European Observatory Rapid Response Report for Ireland

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Context

- In July 2012, DoH commissioned European Observatory on Health Systems and Policies to prepare a report on ‘Health System Responses to Financial Pressures in Ireland: policy options in an international context’
  - Part of ‘rapid response’ mechanism
  - Authored jointly with researchers in WHO Regional Office for Europe, ESRI and TCD

- Report published November 2012

http://www.dohc.ie/publications/Observatory_WHO.html
Objectives

● To review the main policy options open to the Irish Government in responding to the effects of the financial crisis on the health system

● To assess the response of the Irish health system to recent budget cuts

● To explore future options in light of relevant international experience across the EU and OECD
Approach

- Overview of health system pressures in Ireland

- Reviews policy levers in three key areas:
  - Level and mix of statutory resources for health
  - Health cover
  - Health service efficiency

- For three core chapters:
  - Set out guiding principles
  - Brief description of Irish situation and response to date
  - Discuss options in light of relevant international experience
Health system pressures in Ireland

- Large, real declines in public expenditure

- External pressures:
  - Demographic change (population growth; fertility)

- Internal pressures:
  - Limited capacity in some sectors
  - Weak primary and community care
  - Demand-led schemes
  - High costs (salaries; pharmaceuticals)
  - Programme for Government commitments
Total public health expenditure, 2000-2013

Sources: Department of Public Expenditure and Reform Databank; CSO StatBank
Irish Response and International Evidence

1) Changes to the level of statutory resources

2) Changes to health cover

3) Improvements in health service efficiency
1) Changes to the level of statutory resources

- Statutory resources, i.e., payments that are pre-paid and mandatory
  - General taxation (direct/indirect)
  - Payroll taxes/social health insurance
  - Mandatory health insurance (e.g., Netherlands)

- Principles:
  - Adequate level
  - Stability and predictability
  - Fairness/equity
  - Transparency
  - Other (e.g., impact on labour costs)
Current situation in Ireland

- Public health expenditure as % of total health expenditure has been falling

- Public health expenditure as % of GDP/GNP has been increasing
  - Sensitive to fluctuations in GDP/GNP

- Public health expenditure as % of total public expenditure has been relatively stable
Public health expenditure as a % of total health expenditure, 2000-2010

Source: Thomson et al. (2012), Figure 3.1
Public health expenditure as % of GDP, 2000-2010

Source: Thomson et al. (2012), Figure 3.3
Public health expenditure as % of total public expenditure, 2008-2012

Source: Department of Public Expenditure and Reform Databank
Policy options

- Continue with budget reductions
- ‘Earmark’ resources for health (within existing funds)
- Introduce a new source of statutory revenue, e.g., payroll tax
  - But, off-setting reductions in general taxation
  - Adequacy and stability (pro-cyclical fluctuations)
- Introduce a new source of statutory revenue, e.g., tax on sugar-sweetened drinks
  - Primary objective is behavioural change
  - HIA report on SSD tax published in May 2013
2) Changes to Health Coverage

- Three aspects of public health coverage:
  - Breadth: who is covered?
  - Scope: what is covered?
  - Depth: how much is covered? Are there user fees?

- Principles, i.e., role of coverage in:
  - Alleviating/exacerbating fiscal pressure
  - Strengthening health system performance
  - Enhancing efficiency in allocation and use of statutory resources
Current situation in Ireland

- Complex system of public health-care entitlements
  - Category I (full medical card)
  - Category II
  - Also GP visit card (since 2005)
  - Other entitlements: LTI, HTD, etc.

- Role of private health insurance (PHI)
  - Recent declines in cover
Population Coverage

Source: Thomson et al. (2012), Figure 4.2
Changes to statutory coverage

● **Breadth**
  - e.g., re-introduction of means test for over 70s in 2009

● **Scope**
  - Reductions in dental, optical and aural entitlements

● **Depth**
  - Increases in user fees (e.g., public hospital charges; prescription deductible for Category II)
  - Introduction of new user fees (e.g., prescription fee-per-item for Category I)
Policy options

● Breadth
  ● International trend is towards increasing coverage
  ● Removing coverage increases role for substitutive PHI (fiscal pressure via tax relief, risk pooling effects)

● Scope
  ● Streamlining the benefit package is often technically and politically difficult to achieve
  ● Role of HTA

● Depth
  ● Usual arguments for user fees do not hold in health care
  ● Conflicts with Programme for Government objectives
3) Improving health services efficiency

- Concerned with purchasing arrangements
  - What to purchase?
  - Who should purchase?
  - From whom?
  - At what price?
  - Under what conditions?

- Principles:
  - Matching resources to need
  - Reducing waste
  - Ensuring quality
  - Setting priorities
Current situation in Ireland

- Purchasing largely co-ordinated by HSE
  - Sometimes also plays a provider role

- Paying for primary care

- Paying for acute hospital care

- Reforming delivery structures
  - Primary care teams
  - Hospital trusts/groups
  - Working practices
Policy options

- Payment of providers
  - GPs: increasing capitation component
  - Acute hospitals: increased use of DRGs
  - Specialists: salary levels

- Reform of delivery structures
  - Primary care teams
  - Integration across primary, community and acute sectors
  - Hospital autonomy

- Input prices
  - In particular, pharmaceuticals
Summary

- Irish health system experiencing unprecedented cuts in expenditure
- Backdrop of external and internal pressures
- So far, cuts achieved by cutting staff numbers and pay; increased activity; increased user fees
- Ongoing concerns over some input prices
Further Challenges

- Questions over feasibility of future cuts in required timeframe

- Programme for Government commitments are welcome, but will require extra resources and strong governance

- Recognise the difficulty of improving efficiency in times of structural/organisational change

- Important to maintain a focus on policy goals