



## Revised Estimate for Public Services 2020 [Vote 38]: Health

### PBO interactive visualisations

In addition to this Publication, the PBO has provided an interactive visualisation of key developments in the Health Vote in 2020. This is available on our [webpage](#).

### Key Messages

- Pre-pandemic, the Gross Voted Expenditure proposed for Healthcare for 2020 was at its highest ever level - €18.3 billion. The 5% increase over 2019 spending **originally** proposed for 2020 marked a deceleration in spending increases compared to 2018 and 2019.
- Post-pandemic however, the 'new' Revised Estimate for Health (Vote 38) is set at a much higher level of €20.33 billion, now including some €1,997 million of COVID-19 specific spending allocated to three new subheads:
  - » J.2 – HSE – COVID 19 Actions (€1,667 million);
  - » L.2 – Primary Care Reimbursement Services COVID 19 Actions (€110 million); and
  - » M.4 – Capital COVID 19 Actions (Including ICT) (€220 million).
- The PBO has previously set out the challenges facing the Dáil and its committees in scrutinising how monies under Vote 38 are allocated. No changes have been made in 2020 which would make the effective scrutiny of the Vote more feasible.
- The 'new' Revised Estimate for Vote 38 ignores the additional €2 billion funding, and the consequences of the pandemic for health service activity levels, by simply repeating the same performance metrics that were set out for Vote 38 pre-pandemic. The Department should consider providing updated performance metrics to the relevant Dáil sectoral committee in order to facilitate its scrutiny of the additional money being spent. This would assist the Dáil in fulfilling its role in relation to scrutiny of Voted spending. This will be especially important if a Supplementary Estimate is sought later in 2020.
- While not set out in Vote 38, the HSE generates its own income. If the pandemic reduces the income of the HSE in 2020, below what has been budgeted for, a Supplementary Estimate may be necessary on that basis alone.<sup>2</sup>
- Given the growth in spending on public health services in recent years it seems possible that non-COVID-19 pressures on spending have continued to emerge in 2020. The lack of any significant movements of funding within the Vote (when comparing this 'new' Revised Estimate to the one originally proposed for 2020) suggests that areas experiencing below, or above predicted pressure on spending have not yet been identified. It seems unlikely that non-pandemic spending should be so unaffected during 2020 that no changes are necessary to the originally proposed allocations. It is not possible to provide an authoritative view as to what impact the pandemic has had on activity within the public health system.

### Vote 38: A visual presentation and analysis



### Vote 38: Health (Revised Estimate)

A visual presentation and analysis

1 The Health Vote is atypical and does not conform to the usual structure for Votes. The Vote is structured under eight cost groupings (*in lieu* of Programmes) with various subheads under each. For more detail see PBO, [Health \(Vote 38\) in the Revised Estimates for Public Services](#) (2018).

2 See HSE, [Hospital Charges](#) for some detail on sources of income for the HSE.

## Technical Notes

The *Revised Estimates for Public Services 2020* (REV 2020) for Vote 38 which will be considered by Dáil Éireann on Tuesday, 30 June is a new, post-pandemic version of the Vote 38 which was published in December 2019. That earlier version of the Vote<sup>3</sup> was never considered or approved by either the 32<sup>nd</sup> or 33<sup>rd</sup> Dáil. Some of the PBO analysis is based on comparing this 'new' Vote 38 with:

- The Vote 38 for 2020 published in December 2019 which was never approved;
- The Vote 38 allocations for 2019 approved by the Dáil; and
- The Vote 38 provisional spending outturn for 2019.

Scrutinising the Votes set out in the Revised Estimates for Public Services is a difficult task as they are not formatted in a way that makes them accessible. In addition, there are several flaws in the Revised Estimates which impairs their usefulness. The PBO previously carried out a review of the Estimates scrutiny process and this is available [here](#).

However, most government spending is set out in the Votes of the Revised Estimates, and as their title suggests they are central to how Government finances and delivers public services. Their scrutiny and consideration by the Dáil is a vital part of the role and responsibilities of the national parliament. Members can find an infographic [here](#) which sets out the role of the Oireachtas in the provision of public services.

The PBO has published a wide range of documents which will guide Members in navigating the Revised Estimates – in general, and specifically in relation to Vote 38. That range includes:

- PBO Publication 10 of 2020 - [An Overview of the Revised Estimates for 2020](#).
- PBO Publication 18 of 2020 - [Revised Estimates 2020: Health \(Vote 38\)](#).
- PBO Note 28 of 2018 - [Health \(Vote 38\) in the Revised Estimates for Public Services](#).
- PBO Publication 44 of 2019 - [The Health Vote: What is the link between funding and performance?](#)
- PBO Note 25 of 2018 - [Performance Information and the Revised Estimates for Public Services](#).

All PBO publications are available on our [webpage](#).

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<sup>3</sup> Available [here](#).

## Introduction

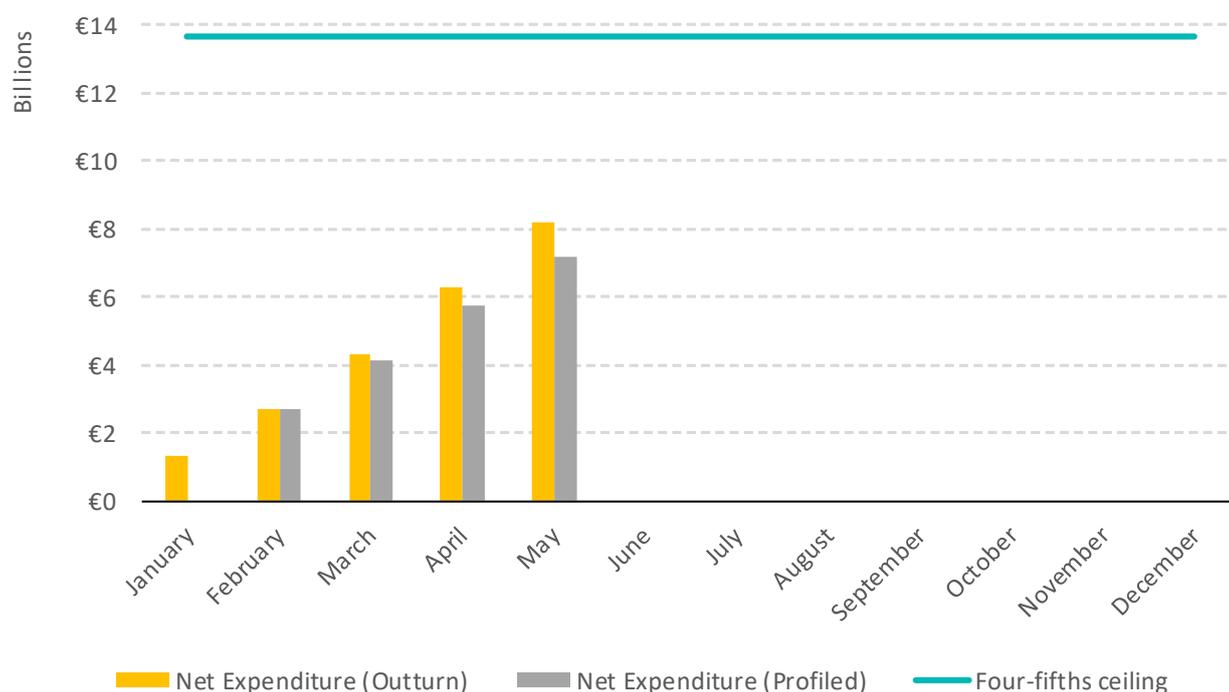
This paper sets out to analyse the *Revised Estimates for Public Service 2020* (REV 2020) (June 2020) for Vote 38 - Health. Specifically, this paper will briefly describe the development of Health spending in recent years – placing the requested post-pandemic allocation for 2020 in context.

The COVID-19 pandemic has necessitated higher levels of health spending. In May 2020, for example, the Department of Health received a cash acceleration request from the HSE of €503 million which included €320 million for procurement – most of which relates to Personal Protective Equipment (PPE) costs for 2020.<sup>4</sup> Media reports have referenced annual costs of €1 billion for PPE.<sup>5</sup> The PBO is also conscious that until, and unless, an effective COVID-19 vaccine is developed, increased costs for PPE, contact tracing etc. will contribute to spending pressures on the Vote 38 into the future.

Spending and performance trend analysis was already complicated by the dis-establishment of the Health Service Executive (HSE) Vote in December 2014. However, the impact of the pandemic on 2020, and potential impact on future years will further complicate analysis of health spending, not only in Ireland, but internationally.

In the absence of Dáil approval for the *Revised Estimates for Public Services 2020*, spending on an individual Vote is capped at four-fifths (80%) of the net allocation of the preceding year (as defined by the amount set out in the *Appropriation Act 2019*).<sup>6</sup> Figure 1 illustrates net spending to date (both profiled and outturn) as set against the ceiling of four-fifths of the previous year's net allocation.

**Figure 1: Profiled and Realised Net Spending of Vote 38: Health 2020 set against Spending Limit under the 'Four-Fifths Rule'**



**Source:** PBO based on *Fiscal Monitors 2020*.

The following sections describe and analyse the developments in health spending, with a particular focus on developments through 2019 and 2020.

<sup>4</sup> Department of Health letter of 2 May 2020 to the PBO.

<sup>5</sup> Simon Carswell, Martin Wall, Jack Horgan-Jones, '[HSE warns of 'massive' long-term Covid-19 bill well in excess of €1 billion a year](#)' (The Irish Times, 11 May 2020).

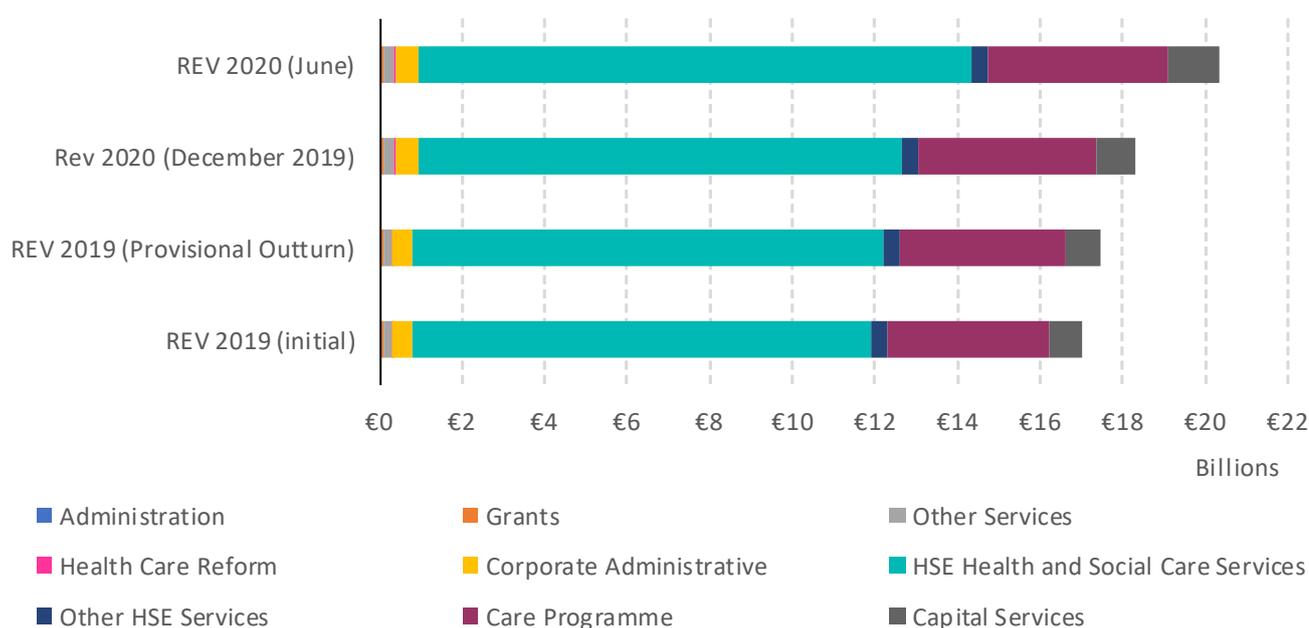
<sup>6</sup> As previously noted by the PBO in [The COVID-19 Pandemic – Voted Spending at the end of the first Quarter of 2020](#) (April 2020).

## Developments in Allocations to Vote 38: Health

The Health Vote has seen significant increases in allocation and projected spending throughout 2019 and 2020. Figure 2 illustrates these recent developments. In terms of gross spending/allocations these can be summarised as:

- The initial allocation approved by Dáil Éireann for 2019 was €17.032 billion;
- By the end of the year, reflecting both a Further Revised Estimate and a Supplementary Estimate, almost €17.46 billion had (provisionally) been spent;<sup>7</sup>
- An allocation of more than €18.33 billion was originally sought for 2020 (December 2019); and
- The 'new' Revised Estimates now before Dáil Éireann seeks an allocation of almost €20.33 billion for 2020.

**Figure 2: Recent Developments in Health Allocations**



**Source:** PBO based on [Revised Estimates for Public Services 2019](#) (December 2018); [DPER Databank](#); [Revised Estimates for Public Services 2020](#) (December 2019); and [Revised Estimates for Public Services 2020](#) (June 2020).

Even without pandemic spending, overall health spending is increasing substantially in 2019 and 2020. Headline increases include:

- The Provisional outturn for 2019 was €427 million (2.5%) greater than the initial allocation for 2019;
- The initial allocation sought for 2020 (December 2019) was almost €1.3 billion (7.6%) greater than the initial allocation for 2019; and
- The allocation now sought for 2020 (June 2020) is almost €3.3 billion (19.3%) greater than the initial allocation for 2019.

Compared to the *REV 2020* (December 2019), the allocation now sought for Vote 38 for 2020, as of June 2020 is €1,997 million greater (10.9%). The difference is accounted for by COVID-19 pandemic related spending.

<sup>7</sup> Provisional outturn is subject to change.

## Proposed Voted Health Spending in 2020

As set out in the previous section, voted health spending was anticipated to increase in 2020 before the pandemic. When looking at pre-pandemic public health spending, 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.

However, the indicative appendices published with the Revised Estimates 2020 (in December 2019) do indicated the service areas that were initially intended to receive the additional funding, and there has been no change to that proposed spending in June 2020. An analysis of the indicative appendices shows us that:

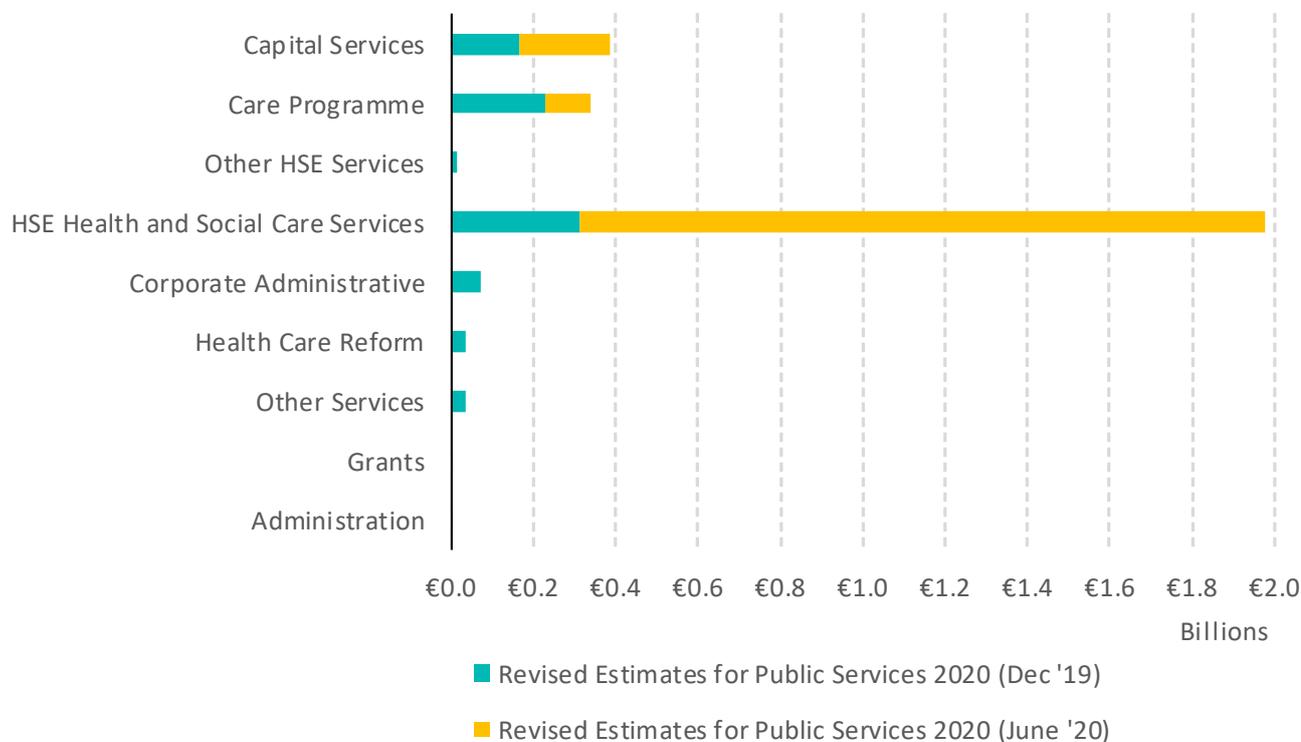
- ✓ Acute Hospitals, PCRS, Older Persons' Services and Disability Services are receiving large shares of the non-pandemic additional funding, even in the context of their shares of the pre-existing budget.
- ✓ Primary Care and Mental Health Services are receiving comparably smaller shares of the additional funding. However, Mental Health Services are seeing a significant fall in capital expenditure, that offsets a larger rise in current expenditure.

Figure 2 of [PBO Publication 18 of 2020](#) provides a graphical illustration of the points above.

In the *REV 2020* (December 2019) it was originally anticipated that gross health spending would reach more than €18.33 billion in 2020. This means that it was initially expected that Vote 38 spending would be approximately €871.5 million (5%) over 2019 levels.

The June 2020 Estimate presents further spending for 2020 of €1,997 million for COVID-19 specific matters. Cumulatively, spending on Vote 38 in 2020 could reach almost €2.87 billion (16.4%) more than in 2019. Figure 3 illustrates the increased allocation sought for Vote 38 for 2020 compared to what was planned pre-pandemic.

**Figure 3: Gross Spending Allocations for Vote 38: Health – 2020 pre, and post-pandemic**



**Source:** PBO based on the [DPER Databank](#); [Revised Estimates for Public Services 2020](#) (December 2019); and [Revised Estimates for Public Services 2020](#) (June 2020).

As per Figure 3, increased spending (€2,868.586 million) by programme area is, by descending value:

- HSE Health and Social Care Services: €1,978.41 million (**of which €1,666.688 million is attributed to COVID-19**);
- Capital Services: €384.49 million (**of which €220 million is attributed to COVID-19**);
- Care Programme: €337.118 million (**of which €110.35 million is attributed to COVID-19**);
- Corporate Administration: €74.86 million;
- Health Care Reform: €34.488 million;
- Other Services: €34.191 million;
- Other HSE Services: €14.702 million;
- Administration: €5.508 million; and
- Grants: €4.819 million.

### The COVID-19 Pandemic and Health Spending

In the June 2020 Estimate more than €1,997 million is sought for three COVID-19 specific subheads:<sup>8</sup>

- J.2 – HSE – COVID 19 Actions (€1,666.688 million);
- L.2 – Primary Care Reimbursement Services COVID 19 Actions (€110.35 million); and
- M.4 – Capital COVID 19 Actions (Including ICT) (€220 million).

**In total, the 2020 Estimate for Vote 38 provides no further detail as to how this, almost €2 billion, will be spent.** However, two significant components of this spending are:

- I. Approximately €320 million for Personal Protective Equipment (PPE); and
- II. Approximately €115 million per month for the duration of a contract with private hospitals to provide additional capacity within the health service.<sup>9</sup>

The lack of any detail on pandemic related spending beyond labelling three subheads is of some concern, in particular, when considered alongside the absence of context and impact indicators and performance metrics related to the pandemic (see Performance Budgeting, p.10).

### Indirect Spending Effects of the Pandemic

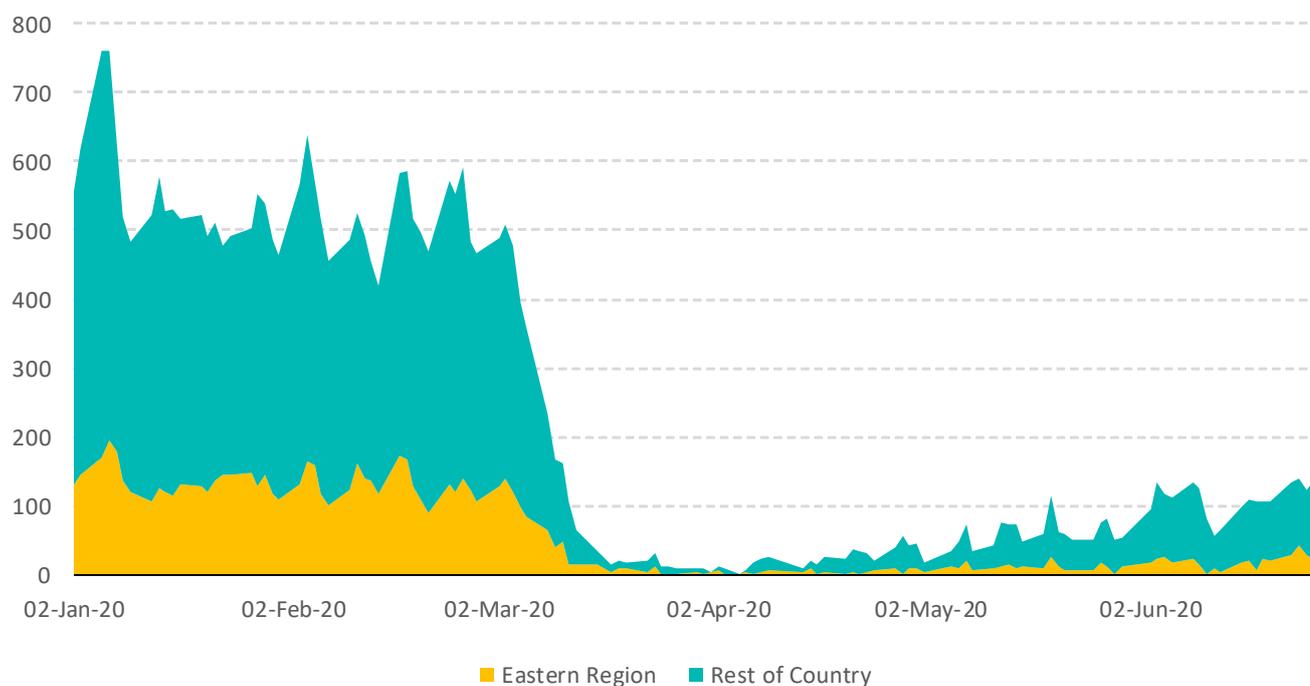
There is a shortage of timely data in many sectors; however, one source of up to date information which may indicate the pressure on the Health Service at any given time relates to the number of persons who have not been allocated a bed in a public hospital (see Figure 4). The Irish Nurses and Midwives Organisation (INMO) collects this data on a near daily basis – and publishes its dataset online.<sup>10</sup>

<sup>8</sup> The Health Vote is atypical and does not conform to the usual structure for Votes. The Vote is structured under eight cost groupings (*in lieu* of Programmes) with various subheads under each. For more detail see PBO, [Health \(Vote 38\) in the Revised Estimates for Public Services](#) (2018).

<sup>9</sup> Martin Wall, '[Private hospital deal will cost State €115 million per month](#)' (The Irish Times, 17 April 2020). Media reports suggest that the current contract will not continue beyond end-June but that a new contract is being negotiated – source: '[Government seeks new deal with private hospitals in pandemic](#)' (RTÉ, 29 May 2020).

<sup>10</sup> INMO, '[Trolley Ward Watch](#)' (2020).

**Figure 4: Number of persons who have not been allocated a bed in a public hospital**



**Source:** PBO based on INMO, *'Trolley Ward Watch'* (26 June 2020).

Figure 4 illustrates that, as of March 2020, the number of persons waiting to be allocated a bed in public hospitals declined dramatically and has not shown any significant return to pre-pandemic levels as of end June 2020. The contracted takeover of private hospitals may have had an impact on these figures. Indeed, the Secretary General of the Department of Health informed the Oireachtas Special Committee on COVID-19 that, at one point, there were 2,000 beds vacant in the public hospital system but that:<sup>11</sup>

“local co-operation between the public and private hospitals has supported an increase in utilisation and the latest figures show that inpatient bed utilisation across private hospitals is now at 48% capacity and 56% of critical care capacity. The resumption of routine scheduled care has commenced and the HSE is continuing to increase its utilisation of private hospitals for the remainder of the period of the current arrangement.”

Despite this information, the impact of the contract with the private hospitals is unclear and any savings which may have arisen due to decreased demand for public health services do not appear to have been reflected in the Revised Estimate for Vote 38.

The deferral of treatment may result in increased costs when treatment is ultimately delivered. This can be for several reasons – diagnostic tests may need to be retaken, the illness itself may have become more advanced necessitating more intensive treatment and/or longer in-patients stays.

Depending on the scale of the effective reduction in in the use of the public Health Service (even as partially compensated for by the private hospitals contract), there may be increased waiting times for both in-patient and out-patient procedures post-pandemic. Cumulatively, these effects are likely to result in a significant knock-on effect on non-pandemic public healthcare spending later in 2020 and into 2021.

<sup>11</sup> See Committee transcript of meeting of 2 June 2020 [here](#).

## Appropriations-in-Aid

Appropriations-in-Aid (A-in-A) are the own-generated revenue accruing to a Vote.<sup>12</sup> The gross spending on a Vote is offset by Appropriations-in-Aid – with the balance (net spending) being allocated via the Central Fund. Part I of Vote 38, as set out in the Revised Estimate, details that amount which requires the approval of Dáil Éireann. Vote 38 has a number of sources of A-in-A; however, there are two primary contributors:

- Recovery of cost of Health Services provided under regulations of the European Community; and
- Receipts from certain excise duties on tobacco products.

Appropriations-in-Aid generated amounted to €460 million in 2019 and are anticipated to fall to approximately €430.2 million in 2020. This projection remains unchanged from the *Revised Estimates for Public Services 2020* (December 2019). Should A-in-A prove lower than forecast there will likely be a request made to the Dáil to approve a Supplementary Estimate later in the year.

Independently of Vote 38, the HSE derives a portion of its own-generated income from private health insurers. This income is likely to fall overall in 2020 as demand for public health services decreased - especially in the period March to June. It is unclear if the potential loss of revenue has been accounted for in the pandemic monies proposed for allocation to the HSE in the three new COVID-19 subheads listed above.

## Likelihood of a Supplementary Estimate in 2020

Supplementary Estimates have been the norm for Vote 38 since 2015.<sup>13</sup> At the time of the 2019 Supplementary Estimate, the PBO noted that:<sup>14</sup>

“projected spending for 2020 (which does not include any Supplementary Estimate that may occur in 2020), shows a sharp decline in the growth rate. Given the recent trend in unplanned spending, this will be a challenging target for the health sector.”

However, given that the REV2020 published in (December 2019) were not approved by Dáil Éireann, the Revised Estimates now before the Oireachtas should (in theory) be more accurate. As several months have elapsed, outturn figures are available to the Department for part of the year, meaning that it need only forecast spending for approximately six months rather than the usual 12. **A shorter timeframe for forecasting spending should lead to a more accurate forecast and thereby reduce the risk of an additional allocation being sought in 2020.**

However, the impact of the pandemic on the Health Service remains uncertain – with the risk that further outbreaks of the virus may result in further public health spending. It is unclear if the allocation now sought for 2020 includes scope for these potential further outbreaks. It is also possible that there could be savings if the volume of COVID-19 cases for the second half of the year transpires to be lower than anticipated.

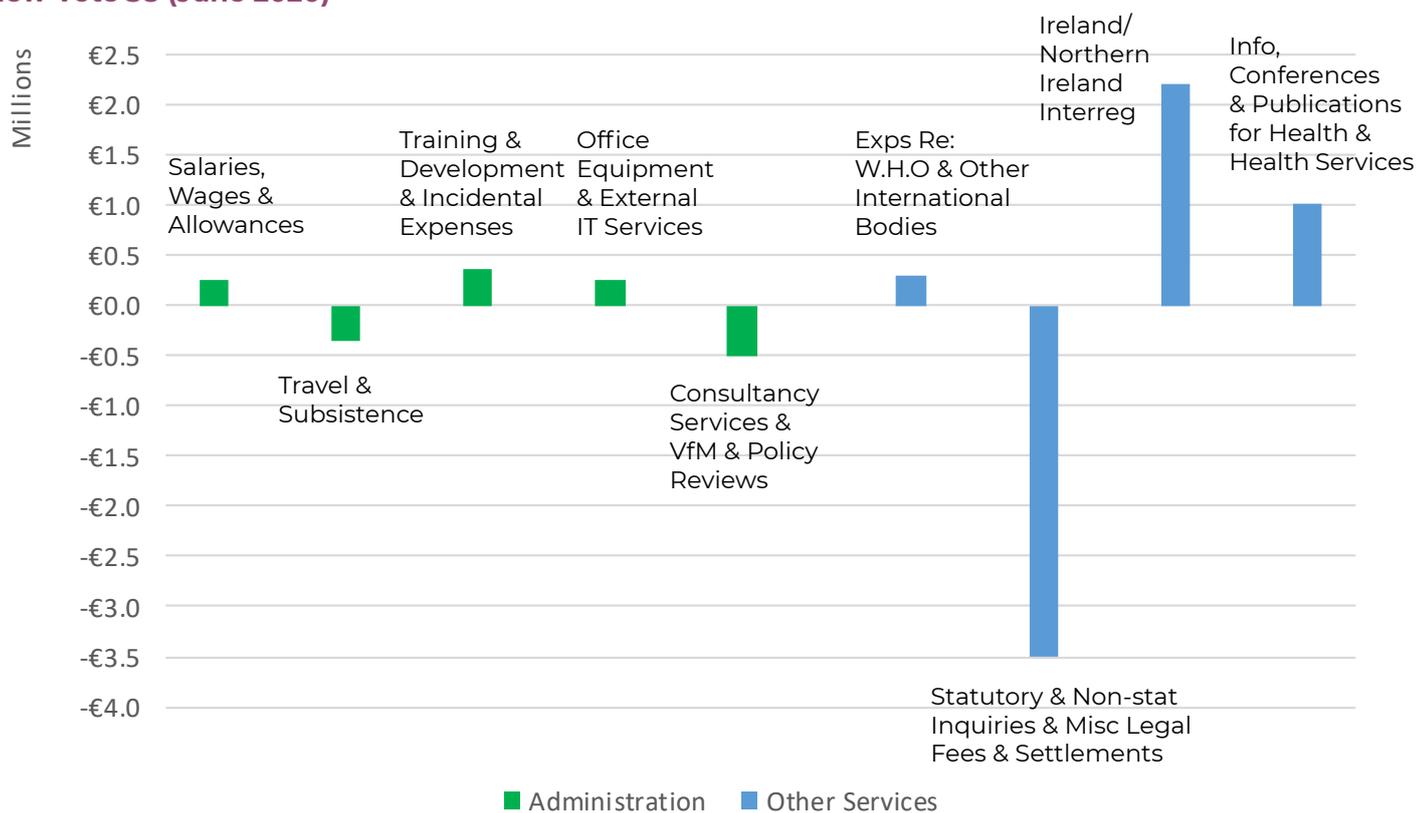
In addition to additional COVID-19 spending, the ‘new’ Revised Estimate provides for some very minor redistribution of funding – see Figure 5.

<sup>12</sup> For an explainer see PBO Note 18 of 2018, [Appropriations-in-Aid in the Revised Estimates for Public Services](#) (2018).

<sup>13</sup> There was no Supplementary Estimate in 2016, but a second Revised Estimate was published after the general election, in June. Health received an additional €500 million in this second Revised Estimate. See [PBO Publication 73 of 2019](#) (infographic).

<sup>14</sup> PBO Publication 74 of 2019, [PBO Analysis of the Supplementary Estimates for Public Services 2019](#) (December 2019) p.16.

**Figure 5: Redistribution of Monies within Vote 38 – Original (December 2019) Vote 38 for 2020 v. New Vote 38 (June 2020)**



**Source:** PBO based on [Revised Estimates for Public Services 2020 \(December 2019\)](#); and [Revised Estimates for Public Services 2020 \(June 2020\)](#).

It is of some concern that, mid-way through 2020, the Health Vote only identifies €4.35 million that will be redistributed (i.e. €4.35 million in anticipated savings/underspend).

As half the year has elapsed, it could be expected that there would be greater clarity regarding spending that is not COVID-19 specific – with savings/underspends, if any, being reallocated to meet areas experiencing or expected to experience greater pressure. As of now, it would appear that no such savings/pressures (of any significance) have been identified. Given the growth of spending on health in recent years it is unclear whether or not non-pandemic pressures on spending have emerged thus far in 2020.

It is possible that the Department is aware of potential savings but wishes to await further developments or HSE data and will factor any savings into a Supplementary Estimate closer to year end. If this is the case, it would not be in line with best practice from a budget transparency perspective.

### The Health Vote and the HSE

In [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018) the PBO described how the HSE is allocated current and capital allocations by the Minister for Health in letters of determination - following the approval of the Health estimate by Dáil Éireann. In that briefing paper, the PBO observed that:<sup>15</sup>

“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 spending in the budgetary process.”

The PBO also recommended that:<sup>16</sup>

<sup>15</sup> PBO, [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018) p.23.

<sup>16</sup> *Ibid*, p.4.

“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.”

There is no indication, to date, that this recommendation has received any consideration from Government.

In the same briefing paper, the PBO observed that HSE income does not form an Appropriation-in-Aid but serves to (effectively) reduce the amount sought from the Exchequer.<sup>17</sup> This income can be tracked in the HSE’s Monthly Performance Reports (as of writing the most recent data relates only to September 2019). The September report suggested that the HSE anticipated income of approximately €1.88 billion in 2019.<sup>18</sup> Some of this income is paid from the Primary Care Reimbursement Service (PCRS) to hospitals. The HSE anticipated income of approximately €1.86 billion in 2020;<sup>19</sup> however, if the pandemic reduces this income, a Supplementary Estimate will be necessary.<sup>20</sup>

## Performance Budgeting

The *Revised Estimates for Public Services 2020* (p.25) states:

*“Note: Performance Budgeting targets have not been revised to take account of the impact of COVID 19 related outputs[.]”*

The PBO acknowledges that the pandemic has resulted in the HSE setting up new services - such as a COVID-19 testing programme providing for the taking of samples and their analysis nationwide. The PBO also accepts that output targets for such schemes may be of limited use as they are largely demand led. Likewise, some context and impact indicators are already available publicly, such as ‘total tests completed’ (411,335).<sup>21</sup>

However, notwithstanding the challenges in relation to tracking performance in this area **the PBO considers the failure to estimate the impact of the pandemic on existing metrics and context and impact indicators to be a matter of serious concern.** As already noted above (see Indirect Spending Effects of the Pandemic, p.6), it is likely that the pandemic will have a significant impact on other service areas provided by the public Health Service.

The June 2020 Estimate for Vote 38 provides no indication of the scale of the indirect impact of the pandemic. For example, it is unclear if the temporary suspension of screening services will result in fewer screenings being completed in 2020, or whether the intention is to meet pent-up demand during Q3 and Q4 of 2020.<sup>22</sup> Without a clearer picture of the wider impact of the pandemic on service delivery and demands it is not possible to determine if spending will increase in some areas or if savings (albeit temporary) are likely to arise.

17 PBO, [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018) p.18.

18 HSE, [Management Data Report: September 2019](#) (November 2019) p.149.

19 HSE, National Service Plan 2020 (December 2019) p.111.

20 See HSE, [‘Hospital Charges’](#) for some detail on sources of income for the HSE.

21 Government of Ireland, [‘Ireland’s COVID-19 Data Hub’](#) (25 June 2020).

22 Vivienne Clarke, [‘Up to 70% reduction in number of breast cancer checks during Covid-19, says professor’](#) (The Irish Times, 25 June 2020).