

What does healthcare and social care cost?

The danger of associating one tax with one item of spending is people might believe that item of tax paid for that item of spending. This will not be true with the NHS or with social care and the new levy by a very large margin.

According to the Treasury Budget document issued in March they plan to spend £230 billion on health this year, and another £40 bn on social care. The new proposed levy is a bit over 4% of those totals. People ask me if the Council Tax precept for social care will go when the Care Levy comes in. Of course it will not as the Care Levy is only 23% of current social care spending plus the extra from the levy. This assumes they will remove all the Care Levy money from the NHS as currently proposed. The Levy otherwise will pay a smaller percentage of the care budget if some is still needed for waiting lists.

If we wished to have hypothecated taxes to cover the cost of health then it would take all of Income Tax (£198 bn), all of Capital Gains Tax, all Inheritance Tax, all Stamp Duty and all the Property transaction tax to reach the £230bn figure. Maybe we should rename all these taxes as the Health taxes to show people how income and wealth is currently taxed extensively to pay for healthcare.

If we wanted a tax to hypothecate for social care why not choose the Council Tax which this year is forecast to be that same £40bn figure as the costs of social care.

The debate about waiting lists and about social care needs to start with the current budget figures. The health budget has risen from £166bn for 2019-20 (Treasury forecast in Budget 2018) to £230bn (Budget forecast 2021). It is true the pandemic imposed additional costs and needs on the system, but as these decline we still have much larger budgets than before the pandemic struck. I will look in a future blog at the management issues posed with such large sums of money. I will also return to the issues around social care which I have discussed before.