Editorials

GDP, CPI, RPI, and GPs:

why economic indicators matter for GPs

GROSS DOMESTIC PRODUCT (GDP)

In July 2022, the BBC reported newly released May 2022 figures showing an unexpected rise in GDP at 0.5%; predictions had been zero growth.[1] Or, as GPonline put it: *'Surge in GP appointments powers return to growth in UK economy'*.[2] It turned out that high GP consultation rates had been powering our economy to a far greater extent than expected. To be fair, it wasn't just GPs; road haulage and travel agencies did their bit too. That health was the biggest driver will have come as a surprise to many working in the NHS.

Who knew? Few of us realise that health care is a large contributor to GDP, that statistic that sums up the total wealth of the nation in terms of productivity.

It turns out that 'we' (that is, health care) are part of service industries accounting for about 80% of UK economic output.[3]

HOW DOES HEALTH FIT IN?

Those of us working in health care are steeped in the mentality that we are public servants, that we are stewards of taxpayers' income entrusted to us. Our funding is a scarce resource to be used cautiously and wisely. Even more so in primary care where, among our many roles, we have a gatekeeper function. All that is true. And yet until the 1990s official GDP calculations for the public sector simply equated to what was termed the 'outputs=inputs' convention.[3] This meant that for every additional £1 spent on health care, the accountants decided this would translate into an additional £1 boost to the GDP. Another way of looking at this is to say that healthcare costs are really an investment that can be used to grow our GDP, providing that additional investment is accompanied by parallel productivity increases.

Things have changed a bit since then. Only about 10% of healthcare productivity is now measured using the 'outputs=inputs' convention; the remaining 90% is measured as something termed 'quantity output'.[4] This is where GP consultations come in.

In 2021, the Economic and Social Research Council (ESRC) published a summary of the weightings of healthcare activity contributing to GDP, derived from Office for National Statistics (ONS) data (Table 1).[4] Top of the list of this valuation of outputs, with a weighting of 21%, was GP visits.

Table 1. Weightings in health output contributing to GDP[4]

High level activity	Weight, %
GP visits	21
Elective in-patient care	19
Non-elective in-patient care	18
Drugs	15
Outpatient follow-up attendance	8
A&E attendance	6
Outpatient first attendance	5
Dental	5
Critical care	3
Optometrist	1
NHS Direct	0.3
NHS Online	0.01

GDP = gross domestic product.

These weightings are not set in stone. They change over time and are constantly being revised. New data sources, new clinical activity keeping pace with healthcare developments and advances in health econometrics are likely to change the weightings.[4] But for now, GP consultations are top of the list.

GPs, of course, are not paid per consultation. The majority of GP income is capitation based, with 16% coming from pay-for-performance schemes such as the Quality and Outcomes Framework and Enhanced Services payments.[5] It seems a huge metaphorical burden for primary care to shoulder, propping up the national GDP. Especially since primary care has been hit by a double whammy in terms of its potential to grow and develop. Compared to a decade ago, general practice funding actually reduced from 9.6% (2005/2006) to 8.1% of the NHS Budget (2017/2018). This equates to a real-term loss to primary care of £1.8 billion.[6]

Workforce too has reduced; between 2010 and 2022 the number of hospital doctors grew by 35% and over the same period the number of GPs fell by 8% (all measured as whole time equivalents).[7]

GDP as a concept requires contextualisation. All too readily when applied to health care it can generate what we call 'treadmill economics'. Simply sticking with GDP assumptions that growth is good may be part of what has been termed 'the growth delusion'.[8] We do not have to be beholden to GDP. Other measures of national output place greater weight on wellbeing, tackling climate change, or inequalities. Even our own government has toyed with alternatives.[9] New Zealand has gone a step further, launching its first 'wellbeing budget' in 2019, with government spending decisions based more on social wellbeing indicators than GDP.[10] Focusing on wellbeing and reducing inequalities might be far more aligned to the real contribution primary care makes to society.

We have a compelling argument here for greater primary care funding and primary care workforce expansion. Primary care is taxpayer funded. That tax-funding should be seen not so much as a national cost ('drain on the national purse'), but more as a national investment. It's now clear that primary care generates a substantial proportion of national wealth and actively contributes to the growth of that wealth. In return, primary care urgently needs the investment it deserves.

CONSUMER PRICE INDEX (CPI) AND RETAIL PRICE INDEX (RPI)

Other economic metrics are central to the 'cost-of-living crisis'. Unless income in the form of wages or benefits keeps up with inflation, the result is a real-time reduction in income tipping more people into poverty.

The history of an index to measure inflation is instructive. In 1914, the UK Government began to monitor food prices to help protect workers during the First World

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War. In 1916, price checks on clothing, fuel, and a few other items were added to generate a simple cost-of-living index.[11] Right from the outset, these measures focused on protecting people from poverty.

CPI has largely taken over from the RPI as the government's preferred measure of inflation. It is based on a basket of around 700 goods. Additions to the 2022 basket included: meat-free sausages, canned pulses, sports bras, pet collars, and antibacterial surface wipes. Removals included: doughnuts and men's suits.[12] Electricity, diesel, and petrol costs have been major contributors to the current rise in the CPI.

Inflation matters for GPs. Unless (public sector) funding keeps up with inflation, shortfalls result in real-terms funding cuts. For primary care, this is the opposite of investment, and such disinvestment is likely to result in reductions in primary care outputs — the very thing that contributes to GDP. Inflation matters to patients for similar reasons. But it's more granular than that. The 'basket of goods' hardly represents the day-to-day running costs of general practices. Nor does it represent the day-to-day experiences of many patients.

Indeed, reliance on the CPI risks widening health inequalities. Inflation is up to 30% higher in northern cities driven by poor housing insulation and car dependency.[13] Car dependency itself being the result of poor public transport infrastructure, utterly different to the public transport system that commuters in London and the South East have grown accustomed to. As examples, Burnley is the hardest hit, with an inflation rate of 11.5% (May 2022), followed by Blackpool and Blackburn at 11%, and Bradford at 10.9%. In the Midlands, Leicester is among those most affected at 10.8%, while in Wales, Swansea has a rate of 10.7%. In contrast, patients living in London and Cambridge currently face an annual inflation rate of 8.8%.[13]

UNDERSTANDING ECONOMIC INDICATORS

We need to apply our knowledge of economic indicators to benefit primary care and the lives of patients. Rising inflation will lead to dis-investment in primary care and widen health inequalities for patients. Investment in primary care, as data in May 2022 has shown, has the potential to boost our national GDP.

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