



Feidhmeannacht na Seirbhíse Sláinte  
Health Service Executive

# Joint Committee on Health

Meeting

Wednesday 24<sup>th</sup> October 2018

Opening Statement

by

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Deputy Director General &

Chief Financial Officer

Health Service Executive

Good morning Chairman and members of the Committee. Thank you for the invitation to attend the Committee meeting today.

The HSE spent €14.3bn on the provision of health and social care services in 2017. This excludes capital spending.

The 2018 budget for the provision of these services is €14.6bn which is €224m or 1.6% above what was spent in 2017.

The 2018 budget is €608m or 4.4% higher than the 2017 budget. This is made up of pay rate funding for existing staffing levels €278m (2%), funding support for existing level of services including demographics €134m (1.0%) and funding for new developments €195m (1.4%).

To the end of August 2018 the HSE has spent €10.0bn on the provision of health and social care services to service users, patients and their families. This is €485m or 5.1% above the level of budget available to the end of August.

**1.** 43% or €206m (2.2%) of this €485m overrun relates to unfunded cost growths, in 2018, that are outside of the areas of spend which are amenable to normal management control efforts or relate to exceptional costs such as those associated with Storm Emma. This includes Primary Care Reimbursement Service €50m, State Claims Agency €32m, Local Demand Led Schemes / Overseas Treatment €24m, Pension €9m, Acute Hospital Income issues related to the actions of insurers €63m and exceptional items, including Storm Emma, €28m

**2.** 37% or €180m (1.9%) of this €485m overrun relates to a target shortfall in the savings necessary to offset the unfunded costs of services that were running throughout 2017. Despite this, some €37m of savings under the value improvement programme (VIP) are being reported by our community health care organisations and hospital groups at the end of August. This figure is indicated to be circa €60m in savings by year end. In addition to this there are significant centrally generated drugs and medicine related savings being delivered by the primary care reimbursement service, for example €27m on a clinical protocol driven access initiative and acute hospitals €12m on the framework agreement with suppliers.

**3.** Finally, 20% or €99m (1.0%) of this €485m overrun relates to other unfunded cost growths, in 2018, within our operational service areas.

The provision of disability services to services users with intellectual and physical & sensory disabilities accounts for €29m of this residual €99m i.e. Emergency Residential places €19m, costs associated with HIQA registration of residential services €7m and Home Support €3m.

Behind these numbers there are many individual stories of service users with intellectual disabilities requiring residential care on a crisis basis due to the breakdown in their family caring arrangements. On a positive note, very substantial progress has been made in achieving HIQA registration of residential centres.

The provision of services to older persons accounts for €22m of this residual €99m i.e. Home Support €5m, Transitional care beds €2m and public residential units €15m. Irelands' population aged 85 years and older is growing at c.4.3% per annum, significantly above the EU average.

The provision of acute hospital services accounts for €50m of this residual €99m with this being partly attributable to additional activity levels and the growing complexity and cost of care as the age of the average patient increases. In addition, bed occupancy levels in our acute hospitals, at 94%, are the second highest in the OCED and well above the OECD average of 77%. Levels consistently above 85% are indicative of a system operating under considerable stress with knock on implications for efficiency, quality and cost.

Based on the data to the end of August, It is clear that the full year cost of providing essential health and social care services in 2018 will significantly exceed the available funding.

In that context, the HSE very much welcomes the announcement by Minister Donoghue that he intends to allocate an additional €700 million to the health service in 2018, by way of a supplementary estimate. It is particularly welcome that it has been indicated that this additional allocation will remain in the base funding of the health service going into 2019.

It is understood that €625m of this €700m will be allocated to the HSE to offset overruns in operating costs with €20m being allocated to support ongoing HSE capital investment.

HSE National Directors and their teams, as part of the ongoing performance management process, have been working throughout the year reviewing current costs with a view to reducing the level of overrun and this will continue and be intensified to year end where this is practical. This is necessary to minimise the amount of any residual 2018 overrun.

This concludes my opening statement.

**Thank you.**