

Economic crisis and the Irish Health system: The story so far

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Objectives

- To explore:
 - Concepts of:
 - Resilience
 - Recession severity
 - Ireland's macro-economic disaster
 - Health system response
 - Prospects...



Resilience

- Key question - how resilient are health systems?
- Ability to be able to handle shocks and still deliver
- Resilience: “the capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure, identity and feedbacks” (Walker et al 2004).



Elements of Resilience

- **Financial resilience** – the degree to which the main financing sources for health are unaffected by the contracting economy
- **Adaptive resilience** - the ability of government and providers to manage the system with fewer resources while not sacrificing key priorities and
- **Transformatory resilience** - the ability of government to design and implement desirable and realistic reform when the current organisation, structures and strategies are no longer feasible.
- **Tensions**

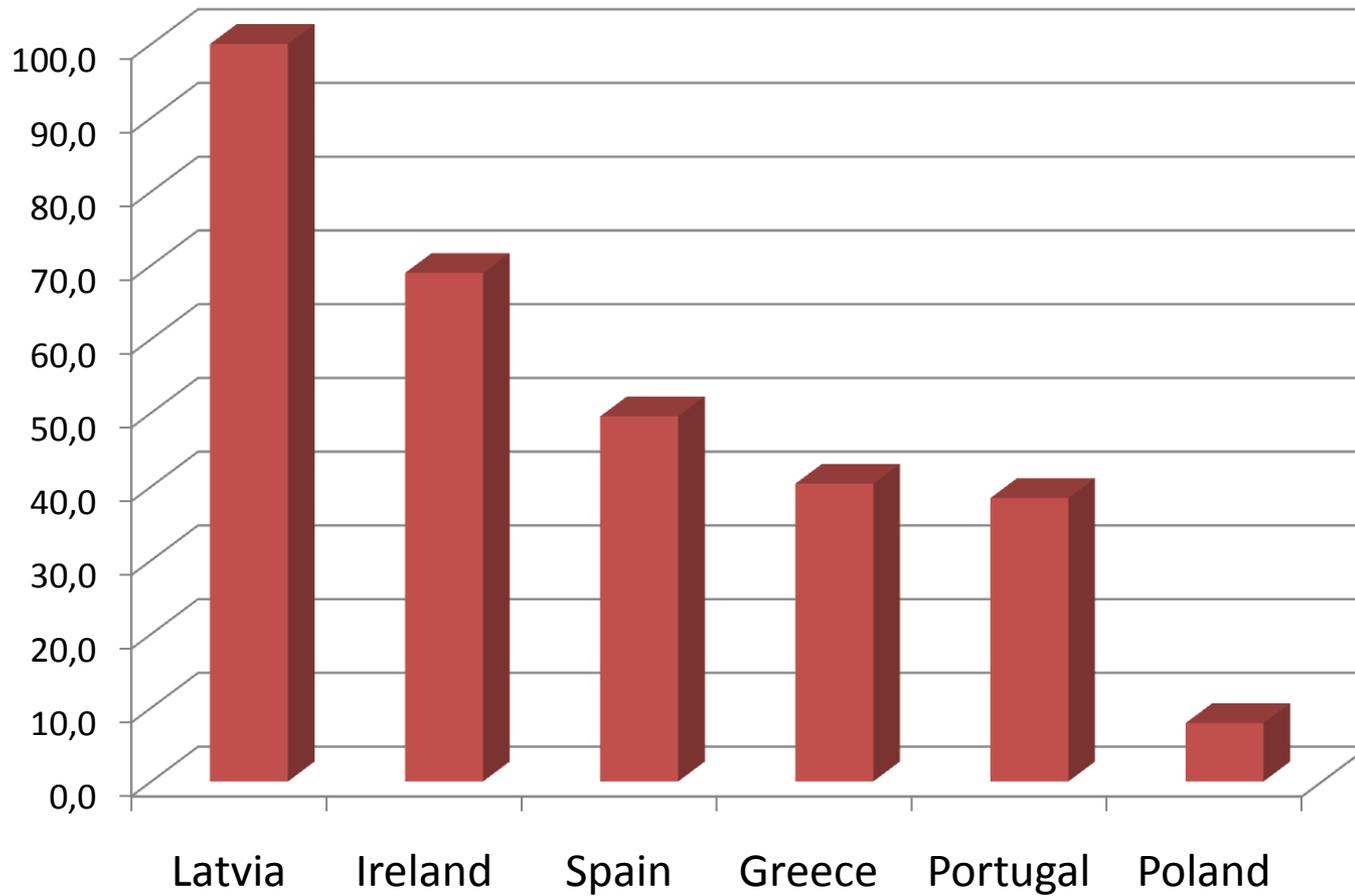


Measuring Recession Severity

- Recession - 2Qs negative growth (Shiskin 1974)
- Index adapted from Forum Oeconomicum (2010)
 - Average unemployment,
 - Lowest growth rate,
 - Average growth rate over recession period
- Limitations – simple, data only up to end 2009



Recession Severity Index 2009



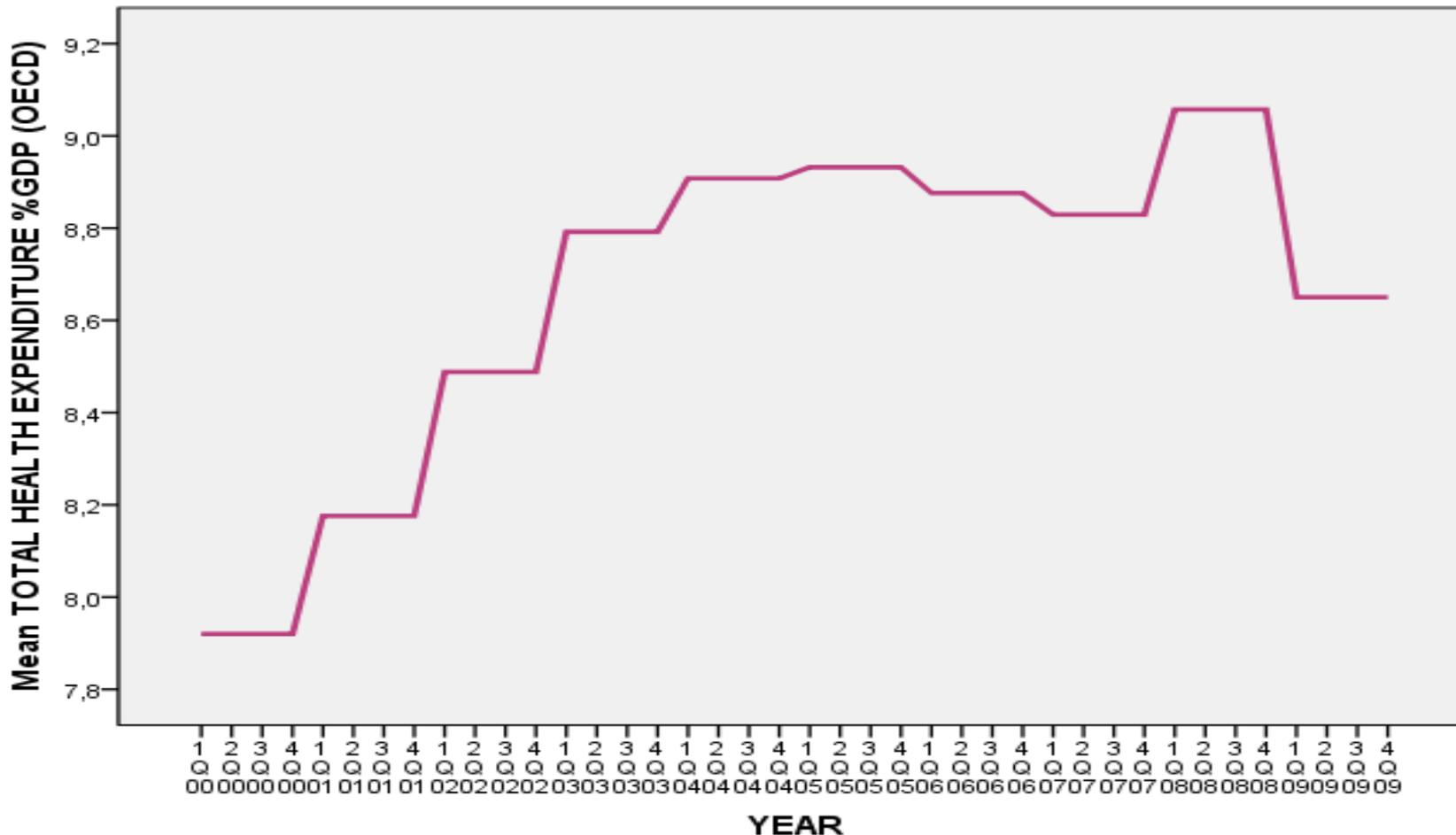


Why Important?

- Hypothesis: The severity of the recession will effect the health system response
- In mild to moderate recessions the public health system will be protected (?)
- But there comes a “tipping point”...
 - **Latitude**: the maximum amount a system can be changed before losing its ability to recover
 - **Precariousness**: how close the current state of the system is to the limit or threshold



OECD Health Spending – Initial resilience in the recession?

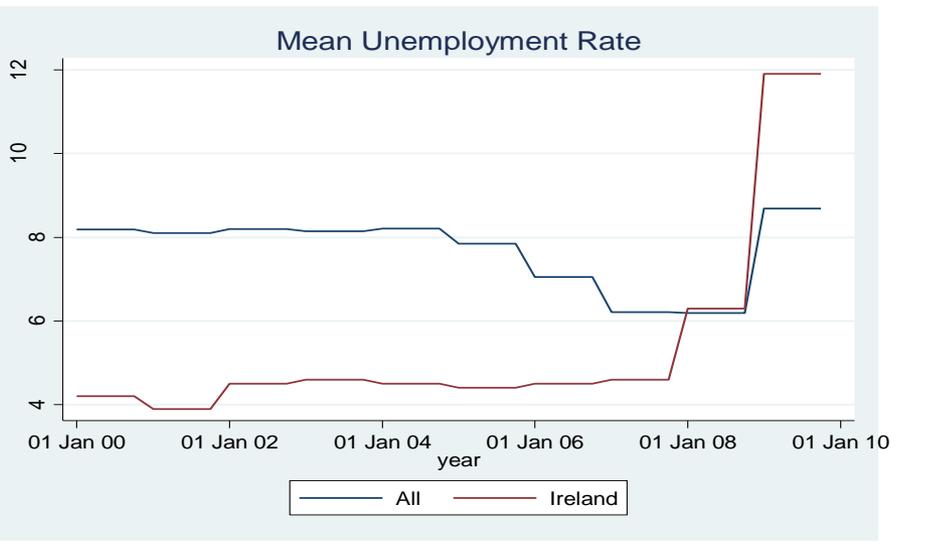
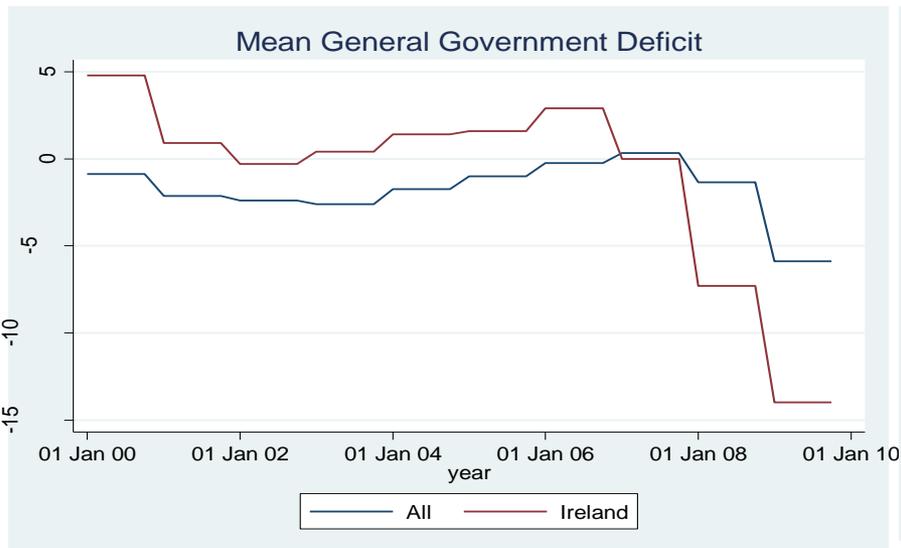
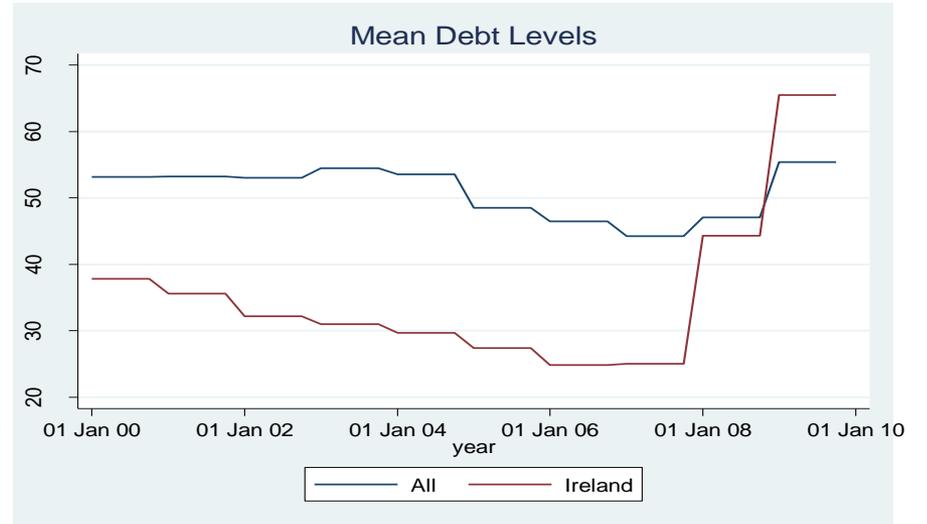
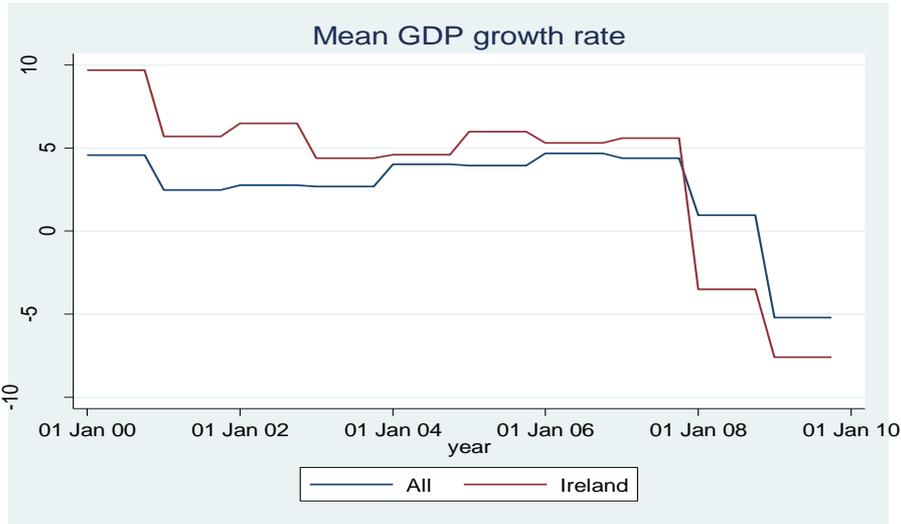


The Irish Economy – Oh Dear!

- Deficit and debt – public, banks and households
- Fairy tales we believed:
 - The Celtic Tiger is here to stay
 - Our banking system is sound
 - House prices will continue to rise
 - Consumption taxes are a good idea



Irish Economy: Comparatively speaking





Irish Health System: Key features

- Notionally tax funded system
 - Tax (80%), OOP (12%), Private Insurance (8%)
- But private payments unlock access
- The majority of people pay full cost for accessing GPs (€50 per visit)
- Two tier acute elective care access
 - Approx 50% have private insurance - jump the queue
 - And this is subsidised
 - Tax relief on private insurance
 - Low pricing of private beds in public hospitals
 - Very well paid public consultants conducting private practice
- Severe capacity constraints
 - Underinvestment (Human Resources and acute beds)
- Results:
 - Inequities in access (working poor worst off)
 - Inefficiencies in performance (hospital bottlenecks)

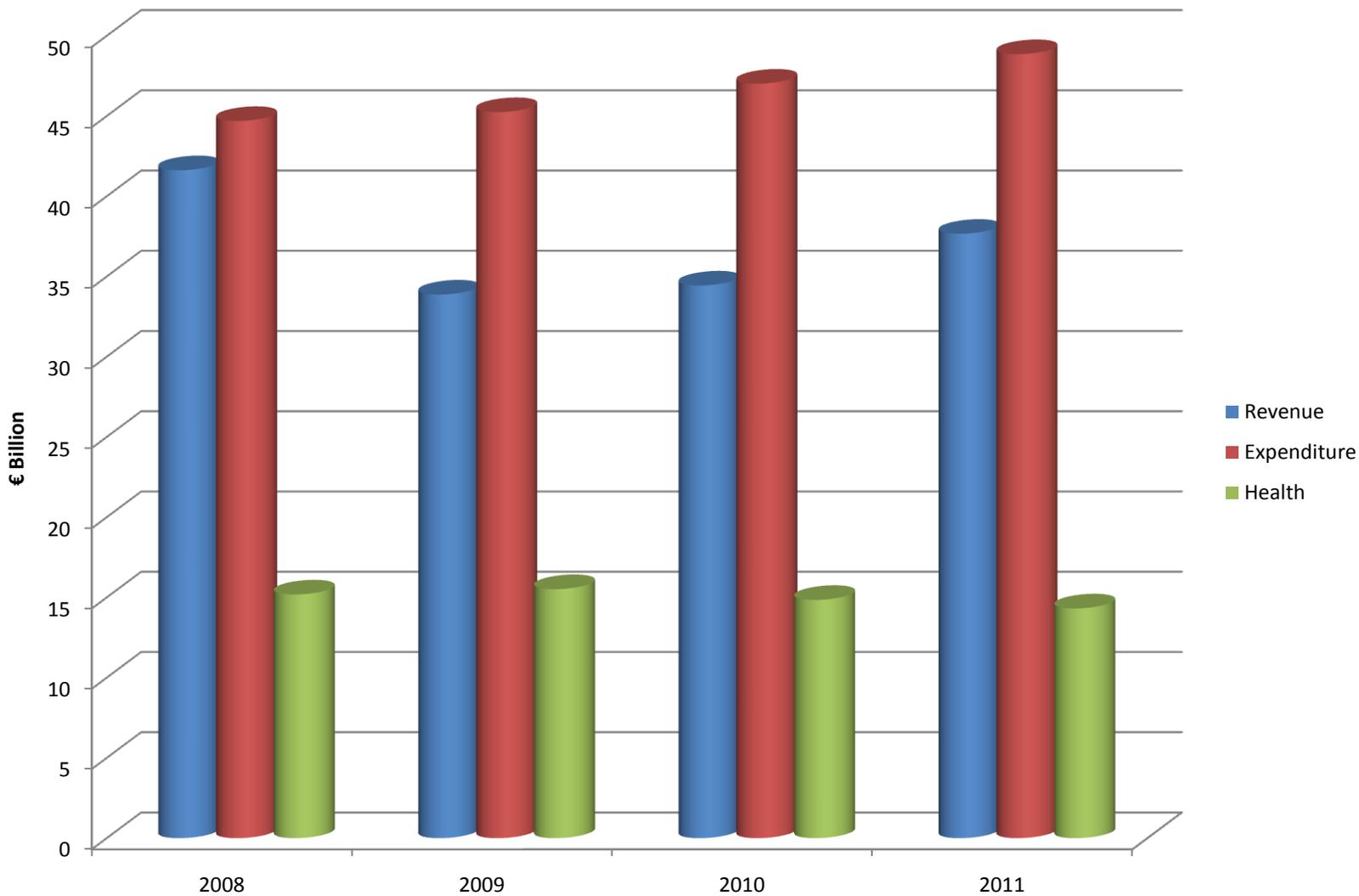


Health Policy Timeline

2008	2009		2010	2011	
Emergency Budget (Oct)	Supplementary Budget (April)	Supplementary Budget (November)	Budget (Dec) 	Budget (Dec)	New Programme for Government (Mar)
<p>(i) <u>Without Medical Cards:</u> Increased Charges for IP Beds; Increased ED Charges; Increased Long-Stay Charges; Increased deductibles for drug payment scheme</p> <p>(ii) <u>With Medical Cards:</u> Removal of entitlement for over-70s Overall Health Budget for 2009 up by €200 million (1% increase)</p>	<p>Capital spending reduced by 26% Tax relief on nursing homes and hospitals ended</p>	<p>Extra funds made available to cover extra medical cards needed (€230 million)</p>	<p>Savings of over €1 billion (€4bn from total budget):</p> <ul style="list-style-type: none"> • Wage Reductions (5-15%) and lower contract fees (-€659 million) • Introduction of 50c item charge on prescriptions for medical card holders • Cut of €30million in spending on dentistry for those on medical cards • Increase drug reimbursement threshold to €120 per month 	<p>Savings of €746 million (€2.2 billion from total budget). Cut of 6.6% to HSE:</p> <ul style="list-style-type: none"> • Voluntary redundancy and early retirement (€123 million) • Cuts in drug spending and fees (€380 million) • Cuts in non-core pay costs, reduced agency and locum staffing (€200 million) • Administration Cuts (€43 million) 	<p>Commitment to UHI single tier system</p> 

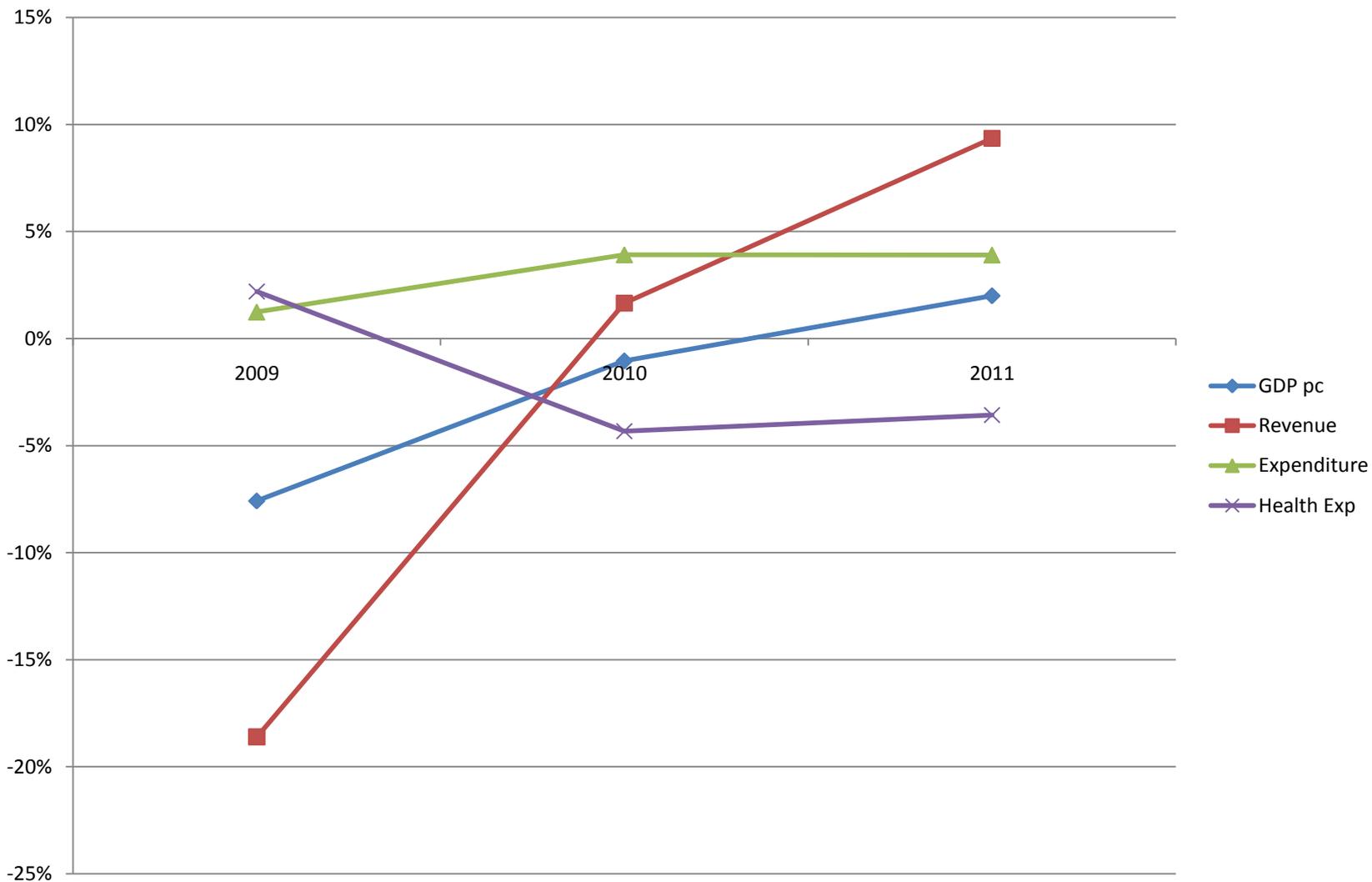


Revenue and Spending





Year on Year changes





Health Systems Response: Public Funding

- Initial Protection of Health Funding in '08 & '09
- Initial Protection of the Poor
 - Extra funding for medical cards (+0.4 mn 2011)
 - But removal of last vestige of Universality
- Dec 2009 Budget
 - Tipping point
 - Deep cuts



Health Systems Response: Private Funding

- Private Insurance
 - Still 2.22 million covered (end 2010)
 - Some cancellations (80,000 between end '08 and '10) – 3.6%
 - Switching Increased – 120,000 in 2010
 - Downgrading cover
- Out of Pocket
 - Increased costs to access care
 - Lower incomes & social welfare



Health System Response: Efficiencies vs Cuts

Efficiencies

- Increased activity
 - 5% more day cases (09)
 - 6% increase OPD (09)
 - 20,000 more patients in IP & OPD (09)
- Wage cuts
 - 5-15%
- Professional fee cuts
 - GPs – “Gold card” renegotiation
 - Pharmacies – 30% cuts

Cuts

- Capital Projects shelved
- 500 fewer beds (2009)
 - 9% increase in waiting lists (2010)
- Redundancies
 - Voluntary
- Benefit cuts
 - Dentistry for poor
- Entitlement reductions
 - Medical Card for over 70s (12,000 – 4%)



Health System Response: Reforms

- New Government's Reforms - UHI
 - Laudable – Single Tier, no copayments
 - Wrong model? (Dutch? American?)
- The recession may be a windfall for implementing reform:
 - Lowers stakeholder power and expectations
 - Highlights problems with current system
 - Forces efficiencies
- But EU/IMF bailout!





Looking into the Tornado (2012-15)

Some very indicative figures (DoF 2011)

- Budget reduction – by 2015 € 5bn less
 - Health – €0.7bn (but increased need)
- Increased Tax – by 2015 € 8bn more
 - Health related Household spending – €0.4bn
- How to get it...?
 - Difficult to avoid further wage cuts, redundancies and cuts in services

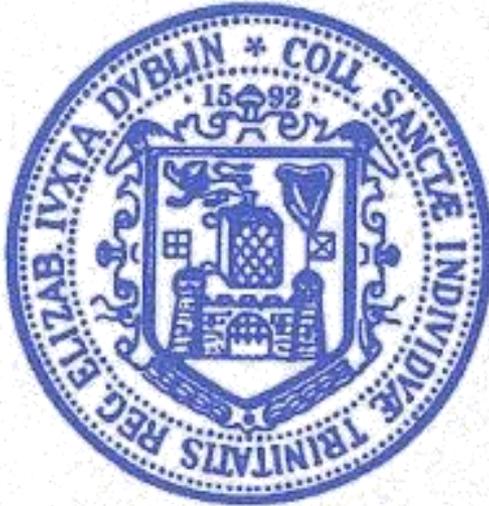


Reflections on Hope

“Never waste a good crisis”

This is certainly a “good” crisis

- The crisis may:
 - drive efficiencies,
 - lower resistance to change,
 - assist UHI reform
- But it may also:
 - demand more efficiencies than we can deliver
 - damage services
 - kill reform



The End?