



# On securing the future fiscal sustainability of the Irish health system

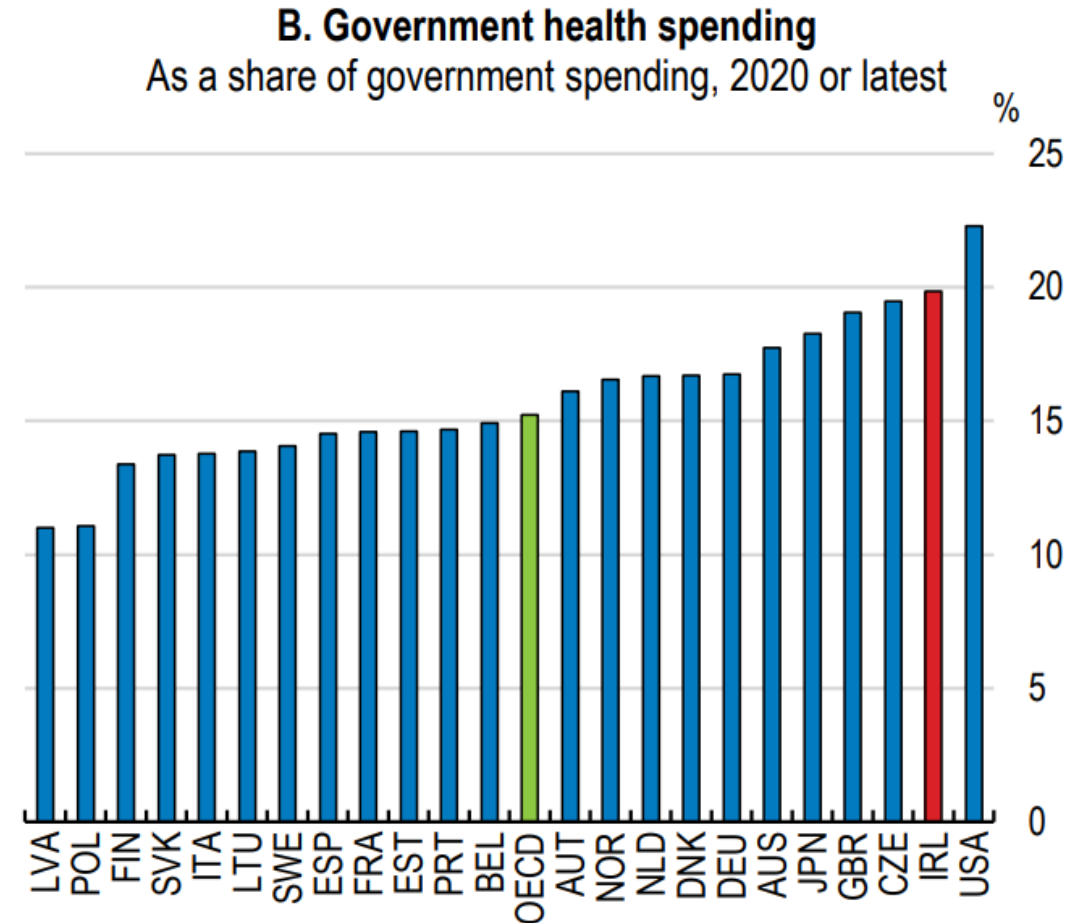
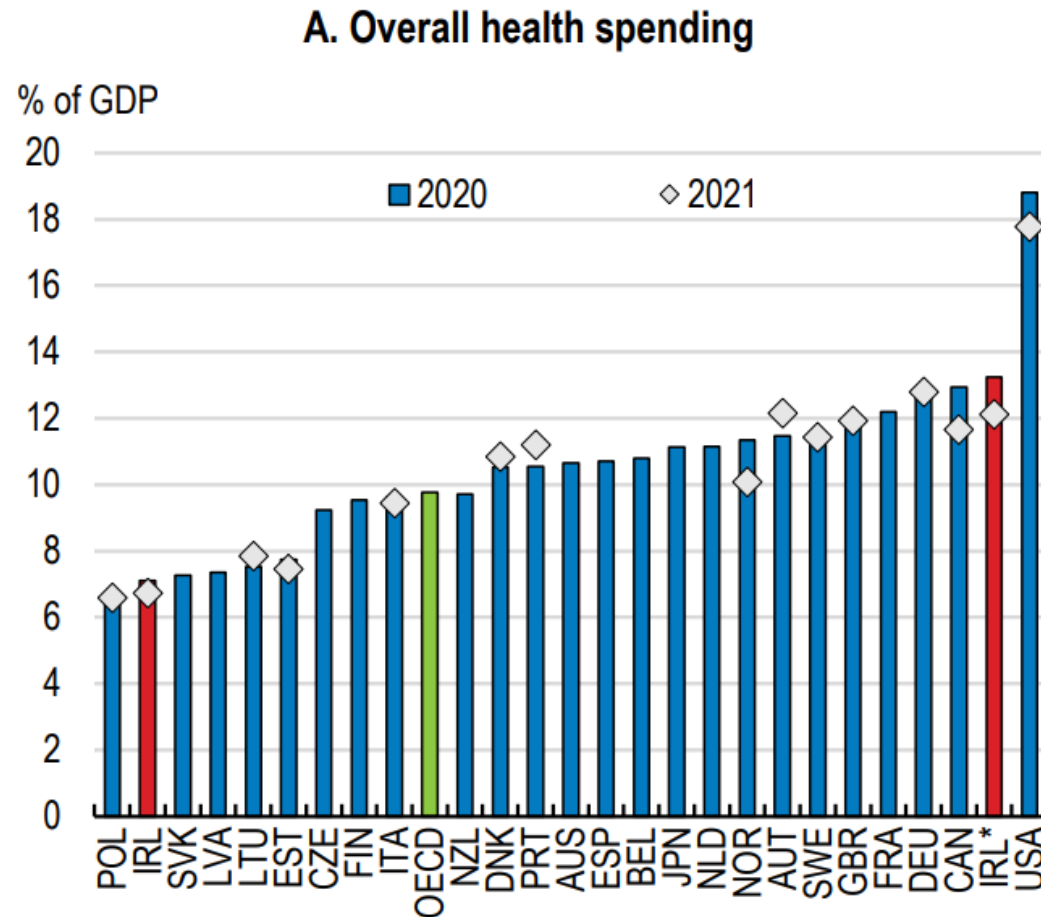
Health Research Conference  
Dublin, 14 February 2023



# THE CURRENT SITUATION



# Spending on health care is comparatively high in Ireland and represents one fifth of government spending



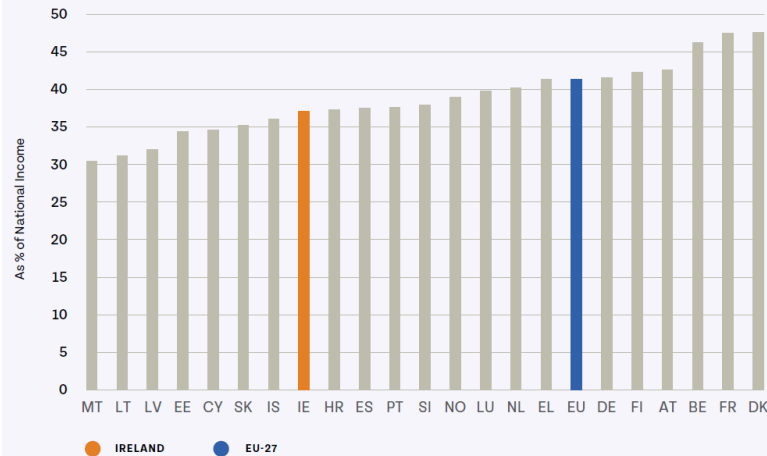
Note: IRL\* denotes health spending for Ireland as a share of modified gross national income (GNI\*).

Source: OECD, Health Expenditure and Financing database; and OECD, National Accounts database.

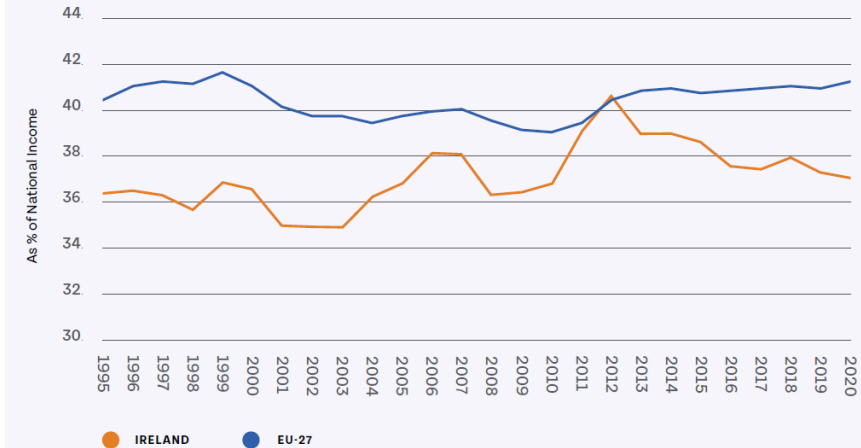


# Ireland collects a below average share of total revenues and has a relatively high debt per capita

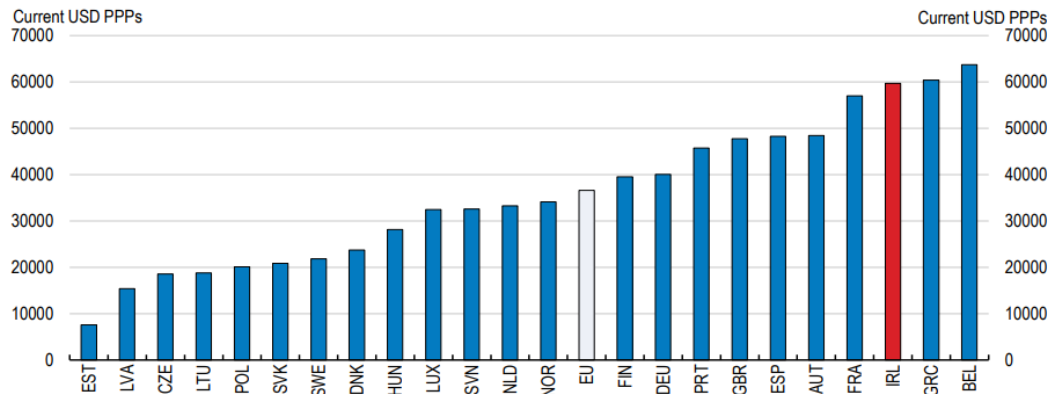
i) Figure 5A: Ireland (IE) and selection of EU-27 countries, 2020



ii) Figure 5B: IE and EU-27, 1995-2020



Gross government debt per capita, 2021 or latest available data

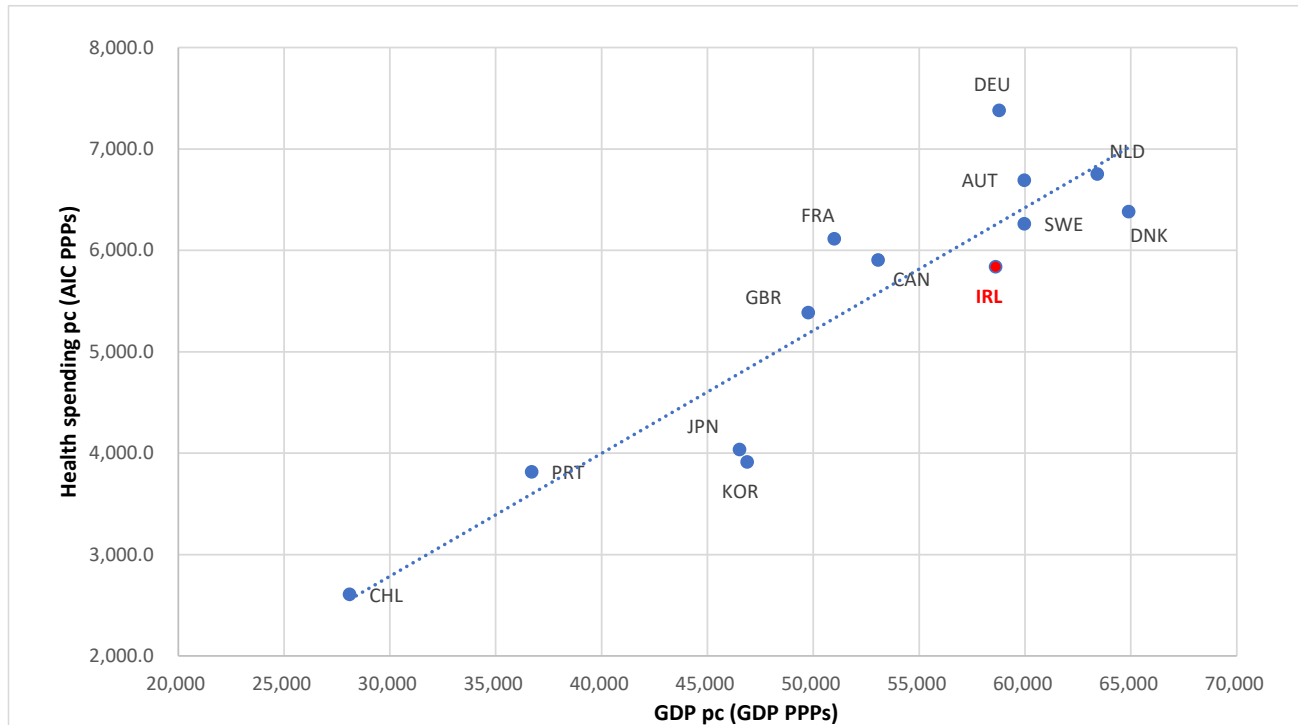


Source: Foundations for the future.  
Report of the Commission on Taxation and Welfare (2022)  
OECD Economic Survey, Ireland (2022)

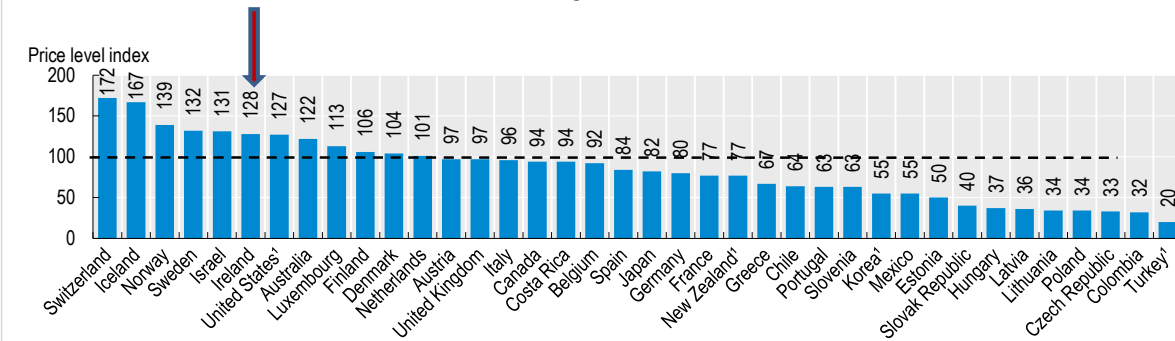


# What factors drive Irish health spending to these high levels? Ability to pay? Prices? Wages?

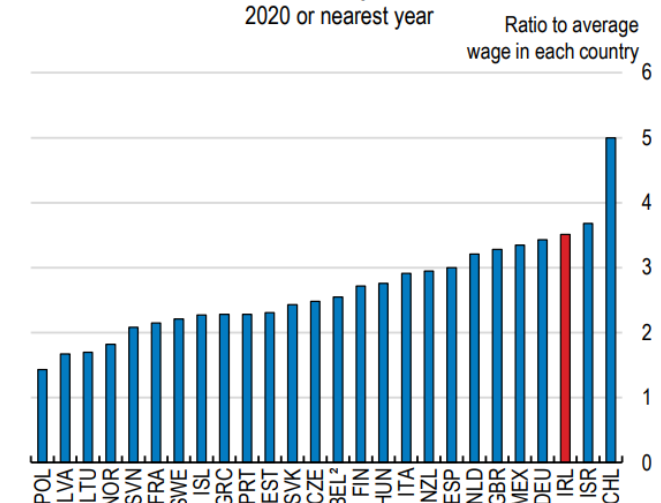
Per capita health spending and per capita GDP, 2021



Price levels in the health care sector, 2017, OECD average = 100



B. Remuneration of specialist doctors



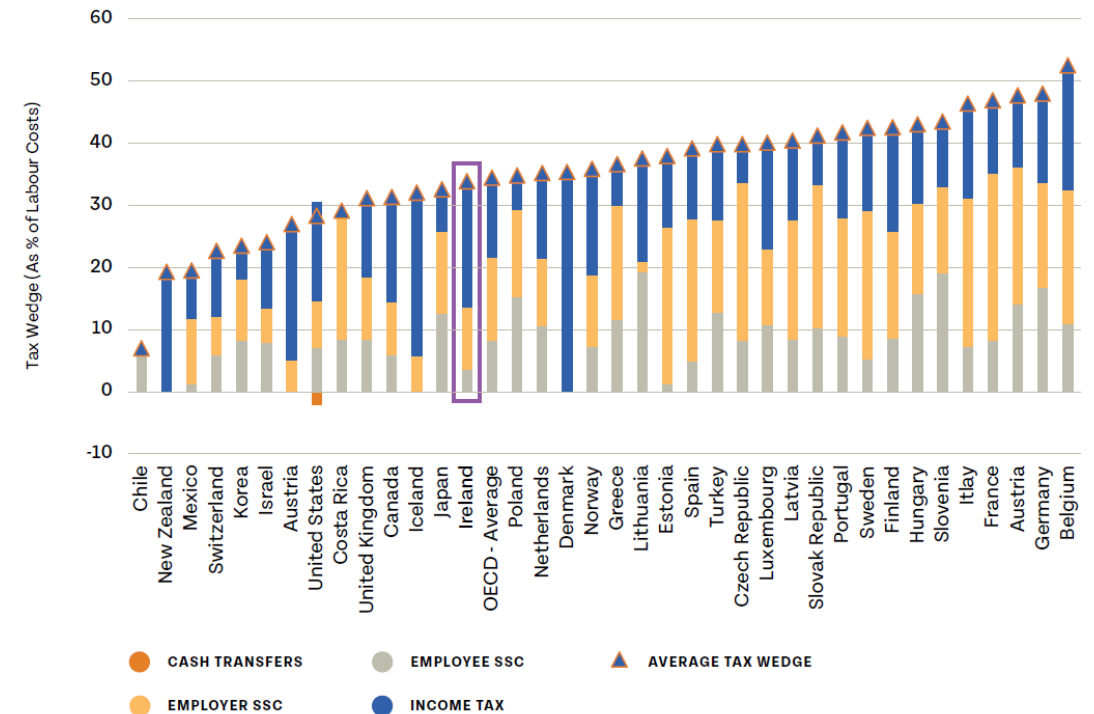


# What factors drive Irish government revenues? Tax rates? Tax wedges?

Table 5: Implicit tax rates in European countries, 2020

	CONSUMPTION	LABOUR	CAPITAL
Min	14.1% – Spain	28.1% – Croatia	6.2% – Luxembourg
<b>Ireland</b>	<b>18.2%</b>	<b>32.0%</b>	<b>14.4%</b>
European Median	19% – Poland	36.6% – Norway	26.5% – Slovenia
Max	24.7% – Denmark	44.7% – Italy	60.0% – France

Figure 10: Average tax wedge of single worker on average wage with no children in OECD, 2021



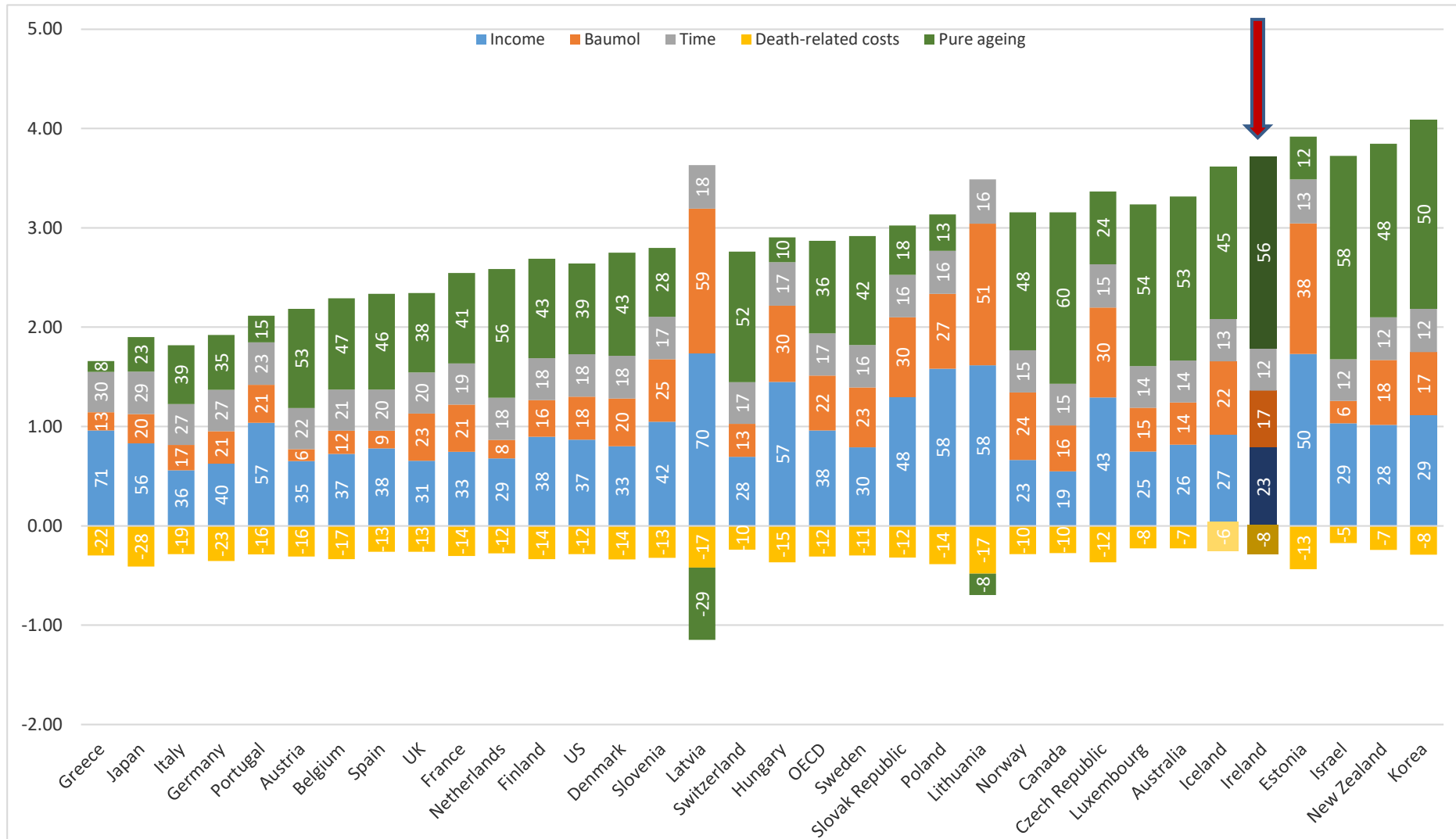
Sources: Foundations for the future.  
Report of the Commission on Taxation and Welfare (2022).  
OECD. Taxing wages, Ireland (2022)



# SCENARIO MODELLING



Health spending from public sources is projected to growth at 3.4 % per year in Ireland over the next two decades...





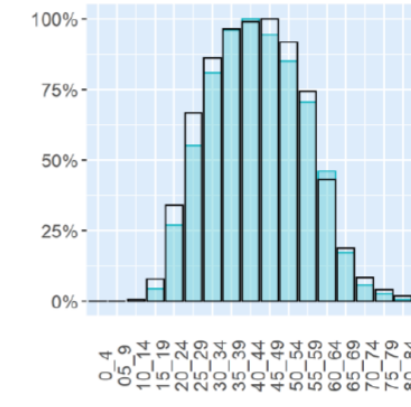


...whereas Irish government revenues are projected to growth at 2.6 % per year during the same period

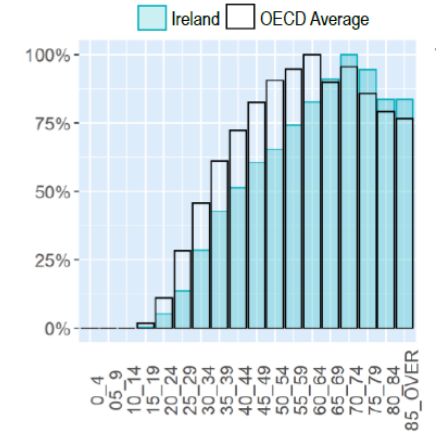
Cumulative growth (%)



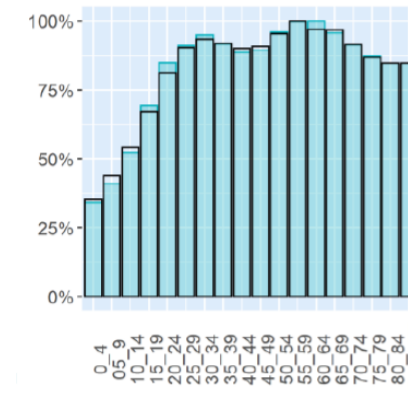
Panel A. Labour Income



Panel B. Private Asset Income



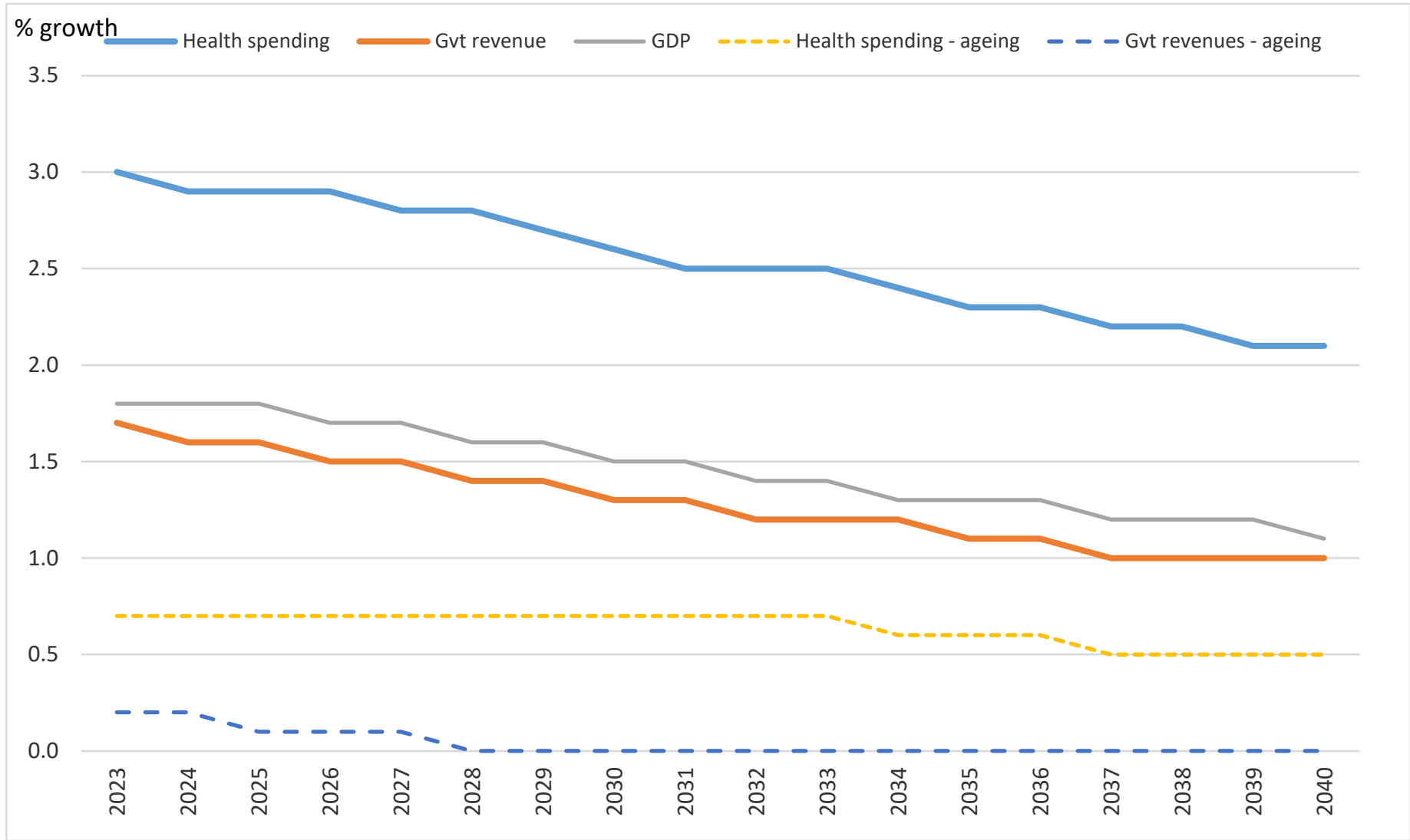
Panel C. Private Consumption





Across OECD, mean growth in health spending is projected to be twice the mean growth in government revenues (2.6 % versus 1.3 %)

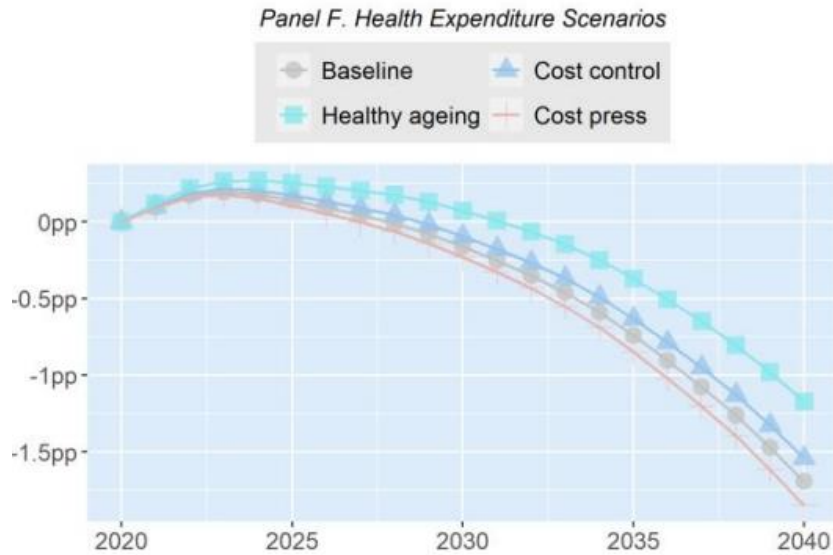
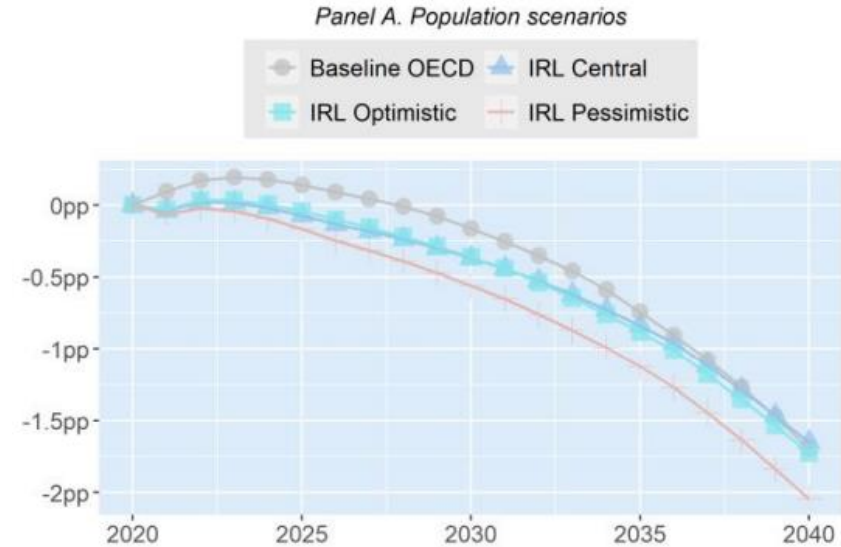
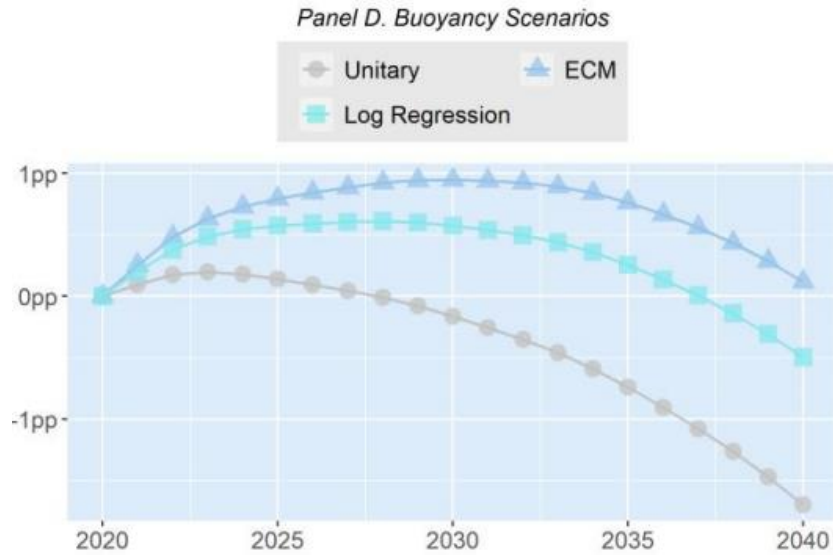
Ageing is not a major driver of these trends





# The fiscal balance is projected to slightly deteriorate in Ireland in 2040

Percentage  
points of  
GNI \*





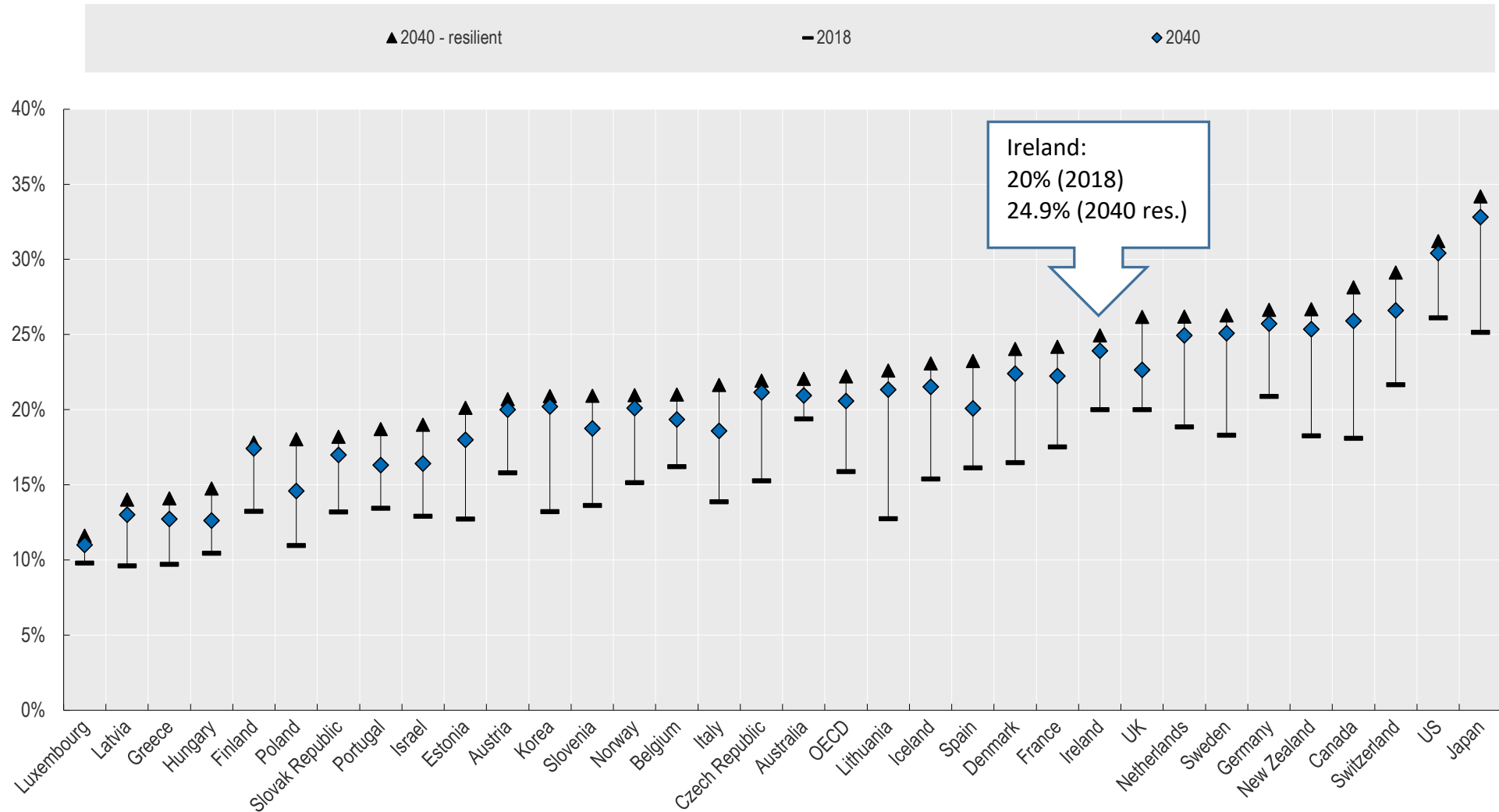
# Investing in health system resilience: order-of-magnitude cost estimates as % of GDP

Investment	Rationale & main cost drivers	Average	Range
<b>Pillar 1. Protect people's underlying health</b>		<b>0.28%</b>	<b>0.13-0.53%</b>
Enhanced preventive care	Improve public health systems, strengthen peoples' underlying health <i>Public health surveillance, infection prevention/control, combatting major risk factors</i>	0.10%	0.03-0.26%
Mass programmes	Reinforce people's natural defences, strengthen containment and mitigation <i>Vaccination programmes, extra testing, and PPE during acute periods</i>	0.18%	0.06-0.42%
<b>Pillar 2. Fortify the foundations of health systems</b>		<b>0.41%</b>	<b>0.26-0.63%</b>
Sufficient core equipment	Enable health professionals to respond to surges in demand <i>Hospital beds and other medical equipment, IT infrastructure</i>	0.13%	0.00-0.34%
Well-harnessed health information	Improve patient monitoring, strengthen containment and mitigation <i>Software, operational processes, data scientists, IT skills of health workers</i>	0.28%	0.18-0.34%
<b>Pillar 3. Bolster health professionals working on the frontline</b>		<b>0.69%</b>	<b>0.03-1.55%</b>
Sufficient health and long-term care professionals	Effective case management for affected individuals, care continuity for others <i>Additional health workers. Higher salaries for nurses and care workers</i>	0.66%	0.00-1.52%
Medical reserve	Surge capacity that can be called upon in times of high need <i>Recurrent training for health professionals on medical reserve</i>	0.03%	0.03-0.03%
<b>TOTAL</b>		<b>1.38%</b>	<b>0.56-2.51%</b>

Source: OECD Health Working Paper 144 (2022). Investing in health systems to protect society and boost the economy



# In Ireland, health spending from public sources is projected to account for one fourth of government revenues in 2040 (up of 5 pp from 2018)





# RECOMMENDATIONS



## Whole-of-government policy levers to secure future fiscal sustainability of health systems

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Around two thirds of the additional resources needed to strengthen health systems resilience may come from policies that support **prevention** and promote **healthy lifestyles** as well as policies that enhance **efficiency** and **care integration**.

Policies should also in tandem make government revenues more robust to population ageing. This could be pursued through at least two channels: the adoption of more **growth-friendly taxes**, so output increases, boosting revenue collection from multiple taxes, and adoption of reforms so that tax revenues are less affected by population ageing.



# OECD key recommendations on the health sector

## Moving towards a system centred on care needs

- Establish integrated funding and service delivery to offer home care and admission to long-term residential care when needed
- Accelerate the implementation of the Single Assessment Tool across the country in order to move towards more effective person-centred care services

## Ensuring equitable and cost-effective healthcare

- Implement the reforms to create Regional Health Areas and rebalance healthcare delivery across primary, community and LTC
- Introduce a Population-Based Resource Allocation funding model to improve financial reporting and management and strengthen equity in health outcomes

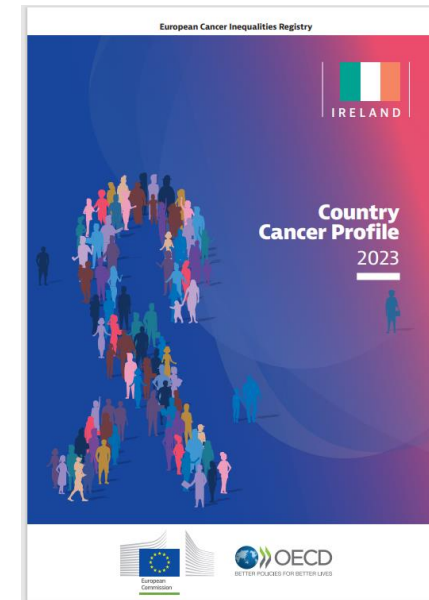
## Ensuring healthier lives

- In line with the 2017-2026 National Cancer Strategy, continue to expand the delivery of cancer survivorship care at the community and primary care level
- Continue to expand means-tested eligibility to primary care to ensure financial protection of patients





# *Thank you!*



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