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Will innovation reduce costs, increase quality and maximise cost effectiveness?

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London Health 09: Strategies and Commissioning for Better Outcomes Conference

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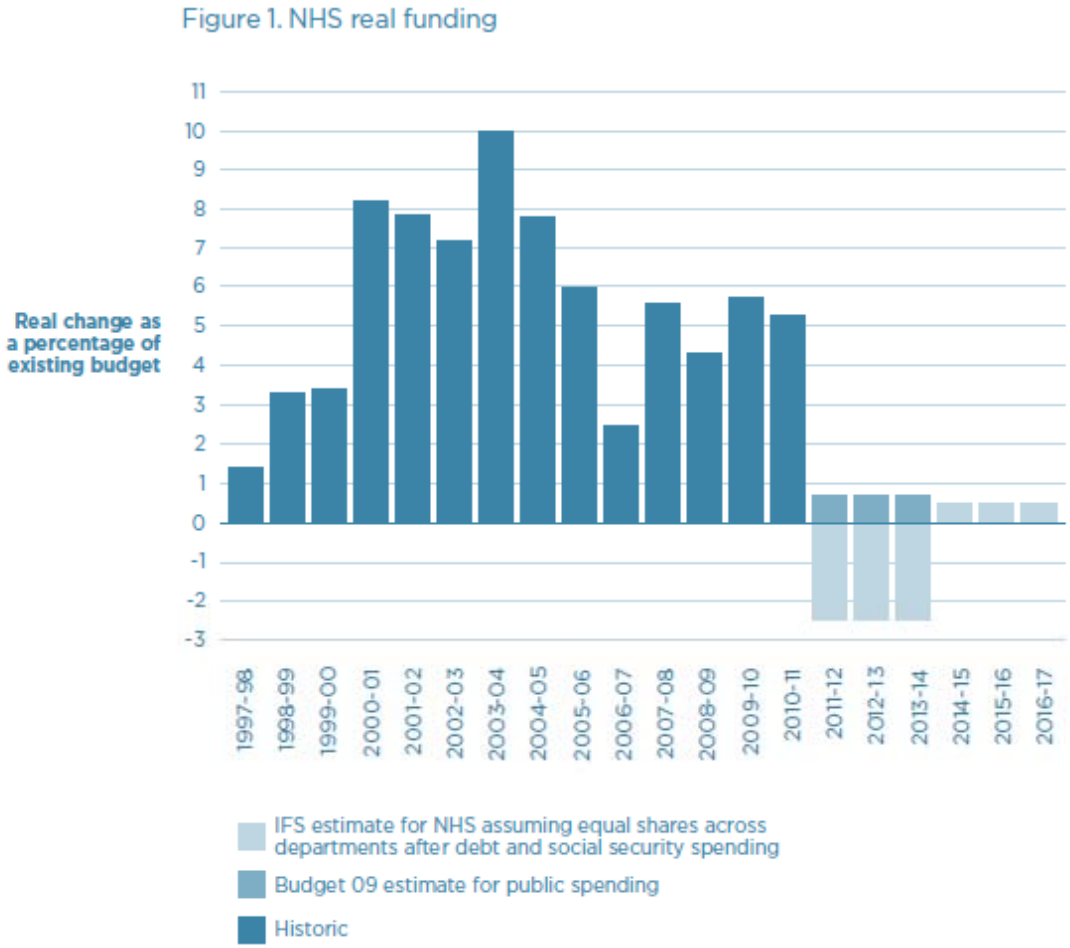
Overview

- Why healthcare innovation is important – now more than ever
- Why innovation is hard
- Three features of the UK innovation landscape
- Key challenges

The context – a collapse in funding

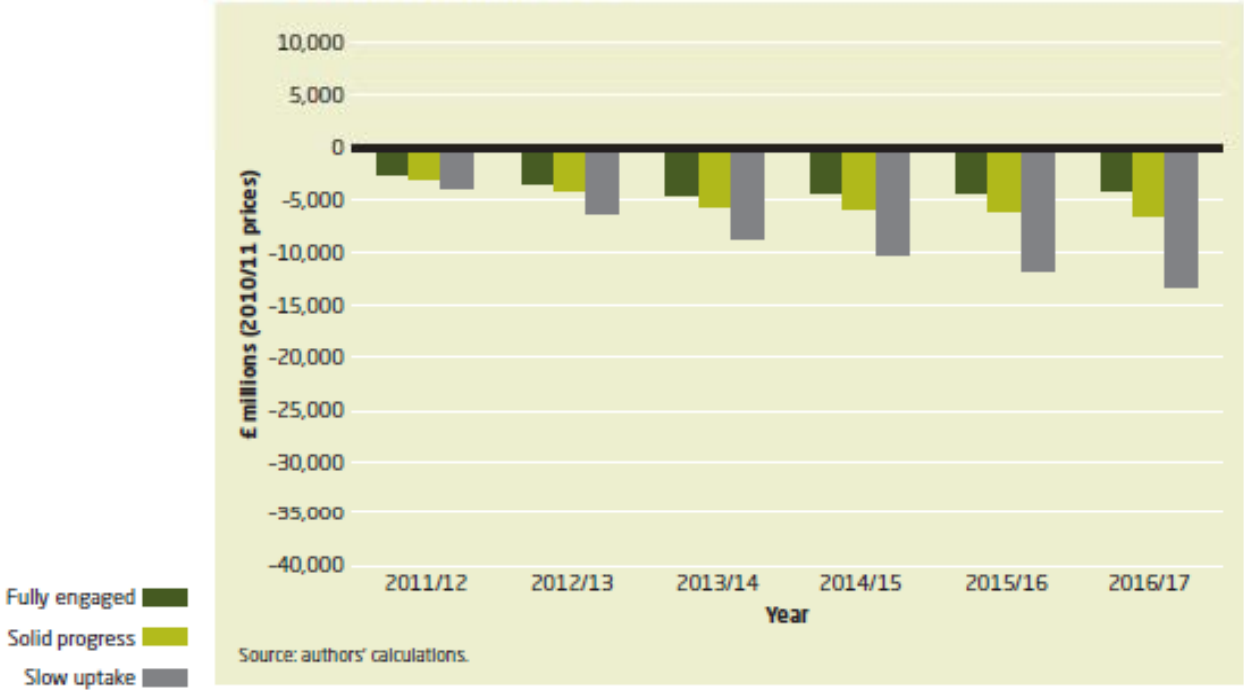


Source: Bunt & Harris (2009) *The Human Factor.* NESTA discussion paper

There is a growing gap between care needs and funding

- Under the most optimistic King's Fund scenario ('tepid'), the gap with most realistic Wanless scenario (i.e. 'slow uptake') could be c£15bn by 2016/17
- ... and nearly £40bn under the King's Fund 'arctic' scenario

Figure 10 The funding gap: tepid



Source: King's Fund *How Cold Will It Be?* (July 2009)

Bridging the gap through productivity gains?

- Drive for efficiencies: £1.1bn pa through commissioning, reduced hospital LoS, collaborative procurement?
- The **required productivity gains** are huge: 3.5% p.a. gains over 2011–17
- ... but ONS estimates NHS **productivity growth may be static**

Table 7 NHS productivity gains required to close funding gap with Wanless's solid progress and slow uptake scenarios

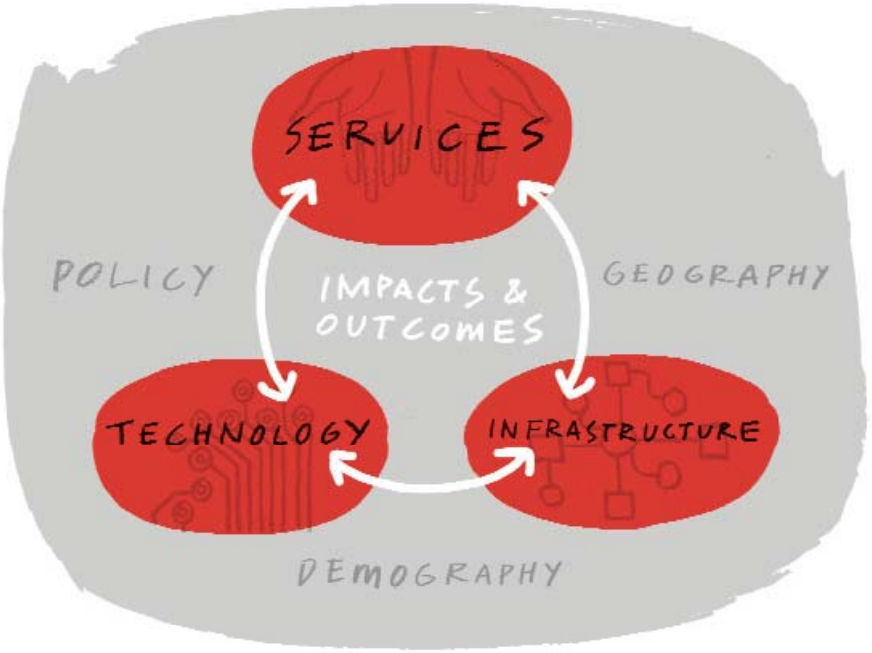
Year/period	Annual productivity gains required to close funding gap					
	Average annual change (percentage)			Total for period (money, £ million, 2010/11 prices)		
	Arctic	Cold	Tepid	Arctic	Cold	Tepid
Solid progress						
2011/13	8.3	6.3	4.3	26,350	20,001	13,651
2014/16	7.1	6.1	3.1	22,541	19,366	9,842
Whole period	7.7	6.2	3.7	48,891	39,367	23,493
Slow uptake						
2011/13	8.2	6.2	4.2	26,033	19,683	13,334
2014/16	6.8	5.8	2.8	21,429	18,255	8,730
Whole period	7.5	6.0	3.5	47,462	37,938	22,064

Source: authors' calculations.

Source: King's Fund *How Cold Will It Be?* (July 2009)

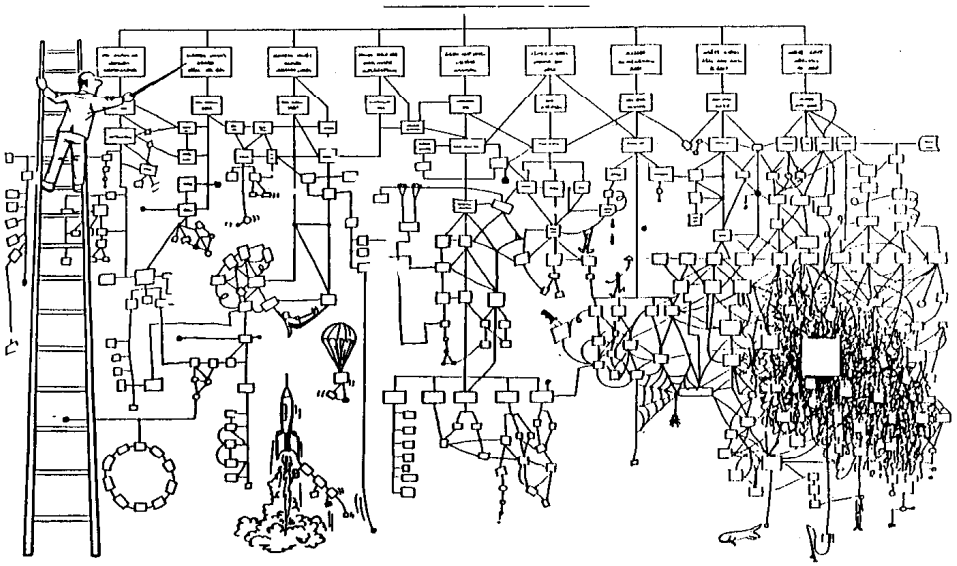
Innovation is part of the solution … not an optional extra

- This means creating **new approaches** to healthcare – service models, processes, infrastructure
- ... but we also need to apply **what we know works** but hasn't spread



Innovation is hard …
especially in a complex system

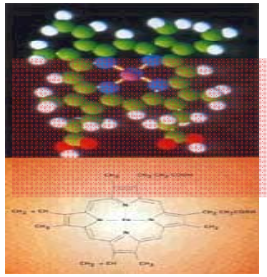
- Many reasons for saying "no" to innovation investment:
  - "Give me a business case"
  - "What's the evidence base for the benefits?"
  - "I don't care if it saves me money in 3 years, I have to balance my budget now"
  - ....



Technological innovation drives new care service models ... and demand and costs

Medical & diagnostic equipment innovations **increase access to care close to / at home .....**

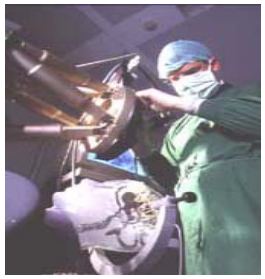
... this generates **new costs in primary / social care sector**



New pharmaceuticals reduce the requirement for **in-patient care** .....

but

.... this **increases demand for long term support**



Advances in surgery improve outcomes and **reduce lengths of stay** .....

... this **extends the range of eligible patients**

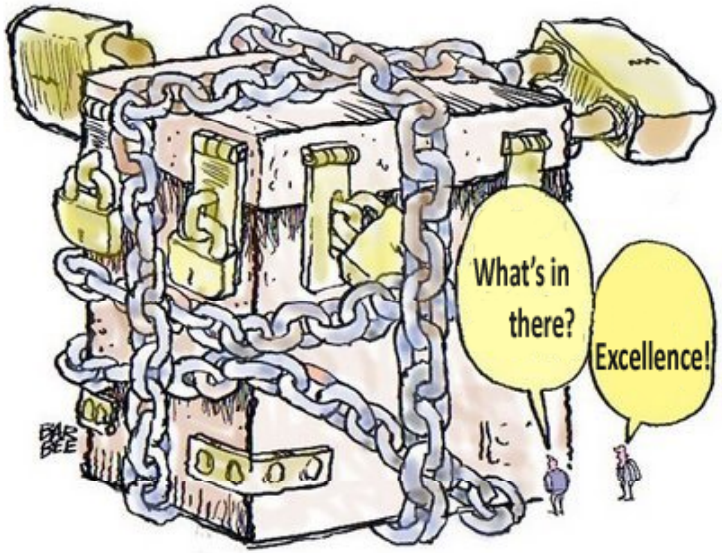
What innovation economics tells us

- Innovation increases spending in the short term, **but outcomes improve by even more,** e.g. evidence from five high prevalence conditions (Cutler & McClellan 2001)
- New technologies may lower costs … but they also increase overall spending by **increasing demand** (Glied 2003)
- **'Small ticket'** innovations (e.g. cholesterol testing, diabetes testing, nicotine replacement) can be as / more important than 'big ticket' ones (Bosanquet 2009)
- Significant gains may be achieved by **decreasing investment** in innovations with low or negative value or **disengaging** from outmoded practices (received wisdom)

Innovation in UK healthcare: the current landscape (1)

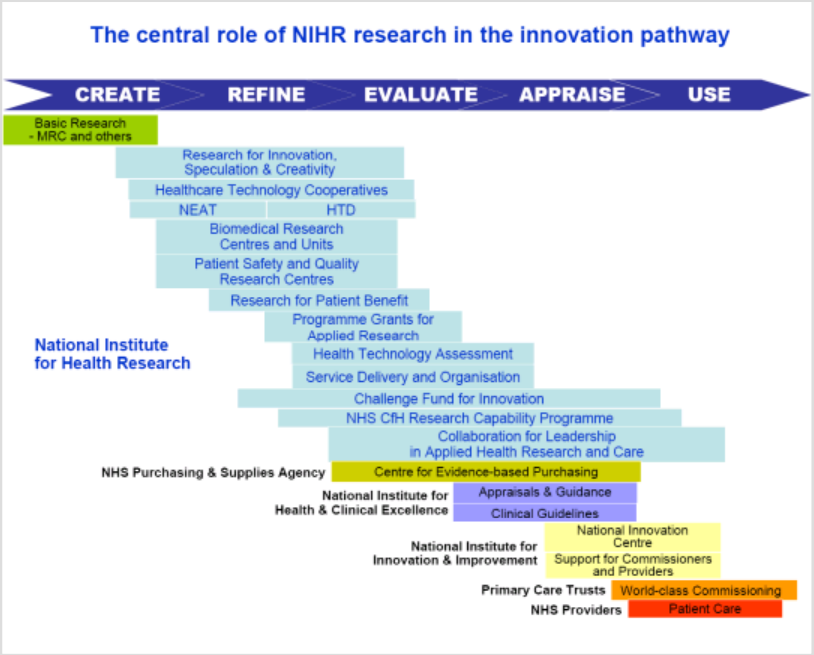
- **Lots of knowledge (and rhetoric)** about the need for innovation, its barriers and what needs to be done to overcome them
- **Pockets of excellence**, **pilot projects** and **trials** of service delivery & technological innovations, but ...

- Pockets of excellence don’t spread
  - lack of **knowledge** transfer
  - insufficient **local resources** to develop further
- Pilot projects are not sustained
  - over-optimism
  - **mainstreaming challenges** over-simplified



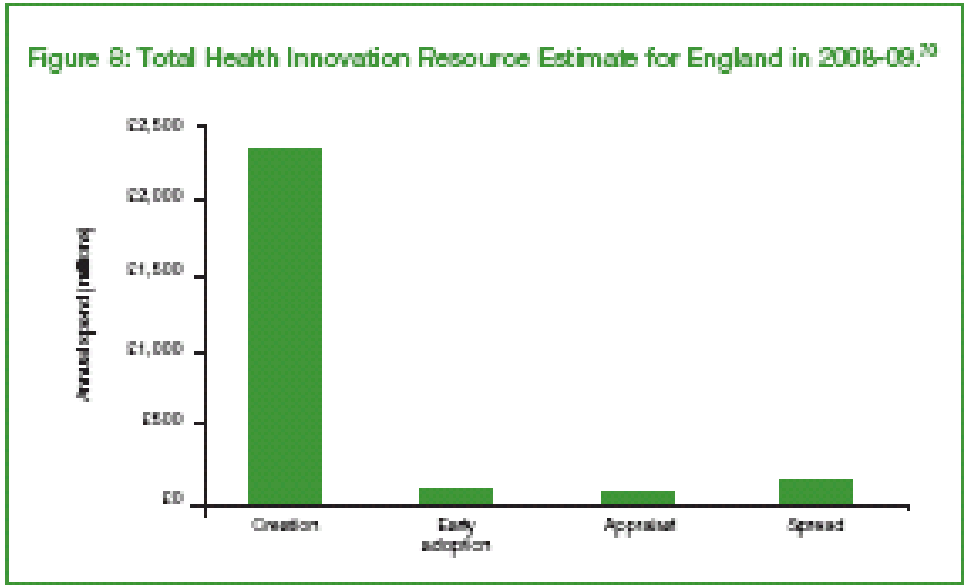
Innovation in UK healthcare: the current landscape (2)

- ***High Quality Care for All*** – big emphasis on innovation
- **Many bodies / programmes** support innovation process from creation to use
- **Mechanisms are emerging:** FTs, local networks, tariff / incentives, commissioning, e vidence base, information transparency



Innovation in UK healthcare: the current landscape (3)

- Public sector spends **c£2.7bn** on creating, piloting, apprais ng and diffusing healthcare innovation
- Overwhelmingly largest share is on **'creation'**



Source: All Change Please, Policy Exchange (2008)

Some questions

Focus:

- How to **refocus effort to uptake, spread, and sustainability**
- Big v small ticket innovations
- Spreading best practice, disengaging from bad / outmoded

Policy:

- Can we afford to spend more in the short term?
- How to use **commissioning and procurement models**, and **refine the tariff**, to stimulate innovation and best practice spread
- How much healthcare do we want to provide anyway?

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Thank you

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