

Council for Economic Renewal

**Department for Health and Social Services:
An update on the role of the NHS as an anchor business**

BACKGROUND

1. The Welsh Ministers' Business Scheme is a statutory scheme under section 75 of GOWA 2006. The Business Scheme sets out how Welsh Ministers propose, in the exercise of their functions, to take account of the interests of business.
2. The Business Scheme must specify how the Welsh Ministers propose –
 - a) to carry out consultation about the exercise of such of their functions as related to matters affecting the interests of business, and;
 - b) to consider the impact of the exercise of their functions on the interests of business.
3. The Business Scheme also outlines how the Government will engage proactively with social partners in developing policy and legislation. 'Social partners' as defined in the scheme means business and employer representative organisations.
4. The First Minister chairs a Council for Economic Renewal, which steers this work, and also funds a Welsh Social Partners Unit, which supports the social partners' engagement activity.

PURPOSE AND CONTENT OF THIS PAPER

5. Following the Council for Economic Renewal meeting on 2nd June and the consideration of Welsh Government departmental returns on the Welsh Ministers' Business scheme, a request was made by the Federation of Small Businesses for 'An update from the Department for Health and Social Services (DHSS) on the role of the NHS in Wales as an anchor business.' Areas for consideration were noted as:
 - a) NHS Wales' contribution to the Welsh economy
 - b) Procurement
 - c) The capacity of the NHS to exploit technology for economic benefit

THE STRUCTURE OF NHS WALES

6. NHS Wales is the publicly funded National Health Service for Wales providing healthcare to some 3 million people who live in the country. The NHS has as its key principle that good healthcare should be available to all, regardless of wealth.
7. NHS Wales healthcare services are delivered locally by seven Local Health Boards and nationally by three NHS Trusts.

NHS WALES AS AN ANCHOR BUSINESS

8. An Anchor Company in Wales is defined as one:

- which is a global or international organization; and
- which has Welsh head quarters or significant corporate presence in Wales.

9. NHS Wales has characteristics in common with those of an anchor company in terms of its profile, Welsh presence and economic impact. However, because NHS Wales does not operate in the same way as a private sector trading business, it cannot be considered to be an Anchor Company on the same terms.
10. NHS Wales can however be considered as an equivalent Anchor Business, due to its following characteristics:
 - global profile, Welsh headquarters and significant corporate presence in Wales;
 - the same economic impact as a very large business in terms of employment and supply chain;
 - the potential to have wider socio-economic impact in areas such as research and development, innovation, and corporate social responsibility.
11. Whilst NHS Wales cannot formally be recognised as an Anchor Company, the Economy, Science and Transport department propose to adopt the same strategic partnership approach to NHS Wales as they would to a Welsh Anchor Company. This will encompass NHS Wales having a named Account Director and Account Manager with structured engagement in areas including training, innovation and supply chain development.

A) NHS WALES' CONTRIBUTION TO THE WELSH ECONOMY

12. Health and social care accounts for approximately 43% of the Welsh Government's budget, of which £6.5 Billion was spent on health and £1.5 Billion spent on social care in 2013/14.
13. NHS Wales is the largest employer in Wales, employing over 72,000 people, which is around 5% of total employment in Wales.

	2009	2010	2011	2012	2013
Medical and Dental staff	5,637	5,725	5,844	5,908	6,072
Nursing, Midwifery and health visitors	28,185	28,157	27,979	28,068	28,254
Administration, Estates staff	16,068	15,471	15,192	15,039	15,120
Scientific/Therapeutic/Technical staff	11,264	11,506	11,471	11,549	11,616
Healthcare Assistants and support staff	9,926	10,033	9,718	9,793	9,699
Ambulance staff	1,402	1,427	1,457	1,510	1,499
Other non medical staff	293	166	172	133	131
Total NHS Staff	72,778	72,487	71,836	72,002	72,393

(source: StatsWales)

14. NHS Wales accounts for around 14% of Wales' gross weekly pay. This is a national proportion of employment and in some local economies, typically in rural parts of Wales, the proportion employed by the NHS is significantly higher.

Total Gross Weekly Pay for employee jobs ^a : Wales, 2013	Total (£000s)
NHS Wales employees ^b	£67,155
Wales employees	£472,656
Proportion	14.2%

(source: Annual Survey of Hours and Earnings, ONS)

Employee Jobs: on adult rates with pay not affected by sickness absence.

NHS Wales employees: human health care employees employed by a central government enterprise.

The impact of NHS Wales staff spend on the Welsh economy

15. We can build upon the gross spend on NHS Wales employment (as a proportion of the national total) by applying economic multipliers to assess the broad impact of that spend is on the Welsh economy. The multipliers below are sourced from the Welsh Economy Research Unit at Cardiff University publication: Input/Output tables for Wales (*Jones, Bryan, Munday and Roberts, 2010*).

Expenditure (Output) and Employment Multipliers (Types I and II)				
Industry	Expenditure (Output)		Employment	
	Type I	Type II	Type I	Type II
Education and health	1.41	1.68	1.35	1.57

16. The expenditure (output) multipliers can be applied to total health and social care expenditure to give an indication of the economic impact of that spend. Similarly, the employment multiplier can be used to give an indication of the number of Welsh jobs supported by each person employed within the NHS.
17. The “type I” multipliers reflect spending by organisations on inputs sourced in Wales, and the “type II” multipliers add to this spending by employees on goods and services in Wales. Applying these multipliers to total health and social care spend (less non-staff spend outside of Wales) and to health staff numbers gives estimated economic and employment impact figures shown in table 1.3 below.
18. This multiplier effect is not unique to health and social care, so there are similar multiplier effects arising from other categories of public sector spending and employment in Wales.

Theme	Multiplier – Expenditure		Multiplier - Employment	
	Type I	Type II	Type I	Type II
Welsh Health Expenditure (£7.4 Billion)	Multiplier x 1.41 = £10.4 Billion	Multiplier x 1.68 = £12.4B impact		
Welsh Health Employment (72,400)			Multiplier x 1.35 = 97,700 jobs	Multiplier x 1.57 = 114,600 jobs

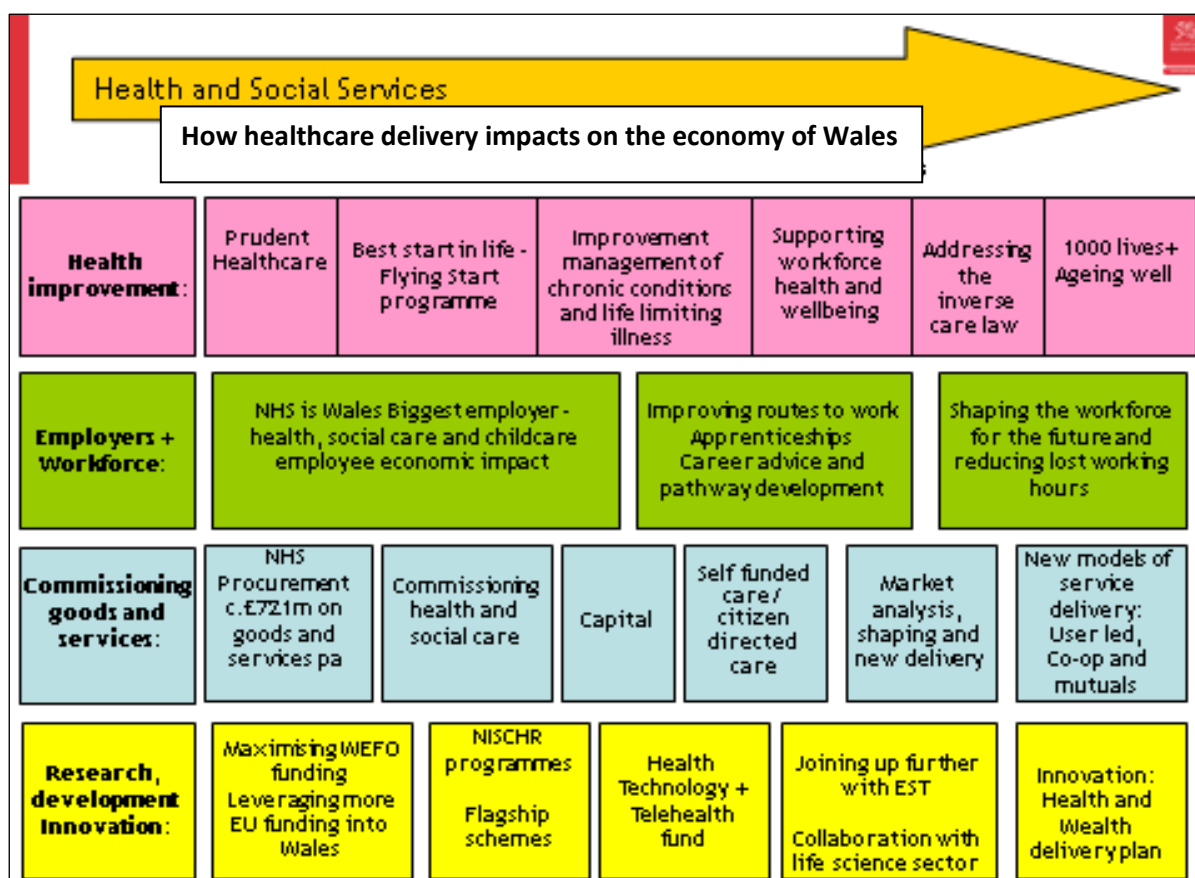
19. In addition, employment within the private sector is supported by government funding outside of NHS Wales. These include jobs in residential, nursing and domiciliary care. No official statistics for the number of jobs supported in this way are currently available.

The ‘health’ economic impact of NHS Wales

20. As well as direct and multiplier economic impacts, the effective delivery of health and social care has 'health' economic impacts through the link between having a healthier population and increased economic activity, improved social capital and a reduction in the impacts and effects of poverty

Work currently undertaken by DHSS that contributes to economic growth in Wales

21. A table summarising how healthcare delivery impacts on the economy in Wales under four key areas is summarised in table 1.4 below.



Innovation: linking health and wealth objectives

22. The *Health and Wellbeing Best Practice and Innovation Board* was established in 2012 to assist in accelerating the pace of innovation relevant to health and social care, adding value to the identification and implementation of system wide innovation and the rapid adoption and diffusion of best practice, transformative technologies, service models and delivery.
23. DHSS officials are developing policy recommendations based on the *Health and Wealth Recommendations* made by the Board. These recommendations aim to maximise the economic impact from our healthcare spend through more focused and targeted collaboration between the NHS, Industry, academia and government.

24. DHSS works across government with EST Life Sciences, Innovation and Science teams, as well as with the Life Sciences Hub. For example, this cross departmental working includes contributing to a review of IP Management and Commercialisation in Wales, commissioned to support the *Innovation Wales* strategy. The review will consider the role of the NHS in supporting this type of innovation, alongside higher education and the private sector.

Innovation Centres: bringing academic, business and clinical partners together

25. The Welsh Wound Innovation Centre is a new £4 million centre of Welsh excellence in wound prevention and treatment with the dual aims of delivering health and wealth benefits for people in Wales. The Centre provides a model for bringing academics and clinicians together with business – reflecting the opportunity and value that exists for everyone in making our health services better as well as generating innovation.
26. There are other initiatives of this kind such as The Bill Mapleson Centre for Innovation based at Flexicare in Mountain Ash. This is an anaesthetic initiative where Cardiff University, clinicians and industry are collaborating to drive innovation and improvement.

Innovation funding: EU funding programmes

27. There are opportunities to access EU and international funding programmes in support of research and innovation. For example, Powys Teaching Health Board and Hywel Dda University health Board have recently attracted nearly £1.5 million from competitive European funding programme to support the use of digital technology. As well as funding, this gives them access to international collaborative programmes and a peer group of organisations and innovation leaders.
28. In the current *Horizon 2020* research and innovation funding programme there is at least £10 Billion relevant to health and care. The Welsh Government is working with the NHS, social care, academia and business to improve grant capture from these competitive programmes.

University Health Board designation

29. Six of the seven Local Health Boards of NHS Wales are designated University Health Boards, providing a framework for their role in supporting research, teaching, and innovation activity. This will complement the recognition of the NHS as an Anchor Business. This designation is an important step in increasing University Health Boards' level of engagement with industry, and demonstrates their commitment to use knowledge to improve healthcare services and create economic value.

B) PROCUREMENT

30. NHS Wales spends the majority of its budget on staff pay, but it also procures a wide range of products and services.

Supply Chain Development

31. During 2013, a cross government 'Health Economy Working Group' identified procurement as an area in which there was potential for enhancing economic impact. A review of NHS procurement and supply chain was commissioned earlier this year, which will make recommendations this autumn on how economic benefits to Wales could be increased through supply chain development and other targeted support.
32. There is also scope for procurement to raise quality in the supply chain and to deliver against other Welsh Government objectives, for example through the promotion of a living wage by employers and the use of 'social clauses' to add further social value.

Using procurement to stimulate technology innovation

33. The Small Business Research Initiative model uses the concept of challenges in need of a solution to stimulate innovation. Public sector organisations use a pre-competitive procurement mechanism to work with industry partners on feasibility, prototype and demonstrator technology which addresses known problems.
34. In 2013 and 2014, this has been delivered as a cross-sector programme, jointly funded by the Welsh Government and the UK technology Strategy Board (recently renamed to Innovate UK). Two projects have been awarded to NHS Wales, through Betsi Cadwaladr University Health Board and Abertawe Bro Morgannwg University Health Board, both of which are working with a number of small Wales-based enterprises on technology innovation.

C) THE CAPACITY OF THE NHS TO EXPLOIT TECHNOLOGY FOR ECONOMIC BENEFIT

35. A number of recent reviews and initiatives have considered how the NHS and social care in Wales could better exploit technology and innovation, in order to improve healthcare services and contribute to economic growth.

Technology Adoption and Discard

36. To support NHS organisations the Health and Wellbeing Best Practice and Innovation Board issued a number of reports and recommendations, including a "Technology Adoption Systems Guidance" document. This recommends a more systematic approach to the identification, appraisal and adoption of technology across NHS Wales. This guidance is already included in the NHS Wales planning process and the integrated medium term plans adopted by health organisations.
37. In the same area, the Health a Social Care committee is currently holding an inquiry into access to medical technology in Wales. The Health Minister has provided written and oral evidence to the committee on technology adoption, and on schemes to support technology research and development delivered by NISCHR (the National Institute for Social Care and Health Research). The Committee is expected to report in November.

38. Whilst there is widespread recognition that technology adoption is vitally important, the prudent healthcare approach set out by the Minister for Health and Social Services also highlights the need to discard obsolete technology when is deemed no longer effective or has been replaced by better products and services. In most cases, technology adoption and discard also requires the remodelling of services and care pathways, transition to new digital systems, or changes to the way that clinical information is collected, managed and used.

Technology Funding

39. The Health Technology and Telehealth Fund (HTTF) is a £9.5 Million fund which is awarded through a competitive process to projects which will use technology to support the delivery of services in non-hospital settings. A number of projects involve partnership and strategic working between NHS Wales and industry.
40. The HTTF is fully match funded through a mix of private sector, third sector and academic contributions. The HTTF provides a funding mechanism to test new and innovative technologies, use existing technologies in new ways and speed up the adoption of proven technology.

CONCLUSIONS

NHS Wales' economic contribution

41. NHS Wales is Wales' largest employer and makes a highly significant contribution to the Welsh economy.
42. NHS Wales plays an important role, equivalent to that of an anchor business, and is demonstrating an increased commitment to working with academic and business partners to support innovation.

Procurement

43. NHS Wales is a significant procurer of goods and services. A current review of procurement will deliver recommendations on increasing the proportion of spend retained in Wales and using the supply chain to contribute to the creation of quality jobs, growth and wealth in Wales.
44. NHS Wales is also using procurement as a mechanism to stimulate technology innovation, through programmes like the Small Business Research Initiative.

The capacity of the NHS to exploit technology for economic benefit

45. The NHS is adopting a systematic approach to technology adoption and discard, which will enable better partnership working between the NHS and industry.
46. The Welsh Government is providing targeted funding for the adoption and development of new technology, through schemes like the Health Technology and Telehealth fund.