**Revised Estimates 2020: Health (Vote 38)**

**Dáil approved spending on Health rises to its highest ever level...**

Since its post-crisis low in 2015, Gross Voted spending on Healthcare has risen by almost €5 billion. Excluding COVID-19 spending, the 5% increase over 2019 spending in 2020 marks a deceleration in spending increases compared to 2018 and 2019.

The cross-party Slaintécare Report set out a framework for a reform of Ireland’s health sector towards a community-centred, universal model. Does the 2020 budget show investment towards that goal?

**Key Messages**

- Gross Voted Expenditure on Healthcare for 2020 is at its highest ever level in Revised Estimates 2020, €18.3 billion.
- In response to COVID-19, an estimated €2 billion in additional funding may be required in 2020. This will bring the 2020 total to €20.3 billion.
- When looking at health spending prior to the pandemic, it is important to note that the Health Vote is not organised along programme lines, meaning that the service areas receiving additional funding cannot be directly identified.
- Indicative appendices published with the Revised Estimates (in December) provide an indication of the service areas that were initially intended to receive the additional funding.
- Acute Hospitals, PCRS, Older Persons’ Services and Disability Services are receiving large shares of the additional funding, even in the context of their shares of the existing budget.
- Primary Care and Mental Health Services are receiving comparably smaller shares of the additional funding. However, Mental Health Services are seeing a significant fall in capital expenditure, that offsets a larger rise in current expenditure.
- In an international context, Ireland’s public spending on healthcare per capita is roughly average when compared to similar countries (in terms of wealth).

**Introduction**

The Revised Estimates 2020 set out the budget allocation for the Department of Health in 2020. This Note is part of a short series of Notes the PBO is publishing to provide some background context and analysis for Members of the Houses of the Oireachtas. For an overview of the Revised Estimates, and an introduction to the Dáil’s role in scrutinising them, see the initial note in this series. After the publication of the Revised Estimates 2020, the emergence of COVID-19 as a critical public health emergency required the allocation of significant additional resources in addition to the existing allocation of the health sector. In this note, the PBO assumes that most or all of this additional funding is temporary in nature and does not add to the baseline spending in the Department of Health. As such, the headline figure for Health spending in 2020 is the €18.3 billion that was initially allocated, but it now appears likely that as much as €20.3 billion will be required in 2020 from the exchequer.
Majority of additional funding targeted at acute hospitals and PCRS

In the Revised Estimates, the Department of Health is requesting €18.3 billion in gross funding for 2020. Compared to Revised Estimates 2019, this is a €1.2 billion increase in spending. Using the Indicative Appendices to the Health Vote, we can get an indication of where the additional resources will be directed. Already the largest service area, Acute Hospitals receives the largest increase, further increasing its share of the health budget. Mental Health receives a very small share of the change in overall terms, but this is the result of a €46.5 million fall in capital budgets, which offsets current spending that is expected to rise by €51.3 million.

Figure 2: 39% of the 2019-2020 increase in budget allocation goes to Acute Hospitals, and Primary Care decreases as a share of the budget.

COVID-19 and the Health Vote

Due to the extraordinary nature of the challenges faced by the health sector in 2020, an additional €2 billion may be required for the vote in 2020. So far, we have details (but no breakdown by item) for €435 million in additional funding needed by the HSE. This includes:

- funding for increased staffing, overtime, redeployment,
- increased acute and critical care capacity (including the restriction of elective care capacity),
- increased capacity for the National Ambulance Service,
- developing community-based responses to decrease the burden placed on the acute sector (which as discussed above is regularly the source of the majority of financial overrun).

In addition to these measures, the Minister has negotiated a deal with the private hospital sector to lease 19 private hospitals. Under this deal, the HSE pays 80% of the estimated costs in advance, with any excess deducted from future payments. The deal includes a ceiling on the salaries to be paid out of public monies at €200,000, to align with the standard cap on public salaries. This deal is estimated to cost €115 million per month while it is in effect.

The implementation of these emergency measures will further complicate the scrutiny of health spending in 2020. It will be very difficult for policymakers to ascertain the difference between an overspend that is part of the recurring pattern of recent years, and where the overrun is the direct result of measures in response to COVID-19. Also, at this stage, there is too much uncertainty to say how long there will be additional pressure on the health budget as a result of the pandemic.

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1 ‘Donohoe says extra health spend will be up to €2bn’, RTE, Tuesday 7 April 2020.
3 Taoiseach Leo Varadkar in Dáil Éireann on 16 April 2020.
In an international context, Ireland’s public spending on healthcare is close to average

Comparing healthcare spending across countries is fraught with difficulties, as different countries have very different systems with varying scope of care, access, financing methods and definitions. Comparing expenditure per capita, Ireland ranks 13th out of 36 OECD countries, and is significantly below the average. However, the United States’ increases the average significantly, as it is 70% higher than the second-ranked nation. To reduce the impact of extreme outliers on the average, we can use per capita Actual Individual Consumption (a measure of household spending) to exclude the 25% richest and 25% poorest countries from the calculation, to produce an average for the middle group of countries, which includes Ireland.\(^4\) By this measure, Ireland is slightly above average, as shown in Figure 3. In any event, Ireland does not appear to be an outlier in terms of healthcare spending per capita compared to other OECD countries. However, Ireland has a more favorable demographic profile than many developed countries and as this changes, the trajectory of per capita spending needs to be tracked.

Figure 3: Allowing for price differences ($ PPS), government healthcare spending per capita (2018) in Ireland is lower than the OECD average, but slightly above the average of countries with similar household consumption.

Source: OECD, PBO calculations. \(^*\)This is the average per capita spend when the top 25% and bottom 25% of countries by actual individual consumption are excluded, to reduce the impact of outliers on the average.

\(^4\) In descending order: Finland, UK, Austria, Netherlands, Ireland, Germany, New Zealand, Belgium, Israel, France, Japan, Italy, Spain, Korea, Portugal, Slovenia, Greece and Estonia.