support work across the wider determinants of health.

> "It is becoming more difficult to encourage staff to apply for senior roles when the perception is that the additional stress is not justified by the financial reward"
>
> **Craig Marriott, NHS Lothian**

[20] Prime Minister's Office, *PM speech on the NHS*, 18 June 2018

[21] HFMA, *The NHS finance function in 2017: England*, May 2018

Development of technology

Since the inception of the NHS in 1948, medical science has developed dramatically. The discovery of the structure of DNA in 1953, the introduction of vaccines for polio and diptheria in 1958 and the first kidney and heart transplants during the 1960s have changed both the population's health and their perspective on what is possible. The development of advanced diagnostic procedures enables earlier diagnosis and less invasive procedures.

The formation of Genomics England in 2013 is moving medical science on again and the development of personalised medicine will turn the traditional approach to diagnosis and treatment on its head, recognising that a disease can take several forms and that people may react to treatment differently.

The genomics work that is under way will change the way in which cancer and rare diseases are treated and will provide a wealth of data around how genetic profiles influence health. This may result in the identification of new disease, and treatment, pathways. Treatment could then be tailored to the likely response of the individual, thus utilising health and care resources more effectively. The flip side to this is that standardised condition pathways and costs could become a thing of the past for certain diseases, although the outcomes should be much improved.

Technological advances so far this century have dramatically changed the way we live but have been slower to impact on the way that we deliver health and social care. The *Next steps on the five year forward view*[22] summarises a technology strategy for the next few years, primarily focusing on the way in which the NHS can make better, and more extensive, use of existing systems and practice. While this approach ensures proof of concept and safety, the next 30 years will see the normalisation of much which is currently 'new'.

The start of widespread adoption of smart phones in 2007 changed how we communicate and share information. The power of social media has enabled virtual networks to build up, linked to condition or support needs, providing peer support for many people with long-term conditions, and easy access to comparative data about treatments and approaches. The self-care power of these technologies could be significant, especially when combined with apps which provide personalised support and information.

The more recently developed wearable technologies, can feed lifestyle data into apps and, in some cases, medical information, enabling people to better understand and manage their condition. Health and care service access to this data could allow early identification of risk factors, hence preventing conditions worsening and hospital admission.

Future challenges

The increasing use of technology in day to day life means people are already accessing health and care services in a different way. Dr Steven Laitner says primary care is becoming more open to the idea of telephone and online consultations but there is still a way to go. In the wider NHS, take-up of technological developments can be patchy as

"In the next 30 years there is a conundrum between standardisation of process to reduce unwarranted variation versus what the science is starting to tell us about personalising medicine"

Caroline Clarke, Royal Free NHS Foundation Trust

[22] NHS England, *Next steps on the NHS five year forward view,* March 2017

much is left to local discretion. Caroline Clarke, Royal Free NHS Foundation Trust, believes this could be improved by a more directive approach from the centre. Adrian Snarr, NHS England says that the NHS's rate of adoption of technology can be quite poor and we need to be bolder.

Artificial intelligence is gaining prominence in healthcare, with the prime minister pledging funding to support the technology in early cancer diagnoses[23] and recent research has shown a high success rate[24]. The recently published policy paper *The Grand Challenge missions*[25] aims to 'use data, artificial intelligence and innovation to transform the prevention, early diagnosis and treatment of chronic diseases by 2030'. While one of the stated aims of this mission is to improve NHS efficiency through reducing the need for costly, late stage, treatments, the costs of the technology itself must not be overlooked. It is anticipated that the development of the artificial intelligence industry will contribute to UK economic growth, demonstrating how the NHS can add value to the wider economy through the development of medical technologies.

The development of artificial intelligence in healthcare will have a significant impact on the NHS of the future that cannot currently be quantified. The NHS as a whole will need to be able to adapt as the technology becomes more widespread.

Developing medical technologies mean that the health and care system of the future will have a better understanding of the needs of their population. The ongoing work in genomics is enabling us to see into the body, but Caroline Clarke suggests that this may be a more significant change over the next 50 years, rather than 30. However, for some conditions it will have an impact sooner.

The NHS in 30 years' time will be dealing with, among others, an older generation who are accustomed to, and expect, a far greater level of technology to be involved in their care. It is therefore vital that the health and care system replicates society in its adoption and use of technology. The *Grand Challenge missions* paper also acknowledges this and identifies the ageing society as an area for focus, recognising that there will be demands for new care technologies as well as an impact on housing and work requirements.

The preventative power of technology and its utilisation in self-care is already being recognised, with insurance companies offering exercise tracking devices to those taking out life and health cover. Robert White, National Audit Office, believes that people will become more self-reliant as the nation begins to talk about what NHS resources can cover; having real-time information on your health will assist that. While this may be the case, the health and care system will still need to support those who are unable to fully utilise this technology; there is a significant danger of increasing health inequalities through this approach. The challenge for the health and care system is to make this work for the whole population.

Social media is also having a significant impact on the NHS and that is anticipated to increase. In some ways, this is a challenge to be met as social media movements can develop in unexpected ways. It can also be much harder to gain widespread social acceptance of a change now, than in previous decades. Conversely, social media provides a positive platform for the NHS to share messages about services and health, engaging with the population in a different, more immediate way. For those living with a long-term condition or those who are isolated in some way, the networks built over this virtual community can provide an essential link to the outside world and support in managing their health.

The data generated over the next 30 years through the use of technology and the increased understanding of genetic profiles, will be incredibly powerful. However, with the power

"If we are trying to be leading edge, not everything will work"

Adrian Snarr, NHS England

[23] *The Guardian, May to pledge millions to AI research assisting early cancer diagnosis*, May 2018

[24] *The Guardian, Skin cancer computer learns to detect skin cancer more accurately than a doctor,* May 2018

[25] Department for Business, *Energy and Industrial Strategy, The Grand Challenge missions*, May 2018

of the data comes a requirement to store it securely, use it appropriately and ensure that people understand how it will be analysed and for what purpose. The interdependencies between the sources will be key; linking lifestyle factors with genetic profiles, together with the more traditional clinical data will require processing power and storage capacity beyond that currently in common use in the NHS. To maximise the benefit of this interconnected data, a workforce highly skilled in analytics will be essential.

Implications for the finance function

The impact of new technologies will not just be on patients and healthcare delivery, but on the way the finance function works. The transactional side of finance is likely to become more automated and make more use of shared service centres. While the NHS currently utilises shared services for many areas within finance, this is often backed up by manual processes in organisations to provide assurance that everything is working as it should be. This duplication of effort must reduce as service efficiencies are sought.

Attempts are already under way to automate much of the accounts payable process but research completed for the efficiency and value aspect of Future-Focused Finance's work, indicates that only 27% of provider to commissioner invoices are raised electronically. Other public sector organisations in the UK are closer to 100% so the required boldness of technology adoption on healthcare must also extend to the finance function.

NHS England has attempted to automate some of its reporting requirements through the use of a single ledger for CCGs, but many of the current manual processes are there to satisfy regulatory requirements; as technology and process changes, the central reporting regimes also need to alter to allow organisations to maximise the available benefits.

In summary: technological developments

- Personalised medicine will tailor treatment to the individual, reducing standardisation of process.
- The population expect to be able to access health and care services virtually when appropriate.
- Self-care will be further enabled through the use of personal technology.
- Technological advances have to support the whole population and not increase health inequalities through lack of access to technology.
- Large volumes of health and behavioural data will be generated.

The finance staff of the future will need very different skills to those which they are currently trained in. Key among these skills will be to not only analyse and interpret large quantities of data, but to understand the implications of the results for the future business and service development. This may mean that the make-up of finance teams will include new specialties such as statisticians and data scientists.

The newer discipline of behavioural finance, which considers why particular choices are made and how financial decisions impact behaviour, may also become more important to understand the potential implications of financial decisions on the behaviour of both staff and population prior to implementation of a change.

Phil Bradley highlights that it is important not to let hierarchies prevent staff from learning skills from younger colleagues, as technology progresses.

"Technology will help people to look after their own health. Finance needs to enable that through investment"

Robert White, National Audit Office

The changing finance function

As the structures of the NHS evolve to meet the challenges of the next 30 years, so too must the finance function. The challenges set out in this briefing will require the finance function to work in a very different way, while still meeting the statutory requirements upon it.

The wider finance profession is anticipating significant changes to the way that it operates. Increasing automation of the transactional parts of the work mean that a much greater focus will be on financial management and planning. This offers considerable opportunities for staff progression, enabling them to gain a greater understanding of the business within which they operate. However, it also presents some challenges when bringing new staff into the profession who would have traditionally started at a transactional level.

Thought needs to be given to what an entry-level finance job will look like and the skills that are needed, to keep a pipeline of talent flowing from school leaver level. All the accountancy bodies in attendance at the roundtable highlighted an ongoing process of updating their qualifications to keep them relevant. Future-Focused Finance has several programmes[26] that assist people to develop the additional skills that they need to become successful financial leaders within the NHS and across the wider system. The HFMA's new masters level qualification focuses on the business and finance skills required in a changing environment[27] and enables students to better manage the business of healthcare and understand the complex decision-making processes required.

Closer working and greater integration across health and social care mean that finance staff at every level will need an appreciation of the financial regimes of the other party. A key role of finance staff is to be able to challenge the assumptions of others, particularly when setting out a case for change or investment. As these business cases become increasingly integrated, finance staff will need a much broader understanding of health and care in order to be confident about the decisions they are being asked to make.

Working in new ways and with new partners will require finance staff to adapt to new policy cultures and understand the statutory requirements on their partners, which may differ from their own. The ICAEW identifies that one of the key challenges facing the finance function is a greater emphasis on teamwork, when the teams people work in may look very different to those which they are used to.

The skills needed to operate successfully in these teams will move beyond the pure technical knowledge that traditionally defines an accountant. People need to enhance their technical ability with softer skills in order to be most effective in new environments. It is essential to recognise that this also applies to those already working in the system and that organisations need to engender a culture of continuous learning.

With the move away from transactional finance to a more strategic role, the finance function has an important role to play in business planning. While it is easy to focus on the short-term demands of the profession, such as budget management and statutory reporting, the function has a key role to play in enabling longer term business decisions that contribute to the financial sustainability of the organisation and wider health and care economy. Finance staff will also need to develop their investment appraisal skills to support the evaluation of prevention schemes, where the pay back on investments may occur many years in the future and

"One important role of the finance function is to serve as a robust challenge to the over estimates of others. Advocates of change will often be optimistic about its impact"

Iain Mansfield, ACCA

[26] Future-Focused Finance, *Networks and programmes*, 2018

[27] HFMA, *HFMA qualifications*, 2018

> "Teams may be virtual, geographically dispersed and multi-generational. Finance staff will have to adapt to a new way of working"
>
> **Mark Protherough, ICAEW**

to different sectors. The importance of post investment appraisal will also increase, in order to understand whether an action has had the desired, and expected, impact. Post investment appraisal is an often overlooked aspect of financial decision making but will gain in importance as multi sector business cases become the norm.

The challenge for the finance function is to find a way to integrate management reporting across that wider economy so that the full impact of changes and actions are understood. This requires a much more analytical and strategic set of skills than may have been needed in the past.

Finance staff are involved in every aspect of the business and, in order to carry out their roles effectively, need to have a broad understanding of the objectives and priorities of the different areas of health and care. In many areas, finance staff are undertaking the role of a business partner which enables them to develop close working relationships with those whom they support. This relationship allows a sharing of knowledge across all staff involved which ensures that all aspects of a decision are considered. Working in this way increases overall engagement and understanding of changes that are being made and supports wider staff involvement in organisational developments. As decision making begins to consider the impact on the wider public sector, through a greater emphasis on integrated, place-based working, the need to understand the business becomes much broader.

Working in this way challenges the traditional financial view of value, and a more holistic approach needs to be taken when considering value-for-money. Benefits may not be directly financial; while improved wellbeing may have a financial benefit for the health and care system through reduced demand, attributing a figure to it would be difficult. This is where an understanding of value is necessary for financial staff and the ability to take a long-term view is crucial.

This long-term planning extends to the need to consider the changing workforce and investing in the development of talent. Integrated working practices will give a greater opportunity for staff to move between sectors and develop a much broader experience, which can only benefit the health and care economy. However, organisations will have to think of the wider benefit of this development and not act in a protectionist manner to retain staff. Recent work by ACCA[28] identified that people joining the profession expect to be able to move between sectors and develop their careers. There is a much greater willingness amongst young professionals to leave an employer if opportunities are not made available to progress.

Many organisations are considering the impact that technology will have on the finance function. A study by EY[29] surveyed 769 CFOs across 32 countries on their views of the future of the finance function. The importance of new technology was recognised, with the transactional side

> "One of the attributes we are valuing much more at recruitment is behaviours. Our focus used to be on technical skill but we now recognise the importance of behaviours as well"
>
> **Craig Marriott, NHS Lothian**

[28] ACCA, *Generation next: managing talent in the public sector*, April 2018

[29] EY, *Is the future of finance new technology or new people?*, 2016

> "Finance has a unique end-to-end view of an organisation"
>
> **Shane Balzan, CIMA**

In summary: changing finance function

- Close working with other public sector bodies
- Focus on long term business planning
- Development of integrated business cases
- Increased analytical and interpretive skills
- Increased business partnering
- Long term workforce planning and talent management
- Career paths across the NHS and wider public sector
- Increasing automation of transactional finance
- Emphasis on behaviours as well as technical skill
- Broader understanding of the wider public sector
- Multi sector investment appraisal
- Ability to adapt to changing practices and working environments

of finance becoming more automated and within shared service centres. While the NHS currently utilises shared services for many areas within finance, it is often backed up by manual processes in organisations to provide assurance that everything is working as it should be. This duplication of effort must reduce as service efficiencies are sought. EY highlight that one advantage of automated shared service centres is a 100% audit trail, which does not require manual assurance processes.

However, with any automated process it is essential to understand whether the output is correct; the increased use of technology does not remove the need for the corresponding technical skills in the workforce. Equally, if an automated system highlights an error or potential fraud, the staff working with that process must be able to confirm the legitimacy of the warning.

The greater use of technology within healthcare procedures and by individuals to monitor their condition, will generate a significant amount of data which can support business decisions and service development. Specialist roles to analyse and interpret the information already exist within the NHS, however the finance function will increasingly rely on this information when developing business cases and interpreting performance data. Finance staff will be expected to become experts at combining management information and traditional finance data to form real intelligence and predictive analysis and use it to support strategic decision making. Statistical skills and analytics will become part of the suite of skills that the finance function requires.

The changing finance function will continue to need the traditional technical skills that staff are trained in. However, over the next 30 years, these skills will increasingly be augmented by both a new range of competencies for existing staff and a number of new specialist roles within the function. Finance staff will need to embrace new technology and be agile when responding to the needs of their organisation. The speed of change is increasing and the next 30 years will see significant demands on the finance function to support their organisation through the evolution of the health and care system.

> "As the NHS finance function, and valued people and professionals, we have much to offer and do in this next phase"
>
> **Alex Gild, Berkshire Healthcare NHS Foundation Trust, HFMA president**

Conclusion

The challenges facing the NHS over the next 30 years are significant. Some of these we can see developing now, others are beyond our comprehension as the technology does not yet exist. However, the people that we are training now, and in the coming decades, need to be prepared to face the challenges and continue to meet the guiding principles of the NHS, that it is free at the point of delivery and based on need, not ability to pay.

The increasing level of integration across health and care requires a finance function that is confident to work across boundaries and address issues which may not be familiar to them. Developing technologies that are changing working practices require a flexible workforce that can adapt and learn throughout their working lives. And increasing personalisation across both care and medicine means that the challenge of efficiency through standardisation will be replaced by a more bespoke approach that needs to remain equitable for the whole population.

These future developments are set against a backdrop of a growing, and ageing, population with increasing needs for care while funding for that care is decreasing. The challenge for the NHS and the wider health and care economy is to have a sustainable and effective service that meets the population's needs in 2048. The finance function, supported by the HFMA and Future-Focused Finance, has a key role to play in achieving this aim.

Support from the HFMA and Future-Focused Finance

Over the next 12 months, Future-Focused Finance will carry out research that builds on the work in this briefing to understand how the NHS finance function needs to change to be fit for the future.

The HFMA will work with CIPFA to look at the changing role of a chief financial officers as NHS and local government structures evolve into integrated care systems. The HFMA will explore how the role of the finance business partner will be changing and also how the digitisation agenda will impact on health and care services.

The HFMA will continue the work of its Healthcare Costing for Value Institute to help members support their organisations and ICOs to reduce waste and gain maximum value from the public funds they receive.

The HFMA will also work with members to contribute to the debate on where legislative or regulatory changes could enable the health and care system to operate more effectively.

The culture of continuous learning highlighted in this report is supported by the networks, conferences and e-learning available through the HFMA and these will adapt with the finance function so they meet the future challenges of the health and care system.

> "The NHS that celebrates its 100th birthday in 2048 will be able to achieve things which today we can scarcely imagine – but only if we, at this moment, take the action necessary to secure the NHS's future"
>
> **Theresa May, UK prime minister, 18 June 2018**

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For more than 60 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has a particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

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