

Opening Statement

Minister for Health, Stephen Donnelly T.D.

Select Committee on Health and Children on the 2023

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.

I am seeking total additional funding for 2023 of €1.034 billion.

The Supplementary Estimate comprises €913.5 million for HSE Core Current expenditure, €121 million for HSE COVID Current expenditure and €22 million for Capital expenditure, which is offset by €22 million in savings on expenditure by the Department and other non-HSE Agencies.

It should be noted that the Supplementary Estimate requirement is €1.034 billion on a gross basis. I have agreed with the Minister for Public Expenditure that €70 million in Capital funding, that will be unspent at end-2023, can be carried forward into 2024. This means that the net cash

drawdowns by the Health Vote in 2023 will be €964.4 million above the original allocation.

The Health Sector has experienced significant increases in demand across all areas, averaging volume increases between 5% and 10%, particularly in our hospitals. This increase in demand is driven largely by demographic changes; in particular population growth which has outstripped previous projections, as well as the fact that the over 65s proportion of the population has also increased placing increased demands/costs on the Health Sector.

The second driver of the deficits is the impact of inflation on the health sector, with the non-pay Acutes deficit comprising approximately two thirds of the overall deficit. Inflation in the health sector is significantly more than the headline inflation rate projected by ESRI of 5% for 2023, being an average rate of 10% across the non-pay Acutes area, and significantly higher in areas such as medical and surgical supplies (17%).

Notwithstanding the above, I remain committed to strengthening the performance management relationship between the HSE and my Department and to improving overall financial performance.

I will now set out the items making up this year's Supplementary Estimate.

Subhead I. Net Pension Costs - €67 million

Pensions is an area that is difficult to predict with accuracy as it is demand led and once people make a decision to retire, they are entitled to claim their superannuation benefits. As well as the demand element, the additional €67 million is required to fund projected pension spend to year end and as a result of the demand led nature of this expenditure, the public sector pay deal, and a reduction in retained superannuation contributions as a consequence of the single public service pension scheme (SPSPS).

Subhead J.1 HSE (incl. Service Developments) - €694 million additional required.

Subhead J.1. covers all the main HSE Core Operations Service Areas, including Acute Hospitals, Primary Care, Social Inclusion, Palliative Care, Mental Health, Older Persons, Community Services as well as National and Support Services. Subhead J.1. requires a Supplementary Estimate of €693.5 million in 2023. This comprises €1,031.4 million of additional expenditure, offset by a €311 million movement in HSE cash and working capital and €26.8 million related to transfers to Vote 40, Department of Community, Equality, Disability, Integration and Youth.

While there are deficits across a range of core services the majority of the supplementary ask, €988 million, relates to our Acute hospitals. These deficits in Core services are offset somewhat by Other Operations expenditure which is forecast to be in surplus by €113 million. This primarily comprises an underspend in the Office of the Chief Clinical Officer, of €55 million, an underspend in National/Support Services of another €59 million. The Support Services surplus partially reflects the fact that funding held centrally by the HSE, for certain measures such as new developments, has yet to be allocated out to the relevant service areas. When this budget is distributed, the surplus in support services will be lower, and the deficits in those service areas will be somewhat reduced.

Subhead J.2 HSE COVID-19 Action Plans - €121 million additional required.

COVID-19 expenditure requires a Supplementary Estimate of €121 million. This is driven by expenditure in Acute and Community settings. Costs associated with the continuation of specific COVID response measures across service areas in Acute and Community settings are estimated at €260 million. This is offset by savings in other lines of COVID expenditure such as PPE, test and tracing and vaccinations.

Such responses in Acute and Community settings were implemented in the initial phase of the pandemic based on public health and infection prevention and control guidance.

Projected 2023 expenditure in relation to embedded Covid response measures across Acute/Community settings is €260 million against a funding allocation of €48 million, leading to a Supplementary Estimate of €212 million. This is offset by savings in other lines of COVID expenditure such as PPE, test and tracing and vaccinations, to bring the overall requirement to €121 million.

Based on the outcome of a review of COVID expenditure in Acutes/Community, a significantly reduced allocation of Core funding has been made in 2024.

It should be noted that the overall projected spend of €685 million is significantly lower than the €1.8 billion spent on COVID-19 in 2022 and the €2.5 billion spent in both 2020 and 2021.

Subhead K.4. Payments to State Claims Agency Re Clinical Negligence - €75 million

The SCA's Supplementary Requirement for 2023 of €75 million and Final Allocation of €510 million can be attributed to

- an increase in the number of claims and
- an increase in the value of settlements awarded, particularly claims arising due to catastrophic birth injury,

€75 million is required to fund total cost of claims which will be settled in respect of 2023.

Subhead L.1 Primary Care Reimbursement Service and Local Demand Led Schemes - €109 million

The Primary Care Re-imbursment Service (PCRS) administers a number of demand-led schemes such as the General Medical Services Schemes, Community Demand-Led Schemes, and the National Drug Management Scheme. A projected shortfall in PCRS funding of €40 million is related to overspends on these areas, which have been partially offset by surpluses in relation to the Hepatitis C Programme and smaller surpluses on other schemes.

The Local Demand Led Schemes deficit of €69 million is largely attributable to a combination of the increase in demographics (and therefore increased activity under the eligibility schemes), and price inflation predominantly across High-Tech Medicines, Long-term Illness scheme and hardship medicines.

Subhead M.2 Capital - €22 million

Supplementary capital funding of €21.7 million has been provided in respect of the DoH/HSE Brexit Capital apportionment for the OPW Phase 1 and Phase 2 projects which relate to storage facilities in Dublin and Rosslare Ports, and Dublin airport. This supplementary funding is based upon figures presented to my Department by the OPW and is eligible for reimbursement under the EU Brexit Adjustment Reserve (BAR) Fund.

Summary

In closing, 2023 has seen a surge in post-pandemic The amount sought would bring the total expenditure in 2023 to €22.393 billion.

The value of this investment in delivering crucial services to our people is immeasurable.

I now seek the Committee's approval to the Supplementary Estimates of €1.034 billion for Vote 38.