Opening Statement

Minister of State with special responsibility for Mental Health and Older People, Jim Daly T.D.

Select Committee on Health and Children on the 2018 Supplementary Health Estimates

Chairman, members of the Select Committee,

I want to thank the Select Committee for the opportunity to bring this Supplementary Estimate for Vote 38 before you.

The total additional funding I am seeking for 2018 is €655 million. Of this, €10m is to compensate for a shortfall in Appropriation in Aid, €20m is towards Capital Works and €625m is towards overspends in current expenditure in various areas of the HSE. I acknowledge that the amount sought is significant representing as it does 4% of overall health expenditure in 2018.

This year the anticipated level of overspend by the HSE is linked to the HSE’s first charge in 2018 arising from the 2017 deficit, a shortfall in income, Winter Planning, growth in 2018 activity beyond plan including the Primary Care Reimbursement Service and additional funding required in the State Claims Agency.
Health funding remains a major challenge. Demographic pressures, including a rise in chronic diseases and an ageing population, mean that we face challenges into the future. We are implementing our strategic responses to these challenges, while continuing to focus on effective management of resources to ensure that services are delivered in line with the National Service Plan.

Ensuring the health service is financially sustainable is a key strategic goal of SláinteCare. The significant increases in the Health Vote in recent years reflects the Government’s commitment to improve access to health and social services for the people of Ireland, through investment across community and hospital services. We need to keep the recovery going and the economy strong, so that we can continue to develop our health infrastructure and the provision of health services into the future.

Next year, the Health Service Executive’s National Service Plan will be framed through the lens of the SláinteCare Implementation Strategy. The Strategy provides the framework within which a system-wide reform programme for the health service will be advanced, and focuses on establishing the building blocks for a significant shift in the way in which health services are delivered in Ireland.
I will now set out the items making up this year’s Supplementary Estimate.

**2017 FIRST CHARGE - €90m**

The HSE’s recorded deficit for 2017 is €139m. Under the Health Service Executive (Financial Matters) Act, any excess expenditure must be charged to the Income and Expenditure Account the following year and is effectively a first charge on the following year’s budget.

My Department and the HSE completed a comprehensive review of the anticipated outturn for 2018 and identified a number of once off savings that will be allocated against the 2017 first charge with the balance of the funding requirement being met from the Supplementary Estimate.

**INCOME SHORTFALL - €85m**

There has been a significant reduction in the level of private patient income for public hospitals in 2018.

Health insurers commenced a campaign in 2017 aimed at discouraging members from using their private health insurance to avail of private inpatient services when they are admitted via an Emergency Department. Instead, they have encouraged their
members to consider being treated as a public patient, as is their right provided for under the Health Act 1970.

This inevitably is leading to a drop in income as more patients are opting to be treated publicly rather than privately.

**WINTER PLAN - €10m**

This allocation from the supplementary allows for the commencement of a range of measures aimed at alleviating pressure on the Acute Hospital System during the busy winter period.

Timely discharge of patients is vital to ensuring that a ready supply of beds is available to those patients requiring to be admitted through Emergency Departments. Delayed discharges are a major contributory factor to Emergency Departments overcrowding and adversely affect patient flow throughout the hospital. It is essential that, in so far as is possible, ‘egress’ meets ‘demand’, and that hospital and CHO processes support timely and safe discharge.

Integrated Hospital and Community Plans are the cornerstone of the 2018/2019 Winter Plan, with nine key sites of concern selected by previous winter performance.
Enhanced measures across acute, primary and social care will focus on the nine sites critical demand pressures during a four week focus period to run from 17 December 2018 to 13 January 2019.

**NON ACHIEVEMENT OF SAVINGS TARGET - €150m**

The Value Improvement Programme included in the National Service Plan 2018 is a single over-arching programme, with three broad priority themes, Improving Value within existing services, Improving Value within non-direct services, Strategic Value improvement.

It is anticipated that none of the targeted savings under the Strategic Value improvement will be achieved at year end.

**OTHER ADDITIONAL COSTS IN 2018**

**Acute Hospital Services**

*Delivering current level of service*

Acute hospitals are running at an expenditure level from 2017 which is over their approved funding level. This level of expenditure was to be matched to the approved level of funding, through achieving the savings attributable to the Service Level and Corporate Value programmes embedded in the division’s hospital budgets. The forecasted underachievement of targets under the Corporate Value programme by year end is contributing significantly to the estimated overspend.
**Capacity**

Increasing bed capacity in public acute hospitals continues to be a priority in terms of addressing the causes and challenges of ED overcrowding. My Department is undertaking a Health Service Capacity review in line with the Programme for a Partnership Government commitment, the findings of which are due to be published shortly.

In the meantime however, there continues to be an urgent need for capacity in acute hospitals. On that basis, it is proposed to allocate €5.7 million to Acute Hospitals to address critical bed capacity deficits in 2018.

**Community Services**

Community Services incorporates the delivery of primary care, mental health, disability and older persons health & social care services.

The main drivers of the overall deficit in community services include Emergency Placements for people with disabilities; Costs associated with HIQA compliance; and Costs associated with Storm Emma.
Support Services
Support Services incorporates a number of central corporate services including Finance, Health Business Services, Legal, Communications, Health System Reform, Chief Information Officer and the Office of the Director General. Expenditure in the area is running ahead of plan for a number of reasons including the case of a number of large legal cases; professional service costs for the Programme for Health Service Improvement; and rising software and professional fees related to support of Acute Hospital initiatives such as maternity and new-born electronic records.

Treatment Abroad and Cross Border Healthcare
In 2018 there has been a significant increase in the amount of payments made under Treatment Abroad and Cross Border Healthcare schemes. With the trend continuing upwards throughout the year, there is a need for supplementary funding to address this area of growing demand.

STATE CLAIMS AGENCY - €46m
The increasing costs of the Clinical Indemnity Scheme (CIS) are not due exclusively to the increasing numbers of claims but rather the increasing costs of awards and the very high costs associated with catastrophic injury claims.
In 2017 significant progress was made on legislation which is expected, over time, to lead to a reduction in costs. From a Health perspective, the most important aspect is the provision for Periodic Payment Orders. Courts will now have the power to award damages by way of Periodic Payment Orders where appropriate, having regard to the best interests of the plaintiff and all the circumstances of the case.

In addition, with the enactment of the Mediation Act in October 2017, which provides a wide-ranging statutory framework to promote the resolution of disputes through mediation as an alternative to court proceedings and to reduce the stress for parents and families which often accompanies court proceedings, it is hoped that more families will opt for this route.

€46m is sought towards the projected deficit in 2018 in the State Claims Agency.

**PRIMARY CARE REIMBURSEMENT SCHEME - €50m**

**GP fees and allowances**

Funding will be provided for a number of GP fees and allowance including €4.85m towards the cost of providing free Cervical Check consultations.
GMS Pharmacy Claims
The greater than budgeted number of medical cards is driving an increase in the number of items dispensed, and it is proposed to allocate €3m to cover this increased cost.

High Tech Drugs
It is proposed to allocate €30m to cover the continuing increase in high tech drug costs for treating conditions such as rheumatology, cancer, and cystic fibrosis.

Long Term Illness
€7m will be allocated to cover the cost of treating long term illnesses, the most prevalent being diabetes mellitus and epilepsy.

APPROPRIATIONS IN AID SHORTFALL - €10M
Appropriations-in-Aid are received by Ireland from the UK in respect of health services provided under EU Regulations. The amounts received are based on the Ireland/United Kingdom Healthcare Reimbursement Arrangement. Costs associated with UK pensioners residing in Ireland account for the major portion of the total payment. Historically, each country's pensioner liability was agreed based on the results of sample pensioner surveys undertaken every few years. More recently both administrations have agreed in principle to work towards the introduction of a revised methodology for determining pensioner liability. Trends in
demography and migration between the two countries would indicate a reduction in the number of pensioners for whom the UK is liable. Initial discussions with the UK had indicated that receipts in 2018 might be in the region of €225m against a provision of €280m - a difference of €55m. Detailed discussions have recently finalised and a total payment in 2018 of €270 million has been agreed - a difference of €10m.

**CAPITAL FUNDING SUPPLEMENTARY - €20M**

There is an ambitious programme of capital investment in health reflecting priority accorded to capital spending in the Programme for Government position that health capital spending would be a priority. The priority Government projects, most of which are either underway or about to commence, account for a substantial proportion of the health capital allocation in 2018 and the coming years, resulting a high level of commitments.

During 2018, extensive measures to actively manage the capital budget have been applied. This has involved balancing as much as practicable the fulfilment of contractual commitments, delivery of projects and managing equipment and infrastructural risk issues, such that capital expenditure remains within profile.

Following this extensive engagement and management of issues, capital spending in 2018 remains within profile. The HSE has
informed the Department that, with the provision of an additional €20m in 2018 and the management of the projects budgets, there will be no overrun in 2018 capital funding.

**Summary**
A significant increase in funding for the health services has been achieved in recent years. As I have stated previously, the issue of health funding is a major challenge, not just in Ireland but internationally. Dealing with a growing and ageing population, more acute health and social care requirements, increased demand for new and existing drugs, and the rising costs of health technology, will continue to pose a financial challenge into the future.

SláinteCare gives us a new roadmap to support the delivery of high-quality care to our citizens. Improving the way services are organised and delivered and reducing costs in order to maximise the ability of the health service to respond to growing needs, must remain our focus. It is essential that those managing and delivering the service continue to demonstrate good practice by delivering the best possible healthcare within the significant level of resources that have been made available by Government for 2019.
This additional funding in 2018, combined with the 2019 Budget provision, is a practical example of this Government’s commitment to use our economic growth to restore much needed funding to our health service.

The above items together with cash projections to year-end involve an Exchequer requirement of €655 million.

In conclusion, I seek the Committee’s approval to the Supplementary Estimates for Vote 38.