



An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Spending Review 2021 – Impact of Demographic Change on Health Expenditure 2022-2025

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Spending Review 2021 – Overview, Aims & Objectives



Overview

- Demographic change is one of the drivers of health expenditure and is considered in the annual Budget process in order to maintain ‘Existing Levels of Service’. Previous demographic estimates have been informed by initial IGEES work in this area (IGEES, 2016 & 2019).
- However, as highlighted by the Parliamentary Budget Office (2019), the demographic cost pressure estimated in IGEES (2016 & 2019) is likely underestimated as only certain service areas of the total health budget are modelled, reflecting the limited age specific expenditure data in the Irish health system.
- Research undertaken by the ESRI under the Joint Research Programme with the Department of Health provided an opportunity for estimating the impact of demographic change with more age specific information.

Aims and Objectives

- The objective of the paper is to support the Government’s deliberations in setting multi-annual expenditure ceilings by providing estimates of the impact of demographic change on health expenditure 2022-2025.
- To achieve this objective, the aim was to build on previous IGEES work estimating the impact of demographic change on health expenditure by expanding the scope of health service areas modelled and using more age specific data.

Spending Review 2021 – Key Findings



Key Policy Relevant Findings

- The additional funding required to maintain ‘Existing Levels of Service’ (ELS) when only accounting for a growing and ageing population (the **demographic cost pressure**) is estimated at **€324m in 2022, €346m in 2023, €368m in 2024 and €385m in 2025.**
- The estimated demographic cost pressures are higher than those previously estimated by IGEES (**€175m in 2022 and an average annual cost of €186m between 2023-2025**), with the main reason for this being the use of more age specific data and extending the scope of service areas included.
- **Future analyses should consider the impact of pay and prices** as the Irish Fiscal Advisory Council and the ESRI have highlighted that the majority of ELS expenditure requirements in Health relate to inflationary increases.
- The move towards **population-based resource allocation**, as outlined in the Sláintecare reform programme **could potentially improve the predictability and transparency of funding allocations in health.**