



# The Health Care System in Ireland: Controlling Growth in Expenditure and Making the Best Use of Resources.

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# Outline of Presentation

- Healthcare expenditure in Ireland
- Reviewing the rôle of Government
- Demographic drivers of healthcare costs
- Efficiency and technology
- Access to care and entitlements
- Expectations
- System capacity
- Managing reform.



# Healthcare Expenditure in Ireland

**Table 1 Public Non Capital Spending on Health 2001-2010 (€millions)**

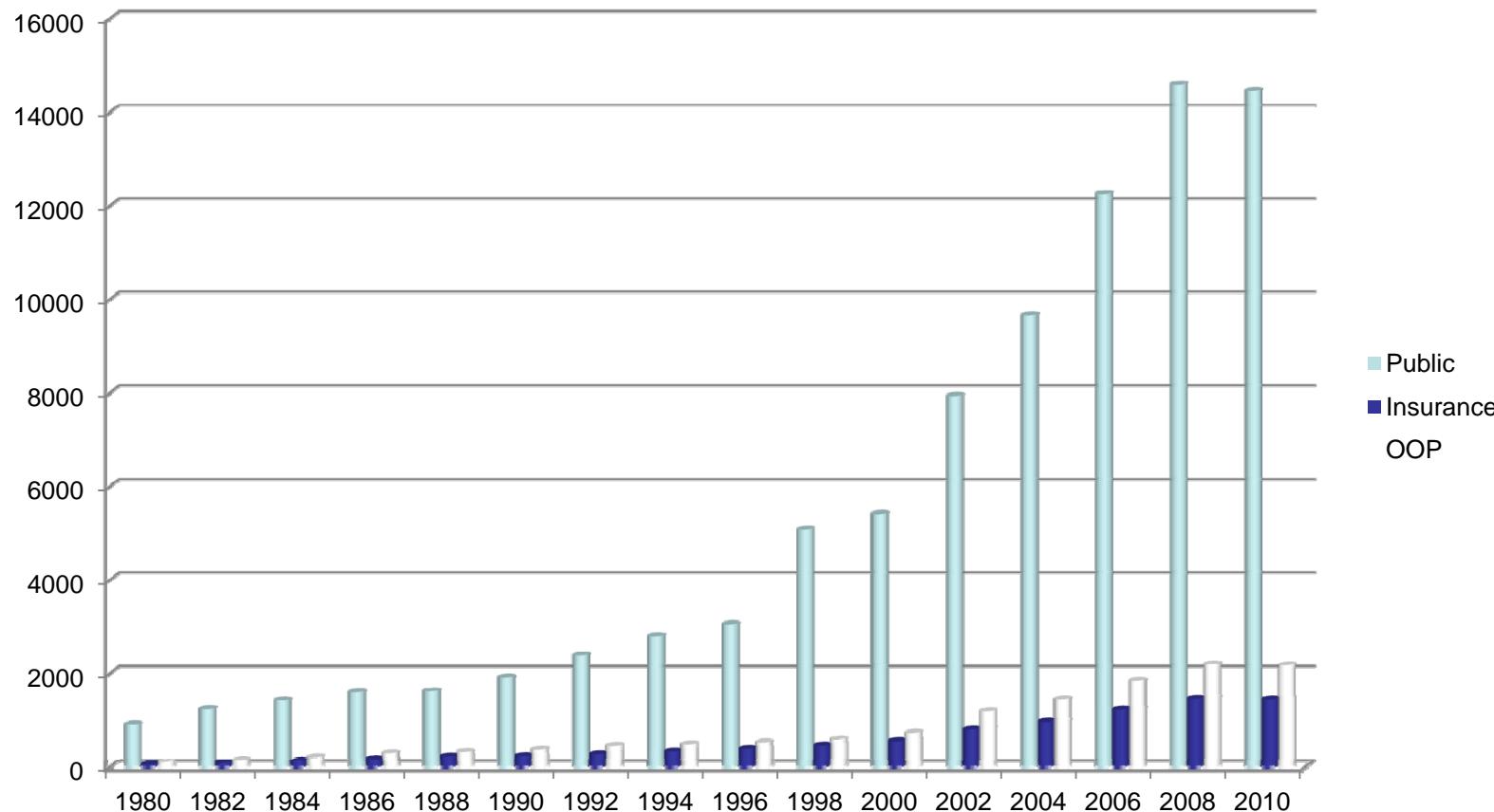
2001	2003	2005	2007	2009	2010
6802	8853	11160	13736	15073	14456

Source CSO 2011

Note that per capita spending has increased much more slowly



# Breakdown of revenue funding





# Reviewing the rôle of Government 1

1. Market failures from
  - Externalities, public goods
  - Information asymmetries
  - Natural monopolies
2. Issues of justice and fairness



# Reviewing the rôle of Government 2

Healthcare financing mechanisms objectives:

- to manage risk and uncertainty about needs for care,
- to ensure that resources are available at the time when they are needed
- to redistribute resources to allow poorer people access to services they cannot afford.



# Demographic drivers of healthcare costs 1

- Growing population – has grown and is growing – on CSO projection it will rise more than 30% between 2006 and 2026
- Demands are likely to rise approximately in line with total numbers.



# Demographic drivers of healthcare costs 2

- Ageing *per se* has been shown to have at most modest effects on total costs since most of the apparent effect comes from proximity to death costs, which fall with age
- Reasonable estimates for ageing effects on acute care are around 0-2% per annum, and some models show small negative effect
- Primary, community and social care costs are likely to rise much more rapidly.



# Demographic drivers of healthcare costs 3

- Recent work suggests that disability is falling at any age
- Converging life expectancy between men and women is slowing the growth in costs (see next)
- Ageing is increasing the supply of carers as well as the numbers needing care.



# Increasing life expectancy by gender by decade

1970-1980 1980-1990 1990-2000 2000-2009

Males 2.09 2.29 2.57 2.67\*

Females 2.6 2.29 1.98 1.92\*



# Efficiency and technology

- Technology reduces costs of any given achievement
- Technology is new techniques, equipment, drugs etc. but also understanding and 'technology of ideas'
- Possible to increase efficiency from these sources by 2-3% per year
- *Per se* technology can never increase costs unless outcomes or processes are better.



# Efficiency

- Efficiency gains of 10-15% are plausible given comparison of Irish performance and that in other countries
- Comparing best and worst performance in Ireland suggests scope for gains
- Some problems in achieving these from poor infrastructure and perverse incentives.



# Increasing scope

- While technical progress can only lower cost of health gains, it also makes additional health gains possible
- These require rigorous evaluation and managed change in what is funded and by whom
- Some health gains come from substituting new possibilities for poor value existing interventions.



# Access and Entitlements

- Fees and charges raise funds *and change behaviour*
- Who pays for what is in places arbitrary and unjust
- Current charges discourage use of primary and community services and good patterns of CDM
- Private medical insurance has leads to inequalities and makes relatively small contribution
- Removing PHC charges would cost around €900m, of which €700 would be offset by lower user fees.



# Expectations

- Research has shown the rising expectations are more important than ageing as driver of costs
- Some increased expectations are legitimate in the sense of extending existing access
- Many innovations are largely pointless, but many offer much better experience or quality of life
- Managing rising expectations and opportunities needs good assessment and evaluation.



# System Capacity

To an extent we have

- the wrong buildings in the wrong places
- the wrong mix of skills
- too little management
- poor IT

Some increased investment in skills, equipment and facilities is essential

To a significant extent we could spend to save.



# Reform

- Current structures could be improved
- Current funding flows should be improved
- Major change brings major cost and dysfunction
- Major change needs very good preparation
- There is widespread experience of under-planned and poorly focussed changes leading to chaos.



# Concluding comments

- There are some major drivers of higher costs, especially the growing population and higher expectations
- Much of the pressure could be accommodated by increased efficiency
- Current funding flows impede improved services and efficiency
- Current capacities are constraining and inefficient
- Changes are needed but great care is needed.



# End

Thank you for your attention