



IRISH MEDICAL
ORGANISATION
Ceardchumann Dochtúirí na hÉireann

IMO Position Paper on Health Service Funding

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Overview

Health service funding is the single most important political issue for Irish men and women. Decisions made today or tomorrow will have implications and effects for decades to come. Everyone acknowledges that funding cuts made in the 1980s are the fundamental cause of the hospital services crisis both in acute care and Accident and Emergency. Each citizen no matter what his social position is deeply affected by health service spending.

Direct Effects

All taxpayers contribute directly to the health service and as such are entitled to an efficient and effective use of their money. Most taxpayers will at one time or other need to use the health service. As patients or clients they have a right to expect that appropriate services will be delivered in the most convenient fashion possible.

Inequalities in Health

It is accepted that socio-economic factors play a direct and measurable role in health outcomes.¹ In Ireland manual workers have over twice the mortality rate of professionals, while those men in the highest socio-economic groups appear to have two thirds the level of chronic illness of their unskilled manual worker contemporaries. In alleviating these inequalities, the health service performs one of its most important political and social functions. It has enormous potential to improve the quality of life for citizens over generations.

Social Solidarity

The health service is the single most effective mechanism for social solidarity in Ireland. Through it each generation is bound to the next through a bond of mutual support. Within each generation citizens of all social groups are linked by the common burden they bear for the support of each other in times of ill health. This social solidarity is under increasing strain from the demographic shifts which have taken place in society. People are living into longer and healthier old ages yet, with age, their use of, and dependency on, the health services increases. Conversely the family networks of largely female relatives, who traditionally provided care for the elderly, have been eroded by the government's policy of increasing the female participation in the paid workforce outside the home. Ireland's rate stands at 46% female participation. The EU target set by the Lisbon agenda is 60%.

Accommodating Societal Change

The health service is bearing much of the strain in the difficult process of accommodating to societal change. The elderly are presenting to hospitals for services which would be more efficiently delivered *via* other means principally community based services led by primary care practices.

Healthy People Are the Key to Global Economic Success

European Commissioner David Byrne speaking, in July 2004, at the launch of a major consultation exercise on EU health policy emphasised the fact that in the future the health of Europeans will be a key factor in their economic success. He said:

Modern economies are built on good health. Their competitiveness increasingly depends on enabling their citizens to lead healthier, more productive lives. Good health is a key driver of growth. There is evidence that a 10% rise in life expectancy can generate up to 0.35% in GDP increase. Put simply, health generates wealth. Each health euro better spent could make a net saving both for individual well-being and for EU competitiveness. This is why achieving good health must become an economic priority.

The Importance of Funding

The health service's crucial political, social, and economic role in the life of the Irish nation make it of cardinal importance that Ireland enjoys the best health service it can afford. Designing the correct funding policy is crucial to maximising health outcomes for all Irish people. To begin this task we must dispel some myths.

The Mythology of The Black Hole

Before any reasonable and fair debate on funding our health services can begin, there is a whole mythology regarding money and health which must be dispelled. It has become a trite to assert that huge increases in funding have occurred over the last decade and to imply that health service professionals and workers have been the primary recipients of this increased expenditure. A fair reading of the situation produces quite a different picture.

Myth No. 1:- Health Accounting Systems

Ireland has no national system of health accounts. This fact, shocking in the 21st century, makes the work of health professionals in Ireland even more difficult than it appears. Not only do they have to endure negative publicity from political sources about the massive increases in funding but it is a fact that these figures, which are used a club to beat the caring professions, are erroneous. There are three factors leading to this situation:

- There is no proper health accounting standard for Ireland.
- Social spending is included among health spending.
- There is no accurate figure for the amount of money spent on private healthcare.

Myth No. 2:- Private Health Spending

The Department of Health and Children typically estimates that private health spending runs to 25% of the total health budget.² Private spending includes the following:

- GP visits,
- Pharmacy costs,
- Consultants fees,
- Investment in private health facilities.

OECD 2004

In the opinion of OECD 2004, the annual update of the OECD's international healthcare database, Irish figures on private healthcare are not reliable because of unclear national accounting criteria. As Maev-Ann Wren says, 'not only does it overestimate private spending but it also contains an overestimate of public spending.'³

Myth No. 3:- Capital Spending

Capital spending in Ireland on health has exceeded the EU per capita average significantly according to the ESRI from 1997 until 2002. Yet in the twenty-seven years from 1970 until 1996 the capital spending programme of successive governments ran at only 66% of the EU average. It is unreasonable to claim that the recent rapid increases will be sufficient to remedy the decades of stunted services caused by inadequate funds.

Myth No. 4:- Current Spending

On current expenditure we have to acknowledge that publicly issued figures are misleading. The OECD discounts current health expenditure by at least 15% as a matter of course. This discount occurs because the Department of Health and Children includes some monies spent on social welfare in its budget.

Social Spending

Two programmes of the Department, the Community Welfare Programme and the Disability Programme represent significant proportions of the health budget. Wren estimates that these programmes represented 21.7% of the current health budget and 20.6% of the capital spend in 2003.⁴

Health Professionals Training

Confusion in health accounting standards can best be seen in the fact that €50 million, some 10% of capital funding in 2003, was spent on facilities for the nursing degree programme while the Department of Education funds the educational costs of doctors and other health professions.

The Real Black Hole

The perception that a black hole exists can be explained by the poor handling of policy and planning by the government. O'Reardon explains clearly how the government created the black hole.

Levels of investment in the system have been poor, while demand for services has increased rapidly. One consequence of this has been a rapid increase in current spending, to address immediate needs, being applied to an inadequate capital base. As elementary microeconomics tells us, the inevitable result is diminishing returns from current spending. Therefore, a period of sustained above-average spending on capital projects will be required to enhance the efficiency and effectiveness of current spending.⁵

The black hole so-called is the result of entirely predictable and foreseeable consequences of inadequate planning by the authorities charged with the responsibility to plan prudently.

Realistic Approaches to Health Service Funding

The current system of funding the health service delivers little additional output or service for the extra billions spent. The fundamental reason for this is the unique nature of the services offered by the health arena.

Manpower Planning

The training of personnel in the health professions takes longer than most other professions. Doctors take a minimum of ten years to train. In reality most specialists take at least twelve years. The supply of qualified personnel requires planning in decades not years.

Service Planning

While some aspects of service planning are highly contingent on events, others are not. The government is quite aware, for example, of the shifts which are taking place in the demographic composition of the population which should allow for long term planning of care for the elderly. Service planning must be integrated into the same timescale as funding, manpower, capital planning.

Capital Stock

The mismatch between capital and current expenditure has led to waste. Any coherent planning must be based on a long term view of maximizing the useful life for the health services of capital stock.

Public-private Partnerships

PPPs represent an innovative method of funding capital projects. While not without their problems, they should be understood to be a valuable tool for projects which suit their characteristics.

IMO Recommendations:

- The adoption of the OECD System of Health Accounts (SHA).
- The publication of annual health accounts prepared with the OECD SHA.
- Ring-fenced funding for health services.
- Planning timescales to be long enough, at least ten years, to deliver real value.
- Multi-annual budgeting to facilitate effective planning.
- Capital and current expenditure plans to be integrated to avoid the black hole.
- Prudent use of Public-Private Partnerships to leverage public capital expenditure.

References

- 1 Miriam Wiley and Philomena Dowling, *Critique of Shaping a Healthier Future: A Strategy for Effective Health Care in the 1990's*, (Dublin, 2001)
- 2 *Quality and Fairness*, (DOHC, 2001) table 3, p.43
- 3 Maev-Ann Wren, 'Health Spending and the Blackhole' in *Quarterly Economic Commentary*, Economic and Social Research Institute, Autumn, (Dublin, 2004) p.50
- 4 Wren p.50
- 5 C. O'Reardon, 'Improving Irish Public Services', in *Irish Banking Review*, July 2004