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Health Expenditure Sustainability

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Outline

- **What do we spend and how is it growing?**
- **What are the drivers of growth?**
- **How much is ageing a problem, how much is it a solution?**
- **Is technology a problem?**
- **Exogenous change or policy choice?**
- **Getting more from more**
- **Can we afford it?**



Health spending in Ireland 2013-2015 (1)

	2013		2014		2015	
	€m	%	€m	%	€m	%
Government	13,096	70	13,265	69	13,896	69
Voluntary Health Care Payment Schemes	2,858	15	2,927	15	2,948	15
Household Out-of-Pocket Payments	2,822	15	2,956	15	3,011	15
Total Current Health Care Expenditure	18,776	100	19,148	100	19,855	100

Source: CSO, System of Health Accounts



Health spending in Ireland 2013-2015 (2)

<i>In Euro at current prices</i>	2013	2014	2015
Public spending growth %		1.3	4.8
Public spending per capita	2,851	2,878	2,998
Total spending growth%		2.0	3.7
Total spending per capita	4,088	4,154	4,283
Total spending per capita growth%		1.6	3.1
Population	4.5931	4.6096	4.6354
Population growth%		0.4	0.6

Data from CSO Sources



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How bad can it get?

- **US health expenditure around \$10,000 per capita**
- **57% of US health expenditure is public or quasi public**
- **Outcomes are similar to those in Cuba.**



What are the drivers of growth in health spending?

In order of importance the drivers of growth are probably:

- **Rising incomes and rising expectations**
- **Increases in the total size of the population**
- **Growing opportunities from better treatments and outcomes**
- **Population ageing**
- **The Baumol effect**
- **Poor incentive and control structures.**



Is ageing the problem?

- **No, but it does change the patterns of needs**
- **Ageing brings more complexity and multimorbidity**
- **Older people die cheaper**
- **Convergence of life expectancy between men and women provides opportunity - Ageing brings more caregivers and more couples**
- **The effects of ageing on the workforce is largely a policy choice.**



Living old is more expensive: dying old is cheaper

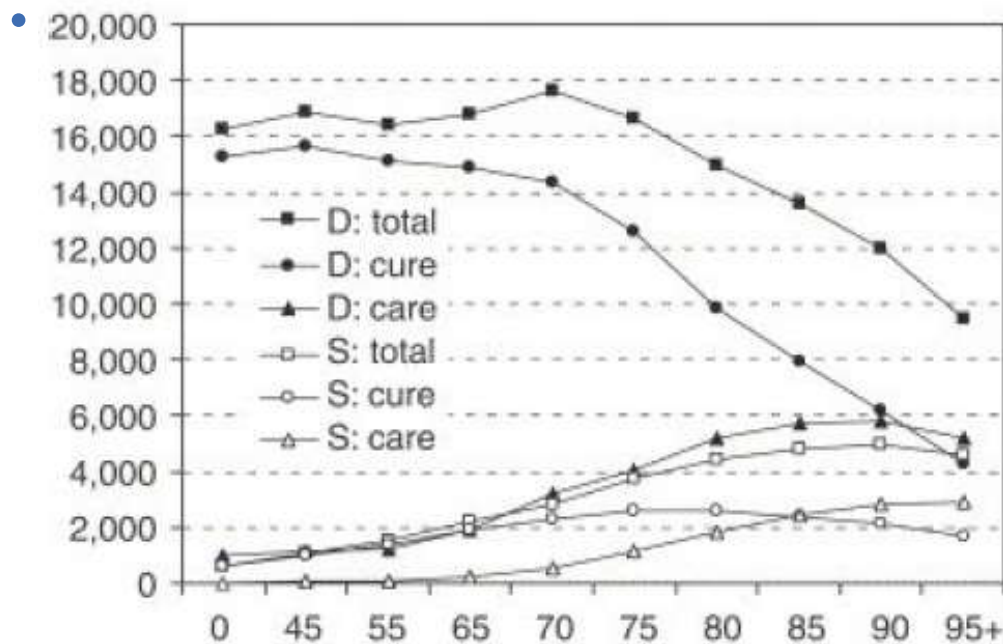


Fig. 1. Average health care costs (in Euro) for decedents (D) in their last year of life and for survivors (S) in 1999, by age and type of care (cure: general practitioners, hospitals, drugs and other services of the second compartment in Dutch health care, versus care: nursing homes and home care).



Is technology a problem?

- **Technical progress lowers costs of any given output**
- **The lack of technical progress causes the Baumol effect especially in personal care and long term care**
- **Technical progress leads to opportunities for better outcomes that we individually and collectively choose to take.**



Exogenous change or policy choice?

- **Only small proportion of growth results from exogenous factors**
- **Slaintecare will increase public spending but reduce private spending - around half of extra public costs will be matched by lower private costs**
- **Scope for efficiency gains and cost reductions is large.**



Getting less for more or more from more

- **Higher proportion of funds from private insurance raises costs**
- **More private provision generally raises costs**
- **Patients and providers all respond to economic as well as non financial incentives**
- **Services free at point of use needs rationing system of some kind**
- **Controlling costs with user charges does not selectively reduce low value use**
- **Some evidence to support new public management approaches, but not if this leads to fragmentation.**



Can we afford it?

- **Affordability depends on national income**
- **Much of the planned growth in health expenditure is shifting spending from out of pocket or insurance to tax, and is neutral (in terms of macroeconomic effects)**
- **New funding mechanisms do not generally affect affordability but may increase transaction costs**
- **Pure effects of ageing and demographics is likely to be less than rate of economic growth**
- **We need to make simultaneous choices of what we want and what we are willing to pay for**
- **Biggest challenges likely to be on growth in long term care needs nor health care needs.**





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Thank You