

# European Observatory Rapid Response Report for Ireland

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*Dublin, 18<sup>th</sup> June 2013*

# 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](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

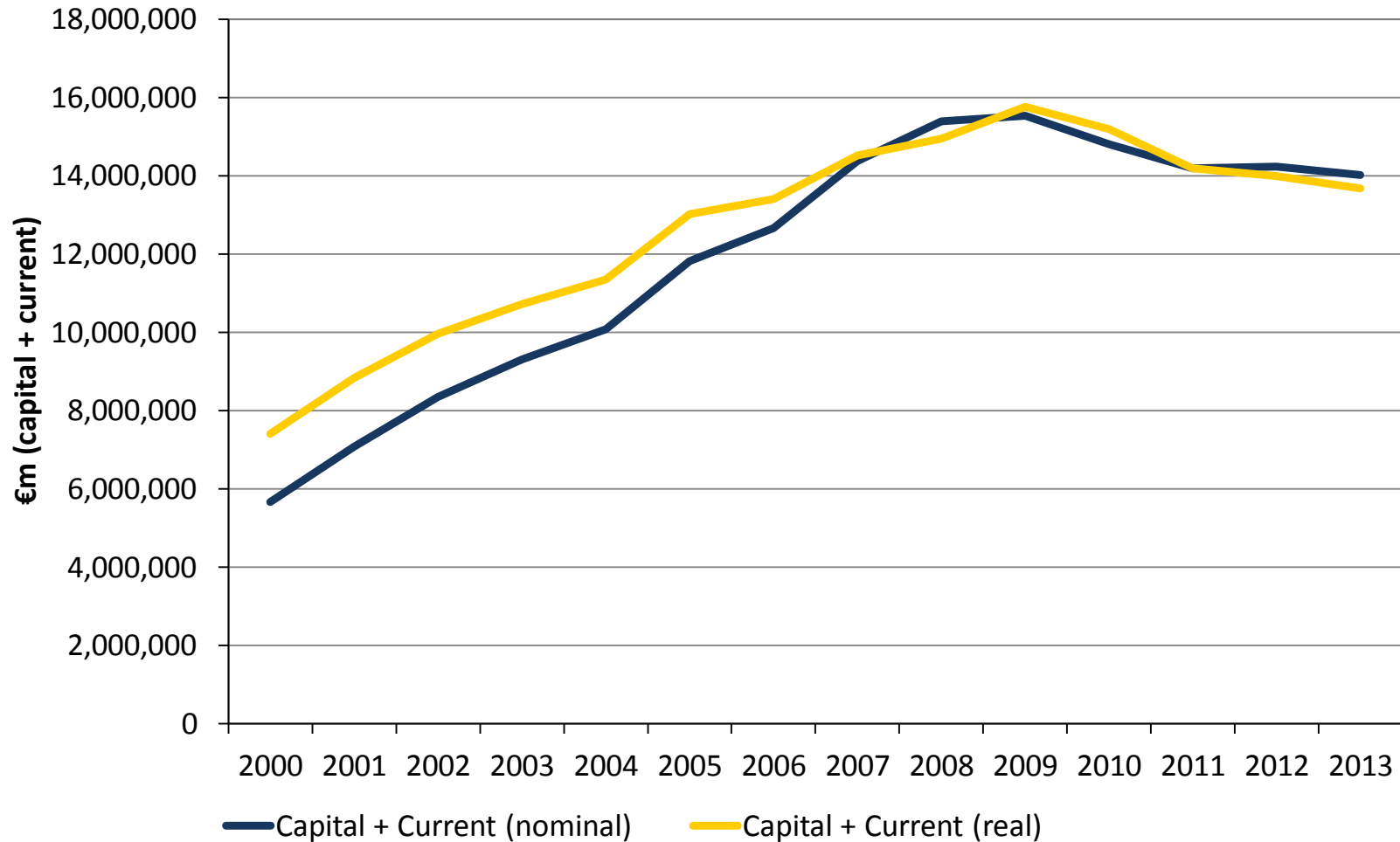
# Approach

- 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

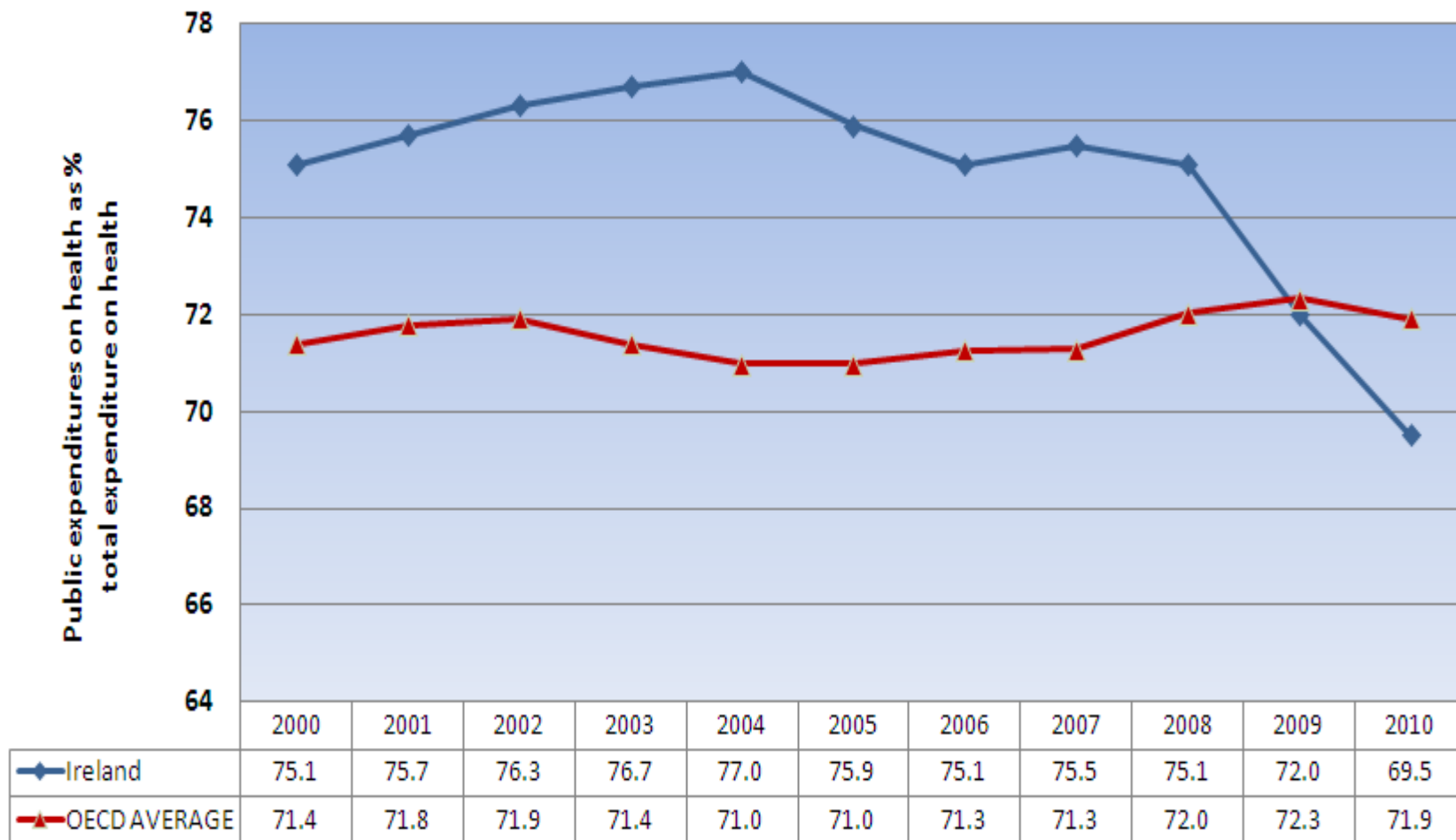
- Statutory resources, i.e., payments that are pre-paid and mandatory
  - General taxation (direct/indirect)
  - Payroll taxes/social health insurance
  - Mandatory health insurance (e.g., Netherlands)
- Principles:
  - Adequate level
  - Stability and predictability
  - Fairness/equity
  - Transparency
  - Other (e.g., impact on labour costs)



# Current situation in Ireland

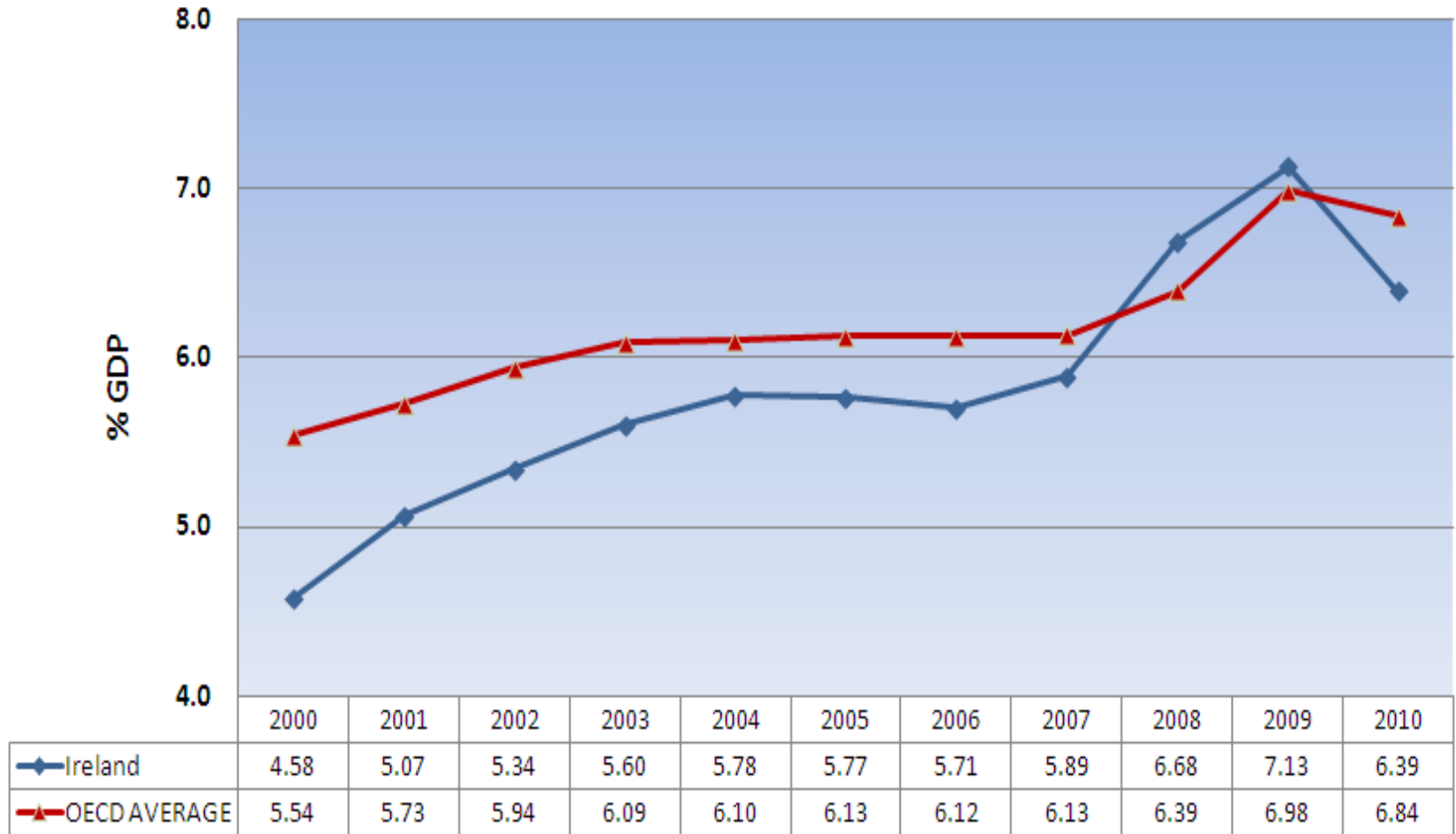
- Public health expenditure as % of total health expenditure has been falling
- Public health expenditure as % of GDP/GNP has been increasing
  - Sensitive to fluctuations in GDP/GNP
- Public health expenditure as % of total public expenditure has been relatively stable

# Public health expenditure as a % of total health expenditure, 2000-2010



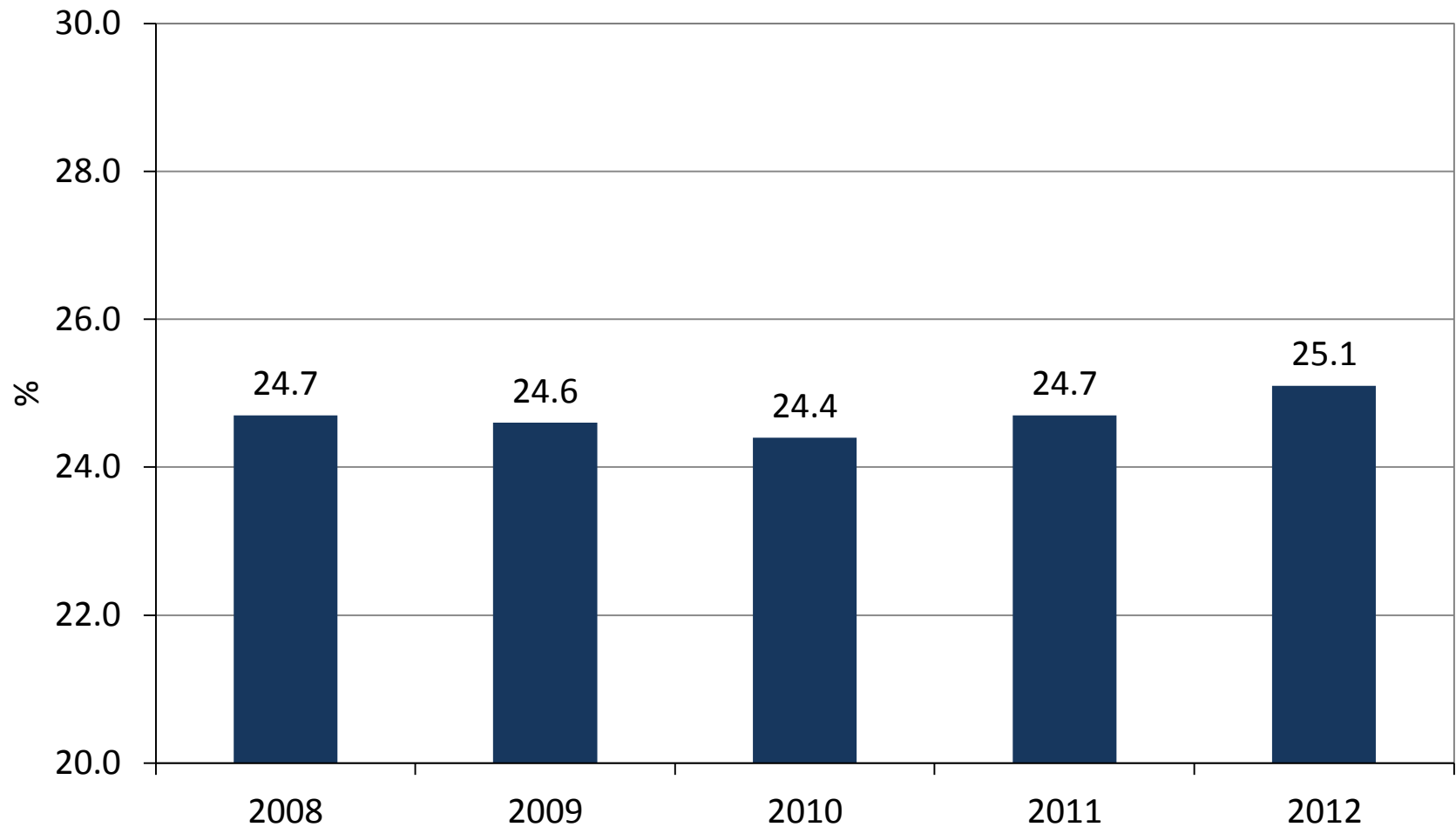
Source: Thomson *et al.* (2012), Figure 3.1

# 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

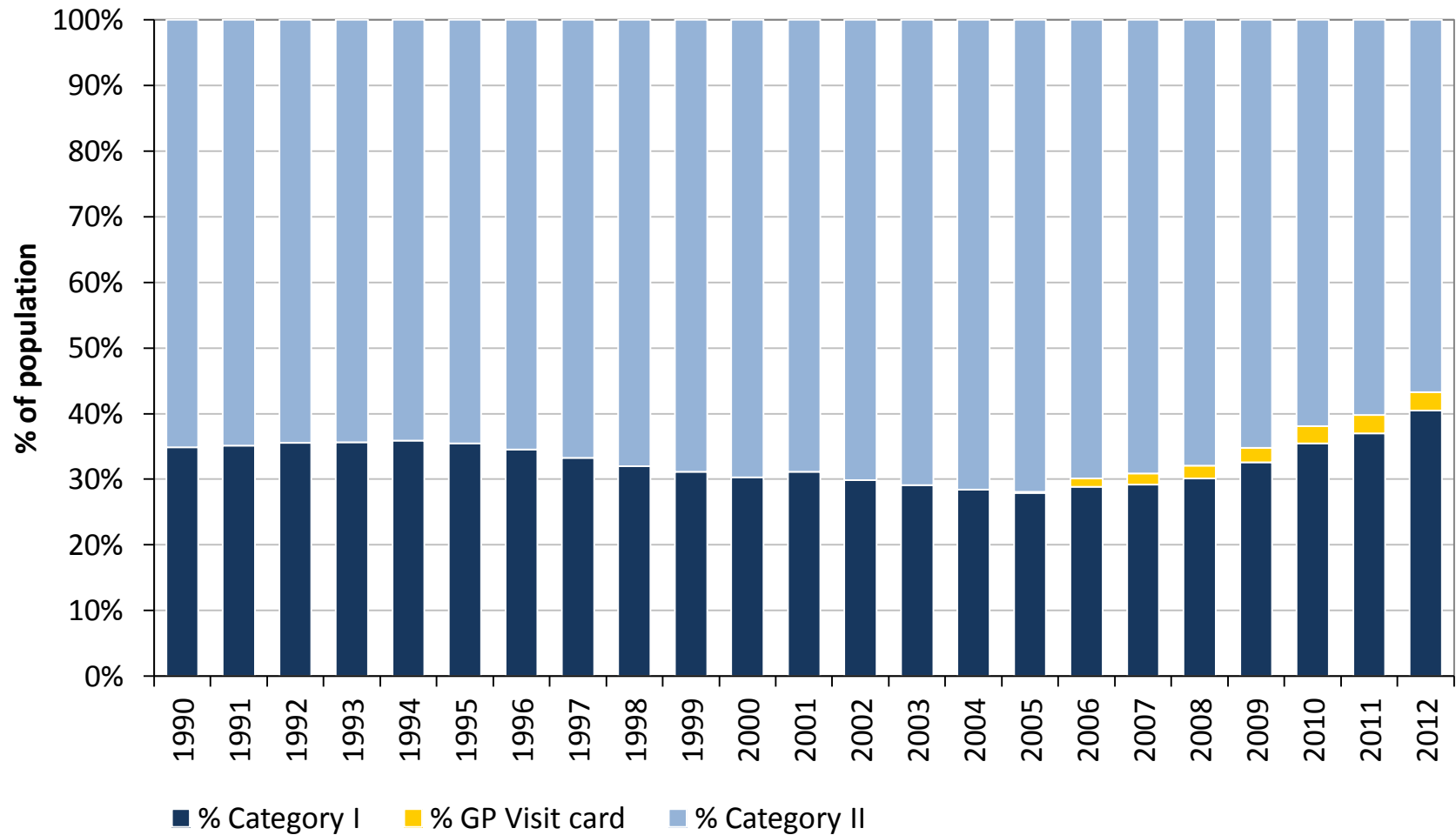
## 2) Changes to Health Coverage

- 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