

# *Projecting government healthcare expenditure to 2034/35 – 2025 update on latest available data*

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April 2025



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# Overview

These slides set out the results of the 2025 government healthcare expenditure projections conducted by LCP and IPPR.

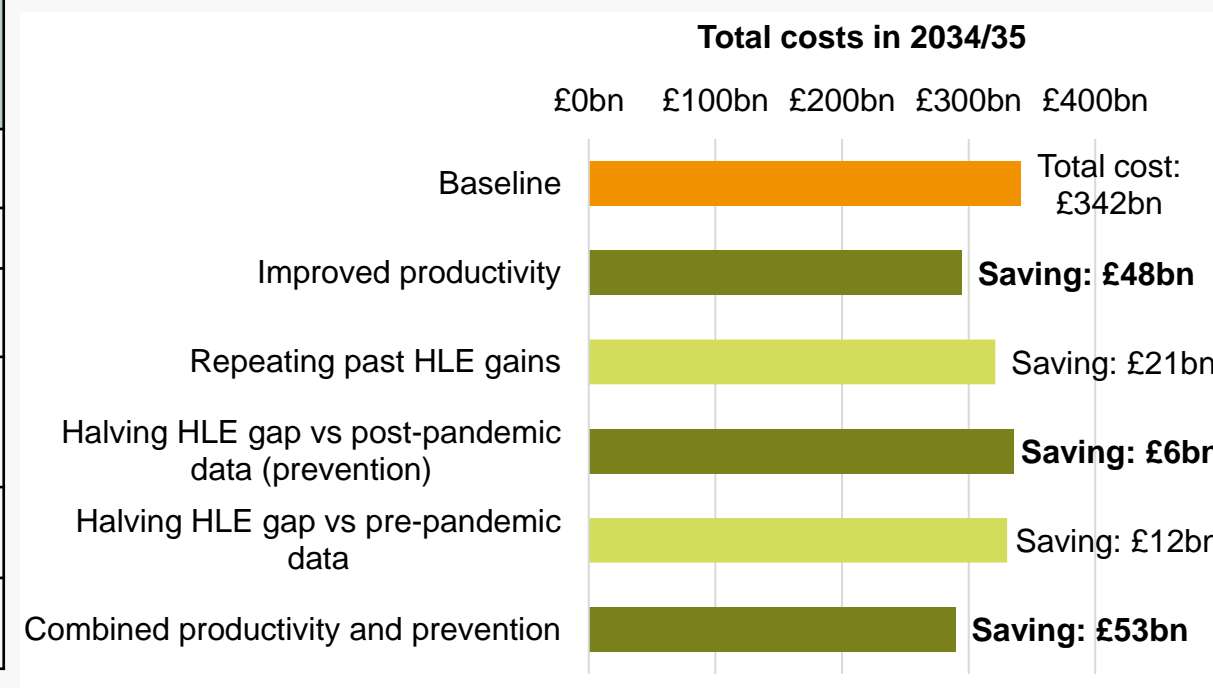
We have relied on the methodology set out in our report of 13 September 2023<sup>1</sup>, updated to reflect the scenario definitions described on page 7 and the data sources described on page 8.

Our modelling incorporates the latest financial, demographic and healthcare data (currently available to 2023/24) and projects government healthcare expenditure in England to 2034/35 under a range of productivity and prevention scenarios.

For comparison, we have included the results of our 2023 analysis in appendix 1.

## Results summary

Scenario	Total healthcare costs 2034/35	Annual % increase (nominal)	Annual % increase (real)	Annual % increase (over GDP)
Repeating history (baseline)	£342bn	5.70%	3.43%	1.65%
<b>Improved productivity</b>	<b>£294bn</b>	<b>4.28%</b>	<b>2.04%</b>	<b>0.29%</b>
Repeating past HLE gains	£321bn	5.11%	2.85%	1.08%
<b>Halving HLE gap vs post-pandemic data (improved prevention)</b>	<b>£336bn</b>	<b>5.53%</b>	<b>3.27%</b>	<b>1.49%</b>
Halving HLE gap vs pre-pandemic data	£330bn	5.38%	3.12%	1.35%
<b>Combined prevention &amp; productivity</b>	<b>£289bn</b>	<b>4.12%</b>	<b>1.89%</b>	<b>0.13%</b>



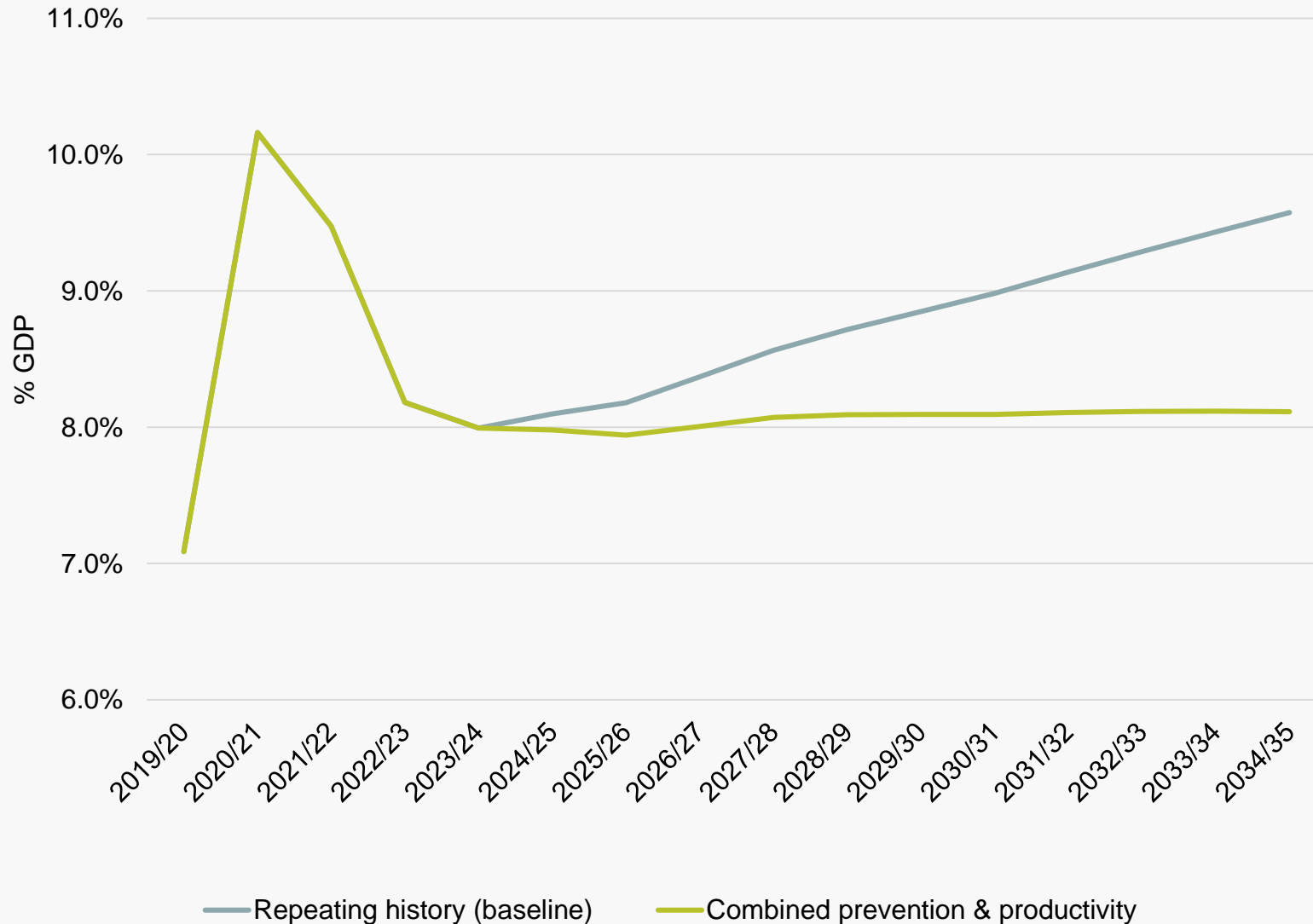
# Projected annual savings in government healthcare spending

Scenario	Core assumptions	Total costs in 2029/30	Annual savings by 2029/30	Total costs in 2034/35	Annual savings by 2034/35
Repeating history (baseline)	ONS projected LE and flat HLE	£256bn	-	£342bn	-
<b>Improved productivity</b>	<b>ONS projected LE and flat HLE; 2% productivity growth</b>	<b>£237bn</b>	<b>£19bn</b>	<b>£294bn</b>	<b>£48bn</b>
Repeating past HLE gains	Improving HLE and LE in line with average annual growth rates seen from 2000-02 to 2009-11	£247bn	£9bn	£321bn	£21bn
<b>Halving HLE gap vs post-pandemic data (prevention)</b>	<b>Halving HLE gap in regions relative to post-COVID HLE</b>	<b>£254bn</b>	<b>£2bn</b>	<b>£336bn</b>	<b>£6bn</b>
Halving HLE gap vs pre-pandemic data	Halving HLE gap in regions relative to pre-COVID HLE	£252bn	£4bn	£330bn	£12bn
<b>Combined prevention &amp; productivity</b>	<b>Halving HLE gap in regions relative to post-COVID HLE; 2% productivity growth</b>	<b>£235bn</b>	<b>£21bn</b>	<b>£289bn</b>	<b>£53bn</b>

## Notes

- Annual savings are calculated relative to the baseline scenario.
- Full scenario descriptions are shown on page 7.

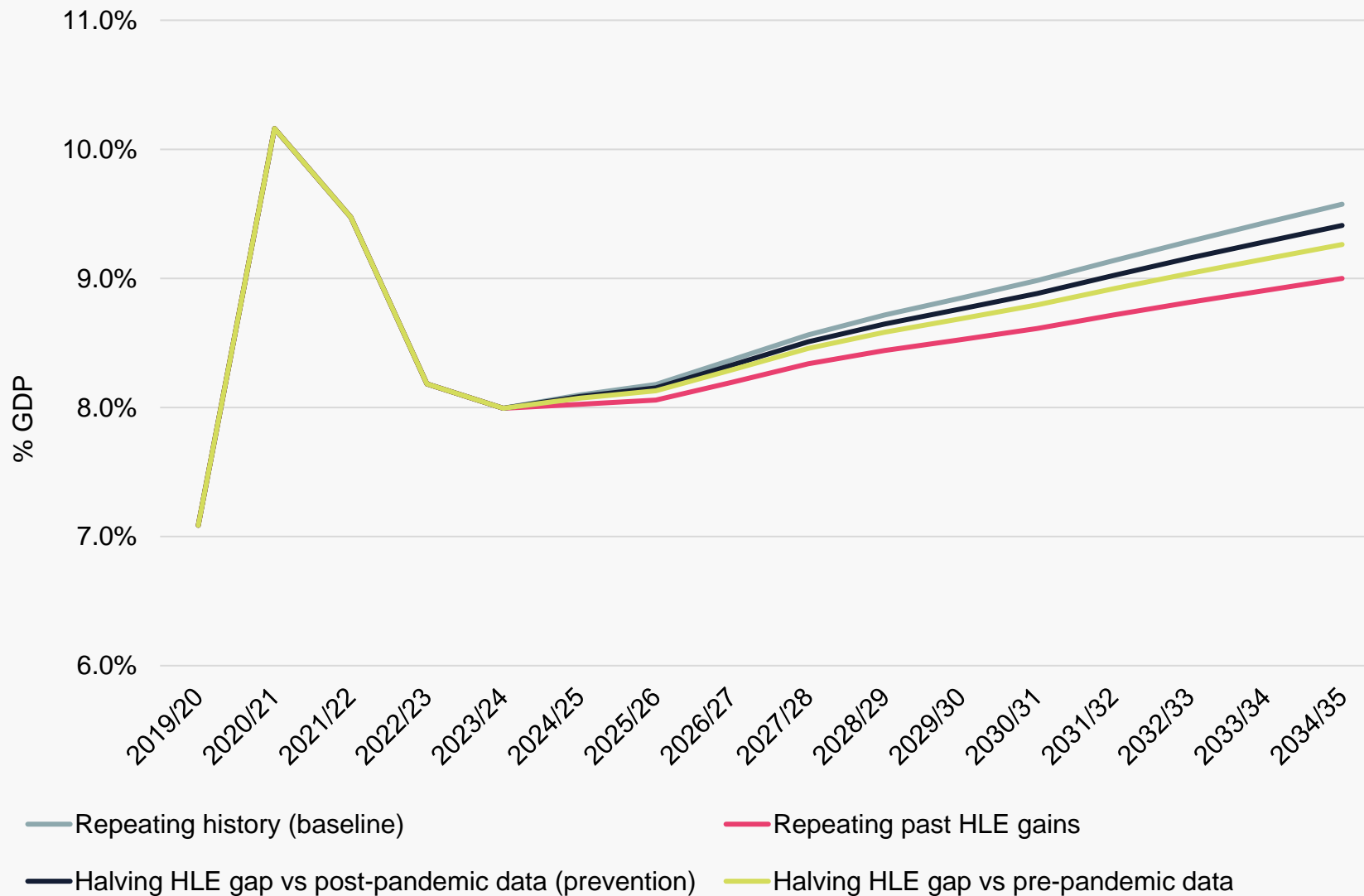
# Projected healthcare spending in England as a share of GDP



## Notes

- “Healthcare spending” here means net expenditure from operating activities in the Department of Health and Social Care’s core department and agencies.
- In the latest available (2023/24) data, healthcare spending is equal to 8.0% of GDP.
- If current trends continue, spending is projected to rise at an annual growth rate of 1.65% above GDP, reaching 9.6% of GDP in 2034/35.
- In the combined prevention and productivity scenario, the growth trajectory is almost flat (0.13% pa above GDP), with healthcare spending projected to be 8.1% of GDP in 2034/35.

# Projected healthcare spending in England across HLE scenarios



## Notes

- Replicating the historical improvements in HLE achieved between 2000-02 and 2009-11 could slow the growth in public healthcare spending more quickly than the “halving the HLE gap” scenarios.
- Achieving this past rate of improvements is projected to result in total healthcare expenditure reaching 9.0% of GDP by 2034/35, with an annual growth rate 1.08% above GDP.
- This compares with 9.3% of GDP in 2034/35 in the “halving the gap vs pre-pandemic” scenario and 9.4% of GDP in 2034/35 in the “halving the gap vs post-pandemic” scenario.

# Description of 2025 scenarios

## Baseline Scenario

This scenario is unchanged from the core (“repeating history”) scenario in the 2023 projections, where we assumed productivity growth of 0.5% pa.

## Scenario 1: Improved productivity

- We have assumed flat productivity growth rate of **2% pa** across the projection period.
- This is an illustration of the NHS productivity target “to increase NHS productivity growth to an average of 1.9% from 2025/26 to 2029/30, rising to 2% over the final 2 years”<sup>1</sup>.

## Scenario 2a: Repeating past HLE gains

- We have assumed healthy life expectancy (HLE) will grow at **0.75% pa** and life expectancy (LE) will grow at **0.35% pa** across the projection period.
- These rates are based on ONS data<sup>2</sup> which showed HLE improving by 0.73% pa and LE improving by 0.34% pa on average from 2000-02 to 2009-11.
- The box below describes how we have translated these projections into reduced healthcare expenditure.

### Translation of HLE/LE gains into reduced healthcare expenditure

Consistent with the 2023 analysis, we have compared the above HLE and LE projections for each scenario against our best estimate projection that HLE will remain flat (consistent with the trend seen in the 2010s) at the 2021-23 level of 61.7 years<sup>3</sup> and that LE will grow in line with latest ONS LE projections<sup>5</sup> (at an average rate of 0.17% pa).

We have then translated reductions in the gap between projected LE and projected HLE (relative to best estimate) into reductions in projected inpatient consultations (and the costs associated with these), based on the correlation between these metrics at a local authority level.

## Scenario 2b: Halving HLE gap vs post-pandemic data (prevention)

- We have assumed that by 2034/35 each region will have halved the gap between its starting HLE and the South East’s starting HLE of 64.0 years (based on 2021-23 ONS data<sup>3</sup>), while the South East’s HLE remains static over this period. The data and projections are shown in appendix 2.
- We have calculated HLE for England in each projection year from 2022/23 to 2034/35 as a population-weighted average of regional HLEs (using mid-2021 population estimates<sup>4</sup>), resulting in an average growth rate of **0.15% pa**.
- We have projected LE improvements in line with latest ONS LE projections<sup>5</sup>, resulting in an average growth rate of **0.17% pa**.

## Scenario 2c: Halving HLE gap vs pre-pandemic data

- We have assumed that by 2034/35 each region will have halved the gap between its starting HLE and the South East’s pre-pandemic HLE of 66.0 years in 2018-20<sup>3</sup>.
- Consistent with scenario 2b, we have calculated HLE for England in each projection year as a population-weighted average of regional HLEs, resulting in average growth rate of **0.28% pa**.
- We have projected LE improvements in line with latest ONS LE projections<sup>5</sup>, resulting in an average growth rate of **0.17% pa**.

## Combined prevention & productivity

- HLE improvements in line with improved prevention scenario (2b) while productivity increases by 2% pa in line with the improved productivity scenario (1).

# Data updates for current analysis

This analysis follows the same methodology as our 2023 analysis<sup>1</sup>, adjusted for the scenarios described on the previous page and the data updates described below. The scope of both analyses is total government-funded healthcare expenditure in England, as reported by the Department of Health and Social Care (DHSC).

In our original analysis, we projected expenditure from the 2022/23 financial year based on the latest data sources at the time of analysis. For the analysis presented here, we have updated our expenditure projection to start from the 2023/24 financial year based on the data sources below.

Component of projection	Data source	Approach
Total healthcare spending	DHSC Annual Report & Accounts <sup>2</sup>	<ul style="list-style-type: none"> <li>Updated to 2023/24 net expenditure from operating activities in the core department and agencies.</li> <li>Actual 2023/24 expenditure was lower than projected in our previous report. This is largely explained by a reduction in temporary costs related to the pandemic response, e.g. surveillance / detection programmes (discussed in appendix 3).</li> </ul>
Breakdown of spending by setting (e.g. hospital care) and function (e.g. curative services)	ONS UK Health Accounts <sup>3</sup>	<ul style="list-style-type: none"> <li>Proportions of total expenditure across settings and functions in the latest available full data (2022) were applied to 2023 preliminary data, which only reported the total.</li> <li>This was further scaled to match latest DHSC total expenditure.</li> </ul>
CPI inflation	LCP internal modelling tools	<ul style="list-style-type: none"> <li>Financial market-based inflation expectations as at 31 January 2025.</li> <li>CPI assumed to be 0.9% pa below RPI until 2030, and 0.1% pa below RPI thereafter.</li> </ul>
GDP and GDP deflator	OBR	<ul style="list-style-type: none"> <li>Updated baseline to 2023/24 data.</li> <li>Projections from 2024/25 used the latest published OBR projection (October 2024)<sup>4</sup> which covers up to and including 2029/30.</li> <li>We have used the OBR's latest long-term projection (published March 2024)<sup>5</sup> for later years.</li> </ul>
Population by age and sex	ONS	<ul style="list-style-type: none"> <li>Updated historical baseline to 2023/24 with latest published mid-2023 estimates<sup>6</sup></li> <li>Projected population sizes thereafter using latest ONS published 2022-based mid-year principal projections<sup>7</sup>.</li> </ul>
Baseline activity by age, sex and treatment specialty	HES, ECDS, GP Funding Formula	<ul style="list-style-type: none"> <li>Updated to 2023/24 HES data for inpatient<sup>8</sup> and outpatient<sup>9</sup> care, ECDS<sup>10</sup> data for emergency care attendances, and the GP funding formula<sup>11</sup> for primary care.</li> </ul>
Baseline unit costs by age, sex and treatment specialty	NCC, PSSRU	<ul style="list-style-type: none"> <li>Updated to the 2023/24 National Cost Collection data<sup>12</sup> for inpatient, outpatient, and emergency care unit costs; and the 2023 PSSRU report on unit costs of health and social care<sup>13</sup> for primary care unit costs.</li> </ul>

**Sources:** 1. [Projecting healthcare expenditure to 2033/34 - LCP](#); 2. [DHSC annual reports and accounts - GOV.UK](#); 3. [UK Health Accounts - Office for National Statistics](#); 4. [Economic and fiscal outlook – October 2024 - Office for Budget Responsibility](#); 5. [Economic and fiscal outlook – March 2024 - Office for Budget Responsibility](#); 6. [Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland - Office for National Statistics](#); 7. [Population projections, England - Office for National Statistics](#); 8. [Hospital Admitted Patient Care Activity - NHS England Digital](#); 9. [Hospital Outpatient Activity 2023-24 - NHS England Digital](#); 10. [A&E Attendances and Emergency Admissions - NHS England](#); 11. [Primary medical care - new workload formula for allocations to CCG areas - NHS England](#); 12. [National Cost Collection for the NHS - NHS England](#); 13. [Unit Costs of Health and Social Care 2023 Manual - Kent Academic Repository](#)



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# Appendix 1: 2023 scenario results

Scenario	Adjustment(s) made	Average nominal growth rate (total costs)	Average real growth rate (total costs)	Total costs in 2033/34
Core (“repeating history”)	N/A	5.69%	3.64%	£352bn
Morbidity: optimistic	HLE improvements in line with 2000s	5.19%	3.15%	£334bn
Morbidity: pessimistic	Reversing the gains in HLE of the 2000s	6.36%	4.30%	£377bn
Productivity	Unit costs decrease by 0.5% pa in hospital and GP settings	5.21%	3.17%	£335bn
Combined morbidity (optimistic) + productivity	HLE improvements in line with 2000s while unit costs also decrease by 0.5% pa	4.72%	2.68%	£318bn
Deferred combined morbidity (optimistic) + productivity (“reform”)	HLE improvements in line with 2000s starting after 5 years while unit costs also decrease by 0.5% pa	4.96%	2.92%	£326bn
High inflation	CPI inflation fixed at 3.8% pa from September 2023 (average of curve in core scenario: 3.3% pa)	6.17%	4.11%	£370bn
Low inflation	CPI inflation fixed at 2.0% pa from September 2023 (average of curve in core scenario: 3.3% pa)	4.73%	2.69%	£318bn
Zero productivity growth (“post-pandemic new normal”)	Unit costs grow in line with CPI	6.17%	4.11%	£370bn

Source: [IPPR NHS Funding Scenarios](#)

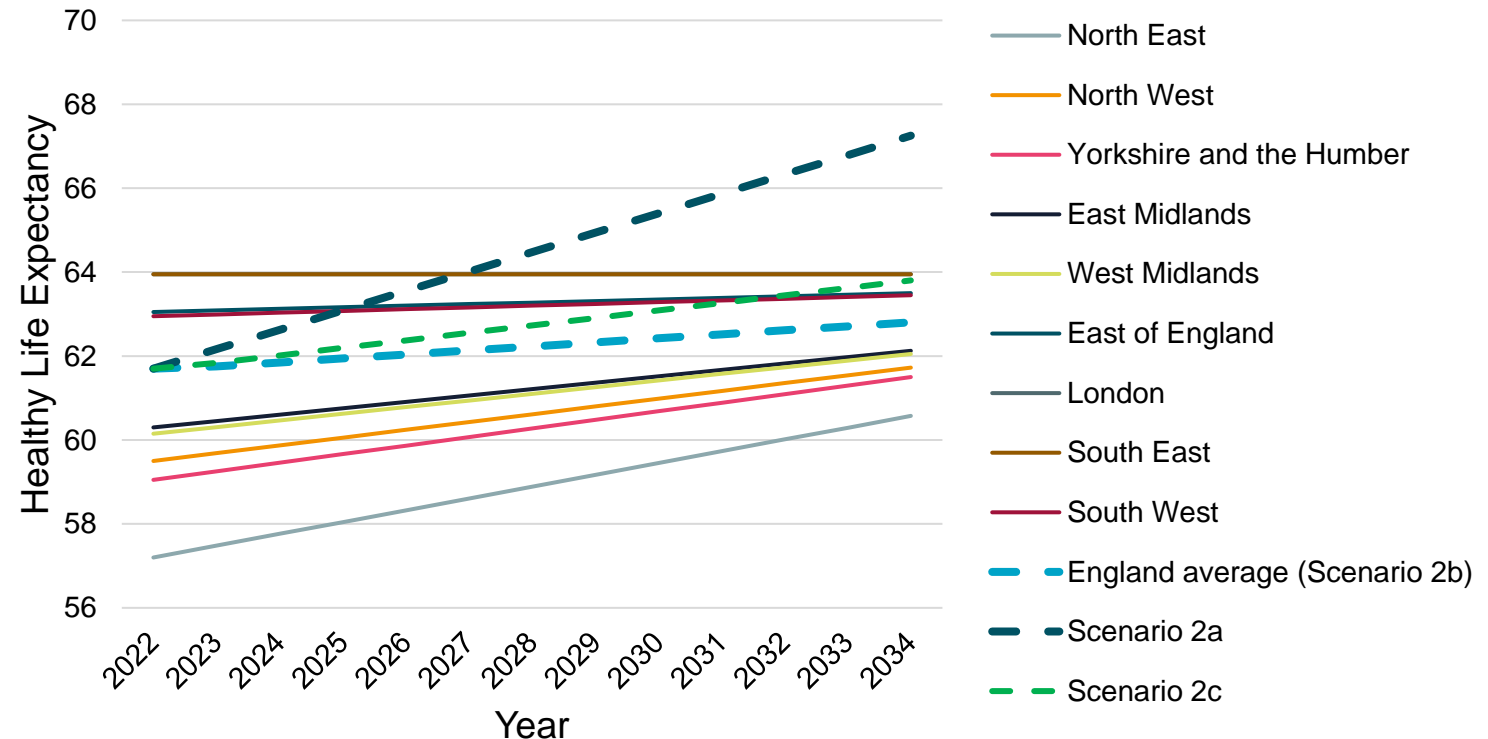
# Appendix 2: Scenario 2 data and projections

- The table below sets out the 2021-23 ONS HLE data<sup>1</sup> we have used for our projections in Scenario 2b and Scenario 2c. The gap between the England average and the South East in 2021-23 is 2.3 years, leading to a projected national HLE improvement from 2022 to 2034 of 1.1 years in scenario 2b. In scenario 2c, the projected national HLE improvement over this period is 2.1 years, reflecting the fact that HLE in the South East was 2.0 years higher in 2018-20 than in 2021-23.
- This compares with a national HLE improvement of 5.6 years over the same period under Scenario 2a, in which we have replicated the rate of HLE growth from the 2000s. This is illustrated in the chart below.

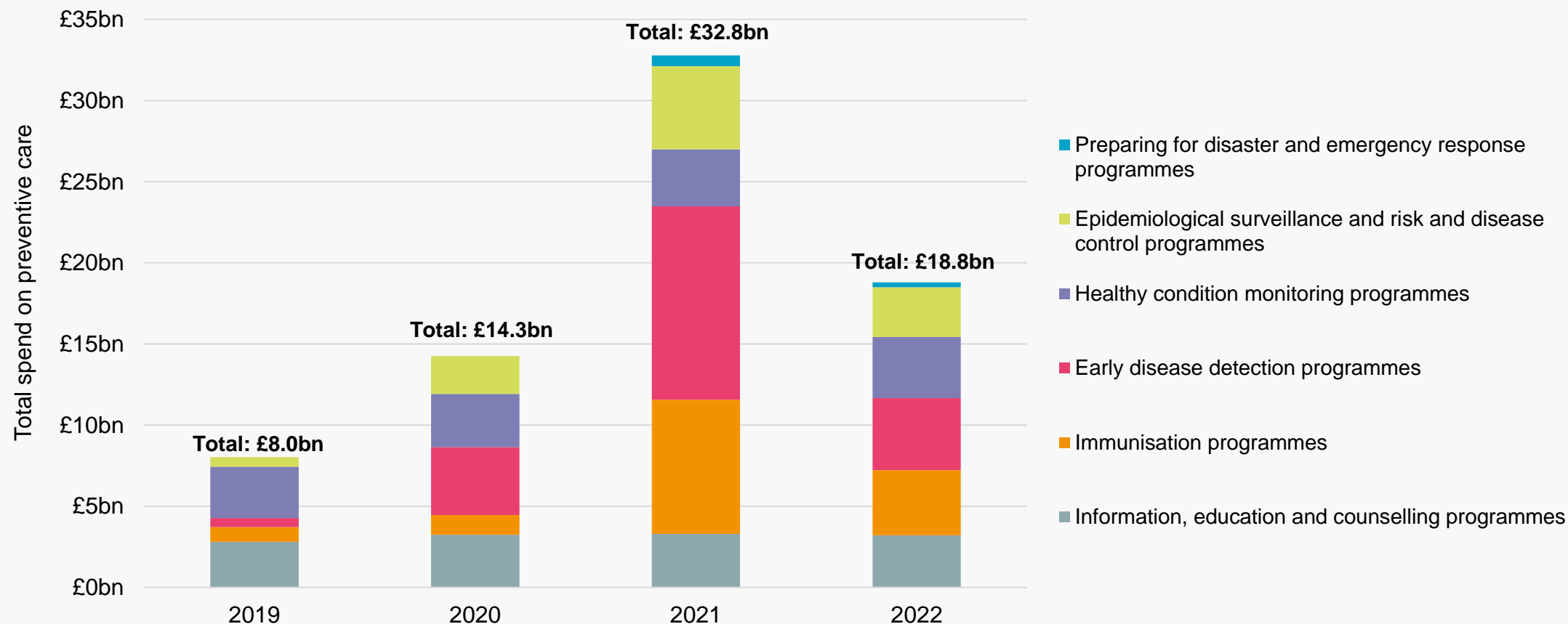
**HLE by region in 2021-23**

Area	Males	Females	Average
North East	56.9	57.5	<b>57.2</b>
North West	59.1	59.9	<b>59.5</b>
Yorkshire and the Humber	58.8	59.3	<b>59.1</b>
East Midlands	60.4	60.2	<b>60.3</b>
West Midlands	60.3	60.0	<b>60.2</b>
East	62.9	63.2	<b>63.1</b>
London	63.9	64.0	<b>64.0</b>
South East	63.5	64.4	<b>64.0</b>
South West	63.0	62.9	<b>63.0</b>
<b>England</b>	<b>61.5</b>	<b>61.9</b>	<b>61.7</b>

**Improvements in Healthy Life Expectancy by Scenario**



# Appendix 3: Pandemic impact on healthcare spending



- Preventive healthcare spending surged during the pandemic, generally peaking in 2021 across **epidemiological surveillance**, **early disease detection**, **immunisation**, and **emergency preparedness**<sup>1</sup> - both in absolute terms and as a proportion of total preventive care expenditure.
- In 2022, spending declined as COVID-19 measures were scaled down, possibly explaining the lower actual total healthcare costs than projected in our 2023 report. The split of 2023 expenditure is not available, but we would expect it to show a similar pattern.