



How does Irish Healthcare Expenditure Compare Internationally?

Dr Maev-Ann Wren,
ESRI Senior Research Officer,
Presentation to
ESRI policy conference
March 3rd 2021



An Introduction: Ireland's Health Accounts





An
Phríomh-Oifig
Staidrimh

Central
Statistics
Office

System of Health Accounts for Ireland 2018

Current Expenditure on Health Care

Current Expenditure on Health 2018



Equivalent to **€4,623** per person

Breakdown of spending:

Government Spending **74%**

Voluntary Health Care Payments **14%**

Household Direct Payments **12%**

Health Expenditure as a % of GDP



Breakdown of Spending by Health Care Service

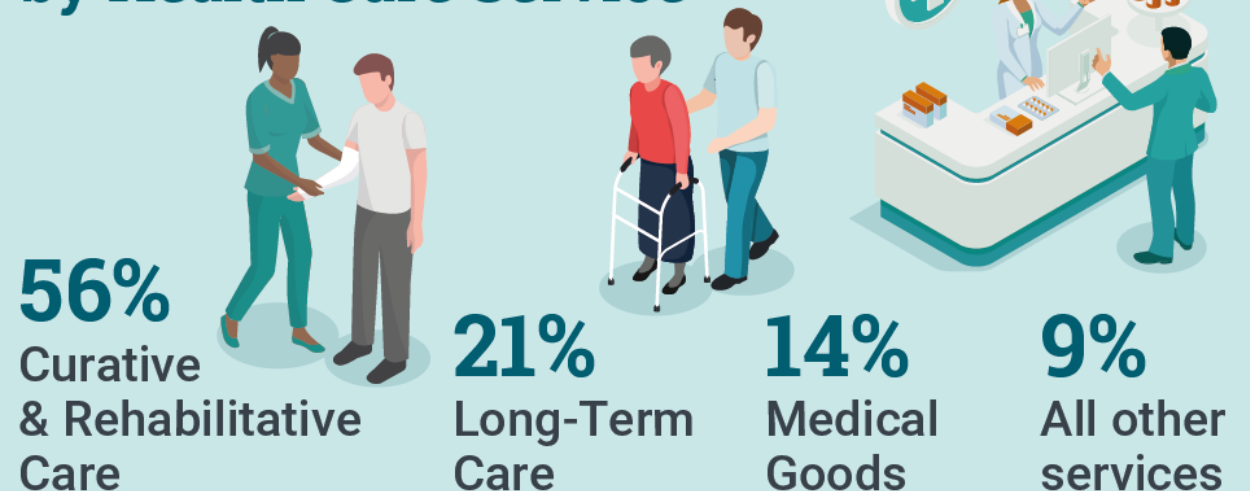
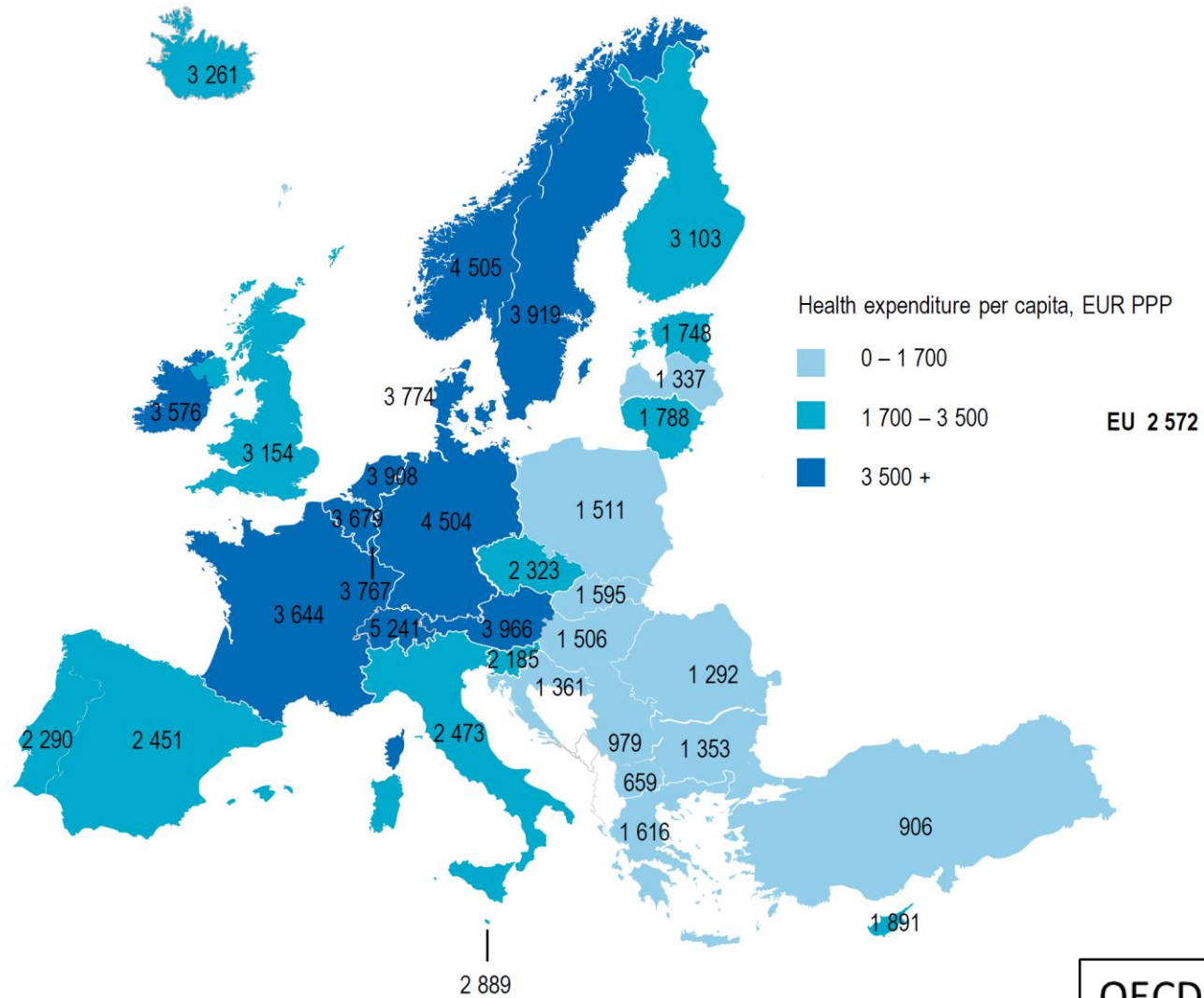


Figure 5.1. Health expenditure per capita, 2019 (or nearest year)



OECD Health at a glance, 2020

Note: The EU average is unweighted.

Sources: OECD Health Statistics 2020; Eurostat Database; WHO Global Health Expenditure Database.

High prices obscure low healthcare spend

BARRY O'HALLORAN

High prices and wages have obscured the “relatively low volume” of healthcare that the Republic provides, according to the Economic and Social Research Institute (ESRI).

A new report from the economic think-tank shows that State healthcare spending in the Republic is the highest in the EU relative to national income. However, Dr Maev-Ann Wren, ESRI senior research officer and the report’s lead author, says that understanding the Republic’s high spending should take into account that “relatively high prices and wages have obscured the continuing relatively low volume of Irish healthcare services delivered”.

She noted that it was against this backdrop that the HSE and the Government prepared for

the Covid-19 pandemic while fearing that the public health system might be overwhelmed.

Dr Wren noted that healthcare spending was sometimes understood as the money allocated to hospital services. This leads to a disconnect between the Republic’s apparently high spending on health and its over-stressed hospital system.

Categories of expenses

She adds that the findings in the report, which examines the many categories of expenses that the Republic includes as healthcare spending, make it clear that it should not be interpreted only as expenditure on hospital services.

The Republic includes more than €900 million in payments to family carers in its healthcare budget, but countries such as the Netherlands do not class this as healthcare spending.

and drops nine EU places

health spending accounting internationally distorting rankings

Irish Medical Times, Oct 7 2020



The Irish Times, October 6 2020

<https://www.esri.ie/publications/how-does-irish-healthcare-expenditure-compare-internationally>

OUTLINE

- With thanks to...
- Motivation, research questions, definitions, methods
- Main findings
- Explanations for main findings
- Interpreting cross-country comparisons in Irish context, e.g. home care
- Red herrings...



Why compare Irish HCE to other countries' expenditure?



Perceptions and Reality

- Health spending in Ireland 5th highest “in the Western world”, over Western world average for 20 years, Taoiseach believes that the benefits of public health spending not being seen by patients



(Taoiseach’s spokeswoman, The Irish Times, July 2018)

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- UK HCE at 6.3% of GDP in 2000, government commitment to match EU14 average of 8.5% by increasing NHS spending



(Appleby J, 2016)

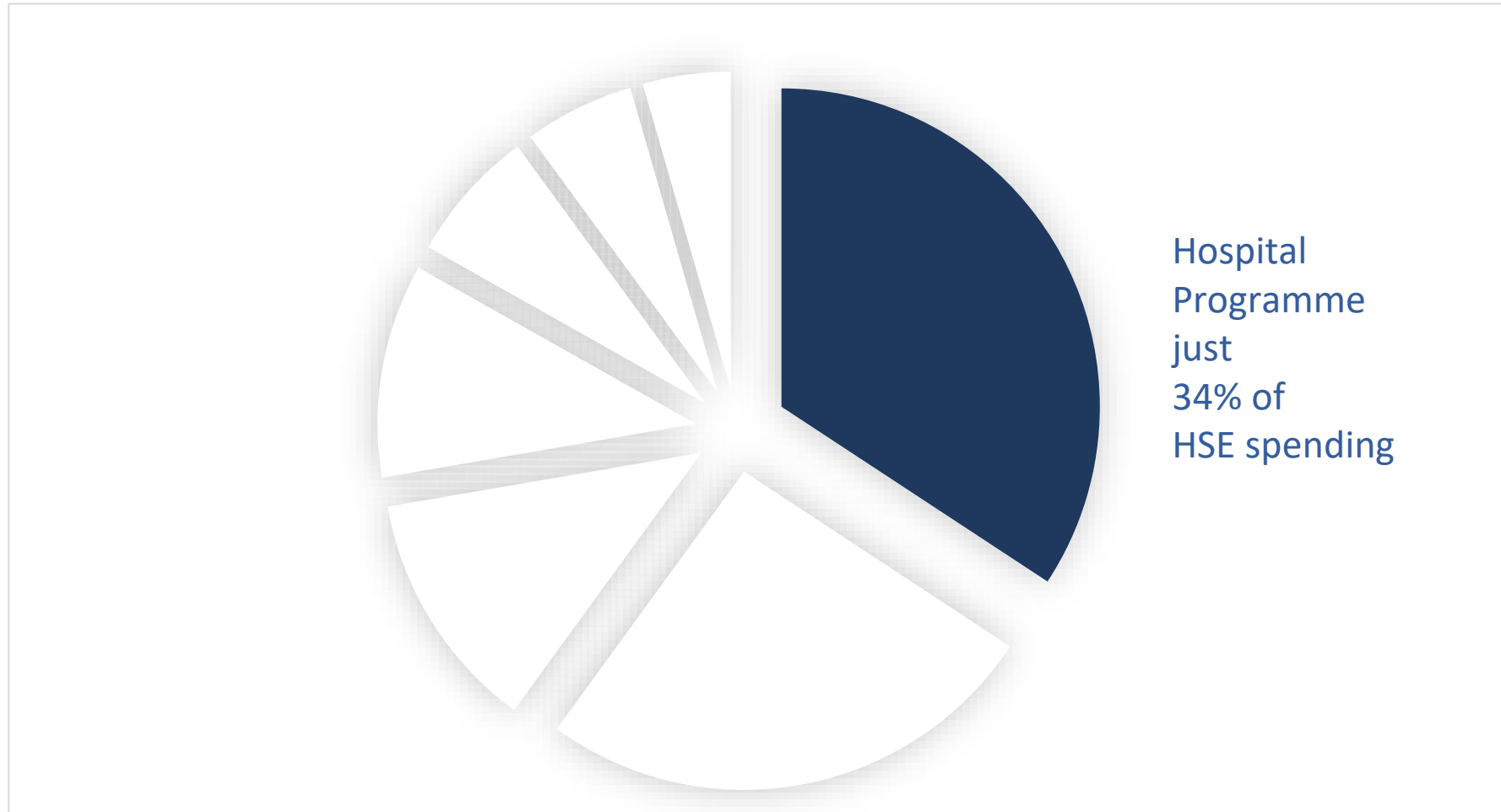
Research question(s)

- How does Ireland's healthcare expenditure (HCE) compare internationally?

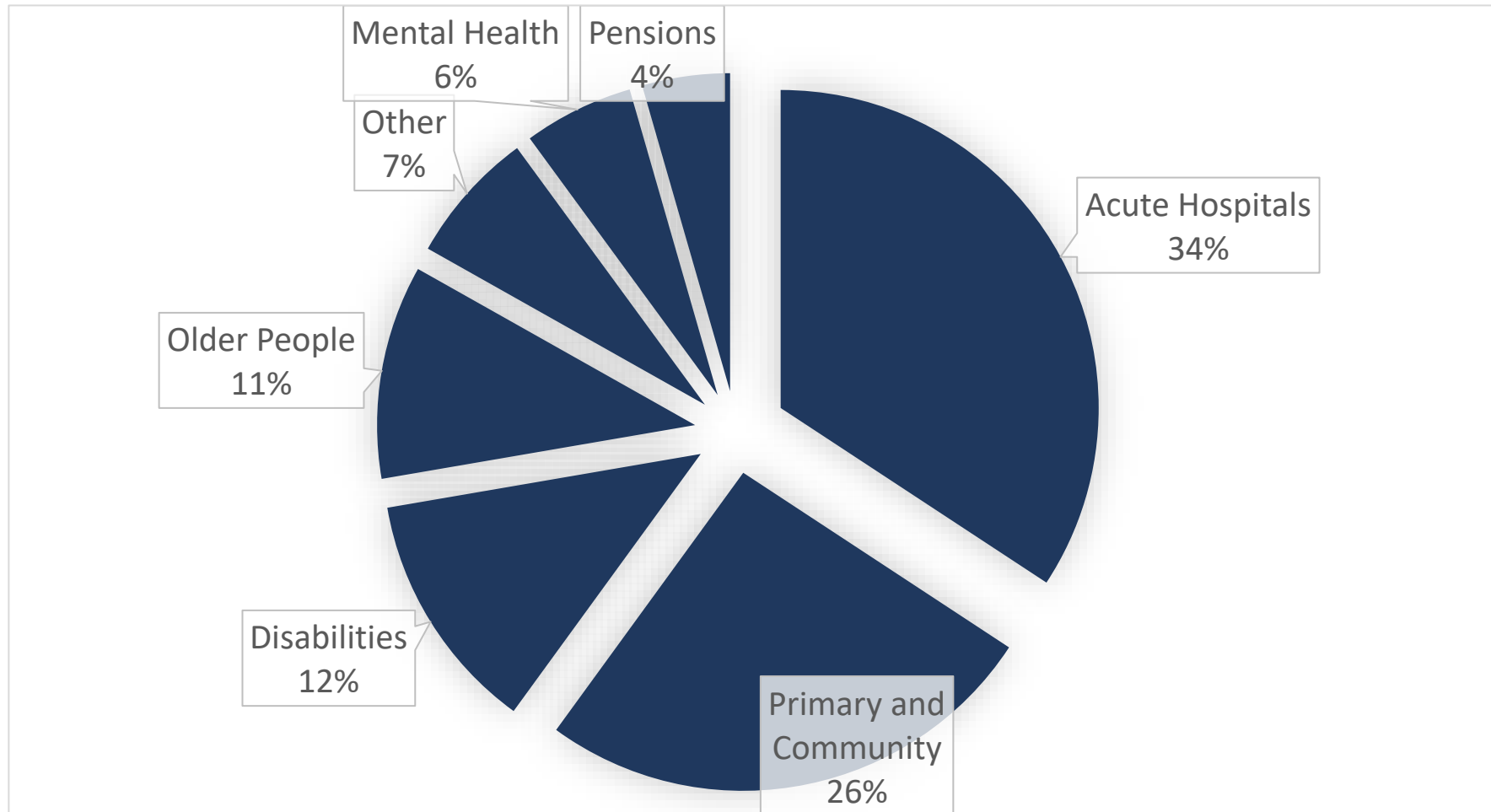
Research question(s)

- What metric is best? **Depends on the question**
- Can we rely on OECD Health Data? **Not entirely, countries differ in accounting methods**
- Is social expenditure included? **Yes and No. Depends on the country**
- What explains Irish HCE ranking? **Many rankings. Many factors**

Health expenditure is much more than hospital expenditure



Health expenditure is much more than hospital expenditure



Some definitions...

- What is Healthcare Expenditure (HCE)?
- Current consumption expenditure on health care
- What is Healthcare related expenditure (HCRE)?
- Not HCE, includes long-term care (social) and some health promotion

A System of Health Accounts 2011 - Revised edition OECD/EU/WHO (2017)

What is long-term care expenditure?

- Long-term care (LTC): service for dependent person...
 - Help with activities of daily living (ADL) => LTC (Health)
 - Help with instrumental activities of daily living (iADL) => LTC (Social)
- Distinguish even within the same institution...but if cannot...
- OECD says assign to the dominant category
- Countries' approaches differ (OECD 2020)
- Significantly affects HCE comparability

What is social care expenditure?

- That depends...
- Definitions, funding and systems differ across countries
- Non-medical care like much care of older people or people with disabilities

Methods

- Comparison of expenditure by EU15
- By financing method, function, provider, disaggregated, alternative metrics
- Case study: Ireland, UK, Netherlands
- Primary dataset: OECD Health Statistics 2019, latest complete year 2017

See further on Data and Methods, Wren and Fitzpatrick (2020) Chapter 3



Main Findings



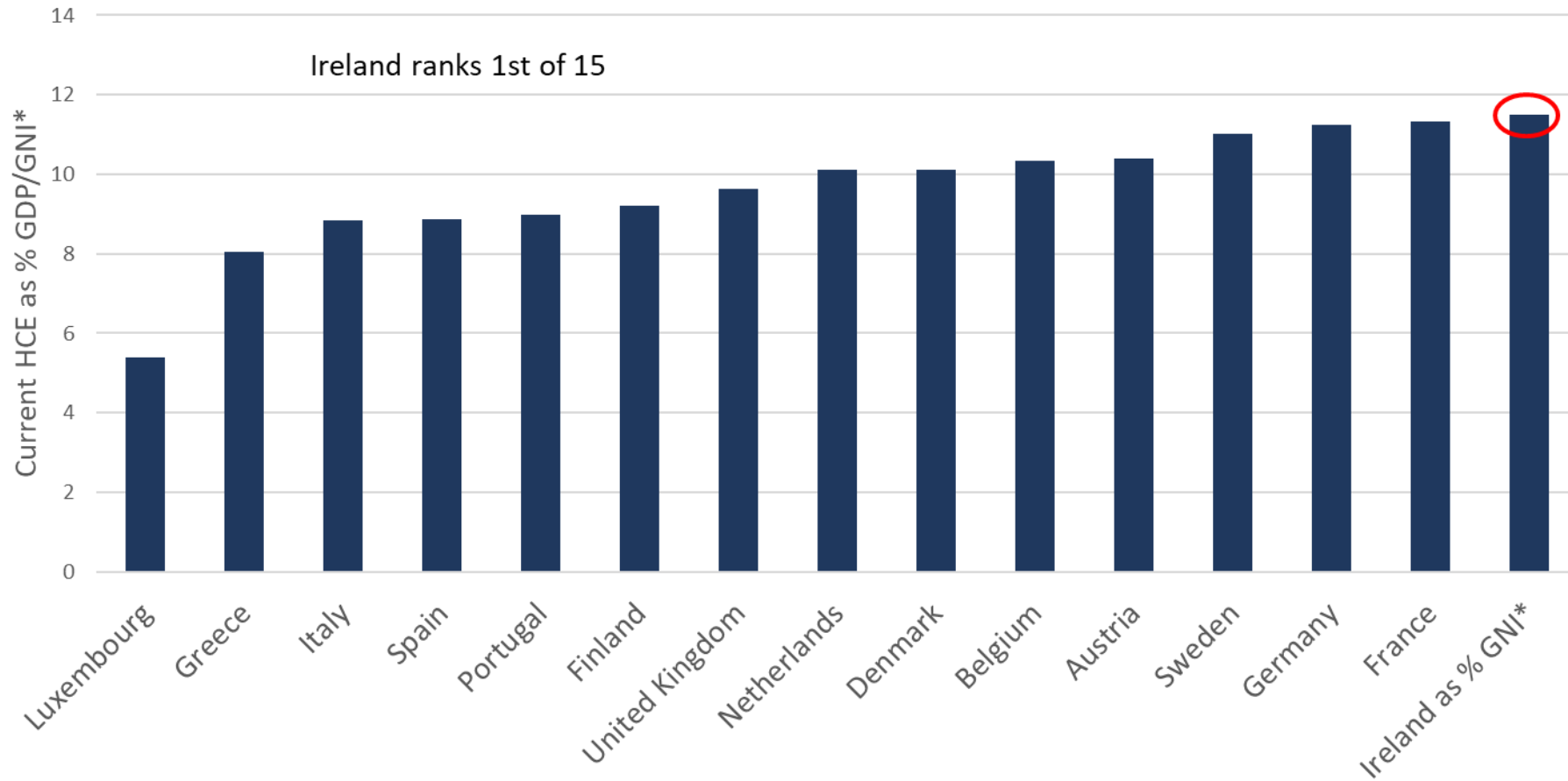
Main Findings

- Depending on the measure of HCE examined, Ireland's ranking differs substantially
 - Total HCE as a share of national income ranks 1st in the EU15
 - Total HCE per capita with adjustment for relative prices ranks 9th
 - National income measure: EU14 GDP, Ireland GNI*

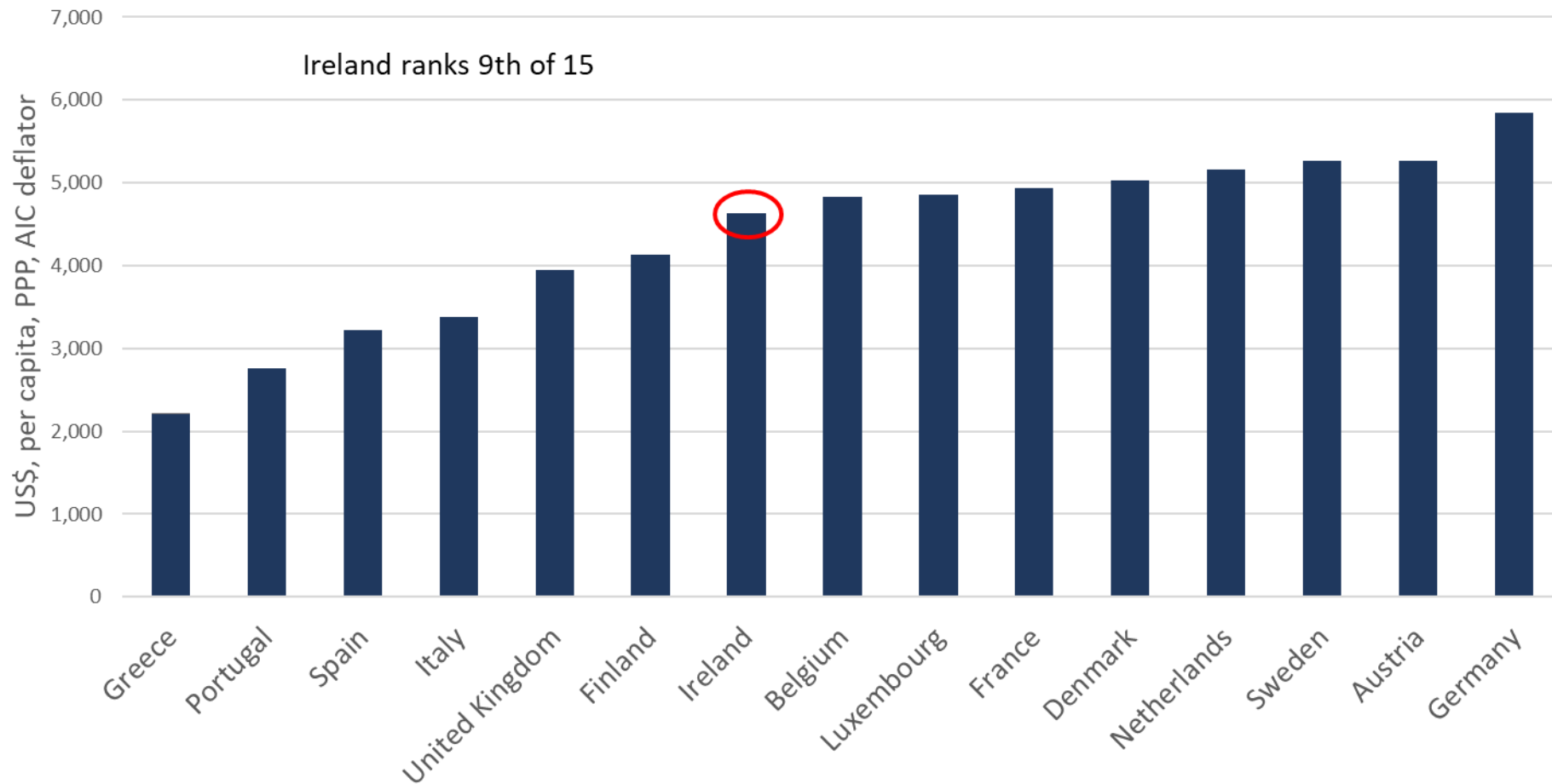
Main Findings

- Depending on the measure of HCE examined, Ireland's ranking differs substantially
 - A measure of expenditure on services
 - ..versus a measure of the volume of services supplied
 - Expenditure = price x volume

Differing measures, differing ranking, Total current HCE as share of national income



Differing measures, differing ranking, Total current HCE per capita adjusted for relative prices



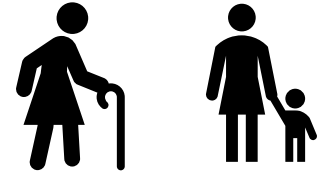
Main Findings

- Total expenditure = public + private
- Differing rankings for public and private expenditure
 - Public HCE as a share of national income ranks 5th in the EU15
 - BUT per capita adjusted for relative prices ranks 9th
 - Private HCE as a share of national income ranks 2nd in the EU15
 - AND per capita adjusted for relative prices also 2nd



Main Findings

- Inconsistencies in how countries account for Social Care expenditures



- 10 of EU15 countries allocated some Social Care Expenditure to Healthcare-related Expenditure....not in HCE

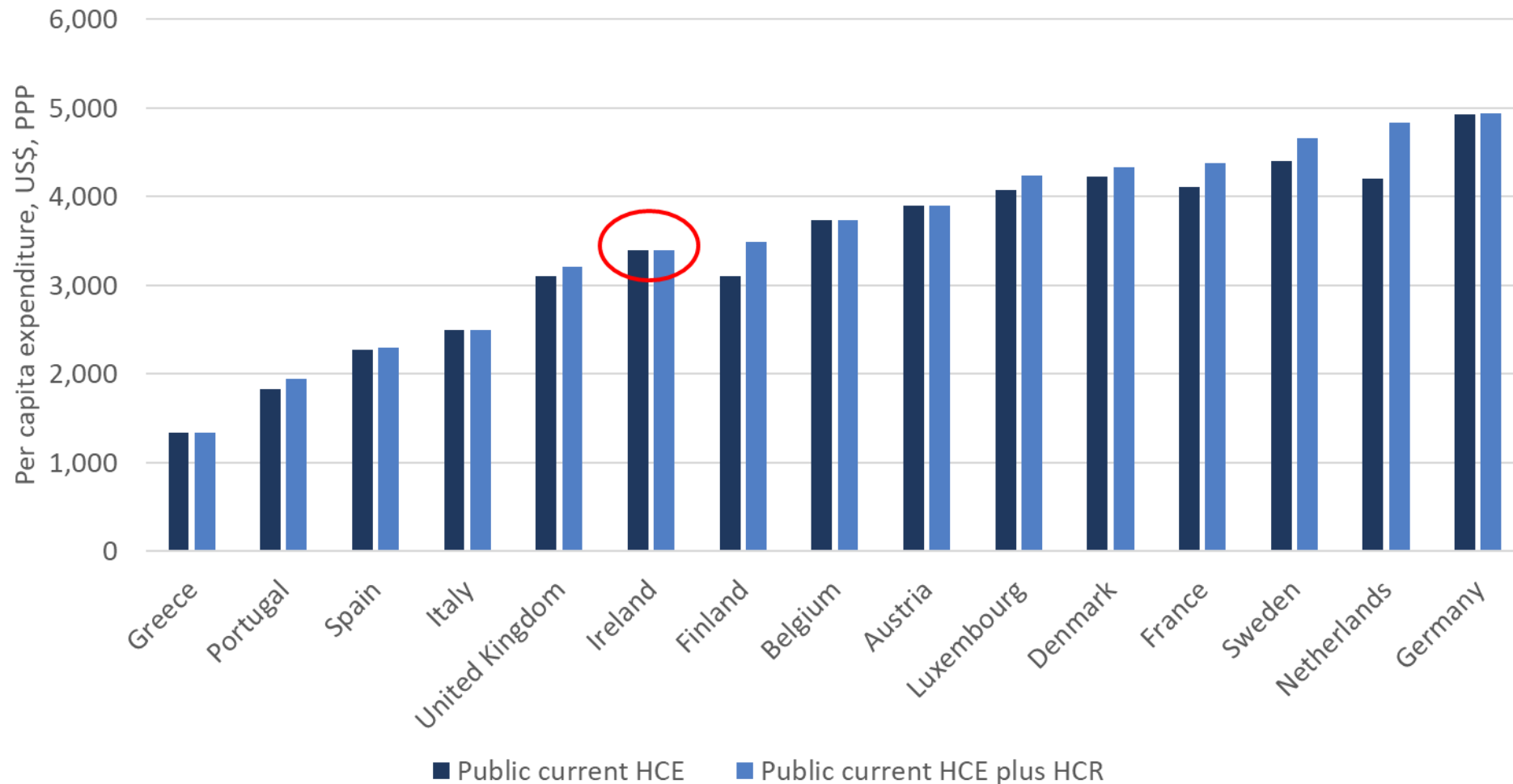


- Ireland allocated no Social Care Expenditure to HCRE...all in HCE ¹

- Adjusting for Social Care expenditure changes international comparisons

1: Just 0.6% of HCE excluded on grounds Social Care expenditure

Public current healthcare expenditure per capita with and without social care expenditure



Main Findings

HCE measure	Irish HCE ranking in EU15		
	Public	Private	Total
HCE as % GDP/GNI*	5	2	1
HCE + HCRE as % GDP/GNI*	6	3	3
HCE p.c. US\$ PPP	9	2	9
HCE + HCRE p.c. US\$ PPP	10	2	9

Main Findings

HCE measure	Irish HCE ranking in EU15			Irish HCE % EU15 mean		
	Public	Private	Total	Public	Private	Total
HCE as % GDP/GNI*	5	2	1	113	138	119
HCE + HCRE as % GDP/GNI*	6	3	3	109	134	115
HCE p.c. US\$ PPP	9	2	9	100	130	106
HCE + HCRE p.c. US\$ PPP	10	2	9	96	126	102



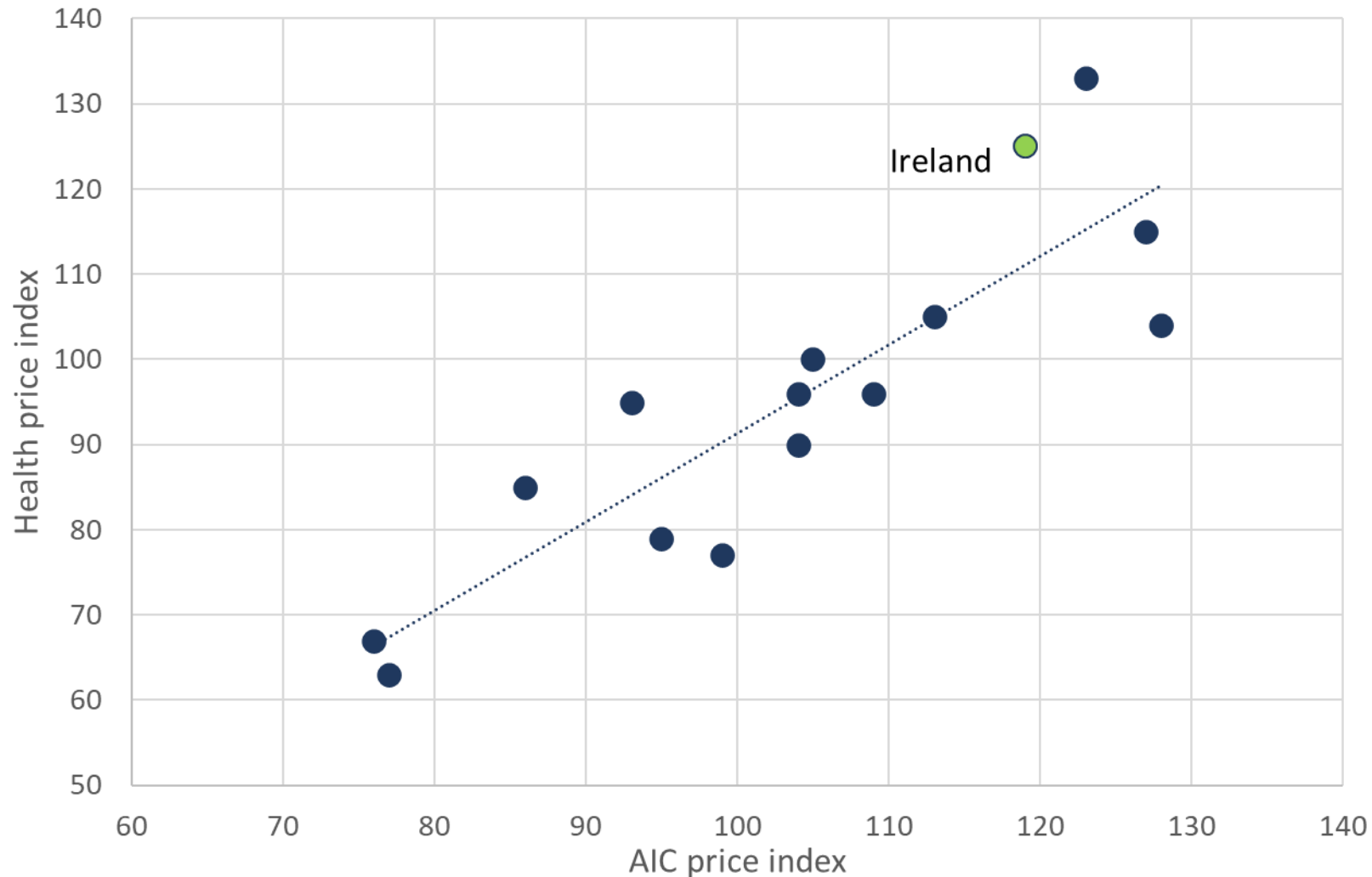
Understanding Findings: price & volume



Volume vs price

- Relatively high measure of HCE as share of national income
 - BUT relatively low volume measure of per capita healthcare consumed
- OECD adjusts using Actual Individual Consumption (AIC) price index
- Irish AIC prices are relatively high
- As are Irish health prices
- Health price index a preferable price deflator but...

High consumption and health prices in Ireland



- AIC prices and Hospital prices both 4th highest in EU15 in 2017
- Health prices 2nd highest (index including drugs)

Why are Irish health prices so high?

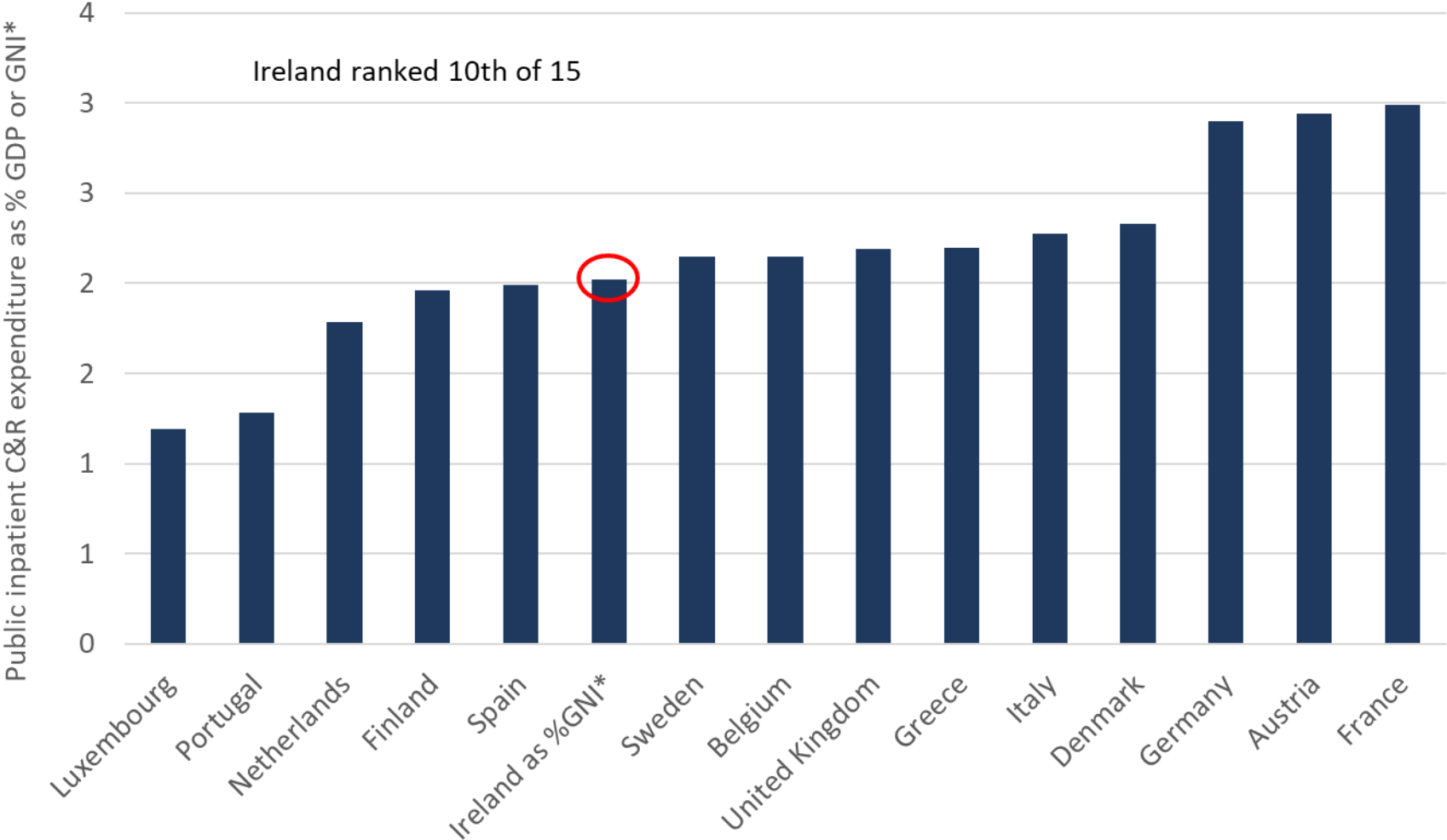
- Health prices are chiefly salaries
- Baumol's law predicts prices in low productivity growth sectors track those in high productivity growth sectors
- Average wages are high in Ireland – 2nd highest in Eurozone, 2017¹
- High Irish HCE as share of national income driven by high wage, high price economy



Price & volume: inpatient care

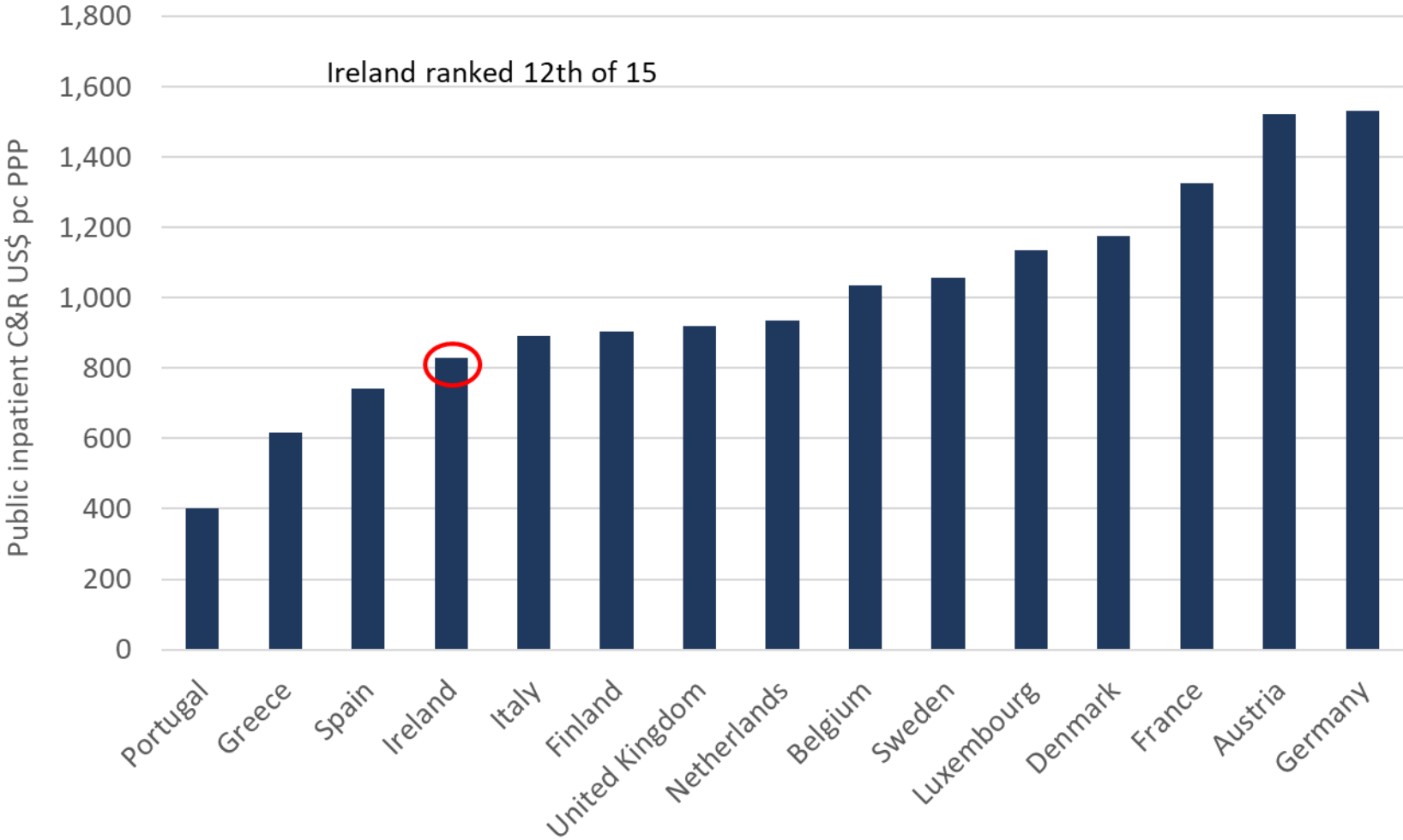


Public inpatient expenditure as % GDP/GNI*



Source: derived from OECD Health Statistics 2019, CSO National Accounts for GNI*, all findings for 2017

Public inpatient expenditure p.c. adjusted for relative prices



Source: derived from OECD Health Statistics 2019, all findings for 2017

Understanding Findings: how countries' approaches to SHA accounting differ



Case studies:

UK

Netherlands

Ireland



- 
- Of Total Health and Social expenditure proportion counted as Social

Netherlands 12%

UK 5%

Ireland 0%

- Payments to family carers

Ireland counts as Healthcare expenditure, 4.3% of total Irish HCE

Netherlands counts as Social Care expenditure



- Home care services, group homes for people with disabilities, day services for older people



Ireland counts all in Healthcare expenditure

UK counts much as Social Care expenditure



Interpreting cross-country comparisons in Irish context - home care



Is it true that Ireland spends too little on community care?

“shift away from the current hospital-centric model”

“It is essential to invest in primary and social care”

2017 Sláintecare Report

Yet Irish home care expenditure surprisingly high?

- SHA accounts show Home-based expenditure as 11% of Irish HCE
- Includes mental health & substance abuse facilities & disability residential services, few countries follow this accounting approach
- Irish HCE per capita on informal, family carers over twice EU15 mean

Yet Irish home care expenditure surprisingly high...or not?

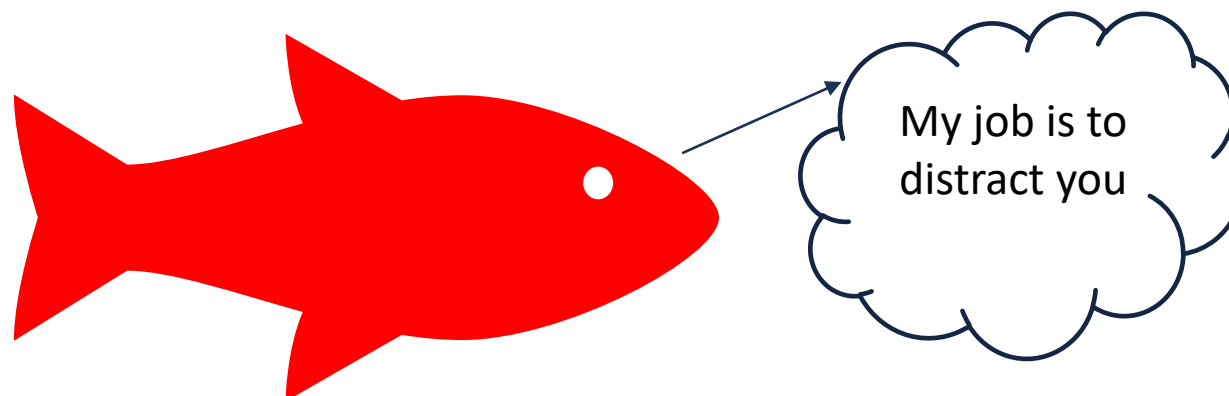
- SHA accounts show Home-based expenditure as 11% of Irish HCE
- Includes mental health & substance abuse facilities & disability residential services, few countries follow this accounting approach
- Irish HCE per capita on informal, family carers over twice EU15 mean

...but on home helps, personal care assistants just 44% EU15 mean

Interpret OECD Health Data with caution

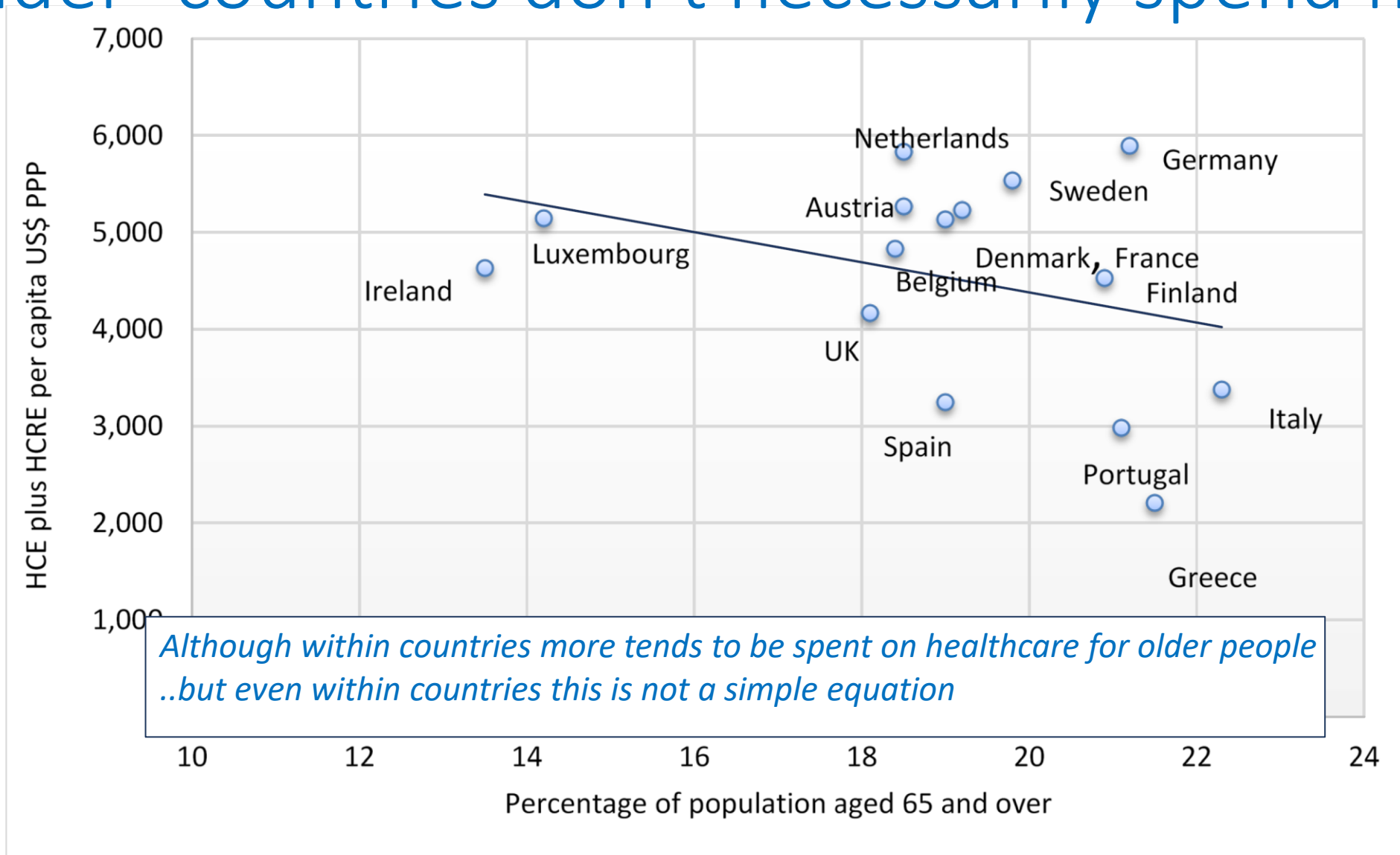
- Detailed analysis to achieve like-with-like comparison
- OECD Health Data very informative but handle with care
- Ambiguity in OECD guidelines, Irish data challenges =>
 - Irish HCE over-estimated**
 - HCRE should be included in comparisons**
- CSO, DoH and HSE aiming for social care accounting
- Scope to augment Irish accounting using survey data

Comparing Irish Healthcare Expenditure – beware red herrings

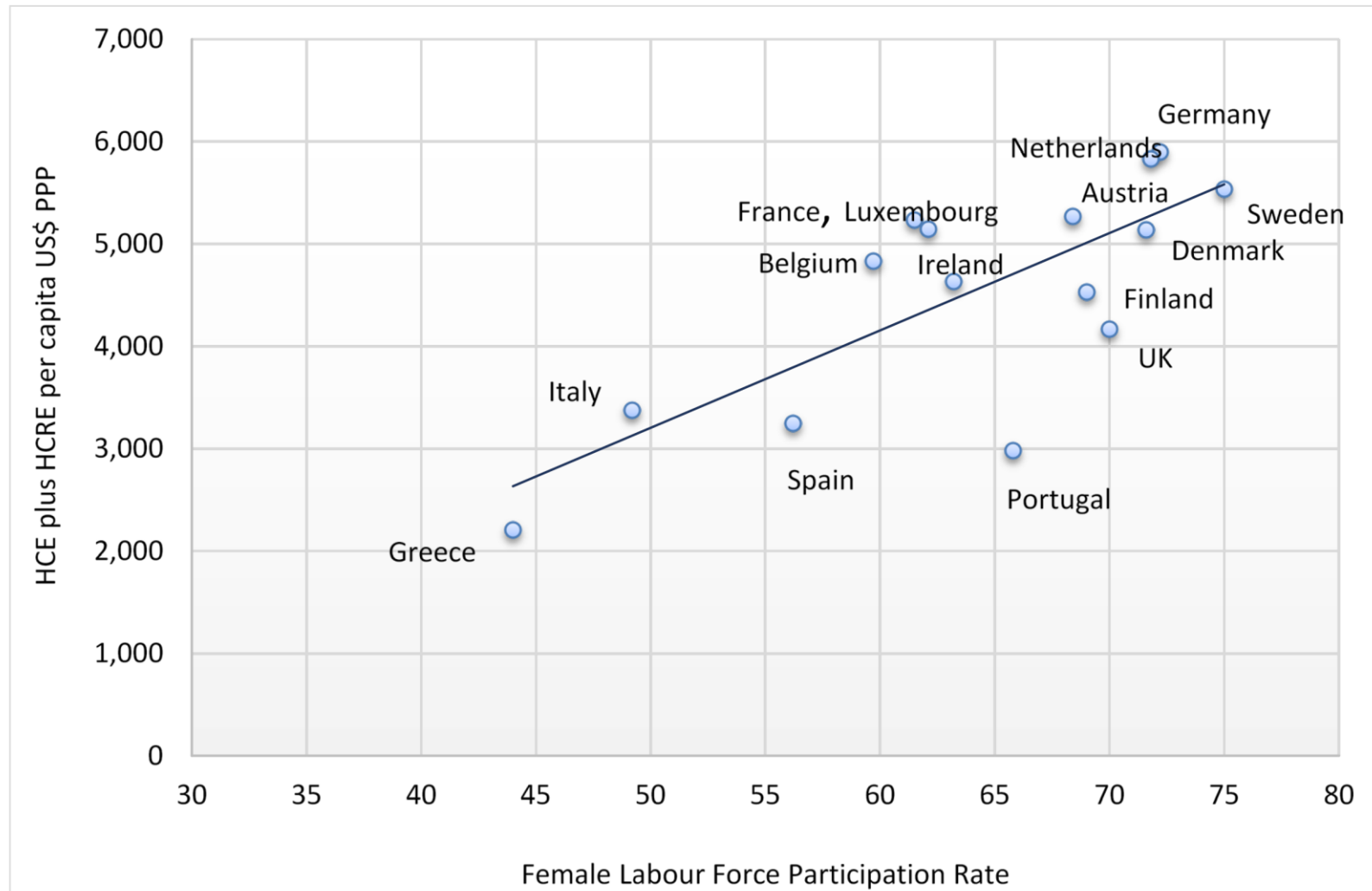


With acknowledgement of Zweifel, Felder, and Meiers (1999) Ageing of population and health care expenditure: a red herring?
Health Economics, 1999 Sep;8(6):485-96

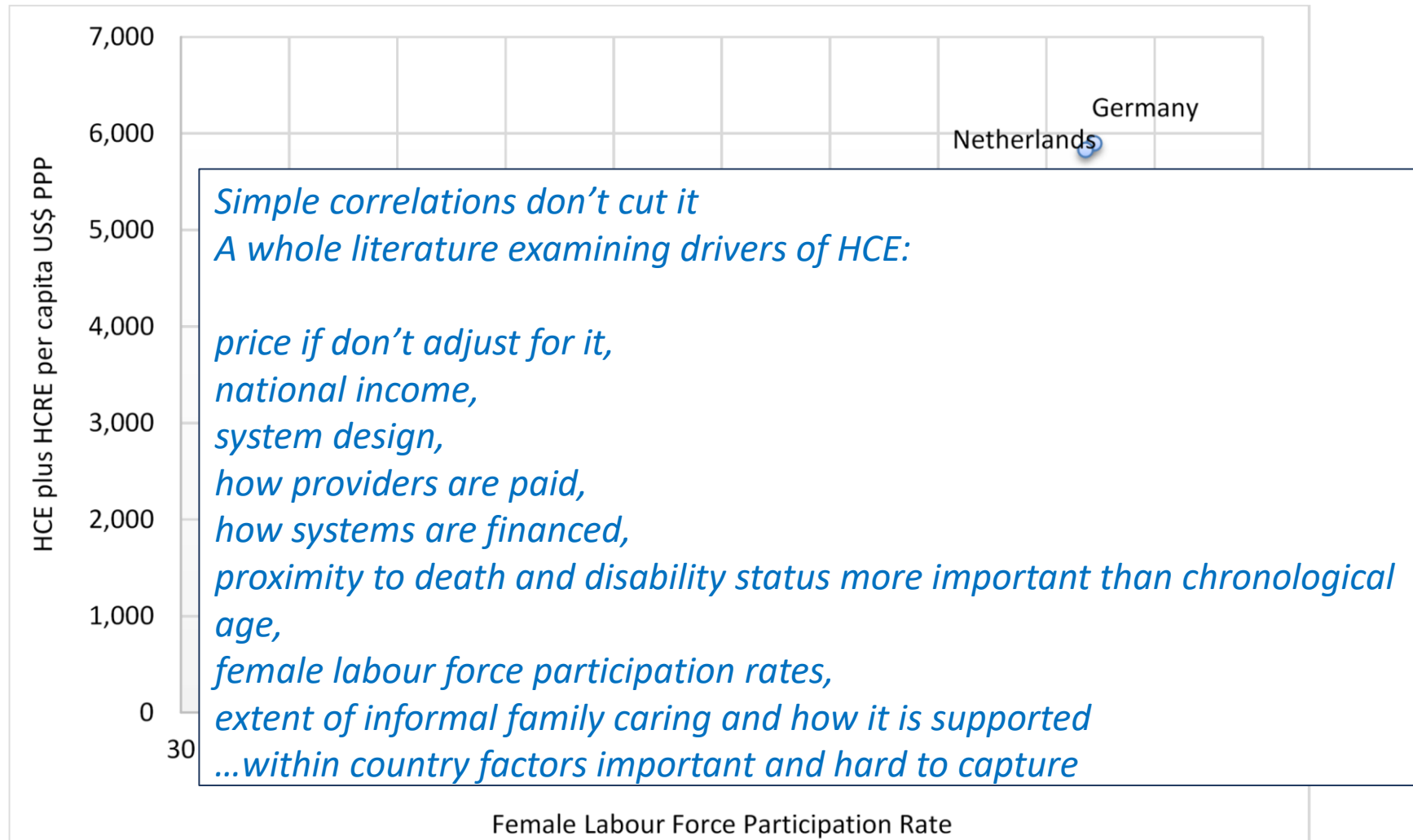
'Older' countries don't necessarily spend more



Maybe health spending is higher in richer countries? And where there is more formal care?



Maybe health spending is higher in richer countries? And where there is more formal care?



How does our healthcare
expenditure compare?



How much should we spend?



- A valid question but what is it asking?

Expenditure= volume x price

- If the price, do we believe Irish healthcare salaries should be set relative to the average OECD wage? Or the average Irish wage?
- If the volume, what do we believe drives volumes of healthcare consumed?

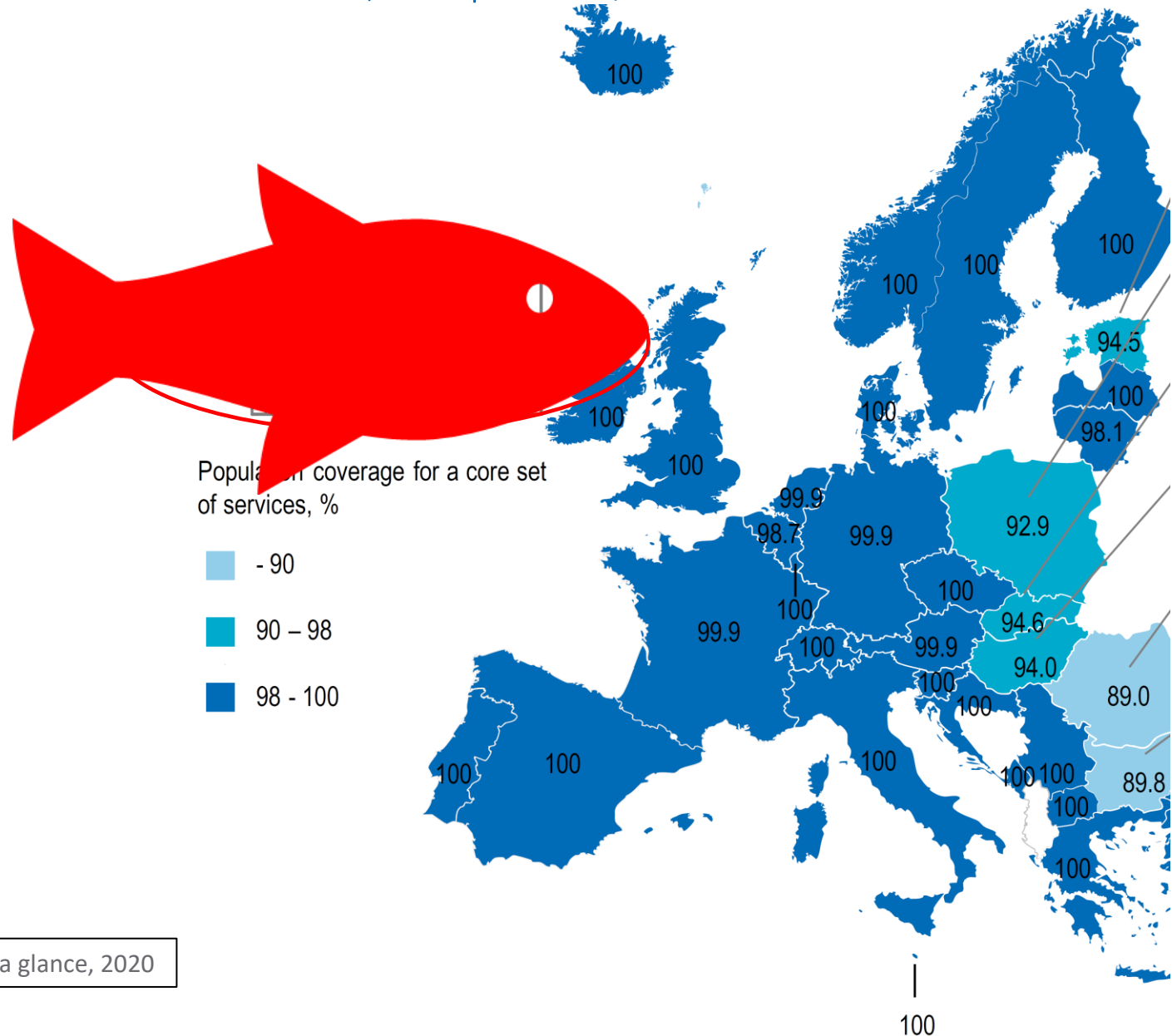
How much do we need to spend on healthcare?

- What volume of services do we need to meet demand or need?
- What price can we sustainably pay to deliver those services? To what extent is this within national control?
- Is it possible to have an explicit conversation about volume-price trade-offs?



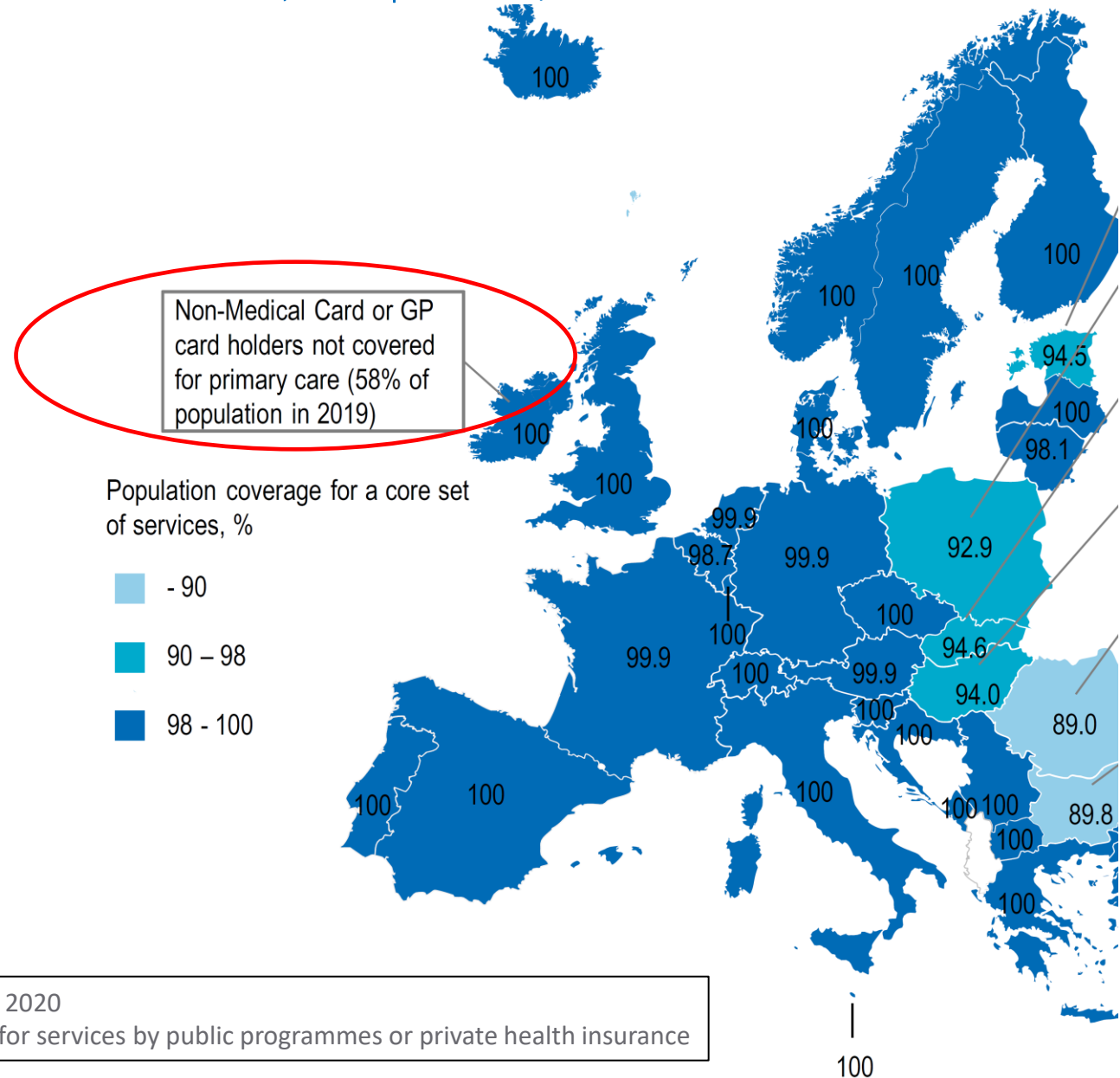
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Population coverage for a core set of services, Europe 2018/2019



Source: Figure 7.8, OECD Health at a glance, 2020

Population coverage for a core set of services, Europe 2018/2019



Source: Figure 7.8, OECD Health at a glance, 2020
 Note: Coverage = population share covered for services by public programmes or private health insurance



THANK YOU

