

ANALYTICAL NOTE SERIES

Health Spending: Moving Back to Peak Funding

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Context

In 2009, annual health expenditure was at a record high. As the financial crisis deepened, however, spending fell in 2010 and 2011 and remained broadly flat until 2014. This fall was primarily driven by reductions to pay. Spending per capita followed a similar trajectory.

As more resources have become available in recent years, spending on health grew robustly in 2015 and 2016. Making a number of adjustments necessary to compare spending on a like-for-like basis, this note shows that the health allocation of €14.1bn included in Budget 2017 means that spending next year will exceed its 2009 peak, both in total and per capita.

Key Findings

The key findings from this note are:

- The Government has allocated over €14.1bn for current health expenditure in 2017.
- Adjusting for income collected by the HSE, the health sector next year will have its highest level of resourcing in the history of the State.
- With these substantial resources, per capita spending on health is estimated to be close to €3,200 next year, 5.4% above the 2009 peak.

Irish Government Economic and Evaluation Service

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SECTION ONE

Health expenditure, 2008 to 2017

2009 marked the high watermark for health expenditure before the financial crisis saw spending reduced until 2011 and kept broadly flat until 2014.

As the fiscal position has improved, the health service has been prioritised in Budgets 2015, 2016 and 2017. Making a number of adjustments to account for the numerous changes to the health service in recent years – explained below – the sector now has its highest ever level of resourcing on a like-for-like basis at €15.1bn, €700m more than in 2009.

- **Creation of Department of Children and Youth Affairs.** The Department of Children and Youth Affairs was created at the beginning of 2014. Prior to this, children and youth services were delivered within voted Health Group expenditure. The cost of these services is deducted for the period from 2008 to 2013 in this analysis.
- **Disestablishment of the HSE Vote from 2015 onwards.** At the start of 2015, the HSE Vote was disestablished and merged with the Department of Health Vote. As part of this merger, approximately €1bn of HSE income was not accounted for in the Health Vote figure as it is collected by the

Health spending in 2017 will be at its highest level on a like-for-like basis

Table 1: Current health expenditure, 2008 to 2017

€m	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
HSE	14,313	14,669	14,117	13,570	13,646	13,538	13,175			
Department of Health	479	412	311	275	236	207	180	12,959	13,695	14,152
Adjustments										
Deduct Children and Family Services	584	583	614	557	567	564				
Deduct Domiciliary Care Allowance	123	92								
Add off-Vote income								1,075 ¹	1,000 ¹	950 ²
Health Current Expenditure	14,085	14,405	13,814	13,288	13,315	13,181	13,355	14,034	14,695	15,102

¹Income as reported in the 2015 HSE Financial Statements.

²Authors' estimate; declining since 2015 on account of reductions to the Pension Levy.

Explanation of adjustments:

- **Transfer of the Domiciliary Care Allowance to the Department of Social Protection.** This service was transferred to the Department of Social Protection at the start of 2010 and the cost of the service is now met within the Social Protection Vote. Therefore, the cost of this service in 2008 and 2009 is subtracted in this analysis.

HSE directly. As a consequence, this income is no longer reflected in the Budget or Revised Estimate figures. However, the HSE still receives this income and uses it to fund services. Therefore, to compare expenditure on a like-for-like basis, that income is included here.

SECTION TWO

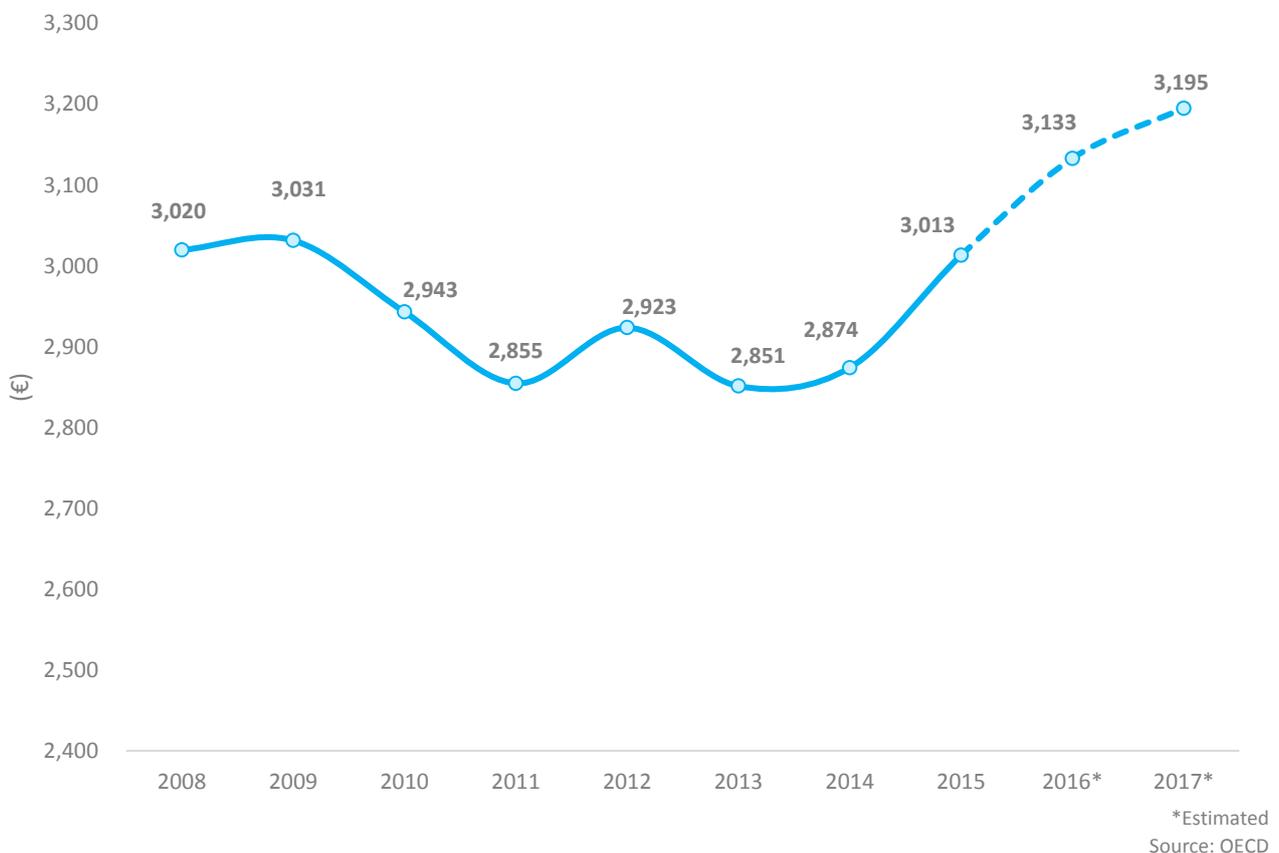
Spending per capita

Given the constraints on health spending from 2009 to 2014, it might be assumed that even if overall health spending in 2017 will be at its highest ever level, spending per person will still trail 2009 due to population growth in the intervening years. However, this is not borne out by the facts, as shown in the figure below.

Going forward, CSO estimates suggest population growth of 0.7% in each of 2016 and 2017. However, bearing in mind the various adjustments above, Budget 2017 has allocated 7.6% more for current health spending than 2015 expenditure. With that substantial increase in resources, per capita health spending is estimated to be close to €3,200 next year – 5.4% above the 2009 peak.

Health spending per capita in 2017 is estimated to be 5.4% higher than 2009

Figure 1: Current health expenditure per capita, 2008 to 2017



Spend per capita reflects the overall picture, peaking at €3,031 in 2009 before first declining and then remaining broadly flat until 2014. However, OECD figures show that the significant increase in health resourcing that took place in 2015 brought per capita expenditure close to 2009 levels, just 0.6% below.

SECTION THREE

Conclusion

- The Government has committed to increasing health resources by 3% per annum.
- With Budget 2017 that commitment has been surpassed and on a like-for-like basis

the health service will be better funded next year than the previous 2009 peak.

- On a per capita basis, 5.4% more is being spent than in 2009.
- It is crucial that this substantial additional resourcing for the health service next year is reflected in improved outcomes and quality of care.

DATA SOURCES

CSO

DPER Expenditure Reports

DPER Revised Estimates Volumes

OECD

Analytical Note

001, 2016

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