

# Climate change

## New working models are necessary if companies want to survive the cold front

**Over and above the usual cool weather we get as winter approaches, you might have felt a slight chill in the air? Things are becoming colder generally, with the prospect that VAT will jump to 20 per cent in January, income tax increases are planned and major cuts are on the way. We are kidding ourselves if we believe the country is emerging from recession on the basis that house prices increased again last month. The Bank of England's "quantitative easing" has provided a comfort blanket to help the government head into next year's general election showing a small turnaround in the economy. Alarming, George Osborne tells us "we are all in this together", as if this will somehow help us survive the forthcoming temperature dip. We might just make it, at least until the election.**

Following the election, we will still be in serious financial trouble and, unfortunately, it will take a lot more than George Osborne-style huddling to make it through an environment the NHS called "cold" in its June paper: *Commissioning in a Cold Climate*. I prefer the term "Ice Age".

From 2011, and for the next five years, the NHS will enter a dark, bitter world where savings of £20-40bn will be needed to survive until real economic turnaround happens.

During the Ice Age, there will be no new money flowing into the health service. The unprecedented funding growth experienced during the last three years will cease. Financial uplifts will be miniscule compared to the past, yet quality will be expected to improve. These are worrying times. No new money and drastically reduced annual inflation uplifts mean one thing: healthcare cuts.

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### Global cooling

These issues are not unique to the UK. Healthcare cost reduction is a global problem. One of President Obama's first agenda items was to change the American healthcare system in order to make financial efficiencies. This was not a popular choice, but one forced upon him as a result of the economic downturn. Such is the size of the task and the weight of the anticipated public backlash that the President has wisely decided to tackle this piece of work at the beginning of his first term. His plan is not new; Bill Clinton and Tony Blair aimed to change healthcare when they came into office and both, for a variety of reasons, failed to deliver on all of their promises.

Healthcare in the 21<sup>st</sup> century is not cheap. Advances in technology and an increasingly high public expectation of quality have added to the burden. Irrespective of which party wins power next May, changes to our healthcare system will have to be made against a backdrop of deep recession and increasing cost pressures. It seems we have

only just started to feel the cold and need to prepare for when things really start to bite over the next 12 months.

### How can our industry stay warm?

While the NHS barricades itself against the imminent cold front, should we be inside taking the initiative and working with it on solutions? To many, including those in the financial departments of NHS institutions, the industry is part of the problem. In order to become part of the solution, innovative, holistic partnership approaches to healthcare service redesign will be required.

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Costs will have to be extracted from health services. Prescribing budgets will be a target for early, quick efficiencies, but these savings will not be enough on their own. Total service change is required and the NHS will need the support of the industry to survive. Equally, pharmaceutical companies will have to change. Coverage and frequency models that are predominantly product-specific will have to morph into innovative, holistic approaches that encompass whole system changes across treatment pathways.

The benefits of close working and wise investment have been developed well by collective arms such as the Ethical Medicines Industry Group (EMIG). This has allowed small-to-medium size companies to be able to punch well above their weight and, as a result, membership of EMIG has tripled in the last three years.

I recently proposed to the head of medicines management for a large PCT that we put together an effective portfolio of care involving a number of different companies willing to invest in his PCT, and he agreed that this was the template for success in difficult financial circumstances. The proposal was not simply a case of moving money from the industry to the NHS, but rather suggested combining a wider resource (encompassing people, time and expertise) with NHS know-how, to create a real value proposition that could enable the NHS to meet its needs and the companies involved to make a return on their investment.

Only time will tell whether this pilot will be the way forward. However, I am convinced it will be only those pharmaceutical companies that truly change their operating model, and don't just re-name their employees' job descriptions, that survive the Ice Age unscathed. As in previous climate change events, mammoth companies, being the largest and arguably most difficult to alter, might not make it out alive.

### The Author

**Adam Knights** is managing director of 15Healthcare.  
Email: adam.knights@15healthcare.com.