Compass Carter Osborne

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Labour In Power

What does a Labour government mean for the independent health and social care sector?

Attendees

Compass Carter Osborne

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Discussion Chair

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Managing Director & Global Head of Healthcare Services, Rothschild & Co

Dr Natalie-Jane McDonald
Sector Chair, Health & Social Care

Rt Hon Anne Milton
Chair, Health Sector Expert

Luke Osborne
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Douglas Quinn
Chair, Private Equity & Social Care

Professor Vic Rayner
CEO, National Care Forum

Tom Riall
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Introduction

"As a change in government looks increasingly likely, Compass Executives hosted its annual thought leadership dinner Chaired by Andrew Neil with independent health and care Chair's, CEOs, and leaders to discuss what a Labour Government could look like for the sector.

When discussing "what if's" it is important to provide context from as many perspectives of our multi-faceted healthcare system as possible. I was delighted to have in attendance so many sector leaders and voices contributing informed views and insight to the discussion. All attendees had a different lens on the sector, whether it be as for-profit or not-for-profit providers, banking, financial advisory, the NHS, ICB's, Local Authorities or consumer and general health.

What emerged was a common consensus that there will be limited money to spend, the need for extra capacity as the population ages and increases will be relentless and that the solution lies in workforce planning, aided by tech and greater efficiency and capacity which the independent sector is able to deliver cost effectively. The key question was whether there is the political will to do so? Consensus was that the Labour party are best placed to deliver on this mandate, providing they have a sufficient majority and are not hostage to internal interest groups.

Andrew Neil's knowledge and access to key decision makers provided unique context and structure to proceedings as we navigated a host of topics that are highly relevant to the wider sector, and I hope you enjoy reading the report."

Sam Leighton-Smith

Key Areas of Discussion

- Budgeting – how much more money can Labour guarantee, and who is going to pay for this? Does an increase in funding turn the dial?
- What parts of the sector should investors be looking to invest in across the next 5 years, if we assume that Labour win the election?
- Can Labour change the NHS landscape across one parliament? If so, what could this feasibly look like?
- Current health state of the nation and the implications on the system and wider implications and opportunities for the independent sector?
- Will the psychology and morale of the NHS workforce change with a new government?
- What health and med tech do we see as potential "game changers" on the horizon, and what are the benefits?
- What changes would attendees like to make if they had control?

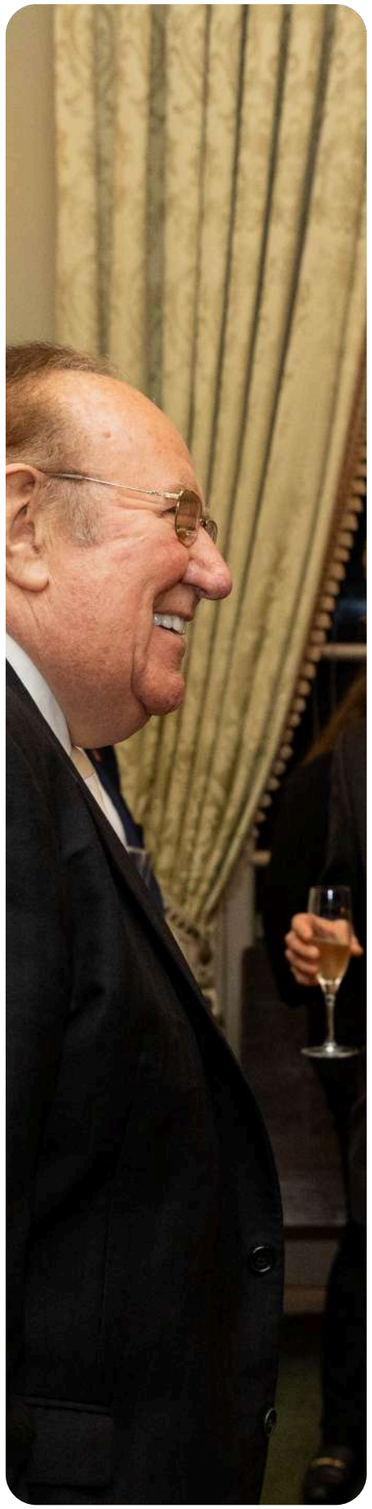
As an already overheated NHS heads into another winter there is palpable sense of change hanging in the air.

Most political commentators are now placing their bets on an October 2024 General Election and if the polls hold up it will be Labour taking over the reins of power next Autumn. The ensuing winter, however, will be no less bleak. A recent study by the Health Foundation predicts that NHS waiting lists will reach 8 million by the summer and with ongoing industrial action, a faltering economy, and an end to cheap borrowing as the bond markets impose a new discipline on politicians, there will be no easy fixes on hand for the new government.

This begs the question of what the landscape will look like for independent health and social care providers – will Labour policies foster increased investment and involvement, or will the funding limitations and political pressure consign the sector to operating at the margins? To shed light on this, Compass Executives organised a round table discussion, bringing together key stakeholders from across the sector, spanning investment, consultancy, and health and social care provision. Hosted by journalist and political commentator Andrew Neil, the event aimed to provide a comprehensive perspective on what a Labour government might mean for the independent health and social care sector.

Participants were clear that the sector has the capability and the capacity to provide a broad range of solutions that can be integrated across all aspects of health and social care. Crucially, there was consensus that despite the scale of the challenge facing the health service, Labour has both 'the permission and the volition' to engage in major reform. Labour leader Sir Keir Starmer and shadow Health Secretary Wes Streeting have been keen to manage expectations on funding. Rather than 'big spending', their message is one of 'big reform' and that includes positive noises on private investment and independent sector provision. Indeed, participants felt that the incoming government would simply not be able to tackle the unprecedented challenges facing health and social care without harnessing independent sector innovation, efficiency and expertise.

> *'The challenge is going to be what we can ask them to do to enable better sector outcomes that does not need them to commit to more money.'*
>
> said one stakeholder.



Expanding capacity

Getting NHS waiting lists under control will undoubtedly be a key focus. But at a time when NHS elective activity is falling, it could take two terms to increase capacity to the 120% needed just to return waiting lists to pre-Covid levels. To bring waiting lists back to pre-pandemic levels in five years, the NHS would need to increase capacity to 140%.

Few believe that the NHS can achieve this alone. Meanwhile, the independent sector operates a highly efficient model that it can tap into. The roundtable heard that with the right incentives, insourcing and outsourcing providers could scale up capacity rapidly, potentially offering 300,000 additional procedures a year to the NHS over and above existing activity. This has not escaped the eyes of investors and insourcing, though relatively small in scale, is becoming a fertile ground for M&A activity.

Similarly, rising demand for inpatient mental health treatment will have to be met by the independent sector. Unlike NHS elective waiting list figures, there is no good data on the numbers waiting for mental health treatment, but they are thought to be growing rapidly. Labour has committed to the expansion of community provision, but stakeholders felt this was unlikely to be enough on its own to meet the potentially massive explosion of demand.

> *'Additional inpatient capacity has to come through the independent sector because the NHS just doesn't have the capability'*
>
> said one participant.

Licence to reform

The prevailing view was that Labour has the political will to leverage independent sector expertise, but concerns were raised over how its policies will be translated on the ground, particularly in the face of funding pressures.

Twenty years on from New Labour's introduction of a managed market in the NHS, cries of privatisation and hostility to independent sector involvement remain - both in parts of the system and in elements of the Labour party.

'When United Health came into the market, there were protests led by Labour MPs. It's not just political, it's populist,' said one stakeholder.

What a Labour government is brave enough to do could depend largely on the size of its majority, but some participants thought the sheer scale of the crisis in health and social care would give it the licence to make difficult political decisions. And that these will largely be accepted by a wearied workforce grateful for change.

> *Labour will have to take the political flack, but I think they will get away with it because waiting lists are so high,*
>
> one stakeholder commented.

Interestingly, participants also thought that pressures in the economy could act as a stimulus for more radical reform. In particular, the cost of worklessness. It is estimated that as many as 2.6 million working age adults are inactive due to ill health – impacting both UK productivity and the welfare bill.

Occupational health is another area which has seen heightened M&A activity and consolidation looks set to continue as it rises up the political agenda. However,

the incentive to get people treated and back into the workforce could also encourage greater use of independent sector provision. Some participants raised the prospect that a Labour government could introduce mechanisms to prioritise treatment for working age adults. This would pose something of a political conundrum, but any policy directed in that area could play into the sector's proficiency for high volume, low complexity activity.

It may not be easy, but as one stakeholder pointed out, there is already 'a problem of optics' in access to healthcare.

'At the moment, we're creating a two-tier healthcare system where if you are wealthy, you can get your hip replacement tomorrow, but if not, you will have to wait on the NHS for multiple appointments. And all the while they are waiting, those people are not contributing to the economy.'

Reforming social care

However, there was also broad agreement that a Labour government will not be able to affect significant improvement in the NHS without major changes in social care – and that is an area where reform alone may not be enough.

In June, the Fabian Society published 48 recommendations for Streeting on how to deliver on Labour's plans for a 'National Care Service', including making a ten-year spending commitment to 'significantly raise' real terms spending and the creation of a public sector 'National Care Service' investment fund.

Streeting is vice chair of the society but despite its commitment to a National Care Service, Labour has indicated that there will be no reform of social care in its first term. Reports suggest it will be omitted from the party manifesto, partly so that it doesn't have to address the thorny issue of funding before the election, but stakeholders felt that leaving it until the second term would be 'disastrous'.

> *'We are beginning to see people in the community with high complex needs because local authorities are cutting services as budgets are being squeezed. If Labour doesn't tackle this head on it will get worse'*
>
> said one participant.

Others were quietly optimistic that while Labour might want to avoid an own goal by making public announcements on social care funding in the run up to the election, privately it recognises that plans for a National Care Service will necessitate tax rises.

One stakeholder suggested that what Labour says it will do now and what it does when it comes into power could be vastly different.

'They will have to do difficult things. Taxing higher wage earners would be the obvious thing, or perhaps a supplement on tax for social care,' they said.

However, others thought that there could be some easy gains and that implementation of the fair cost of care policy, which aims to bring the fees paid by local authorities in line with actual costs, could go a long way to increasing capacity without the need for major reform.

A rethink of the current Care Quality Commission inspection regime was also mooted as a potential target for reform which could help drive quality and improvement and eliminate defensive practices whereby care providers add to the pressure on the NHS by sending residents to hospital 'out of precaution in the face of the CQC'.

Looking at health and social care in the round, some stakeholders felt there was still 'tremendous waste' in the system and advocated more widespread reform with closer financial alignment of health and social care.

There was a sense that despite widespread acknowledgement that blockages in one part of the system have a direct impact elsewhere, very little tangible progress had been made in tackling key issues such as delayed hospital discharges and diagnostic waiting times.

Fragmentation means the sector is limited in its ability to influence national policy decisions but there was broad agreement around the table that more radical reform of health and social care is needed in the long-term.

'New Labour did a lot of things that were tactically right, such as Independent Sector Treatment Centres, but not real reform' said one participant.

> *'There needs to be reform of how the system is managed and fiscal reform of how incentives work across health and social care.'*

Likewise, stakeholders felt that money could be saved downstream by investing more in prevention and diagnostics, particularly in the areas of cancer and Alzheimer's.

Obesity, the second biggest preventable cause of cancer in the UK, is becoming a growing issue for health economies worldwide. A recent report from the World Obesity Federation forecast that over half the world population will be obese or overweight by 2035 at a global cost of $4.32 trillion a year.

A study by think-tank the Milken Institute estimated that obesity in the US alone cost $1.72 trillion in 2016 – around 9.3% of GDP – due to a combination of direct medical costs and lost economic productivity.

The impact that new drugs, such as the much-vaunted Ozempic, could have on these costs is still subject to much debate, but there were participants who thought they would prove genuine gamechangers.

However, some felt that it was too easy to see obesity drugs as a panacea when in fact more emphasis is needed on education to empower people to take charge of their own health.

'Drugs like Ozempic are a good idea, but they also leave people feeling like victims and they will continue to do things that are bad for them because they do not feel they have autonomy,' said one stakeholder.

Others believed there should be greater focus on population health, which encourages the development of partnerships across health, social care, employment, housing and other parts of the community to stop people needing healthcare interventions in the first place.

At the same time, some participants wanted to see employers incentivised to take more responsibility for the health of their workforce.

> *'Health has a ripple effect across society if you get it wrong, but equally it has one if you get it right,'*
>
> said one stakeholder

Can tech save us?

Data and technology will, of course, provide some of the solutions a Labour government needs to address the challenges in the system. And this is another area where the independent sector can play a vital role both in development and adoption.

AI is being rolled out across health and care settings, from cancer detection to pain identification in patients with dementia. Camera-based and other monitoring technology are also being used across the social care sector and new opportunities are emerging in the use of robotics. In Asia, robots are now widely used in care settings for tasks such as lifting and toileting, which one stakeholder said tackles the workforce problem while simultaneously giving people back their dignity.

Meanwhile, the introduction of the Federated Data Platform across the NHS is expected to provide significant opportunities for automated tasks because it will link information at a personal level.

'That's a big enabler,' said one participant.

Nevertheless, it was acknowledged that a Labour government will have to address outdated NHS IT infrastructure, fragmented systems which frequently do not work for staff and a degree of professional resistance to fully realise the potential productivity gains.

'Morale in the NHS will not go up until staff feel the introduction of new technology makes sense,' said one stakeholder. 'Technology has to go with the flow of how clinicians work.'

Tackling workforce issues

Indeed, the overwhelming consensus of the roundtable was that nothing could be solved without tackling the workforce issue.

Fears were raised that Labour's commitment to abolishing zero hours contracts could undermine an already fragile health and social care workforce. Roughly 45% of home care workers are on zero hours contracts along with NHS and independent sector hospital bank staff.

If Labour pursues its policy on zero hours, said participants, it will almost certainly have to omit some staffing groups otherwise costs to providers will spiral making it impossible to run services, including NHS hospitals.

Likewise, a Labour government will have to take difficult and potentially unpopular decisions on immigration.

Participants heard that there are 'huge pools' of highly qualified dentists and radiologists overseas but that they currently need to jump too many hurdles to come and work in the UK.

However, there were stakeholders who thought that reliance on an international workforce was not a long-term option due to increasing competition from other countries with similar demographic and staffing issues.

Participants agreed that both health and social care providers must do more to invest in the domestic workforce through training and the expansion of apprenticeship programmes.

'One of the fundamental answers is apprenticeships. If the independent sector is going to be used more, then we have to step up and do the training,' said one stakeholder. 'However, having a sustainable workforce will also have to involve managed migration. In the short-term, we need to develop partnerships with other countries while we train up our domestic workforce.'

Attracting investment

It was clear from the discussion that the independent sector has both the expertise and the appetite to offer the solutions needed by an incoming Labour government, but what about its willingness to invest? The NHS might feel like a behemoth, but participants agreed that it is a many-headed beast that can be a sluggish, inconsistent, and difficult bedfellow for its independent sector partners.

However, some subsectors such as ophthalmology and teleradiology, have demonstrated that not only can independent sector providers work effectively with the NHS for the benefit of patients, but also offer a solid growth story for investors.

NHS-funded ophthalmology in the independent sector has increased by 162% on pre-pandemic levels and the sector now carries out more cataract procedures than the NHS. This is partly due to highly efficient day case models adopted by providers who have been scaling up operations over the past two years, but it is also being driven by the fact that in the main, referrals come via optometrists rather than GPs.

'Labour will need to say publicly that it is committed to the independent sector to get investment,' said one stakeholder.

Some expressed concerns that mixed messages were coming from the party, with Wes Streeting talking about a 'public sector ethos' while simultaneously pledging greater involvement of private provision and investment.

> *'The preconditions for investment are consistent policy, consistent funding streams and the removal of hostility to private healthcare,'*
>
> said one stakeholder

Final thoughts

It's impossible to overstate the extent of the challenge facing Wes Streeting and his team if, as is widely anticipated, Labour is successful when Britain next goes to the polls. It might have inherited and successfully cut burgeoning waiting lists before but unlike in 1997, this time around it will also be taking on a service exhausted by austerity and Covid and an economy beset by inflation and high interest rates.

According to some in the room, a 50-seat Labour majority would be an ideal outcome – large enough to free it from the Corbyn wing of the party and bargaining with the Liberal Democrats and SNP, but small enough for a powerful opposition.

Even with the Conservatives trailing in the polls, it is unlikely Labour will enjoy a victory on a par with Blair's 1997 landslide and equally unlikely there will be a replica of the big central procurement of independent sector capacity used to create a market and drive down waiting lists in the 2000s.

However, the sector is upbeat. Not only has it developed and extended its capabilities in the intervening years, but as we saw in the early days of the Blair administration, a Labour government has far more leeway for radical NHS reform. Despite the challenges, the overwhelming sentiment in the room was optimism as Labour continues to take a positive, almost bullish, stance on how the sector can – and likely, must – be used to help tackle the crisis in health and social care. And the key takeaway was that not only is it prepared to hear its concerns but, crucially, also willing to listen to its many potential solutions.

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