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An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

The HSE National Service Plan and its Relationship with the Health Vote

Briefing Paper 14 of 2018

Séanadh

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Executive Summary

This Parliamentary Budget Office (PBO) briefing paper discusses the budget of the Health Service Executive (HSE). In the PBO's analysis of the Revised Estimates for Public Services 2018 (the 'Revised Estimates 2018'), the PBO identified the Health Vote (Vote 38), as one that may require a more detailed and focussed analysis. Specifically, the relationship between the Health Vote and the HSE's National Service Plan was an issue that the PBO identified for further scrutiny. This paper sets out the outcome of that analysis.

It should be stressed that the primary focus of this paper is on identifying the relationship between budgetary allocations in order to identify ways in which the information presented to Dáil Éireann (and its committees), when scrutinising and approving the Health Vote, can be improved. On that basis, the PBO set out to analyse the budgetary provisions set out in the National Service Plan based on the monies voted by the Dáil. It should be noted that this PBO paper does not attempt to assess the adequacy of the funding set out in the National Service Plan, or the efficacy of the policy measures contained therein.

The PBO has attempted to identify where Voted monies are being allocated in the National Service Plan as this would assist in tracking trends over time and in monitoring performance. Through that attempt, the PBO has identified that the relationship between the Health Vote and the National Service Plan is highly complex. The allocations set out in the Health Vote itself, and the indicative appendices included, do not map onto the National Service Plan, even when the different accounting methods (accruals vs. cash-based) used are allowed for.

Within the total budget allocation available to the HSE in its *National Service Plan*, the proportional share of *net* allocation under each of the larger subheads has not changed substantially during the period from 2011 to 2018, apart from three areas:

- Primary Care and Mental Health have **increased** substantially;
- While Pensions have **decreased** in **net allocation**, this is due to income reducing the net cost, as the **gross allocation** has **increased** by 43%.

Following the dis-establishment of the HSE Vote, the amount of income that is included in the *National Service Plan* but not in the *Estimates for Public Services,* has increased significantly.[1] As a result, the gap between the Gross Expenditure approved in the Estimates process and the Gross Expenditure implemented in the HSE's *National Service Plan* has grown. For example, the *net* allocation in the *National Service Plan* for pensions has decreased significantly between 2011 and 2018. Contradictorily, the *gross* allocation has *increased* by 43% over the same period. While this allocation does not appear directly in the Estimate, the *net* allocation of the *National Service Plan* is met by the determination from the Health Vote. Trend analyses of this net determination over time are complicated by the fact that the disestablishment of the HSE Vote involved the movement of income out of the voted system to the statutory sector.

1 *The Health Service Executive (Financial Matters) Act 2014 provided for the dis-establishment of the Vote of the Health Service Executive from January 2015. From that date the funding of the HSE is mainly through the Vote of the Office of the Minister for Health to the HSE. The HSE continues to collect the income it generates through statutory charges, superannuation contributions and other miscellaneous income. In accordance with Section 7 of the above Act the Minister determines the maximum amount of net non-capital expenditure that may be incurred by the HSE.*

Source: Health Service Executive Code of Governance, Chapter 2.

The Parliamentary Budget Office's overall conclusions are that:

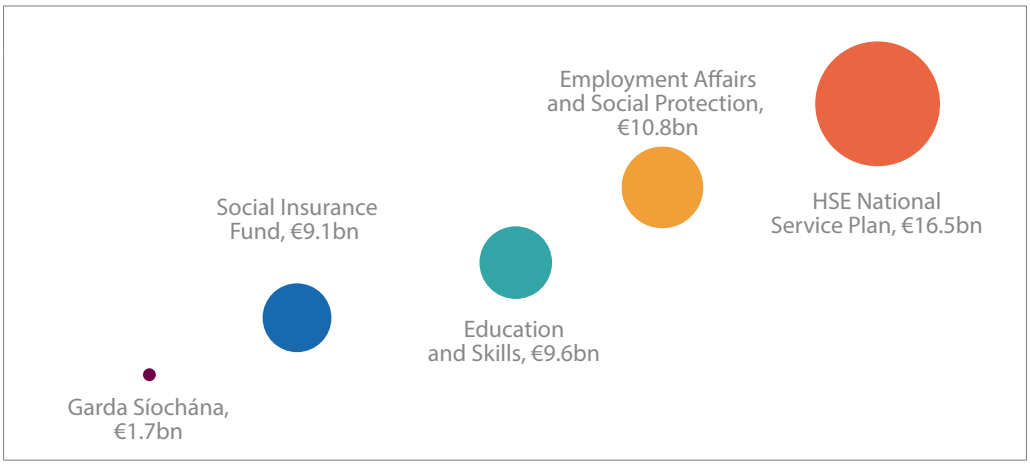
- The framework of accountability for expenditure under the Health Service Executive to the Dáil is highly complex and technical. Further clarification would enhance the oversight role of the Dáil.
- The key requirement for improving this accountability framework is the ease with which the different performance, budgetary and accounting records prepared by the HSE and the Department of Health can be compared and/or combined.
- At present, performance and financial information is reported on different bases (the key difference being between accruals and cash based accounting), making the results of changes in one part of the framework difficult to quantify and evaluate.
- In order to increase the effectiveness of the Vote oversight role of the Dáil, a reconciliation of the Income and Expenditure allocation of the National Service Plan with the Indicative Appendices to the *Revised Estimates for Public Services* should be presented to the Dáil as part of its scrutiny of the Revised Estimates for Vote 38.
- The Monthly and Quarterly Management Data and Performance Reports are an indispensable tool for policy makers, and should be produced regularly.

The HSE National Service Plan and its Relationship with the Health Vote

Introduction

When both capital and current expenditure is taken into account, the gross allocation of the HSE for 2018 is approx. €16.5 billion.[2] From the €14.9 billion in net expenditure contained in Vote 38 (the Health Vote), the Department of Health provides approximately €14.6 billion as a 'net determination' to the HSE. To come to the total gross expenditure to be incurred by the HSE under the *National Service Plan*, the income accrued by the HSE is added to the net determination figure provided by the Department of Health.[3] Then roughly €400 million in income that is matched by expenditure in other service areas (in effect payments from one area of the health system to another) must be deducted to avoid double-counting some of the expenditure of the HSE. This results in the €16.5 billion figure above.

Figure 1: Gross Expenditure Allocations of HSE budget and selected Votes, Current and Capital



Source: Revised Estimates for Public Services 2018 and HSE National Service Plan 2018. Figures are approximate, to account for the HSE internal market.

2 *The figure of €16.5 billion refers to the total budget, current and capital, available to the HSE in 2018. However, there are several components to that figure. Net Current Expenditure is €14.556 billion; Adding the income recorded in the National Service Plan would arrive at a figure for Current Expenditure of €16.527 billion, but this would double-count the impact of some of the income, as there is an internal market with the Health Sector, e.g. reimbursements from the PCRS to Acute Hospitals; Capital Expenditure is €478 million.*

3 *€15.332 billion, as set out in the Revised Estimates for Public Services 2018.*

Both the volume of spending forecast by the National Service Plan, and the possibility of a lack of transparency around this spending was identified by the Parliamentary Budget Office (PBO) in its consideration of the *Revised Estimates for Public Services 2018* (the 'Revised Estimates 2018'). This provides the context for the PBO's decision to analyse the HSE's *National Service Plan 2018*. In addition, 2018 marks the beginning of the process of implementing the recommendations of the *Sláintecare Report* published in 2017. However, implementation of these recommendations is still at a nascent stage, and the PBO has therefore, on that basis, decided not to include it in the analysis set out in this paper.

Ireland's healthcare system faces significant challenges.[4] In order to meet the existing level of service in 2018 within budget, the HSE will need to make savings of €346 million across its operational areas.[5] Beyond this, the health service is faced with increasing demographic challenges, particularly in the form of the increasing proportion of the population that is aged above 65. As this older population cohort makes greater use of the health services than those under 65 (and the age bracket over 85 makes even greater use of the health services than those 65-84), the ESRI has estimated that demand will increase by 27% for in-patients and 26% for outpatients between 2015 and 2030.[6] In order to avoid a potential cost of €819 million annually (based on current costs) from these two changes alone, significant increases in efficiency will be needed.[7] The ESRI is expected to also produce a report that estimates the cost implications of the change in demand brought on by demographics, but this report is not likely to be published in 2018.[8]

In this context, this paper explores the process for agreeing and presenting the budget of the Health Service Executive. If the level of public spending on the health sector is expected to rise further due to demographic and other pressures, it is essential that issues relating to visibility and structural coherence are identified and addressed to ensure greater parliamentary accountability and oversight for this sectoral budget. Given the fiscal significance of the health sector budget to the overall national budget, this is essential.

This paper is structured as follows:

- **'Development of the National Service Plan over time'** details the change in the relative apportionment of the HSE's budget over the period 2011 to 2018;
- **'From Budget 2018 to National Service Plan 2018'** tracks the process of determining the available Budget for the HSE based on the allocations voted in the annual Estimates process. The process by which the budget is set out in the HSE National Service Plan is identified and detailed. It also contains an analysis of the *National Service Plan 2018* and the extent to which the net allocations therein correspond to the Health Vote;
- **'Gross and Net Expenditure'** examines the changing relationship between Gross Expenditure, Income, and Net Expenditure in the health sector over time. It includes an analysis of health sector Appropriations-in-Aid/Direct Income over the period 2011-2018;

4 *As stated in the terms of reference of the Sláintecare report, Appendix 5, available here.*

5 *National Service Plan 2018, p.1, p.68, p.79.*

6 *Projections of Demand for Healthcare in Ireland 2015-2030: First Report from the Hippocrates Model, ESRI.*

7 *PBO's own calculations based on figures from Projections of Demand for Healthcare in Ireland, 2015-2030, ESRI, October 2017, and Acute Hospital Expenditure Review, IGEES, May 2017. Calculation is an extrapolated cost based on the weighted average cost (IGEES) multiplied by numbers in demand projection by ESRI.*

8 *Dr. Maev-Ann Wren, Joint Committee on Health Debate – Wednesday 14 February 2018: Review of the Sláintecare Report (resumed).*

- **'From HSE Budget to Outturn'** briefly introduces the issue of the translation of HSE budgetary allocations into expenditure and the differences between year-end expenditure and allocations, but does not go into detail on realised expenditure in the HSE.

This paper does not address issues such as performance information and consideration of issues around actual expenditure (as opposed to budgetary allocations) is limited.

Development of the HSE National Service Plan over time

The *net* current expenditure of the HSE has risen from €12.9 billion to €14.5 billion between 2011 and 2018[9]. However within this overall change there is significant variation, net expenditure reached a low of €12.1 billion in 2015 before rising to its current level of €14.5 billion. The National Service Plan sets out only the current expenditure of the HSE, while capital projects are set out in the multi-annual capital plan.

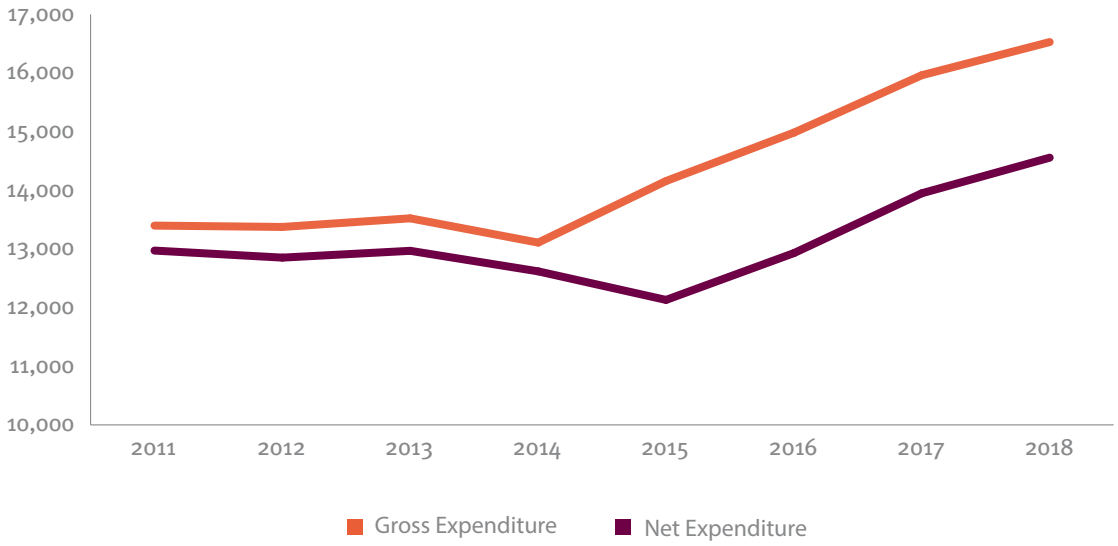
In the mid-point of this period, the HSE Vote was dis-established, which had two impacts on the relationship between the Gross Voted Current Expenditure (i.e. the Gross Current Expenditure in the *Revised Estimates*), Gross Current Expenditure and Net Current Expenditure (both in the *National Service Plan*). These are:

1. The income received by the statutory sector moved off-vote, as it was no longer income accruing directly to a vote;
2. The inclusion in the Service Plan of the income formerly accrued as an Appropriation-in-Aid to the Health Vote significantly increased the Gross Current Expenditure under the Service Plan, without increasing the net exchequer requirement.

This meant that the gross and net current expenditure figures in the *National Service Plan* diverged from each other in 2015, as income in the *National Service Plan* rose from €594 million in 2014 to €2 billion in 2015 (however, this income includes the internal market that exists within the health sector). Since this level change in 2015, gross and net expenditure have moved largely in tandem. In this section of the paper, the main focus will be upon the net current expenditure allocation, as this is the element that the Exchequer is required to meet.

9 *Figures modified to reflect the transfer of Child and Family Services to Tusla in 2014 (absent from National Service Plan 2015 and onwards), for comparability.*

Figure 2: HSE total expenditure allocation 2011-2018 (€millions)



Source: National Service Plans 2011-2018; figures for 2014 are taken from the National Service Plan 2015.

As Figures 3 and 4 illustrate, the proportional share of the main headline items under the National Service Plan has not changed markedly during the years of reduced expenditure, and the past three years of rising expenditure. Throughout that time, Acute Hospitals was largely protected from the reductions, and its share of the overall expenditure increased as the overall budget reached its lowest point. The greatest proportional change in net allocation occurred under Mental Health and Primary Care, though the majority of the increase in Primary Care was a result of the reallocation of approx. €400 million to specific areas from the Multi-Care Group (which was disbanded in 2014). Full detail of the Net and Gross Allocations of this expenditure is given in Appendices II and III to this paper.

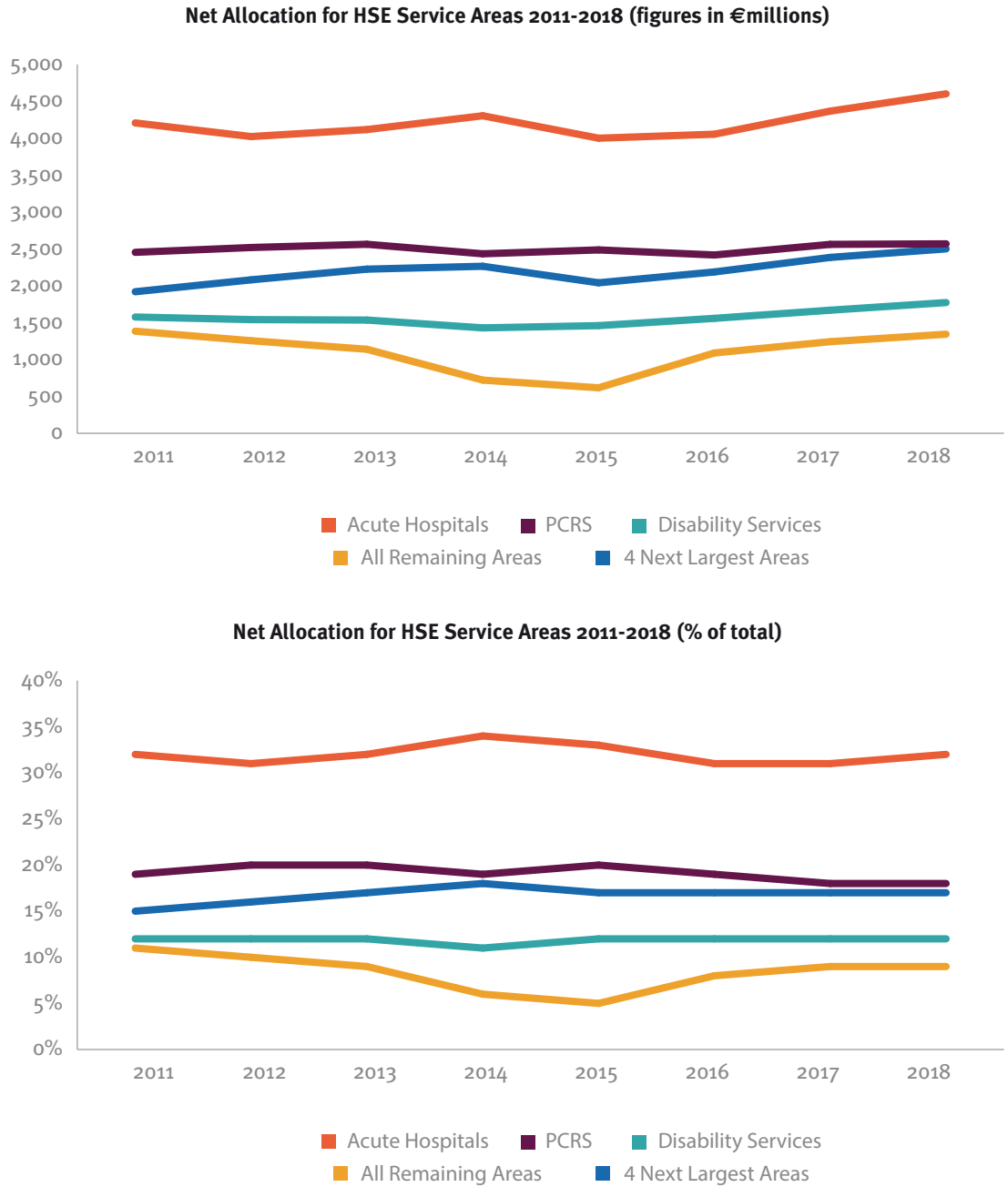
However, the actual growth in respect of some areas is exaggerated by viewing the net allocation in isolation. Expenditure under Acute Hospitals regularly exceeds its budget, and budgets are transferred from other areas into Acute Hospitals. **An important point that can be inferred from the table below is that the *National Service Plan* is not a definitive record of the budgetary allocation for service areas. As the year progresses, budgets will move between service areas. This further complicates the relationship between the voted budget and the services funded from exchequer funds.** Table 1 shows how the budget for Acute Hospitals develops within a given year, as funds are transferred from other divisions and additional funds are made available (in 2016, a second Revised Estimates Volume was introduced by the new government, providing an additional €500 million to the Health Vote).

Table 1: Changes in Net Allocation for Divisions in the *National Service Plan and Management Data Reports, 2016*.

Division	Net NSP Allocation	Net Allocation December MDR	Change in Net Allocation	Expenditure December MDR	Expenditure vs. NSP Allocation	Expenditure vs. MDR Allocation
Acute Hospitals	4,053.5	4,384.9	+331.4	4,441.0	+387.5	+56.1
Health & Wellbeing	221.7	195.5	-26.2	184.2	-37.5	-11.3
NCCP	71.5	3.5	-68.0	3.2	-68.3	-0.3

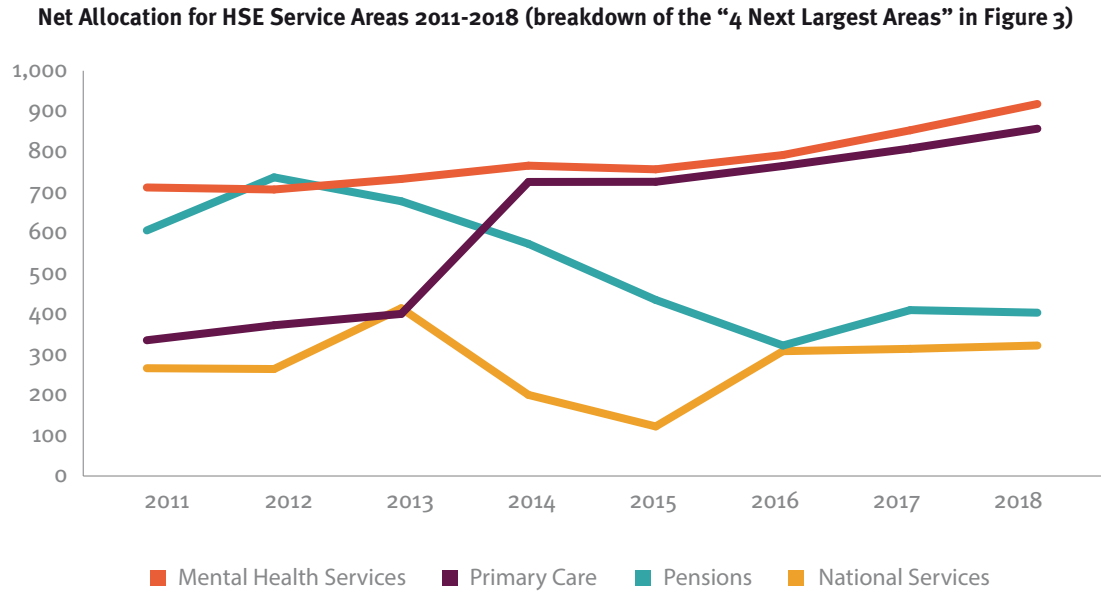
Source: December 2016 Management Data Report and National Service Plan 2016.

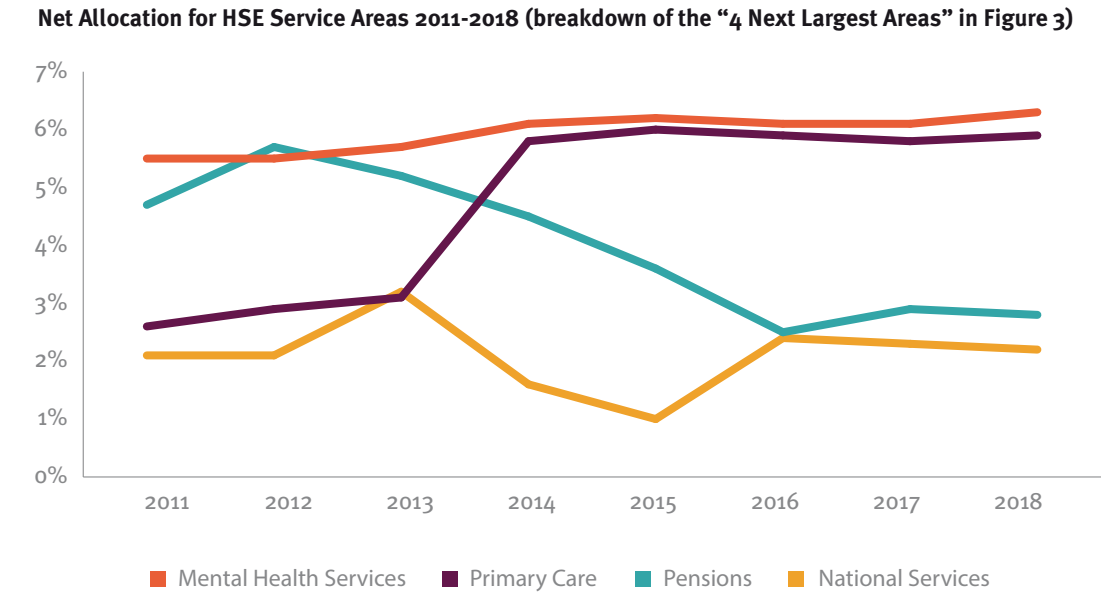
Figure 3: Net Current Expenditure Allocations under the National Service Plan



Source: National Service Plans 2011-2018, figures for 2014 are taken from National Service Plan 2015, as the HSE temporarily combined Disability Services and Older Person Services under one "Social Care" heading in 2014.

Figure 4: Net Current Expenditure under selected areas of the National Service Plan





Source: National Service Plans 2011-2018, figures for 2014 are taken from National Service Plan 2015, as the HSE temporarily combined Disability Services and Older Person Services under one "Social Care" heading in 2014.

From Budget 2018 to *National Service Plan 2018* – the process

The total Exchequer funding available for transfer to the HSE in 2018 is contained in Vote 38, as set out in the *Revised Estimates for Public Services 2018*. This funding is presented at a more granular level than was set out in the Expenditure Report published on Budget day and contains an additional €41 million allocation as a result of policy changes post-Budget 2018.

The HSE is formally notified of the total funding that will be provided by the Exchequer in a 'Letter of Determination', which is sent by the Minister for Health within 21 days of the *Estimates for Public Services* (on Budget day).

That letter provides the Capital and Current Expenditure funding separately, as they are delivered to the HSE under different sections of the Health Act (2004).[10] This letter is not generally publically available, but has been made available under the provisions of Freedom of Information legislation.

In the letter, the Minister for Health also informs the HSE as to which priorities the *National Service Plan* should include. The letter specifies amounts of funding to be set aside in respect of particular issues. For example, the *Letter of Determination for 2015* specified that €25 million should be set aside to address delayed discharges.[11]

The HSE produces the *National Service Plan* in accordance with the relevant legislative provisions, the directions in the letter and utilising the funding specified. The Plan is then laid in the Library of the Houses of the Oireachtas within 21 days of its approval by the Minister for Health.

10 *Current Expenditure is provided under Section 30A(1) of the Health Act (2004) as amended by the Health Service Executive (Financial Matters) Act 2014, while Capital is provided under Section 33B(1) of same. This clear division of capital and current expenditure was one of the recommendations of the Considine Report (2009).*

11 *Letter of Determination from Minister Leo Varadkar T.D. to Director General Tony O'Brien, 31st October 2014, p. 3.*

Box 1: Contents of the National Service Plan

Section 31 of the *Health Act (2004), as amended by the Health Service Executive Acts of 2013 and 2014*, requires the HSE to submit a Service Plan, which must:

1. Indicate the type and volume of health and social services for the year;
2. Indicate any capital plans proposed by the executive;
3. Contain estimates of the **income and expenditure** of the Executive;
4. Contain estimates of the number of employees (including Section 38 Agencies) relating to the **period and services** set out in the plan;
5. Any other information as specified by the Minister for Health;
6. Accord with the policies and objectives of the Minister and the Government.

In addition, the Minister "may issue a direction to the Executive as respects the form and manner in which the service plan is to be prepared".

The **income and expenditure** of the Executive is presented on an accruals basis. The **net** figure reported here is equal to the determination decided upon by the Minister and communicated in the above described 'Letter of Determination'. The **gross** is calculated by adding the income of the HSE to the **net** determination.

The requirement regarding the **period and services** set out in the plan was amended in 2013, to specific that it must "relate to the period of the service plan and the services to which it relates". *National Service Plan 2018* includes an estimate of employee numbers in December 2017.

Health expenditure proposed in respect of 2018

In the *Revised Estimates 2018*, the allocations within the Health Vote that relate to the HSE comprise the following:

Table 2: Allocations relating to the HSE in the Revised Estimates 2018 (€millions)

Cost Group	Description	Current	Capital	Total
H	Corporate Admin	96	0	**96**
I	HSE Regions and Other Agencies	10,140	0	**10,140**
J	Other HSE Services	431	0	**431**
K	Care Programme	3,806	0	**3,806**
L	Capital Services	104	478[12]	**582**
	Total	**14,577**	**478**	**15,055**

Source: Revised Estimates 2018

12 *Capital Services in this table excludes €15 million that does not relate to the HSE.*

These allocations are not mapped directly onto the *National Service Plan 2018*. In addition, these allocations combine HSE expenditure with Department of Health expenditure. To aid the tracking of specific allocations from Vote 38 to the HSE's National Service Plan, the Department of Health provides a set of indicative appendices to the Revised Estimates (see Table 3).

Table 3: Allocations in Indicative Appendices to Vote 38 (€millions)

Area	Current	Capital
Acute Hospitals	4,600.5	182
Primary Care Reimbursement Scheme	2,844.4	
Disability Services	1,762.3	35
Long term residential care	961.6	
Mental Health Services	917.8	83
Primary Care	853.3	29.3
Services for Older People	811.3	45
Health and Wellbeing	241	3
National Ambulance Service	165.6	22
Social Inclusion	144.5	1.1
National Cancer Control Programme	85.3	16.5
Palliative Care	78.2	1.1
Total	**13,465.8**	**418**

Source: Revised Estimates 2018

A number of expenditure items budgeted for under the *National Service Plan 2018* are not directly included in these appendices. These omitted items comprise approximately €1.1 billion and include Pensions, National Services, and the State Claims Agency among other areas (see Table 3 of this paper). It appears that €60 million Capital Expenditure for IT is not included in the appendices, as this would bring the total capital to €478 million. This allocation appears to be included under 'Information services and related services for Health Agencies' in the main Vote, which records a capital allocation of €60 million, but does not appear anywhere in the indicative appendices.

National Service Plan 2018

The National Service Plan is produced by the HSE, in accordance with statutory provisions, in December each year. The Plan sets out only current expenditure, i.e. the HSE's capital expenditure is not presented in its Income and Expenditure and Financial Allocations tables, but is included in the appendices. Capital projects are set out separately in the HSE's multi-annual capital plan.

The *National Service Plan 2018* states that the Minister for Health's letter of determination for 2018 included allocations of €14,556 million for current expenditure and €418 million in capital expenditure. It then separately states that €60 million in capital is approved for IT projects.

Expenditure across the HSE is reported on a monthly basis in the *Management Data Reports*. In May of the following year, a final financial position is published in the *Annual Financial Statement (AFS)*, together with an annual report on the activities of the HSE. The headings presented in the AFS are different to those used in the National Service Plan and Monthly Data Reports (e.g. the Acutes heading in the AFS also includes the National Ambulance Service, which is reported separately in the Management Data Reports and the *National Service Plan*).

While many of the same headings that are included in the *National Service Plan* do appear in the indicative appendices, many headings under the National Service Plan are not quantified in these appendices (9 areas with a combined expenditure of €1.3 billion in 2018). While some of the totals for operational and demand-led areas differ, this may be due to expenditure being committed to towards the end of the year, meaning it would fall in the HSE's accounts but not in the accounts for the Vote. The €14.5 billion net allocation in the *National Service Plan 2018* **does** fall within the overall €14.8 billion net allocation budgeted in the Revised Estimates process for Vote 38. However, the exact level of funding being provided to the HSE is not separately set out in the Revised Estimates, but is notified to HSE in the Letter of Determination. The alignment of the programmes in the Vote has been a recommendation for reform since at least the Considine Report in 2008.[13] In the absence of this alignment, reporting that reconciles the Voted Current Expenditure with the service areas of the *National Service Plan* in some way would serve to improve the accountability framework for health expenditure.

This complexity is compounded by the lack of clarity regarding gross and net current expenditure allocated under the Revised Estimates and National Service Plan. It is important to understand why the distinction between gross and net expenditure matters in this context and this is addressed in the following section.

13 *Study of certain accounting issues related to the Health Service Executive (HSE), September 2008, p. 94.*

Gross and Net Expenditure

While *net expenditure* represents the net cost to the Exchequer of a public service, the *gross expenditure* represents the actual expenditure that will be incurred in implementing that public service, before income is netted from the expenditure figure. When income accrues to a Vote, it is classed as an Appropriation-in-Aid and falls within the vote system. Income that does not accrue directly to the holder of a Vote is not classed as such, and therefore falls outside of the vote system. In the case of the Vote, the gross current expenditure includes the Appropriations-in-Aid. In the case of the HSE's *National Service Plan*, the gross current expenditure includes the income of the HSE but not the income accruing to the Health Vote. In order to estimate the full resources available to agencies of the State in any given year, it is important that both the gross and net expenditure allocated are considered. In addition, the trend in income may suppress growth in Gross Expenditure (e.g. under Pensions).

Exchequer Appropriations-in-Aid

In the *Revised Estimates for Public Services*, the Health Vote includes Appropriations-in-Aid. These receipts arise from:

- recovery of the cost of Health Services provided as required under European law;
- certain receipts from excise duties on tobacco products;
- payments from the Social Insurance Fund (SIF);
- Pension-related Deductions paid by staff; and
- other miscellaneous areas.

In 2018, the Appropriations-in-Aid for Vote 38 are estimated to total €460.2 million. This is a minor increase since 2015, when the corresponding figure was €455 million.

However, between 2014 and 2015 (i.e. at the time of the dis-establishment of the HSE Vote), Appropriations-in-Aid (as an overall category) dropped from €1.4 billion to €455 million, a drop of €954 million (when the Appropriations in Aid from both Vote 38 and the then Vote 39 (HSE) are included in 2014's figure). This is because income to the HSE statutory system could not be considered Appropriations-in-Aid following dis-establishment of the HSE Vote.

HSE Income

Income that is received directly by the HSE is recorded in the National Service Plan. This figure is netted against the gross expenditure figure that is allocated by the HSE to the services it provides. Therefore, the €14.5 billion net allocation in the *National Service Plan 2018* represents the Exchequer portion of the funding available.

A detailed breakdown of Income is published in the Management Data Reports. The largest single source of income has historically been Maintenance Charges, and large growth has been seen in this area since 2011.[14] These maintenance charges are related to private patient charges in public hospitals. A sum of €1.97 billion is projected as income in the National Service Plan. However, this income contains an internal market, where income under one service area is matched by expenditure in another. The approximate size of this market is €400 million. This means that, in effect, the gross figure for resources available to the HSE for current expenses in 2018 is not projected to be €14.5 billion but roughly €16.1 billion. Table 4 details the latest returns for income from 2017, showing the split between hospitals, community and corporate as receivers of income.

Table 4: Breakdown of 2017 HSE Income, top 4 areas in €0000s (Full table in appendices)

	Actual Income	Budgeted Income	Variance from Budget
Hospital	**(800,025)**	**(806,478)**	**6,452**
In-Patient Charges	(27,491)	(22,932)	(4,559)
Maintenance Charges	(570,816)	(590,644)	19,827
Other Income	(184,749)*	(176,828)*	(7,921)
Out-Patient Charges	(16,969)	(16,074)	(895)
Community	**(559,527)**	**(564,702)**	**5,175**
In-Patient Charges	(12,427)	(14,173)	1,747
Long Stay	(125,754)	(126,525)	771
Other Grants	(17,448)	(13,639)	(3,810)
Other Income	(403,898)*	(410,365)*	6,467
Corporate	**(510,846)**	**(478,156)**	**(32,692)**
Agency/Services	(3,380)	(3,589)	209
Maintenance Charges	(3,145)	(01)	(3,145)
Other Income	(25,962)	(14,764)	(11,198)
Superannuation	(478,359)	(459,802)	(18,558)
Total	**(1,870,398)**	**(1,849,336)**	**(21,065)**

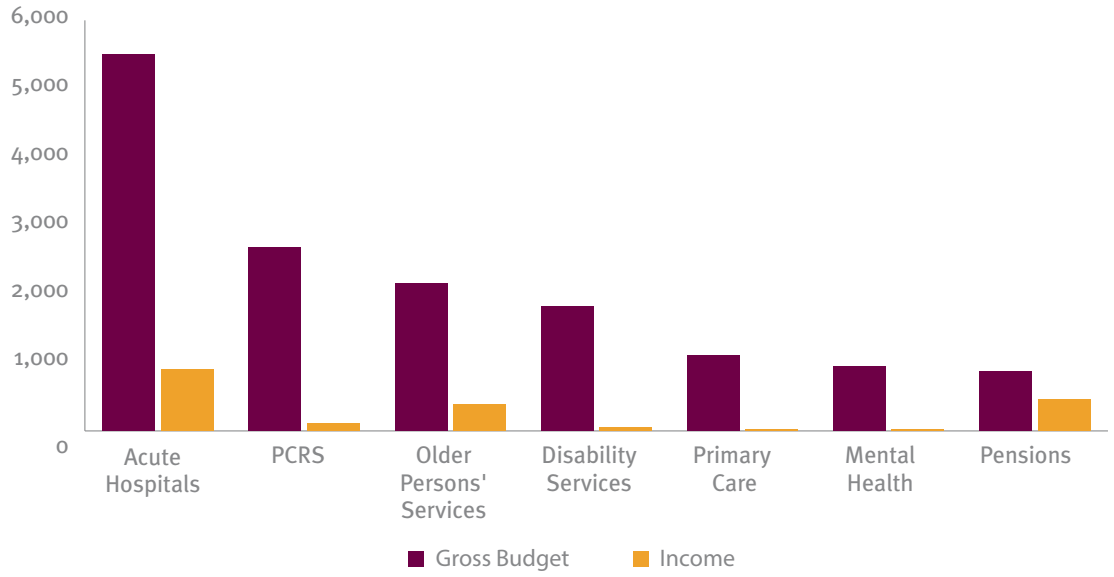
Source: December Management Data Report 2017

**Contains income matched by expenditure under a different Service Area, e.g. payments from the PCRS to hospitals.*

14 *Acute Hospital Expenditure Review, July 2017, p.17.*

Figure 5 illustrates the income recorded in National Service Plan 2018. However, there are some caveats which must be considered when examining the income recorded here. Some of this income will be reimbursed from the Primary Care Reimbursement Service (PCRS) to Hospitals and matched to expenditure under non-pay in the hospital. This means that adding the income back to the expenditure results in double-counting. [15]

Figure 5: Distribution of gross expenditure and income across HSE operational and demand-led areas 2018



Source: National Service Plan 2018, PCRS is the abbreviation for the Primary Care Reimbursement Scheme.

Health sector income 2011-2018

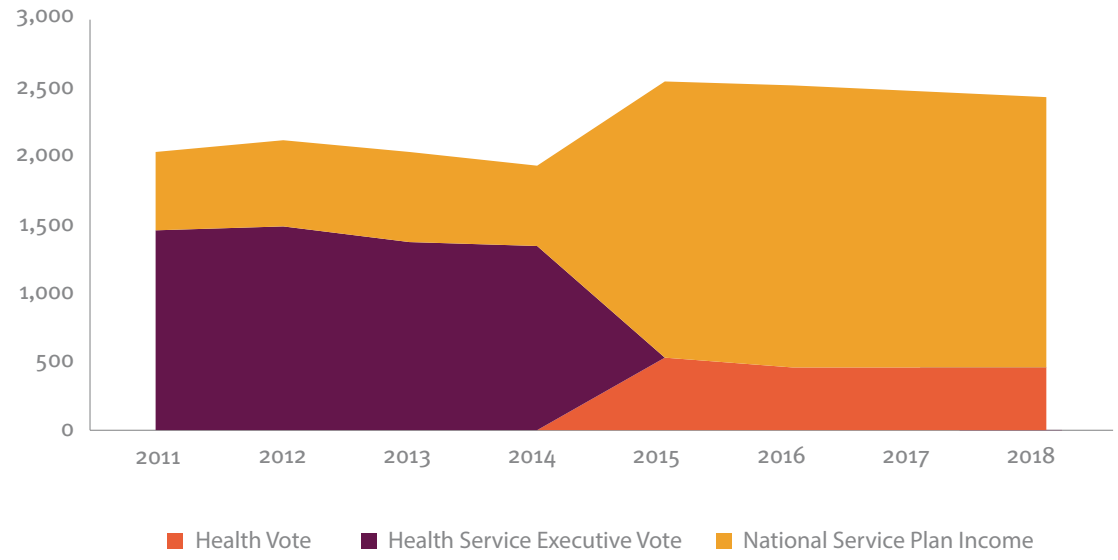
There has been a significant change in the size and composition of the Appropriations-in-Aid of the health sector since the dis-establishment of the Health Service Executive Vote after 2014. Two notable changes are that some of the income reported as Appropriations-in-Aid under the HSE Vote are now only recorded in the *National Service Plan*, while other income is now reported under the Health Vote, and the Appropriations-in-Aid under that Vote has increased by over €400 million, as certain recoupments and excise revenues must be recorded as Appropriations-in-Aid.

This means that because of the dis-establishment, the Appropriations-in-Aid reported to the Dáil in 2018 as part of the Estimates process do not include roughly €1.6 billion in direct income projected by the HSE (see Figure 2). As previously noted, while the total figure for this income is close to €2 billion, there is an internal market within the health sector that accounts for €400 million in income accruing from expenditure elsewhere in the sector. This internal market complicates analysis of the income over time, as it is not clearly isolated from historical data. As such, Figure 6 should be viewed with this internal market in mind.

15 *Acute Hospital Expenditure Review, July 2017, IGEES, p. 17.*

Accordingly, from a parliamentary perspective the dis-establishment of the HSE Vote (and its removal therefore from the Revised Estimates for Public Services) has made the process of scrutinising public health sector funding more complicated. In addition, the Appropriations-in-Aid under the Health Vote and income recorded in the National Service Plan taken together has increased substantially (from €2 billion to €2.4 billion[16]) since dis-establishment, thereby increasing the gap between the voted gross expenditure and the gross expenditure of the HSE.

Figure 6: Health Sector Appropriations-in-Aid and National Service Plan Income, 2011-2018



Source: Revised Estimates and National Service Plans 2011-2018.

16 *Both figures include the 'Internal Market' of payments from one area of the health service to another.*

From HSE Budget to Outturn

This paper has primarily examined the trend in changes to *budgeted allocations*, rather than the *actual expenditure* that occurred. This helps clarify the change in the baseline starting point of HSE expenditure year-on-year, but the actual expenditure outturn also tells an important story about the management of health expenditure and highlights pressures within the headings of the National Service Plan.

The Irish Fiscal Advisory Council (IFAC) published *an analytical note on Controlling the health budget* in August 2015. Its conclusion at the time was that "public health expenditure in Ireland has exceeded planned levels repeatedly in recent years"[17] and had exceeded its budget "every year since the crisis began in 2008".[18] Since then, the Health sector has required a supplementary estimate in 2015 and 2017, but not in 2016. However, it should be noted that 2016 was unusual as a result of the change of government. In June 2016, a second *Revised Estimate* for some Votes was published. As a result, the Dáil approved an additional €500 million for the Health Vote.

IFAC identified two main expenditure drivers which resulted in the persistent inability of the HSE to remain within budget:

- Acute Hospitals; and
- The Primary Care Reimbursement Service.[19]

Reviewing the management data, this trend has continued, with Acute Hospitals over budget by €55 million and €140 million in 2016 and 2017 respectively.[20] However, this is based on the final approved budget as at December of the respective year, compared to the expectation in January. The final approved budget for Acute Hospitals was €318 million and €274 million higher than the expected annual budget in 2016 and 2017 respectively. This shows how there are both budgetary pressures exerting upward pressure on the approved budget of this area in-year, and that the area has exceeded the increased approved budget.

Figure 7 details the changing position of the Acute Hospital sector throughout the year, and the way the spending pressure of the sector demands increases within year and year-on-year. The change in the allocations between January and September captures *Supplementary Estimates* while the actual spend shows that even these increased budgetary allocations are consistently overran each year. Normally, the variance within Acute Hospitals is counterbalanced by under-spends in other areas. For example, in 2016 Acute Hospitals recorded a variance of €56 million. Spends in other areas mitigated this, resulting in a total variance of just over €14 million. However, in 2017 the variance in Acute Hospitals was unusually large at just under €140 million. In addition, a number of other areas reported spend above budgets, resulting in an overall variance of €166 million.[21] This overspend in the Acute sector will be split across Voluntary Hospitals and HSE Direct Provision, but at least a portion (the portion related to HSE direct provision) of this spend will fall into 2018's accounts as a 'First Charge'. This will place additional pressure upon an already challenging financial position for the HSE in 2018.

17 *IFAC, p. 4.*

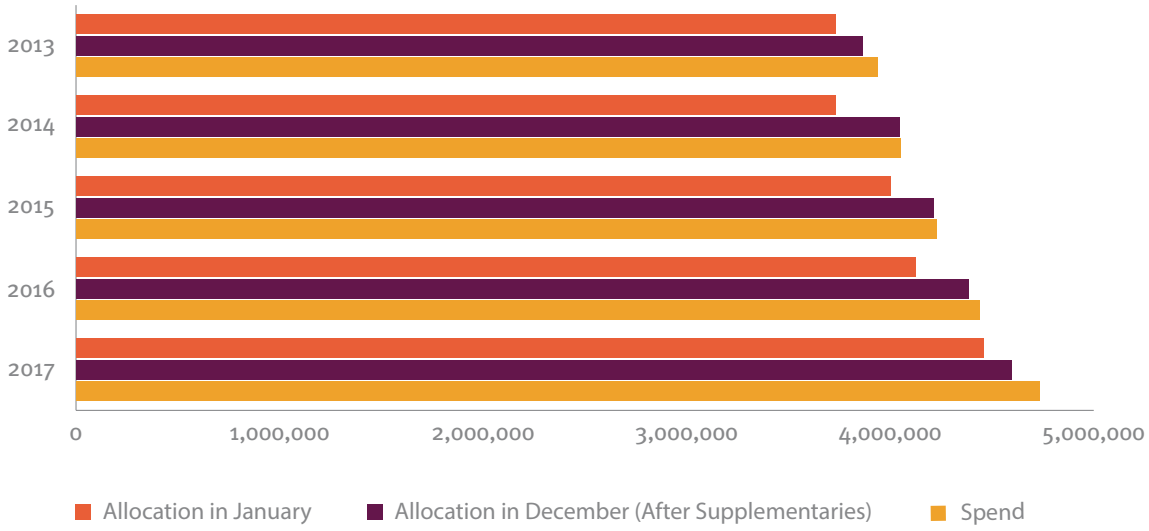
18 *Ibid, p. 9.*

19 *Ibid, p. 27.*

20 *December 2016 and December 2017 Management Data Reports, HSE.*

21 *Ibid.*

Figure 7: Comparison of allocation to actual spend in Acute Hospitals (€billions)



Source: Management Data Reports 2013-2017.

Conclusion

This paper has examined the process of dispersing the voted expenditure approved under Vote 38 into the Health Service Executive's National Service Plan, and followed this data through in specific areas to examine historical performance against budget allocations. This process is complex, and the examination of the data highlights the lack of clarity around precisely where resources are allocated to. This has implications for the capacity of the Houses of the Oireachtas, and its committees, to scrutinise expenditure and the HSE's performance from a budgetary perspective. Pending the completion of the IFMS project to implement a shared financial system for the HSE, the goal of those involved in budgetary management should be to increase the accessibility of the financial framework of Ireland's health system.

The Health Service Executive's Vote was dis-established from 2015 onwards to "allow for greater accountability to the Minister for Health … and allow the Department to exercise much greater control of expenditure and resource allocation."[22] However, the dis-establishment of the HSE Vote has resulted in a situation where the large growth in income reported only in the HSE's National Service Plan and no longer included in the Voted Appropriations-in-Aid means that the Gross Expenditure in the National Service Plan is significantly larger than the Gross Expenditure scrutinised in the estimates process.

In addition, the programmes used in Vote 38 have not changed materially from those reported under the previous HSE Vote. The fact that there is only an indirect relationship between the programmes in the Health Vote and the operational and demand-led areas in the National Service Plan makes it more difficult for the Oireachtas to scrutinise the effectiveness of health expenditure in the budgetary process. The programming of expenditure under the Health Vote was another priority of *Future Health* and aligning the programmes of Vote 38 with the HSE's internal allocations would make the relationship between what the Oireachtas approves and what is spent on the ground more direct.

22 *Future Health, Department of Health, p. 25.*

Appendix I: HSE Income – December 2017

	Actual Income	Budgeted Income	Variance from Budget
Hospital	**(852,109)**	**(899,929)**	**47,818**
Agency/Services	(9,692)	(8,619)	(1,073)
Canteen Receipts	(16,016)	(16,009)	(07)
ESF Grants	(48)	00	(48)
In-Patient Charges	(27,491)	(22,932)	(4,559)
Long Stay	(11,378)	(11,629)	252
Maintenance Charges	(570,816)	(590,644)	19,827
Other Grants	(656)	(44,543)	43,886
Other Income	(184,749)	(176,828)	(7,921)
Other Patient Charge	(1,323)	(892)	(431)
Other Payroll Deductions	(4,204)	(4,316)	112
Out-Patient Charges	(16,969)	(16,074)	(895)
RTA	(8,735)	(7,443)	(1,293)
Superannuation Income	(32)	00	(32)
Community	**(588,125)**	**(591,198)**	**3,073**
Agency/Services	(4,824)	(2,563)	(2,261)
Canteen Receipts	(4,308)	(4,107)	(201)
ESF Grants	(9)	0	(9)
In-Patient Charges	(12,427)	(14,173)	1,747
Long Stay	(125,754)	(126,525)	771
Maintenance Charges	(7,512)	(7,305)	(207)
Other Grants	(17,448)	(13,639)	(3,810)
Other Income	(403,898)	(410,365)	6,467
Other Patient Charge	(6,053)	(6,662)	609
Other Payroll Deductions	(2,872)	(3,453)	581
Out-Patient Charges	(11)	(1)	(10)
RTA	(1,201)	(973)	(228)
Superannuation Income	(1,808)	(1,432)	(376)

	Actual Income	Budgeted Income	Variance from Budget
Corporate	**(517,640)**	**(480,271)**	**(37,371)**
Agency/Services	(3,380)	(3,589)	209
Canteen Receipts	(55)	(47)	(08)
ESF Grants	(178)	(148)	(30)
In-Patient Charges	(753)	00	(753)
Long Stay	(05)	00	(05)
Maintenance Charges	(3,145)	(01)	(3,145)
Other Grants	(1,814)	(71)	(1,743)
Other Income	(25,962)	(14,764)	(11,198)
Other Patient Charge	(3,079)	(1,451)	(1,628)
Other Payroll Deductions	(909)	(398)	(511)
Out-Patient Charges	00	00	00
RTA	(01)	00	(01)
Superannuation Income	(478,359)	(459,802)	(18,558)
Grand Total	**(1,957,874)**	**(1,971,398)**	**13,520**

Appendix II: HSE National Service Plan Net Allocations 2011-2018

€millions	2011	2012	2013	2014	2015	2016	2017	2018
Operational Services	**9,901**	**9,596**	**9,719**	**9,605**	**9,211**	**9,810**	**10,490**	**11,048**
Primary Care								
Primary Care	*335*	*372*	*400*	*726*	*726*	*765*	*808*	*857*
Social Inclusion	*119*	*115*	*114*		*126*	*127*	*133*	*145*
Palliative Care	*81*	*78*	*72*		*72*	*73*	*76*	*78*
Primary Care Total	**535**	**565**	**586**	**726**	**924**	**965**	**1,017**	**1,080**
Acute Hospitals	4,207	4,022	4,117	4,304	4,000	4,054	4,367	4,601
Disability Services	1,576	1,541	1,535	1,429	1,459	1,558	1,689	1,772
Mental Health Services	712	707	733	766	757	792	853	918
Services for Older People	407	390	392	610	655	683	765	811
Nursing Homes Support Scheme	1,026	1,046	998	857	874	940	940	962
National Services[L]	266	264	414	200	122	308	314	322
Health and Wellbeing	152	150	146	234	201	222	233	241
National Ambulance Service				139	144	151	157	166
National Cancer Control Programme				11	15	72	78	85
Clinical Strategy and Programmes					30	54	64	74
Quality Improvement						8	9	8
Quality Assurance and Verification					8	3	4	6
Emergency Management								2
Drugs Task Force					22			
Quality and Clinical Care	25	25						
Other	79	60	77	3				
Corporate	430	375	244	204				
Multi-care group[F]	486	451	477	122				

€millions	2011	2012	2013	2014	2015	2016	2017	2018
Demand-Led	**2,465**	**2,519**	**2,571**	**2,441**	**2,486**	**2,797**	**3,048**	**3,107**
Primary Care Reimbursement Service*	2,453	2,518	2,562	2,433	2,486	2,417	2,561	2,568
State Claims Agency						128	224	274
Local Demand-Led Schemes						243	250	252
Overseas Treatment						9	14	14
Repayment Scheme	12	1	9	8				
Pensions								
Pensions**	606	737	678	573	435	322	409	403
Grand Total	**12,972**	**12,852**	**12,968**	**12,617**	**12,131**	**12,929**	**13,928**	**14,556**

** 2012 PCRS and Primary Care figure is taken from National Service Plan 2013. National Service Plan 2012 did not differentiate between Primary Care and PCRS.*

*** The drop in Pensions expenditure from 2015 onwards is a result of the remittance of income from pension levies into the National Service Plan.*

[L] Between 2011 and 2014 there was a re-categorisation between National Services and Corporate.

[F] After 2014, the multi-care group was distributed among specific divisions.

Note: Figures exclude Children and Families division from 2011-2014, for like-to-like comparison.

Appendix III: HSE National Service Plan Gross Allocation 2011-2018

€millions	2011*	2012*	2013*	2014*	2015	2016	2017	2018
Operational Services	**10,327**	**10,119**	**10,273**	**10,094**	**10,935**	**11,399**	**12,072**	**12,438**
Primary Care								
Primary Care	*335*	*372*	*400*	*726*	*757*	*793*	*828*	*874*
Social Inclusion	*119*	*115*	*114*		*127*	*128*	*134*	*145*
Palliative Care	*81*	*78*	*72*		*82*	*82*	*86*	*86*
Primary Care Total	**535**	**565**	**586**	**726**	**966**	**1,003**	**1,048**	**1,106**
Acute Hospitals	4,633	4,545	4,671	4,794	4,880	5,032	5,352	5,505
Disability Services	1,576	1,541	1,535	1,429	1,563	1,665	1,782	1,822
Mental Health Services	712	707	733	766	781	812	872	937
Services for Older People	407	390	392	610	1,042	1,051	1,148	1,126
Nursing Homes Support Scheme	1,026	1,046	998	857	874	1,005	1,002	1,030
National Services**	266	264	414	200	397	312	316	325
Health and Wellbeing	152	150	146	234	213	229	239	247
National Ambulance Service				139	144	152	157	166
National Cancer Control Programme				11	15	72	78	86
Clinical Strategy and Programmes					30	55	64	74
Quality Improvement						8	9	8
Quality Assurance and Verification					8	3	4	6
Emergency Management								2
Drugs Task Force					22			
Quality and Clinical Care	25	25						
Other	79	60	77	3				
Corporate	430	375	244	204				
Multi-care group	486	451	477	122				

€millions	2011*	2012*	2013*	2014*	2015	2016	2017	2018
Demand-Led	**2,465**	**2,519**	**2,571**	**2,441**	**2,613**	**2,920**	**3,162**	**3,221**
Primary Care Reimbursement Service	2,453	2,518	2,562	2,433	2,613	2,540	2,674	2,681
State Claims Agency						128	224	274
Local Demand-Led Schemes***						243	250	252
Overseas Treatment						9	14	14
Repayment Scheme	12	1	9	8				
Pensions								
Pensions	606	737	678	573	611	665	729	868
Grand Total	**13,398**	**13,375**	**13,522**	**13,107**	**14,158**	**14,983**	**15,962**	**16,527**

** Before 2015, the HSE reported income against Care Programmes instead of Divisions. The Gross Expenditure for 2011 to 2014 only includes income accrued to the Acute Hospitals Division. For reference, the remainder of the income ranged from €99m to €103.8m each year.*

*** After 2015, Primary Care Leases moved from National Services to Primary Care.*

**** Included in PCRS until 2016.*

Note: Figures exclude Children and Families division from 2011-2014, for like-to-like comparison.

Notes

The HSE National Service Plan and its Relationship with the Health Vote

Notes

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Contact: *PBO@Oireachtas.ie*
Go to our webpage: *www.Oireachtas.ie/PBO*
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Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

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