

Joint Committee on Health

Opening Statement

Minister for Health Simon Harris T.D.

29th September 2016

Introduction

Chairman, I am pleased to have this opportunity to address the Joint Committee on a number of important initiatives undertaken by my Department and the Health Service Executive in 2016 and, more generally, to provide an update on the mid-year review of my Department's Estimate for 2016 (Vote 38), and a look ahead to 2017.

As requested, the briefing provided to Deputies concentrates on the issues in which the Committee has expressed particular interest; the recent Drugs Pricing Agreement, the work of the Emergency Department Task Force, the planned Winter Initiative and proposals for a Waiting List initiative in 2017.

As you will be aware, in recent years the Health vote has typically required an annual supplementary budget to cover deficits. In July of this year, in an effort to properly fund health and break this cycle of Supplementary Estimates, the Government provided an additional €500m funding to Health in 2016.

This level of funding also provides me, as Minister for Health, with the opportunity to address some immediate issues facing patients, such as investment in a Winter Initiative to manage overcrowding in Emergency Departments, in addition to meeting commitments in the Programme for Partnership Government. It also places the health service on a sustainable financial footing, by stabilising the finances for 2016, and allowing the HSE to set realistic and achievable targets for service areas.

Performance and Accountability Framework

In June, when I announced additional funding of €500 million for the Health Sector, I emphasised the need for the HSE to deliver services within the funding provided by Government. To ensure delivery of this requirement, I indicated that the revised allocation would be underpinned by an improved Performance and Accountability Framework within the HSE. This enhanced and strengthened framework ensures that designated health service managers are explicitly and personally accountable for managing the performance of services within their allocated budget. The Framework sets out clearly the consequences of underperformance. Accountable officers are named:-

- for each Hospital Group;
- for each Community Health Organisation;
- for the National Ambulance Service;

- for the Primary Care Reimbursement Service; and
- for the Nursing Home Support Scheme.

Accountable Officers are required to prepare a financial plan for the year. Each plan sets out the actions they will take to meet the agreed performance targets across the domains of Access, Quality and Safety, Human Resources, and doing so within the financial allocation. The Commitment to the Plan and associated targets is formalised as part of the individual's personal targets under their individual Performance Agreements with their line manager.

All CEOs of Hospital Groups and Chief Officers of Community Health Organisations have confirmed acceptance of the requirements under the enhanced Performance and Accountability Framework. Financial plans have been received from all Hospital Groups.

The Framework requires early and assertive action to be taken in response to indications of an agreed target not being achieved and supports and interventions will be activated. It is the responsibility of the Accountable Officers to produce remedial plans and to deliver on the agreed actions to bring performance back into line.

Financial Performance / Outlook

The additional funding provided has allowed us to deal with financial risks emerging from the beginning of the year, and our expectation is that the Health Service will remain within budget for the year in respect of the core service areas.

For the entire Vote, at the end of August, actual expenditure for the year to date is €9,145.1m, against a profile of €9,149.5m, which indicates a positive variance of €4.4m.

There is a positive variance on current expenditure of €18.5m, which relates to the Department and non HSE agency spending. This largely relates to profiling issues rather than underspending, and will predominantly reverse by year end.

There is a negative variance of €15m on Capital spending which substantially reflects higher construction costs for profiled activity. The HSE will manage the portfolio to ensure that the variance is eliminated by year end.

Regarding the year end position, it is anticipated that while there may be some areas that will experience overruns, these will be offset by underspends in other areas, resulting in an expected neutral budget versus actual position at year end.

Of significance, however, is the fact that the HSE's projected neutral position is prior to consideration of the State Claims Agency (SCA). The full year outturn for SCA is difficult to

predict and manage, as the level of settlements are determined by court decisions, but we are aware of pressures and the position will require close monitoring for the remainder of the year.

Drugs Pricing Agreement

Both the health service and the Exchequer face a huge challenge in the coming years due to growth in the cost of recently introduced medicines, combined with a pipeline of very expensive medicines. New medicines pose affordability challenges for healthcare systems worldwide and also risk absorbing scarce resources which Governments will need to address a range of demands across the health service.

By way of context, in 2015, the HSE reimbursed €1.9 billion on supply of medicines and appliances for the community drugs schemes and the high-tech arrangements, covering approximately 74 million separate items. Almost €1.3 billion went to pharmaceutical manufacturers - a 5% increase on 2014 levels. In addition, expenditure on drugs in hospitals was estimated to be in excess of €300 million in 2015.

Detailed preparation for the negotiations began in 2015 and involved a State team of officials from the Department of Health, the HSE, the Department of Public Expenditure and Reform, and the Office of Government Procurement. The formal

negotiation process with IPHA began in March 2016. The States team objective was to improve the assessment and reimbursement process for new drugs and to secure significant price reduction so as to enable continued access to new and existing drugs for Irish patients while reducing growth in the HSE's overall drugs bill. As I'm sure you're all aware, the negotiation process wasn't straightforward. When I took up office as Minister for Health in May, I was briefed on the state of play. The best offer that industry was prepared to make did not meet the affordability challenges that the health system faced. In turn I briefed the Government to this effect and advised them that the HSE intended to exercise its statutory powers to reduce medicine prices to affordable levels. I am glad that in the light of this development the industry reassessed its position. After another intensive period of negotiation, the process resulted in an agreement which will provide substantial additional savings on the future drugs bill over the coming years.

The new Agreement, which runs to the middle of 2020, is projected to result in savings – that is, expenditure foregone - of some €600 million from IPHA companies, with a further €150 million in savings anticipated from non-IPHA companies over the lifetime of the deal.

The new Agreement contains a number of features which represent clear additional value over the terms of the previous 2012 agreement. It also addresses a number of issues raised by the Report on the Cost of Prescription Drugs in Ireland, issued by the Joint Committee on Health and Children in 2015 including:

- Expansion of reference basket of countries used to set prices in Ireland from 9 to 14 countries. Lower cost countries such as Greece, Italy and Portugal are included for the first time.
- Annual price realignment which will ensure that the prices of medicines in Ireland reduce in line with price reductions across the reference countries.
- An increased rebate in both PCRS and introduction of rebate in hospitals
- A 30% reduction in the price of biologic medicines when a biosimilar medicine enters the market.

The issue of affordability is now central to the new Agreement with an affordability clause to capture the 5 year cost of new medicines as part of the assessment process included.

This process is also aligned with the requirements of the Health (Pricing and Supply of Medical Goods) Act 2013; this ensures

that reimbursement decisions will take account of the budget impact of an individual medicine, the opportunity cost of treatment and the resources available to the HSE as allocated by the Dáil.

The Agreement with the IPHA is only one of a suite of measures that must be progressed if we are to ensure that we maximise the value of the State's expenditure on medicines.

One such initiative relates to biosimilar medicines. I have asked officials in my Department to assess the whole area of biosimilar medicines and to work on the development of policies which will support the uptake of such medicines as they become available. I note that Deputy Kelleher has recently published a Bill on this issue. My officials are examining this legislation and I propose to consult with Deputy Kelleher on the matter in the coming weeks.

Emergency Department Task Force

To date this year, we have seen improvements in ED overcrowding, with a decrease of almost 5% in the number of patients waiting on trolleys. Hospitals have been driving improvements in patients' experience times in EDs, with 82% of all patients completing their ED episode of care within 9 hours of registration. Also, hospitals are working to ensure that no patient waits over 24 hours in ED, and by August the number of

patients waiting over 24 hours has reduced to 2%, down from 5% in January.

While these may seem like small steps they are, nonetheless, steps in the right direction and derive from a coordinated policy and operational approach across Primary, Acute and Social Care to tackle the multi-faceted nature of ED overcrowding.

Under the framework of the Emergency Department Taskforce, I have been driving a four pronged approach, involving a range of initiatives, to alleviate pressures on EDs. Firstly, my Department and the HSE continue to implement measures to *increase hospital avoidance* by developing alternative services to EDs, such as community intervention teams, GP out-of-hours services, as well as GP minor injury and diagnostic services.

Secondly, *increasing hospital capacity* has been a priority. 300 new hospital beds have been introduced into our system; new EDs have been developed in Kilkenny and Limerick; and the numbers of consultants in our health system has increased by 80 whole time equivalents and nurses by over 200 so far this year.

The third series of measures have been focussed on supporting *timely patient discharge* from hospital. Under the 2016/2017 Winter Initiative, which I'll refer to in a moment, I have placed a strong focus on reducing delayed discharges.

Fourthly, the Special Delivery Unit has carried out review visits to almost all hospital EDs to evaluate how EDs can *improve patient flow* and drive improvements in how hospitals respond to peaks in demand for emergency care.

Winter Initiative 2016/2017

The reductions we have seen in trolley numbers and the improvements in patient ED experience times, particularly in the context of increased attendances and hospital activity this year, indicate that last year's Winter Initiative has had an impact on ED overcrowding.

Consequently, I was recently pleased to welcome the HSE announcement of this year's "Winter Initiative 2016 – 2017", for which we provided €40 million of additional funding. Key measures include: providing an additional 950 Home Care Packages, targeting 9 specific hospitals; the provision of an additional 58 Transitional Care bed approvals weekly; and the expansion of Community Intervention Team services across 4 sites to support 5 acute hospitals, benefitting over 6,500 additional patients.

An additional 55 acute beds and 18 additional step-down beds will be made available, while Minor Injury services in Dublin are to be expanded to provide for an additional 100 patients each week. Funding for aids and appliances is to be increased to

reduce delays in patients being discharged back to their homes. Funding is also provided for an increased focus on Flu vaccination for healthcare staff and the wider community.

I am firmly committed to achieving a real impact on ED overcrowding as a result of the 2016/2017 Winter Initiative and I am chairing a weekly meeting with the HSE and my Department to monitor progress.

It is my view that integrated, patient-centred approaches to winter planning, as has been done in the Winter Initiative, are key to ensuring that the health service effectively manages peak winter pressure times in our EDs, so that patients experience a safe, high quality health service, in the setting most appropriate to their needs.

Waiting Lists

Moving on now to scheduled care, it has been of concern to me that the numbers of patients currently on waiting lists has continued to increase over the last number of months and I wish to assure you that this Government is committed to driving the necessary process improvements and resources to tackle this issue, as is evident from the Programme for a Partnership Government.

In direct response to these recent increases, at my request, the HSE has provided an Action Plan aimed at reducing the number

of patients on waiting lists to be implemented in the latter half of 2016. The focus of this Plan is on those waiting the longest for inpatient or daycase procedures and the HSE is committed to reducing by half the number of patients waiting over 18 months for these types of procedure, by year end. Again within current resources the National Treatment Purchase Fund's recently launched Endoscopy Waiting List 2016 Initiative will also assist in reducing the waiting list and waiting times for endoscopy procedures for those patients who are currently waiting over 12 months. It is expected that around 3,000 patients will receive their endoscopy procedures under this Initiative.

Furthermore €7m of the overall €40m allocation for a Winter Initiative 2016-2017 is to be utilised to fund a targeted waiting list programme for orthopaedics, spinal and scoliosis to be implemented in designated sites by year end in Beaumont, Tallaght, Tullamore, Waterford and Galway. Separately, €1m has been provided to the Children's Hospital Group on a once-off basis to address the cardiac cath lab and scoliosis waiting lists at Our Lady's Children's Hospital in Crumlin.

The Programme for a Partnership Government clearly commits to €50 million in 2017 for waiting list initiatives, with at least €15 million of this allocated specifically to the NTPF. My Department, in conjunction with the HSE and NTPF are

working on developing a framework for the waiting list initiative in 2017.

Looking Ahead to Next Year

As Budget Day draws closer, we are obviously in close discussions with the Department of Public Expenditure & Reform regarding increased costs and additional health priorities in 2017. The discussions include the funding required to maintain the Existing Level of Service, funding for priorities included in the Programme for Partnership Government [and the Supply and Confidence Agreement] and also funding to allow for the delivery of our Capital Programme in 2017.

Clearly, these discussions are taking place in the context of the fiscal constraints imposed by both the need to maintain economic stability and our requirement to remain compliant with the Fiscal Stability Pact, most particularly the expenditure benchmark and the imperative to use Fiscal Space to support Government priorities. In the recently published Mid Year Expenditure Report 2016, the Department has been allocated an additional €73m in 2017 to support expenditure pressures arising from demographics. While welcome, it is likely that the actual amount required will exceed this allocation, as we deal with a larger and older population, with more acute health and social care requirements, increased demand for new and existing drugs and the rising costs of health technology. The costs of

providing for retired health care staff and payments under the State Claims Agency are also rising, increasing the cost of Health above that necessary to meet the health demands of a growing and aging population.

With regard to funding for New Developments, the priorities will reflect the Government's programme, planned over a three year period. There are 132 commitments in the Programme for Partnership Government in respect of health, of which many have a financial cost. It will be necessary to carefully prioritise and phase the initiatives having regard to the Fiscal constraints within which the country must operate. I would welcome the input of this Committee as we undertake this exercise.

For Capital, notwithstanding the challenges arising from the impact of inflation, we will see major initiatives such as the National Children's Hospital, the new mental health hospital in Portrane, and also a substantial number of more modest but necessary projects across the country which are currently underway. In addition, the HSE has developed an ambitious eHealth programme and through the Department and the Office of the Chief Information Officer in the HSE, has built significant momentum and support, and there is an opportunity to build on this in 2017.

Conclusion

While we have secured a significant increase in funding for the health services for 2016, I do not underestimate the challenges involved in the delivery of a safe efficient health service for the Irish people. We must maintain our focus on improving the way services are organised and delivered, and on reducing costs, in order to maximise the ability of the health service to respond to growing needs.

In order for Government to have the confidence to prioritise additional investment in our health services in 2017 and beyond, it is essential that those managing and delivering the service demonstrate good practice by delivering the best possible healthcare within the limits of resources that have been made available by Government each year.

To conclude, I thank the Members for their attention and I will be glad to supply any further information or clarification that Members may require.

ENDS