

# NERI Research inBrief

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## Is Ireland Overspending on Healthcare?

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### SUMMARY

The question of whether the Republic of Ireland overspends on healthcare is necessarily complex and encompasses a good deal of discursive ground that depends on the normative assumptions that underpin it. This can denote, for certain commentators, high spending relative to other nations or expenditure outturns exceeding the plans of government. The interpenetration of public and private systems of healthcare provision and the myriad ways in which healthcare is defined and measured raise a number of difficulties for policy makers and the public generally.

This *Research inBrief* takes a cursory comparative glance at healthcare spending in the Republic of Ireland generally and by function using the recently published estimates of expenditure according to the new System of Health Accounts (2011).

### KEY POINTS

- Total (Public and Private) Current Expenditure on Health amounted to approximately 10.25 per cent of GDP, above the EU15 average of 9.40 per cent and approximately equal to the Small Open Economy (SOE) median in 2013. Private healthcare spending was, however, above average relative to both comparators.
- Ireland was an expenditure outlier on pharmaceuticals and day curative and rehabilitative care recording values of 1.54 per cent and 0.71 per cent of GDP respectively. This compared to EU15 medians of 1.43 and 0.2 percent and SOE medians of 1.21 and 0.11 per cent. If Irish spending were adjusted such that expenditure was in line with these comparator averages, between €200 and €600 million for pharmaceuticals and €900 to €1.1 billion for day curative and rehabilitative care would have been saved in 2013.
- Ireland's healthcare expenditure on preventative care was significantly below average in 2013. Preventative care spending would have had to increase by €110 to €270 million euro to reach comparator averages.

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## Introduction

The question of whether the Republic of Ireland overspends on healthcare is necessarily complex and encompasses a good deal of discursive ground that depends on the normative assumptions that underpin it. This can denote, for certain commentators, high spending relative to other nations or expenditure outturns exceeding the plans of government. The interpenetration of public and private systems of healthcare provision and the myriad ways in which healthcare is defined and measured raise a number of difficulties for policy makers and the public generally.

For the purposes of this inBrief, recently published preliminary data for 2013 (CSO, 2015) under the System of Health Accounts (2011) will be compared to other countries publishing data (OECD, 2015; Eurostat, 2016) under one of the two systems of health accounts (SHA 1.0 and SHA (2011)).

For reasons of brevity, this discussion will be limited to a brief descriptive comparison of total (public and private) current health expenditure and expenditure on selected healthcare functions with other comparable countries.

## Overall Healthcare Spending

Ireland's current healthcare spending from public and private sources amounted to approximately 10.25 per cent of GDP in 2013 (Figure 1). This was slightly above the EU15 median total current spend of 10.10 per cent of GDP and approximately equal to the median current spending among the small open economy SOE comparator group<sup>i</sup>. Irish current public expenditure (7.29 per cent of GDP) was consistent with the EU15 average of 7.30 per cent and below the SOE median of 7.97 per cent of GDP (Figure 2).

Ireland is more atypical, however, in relation to the composition of health expenditure. Irish current private expenditure (2.96 per cent of GDP) was

significantly above the EU15 and SOE comparator median values of 2.80 and 2.28 per cent of GDP respectively. Irish private expenditure comprised nearly 29 per cent of total healthcare spending, a relative portion only exceeded by Portugal and Greece in the EU15.

## Comparison of Expenditure by Function

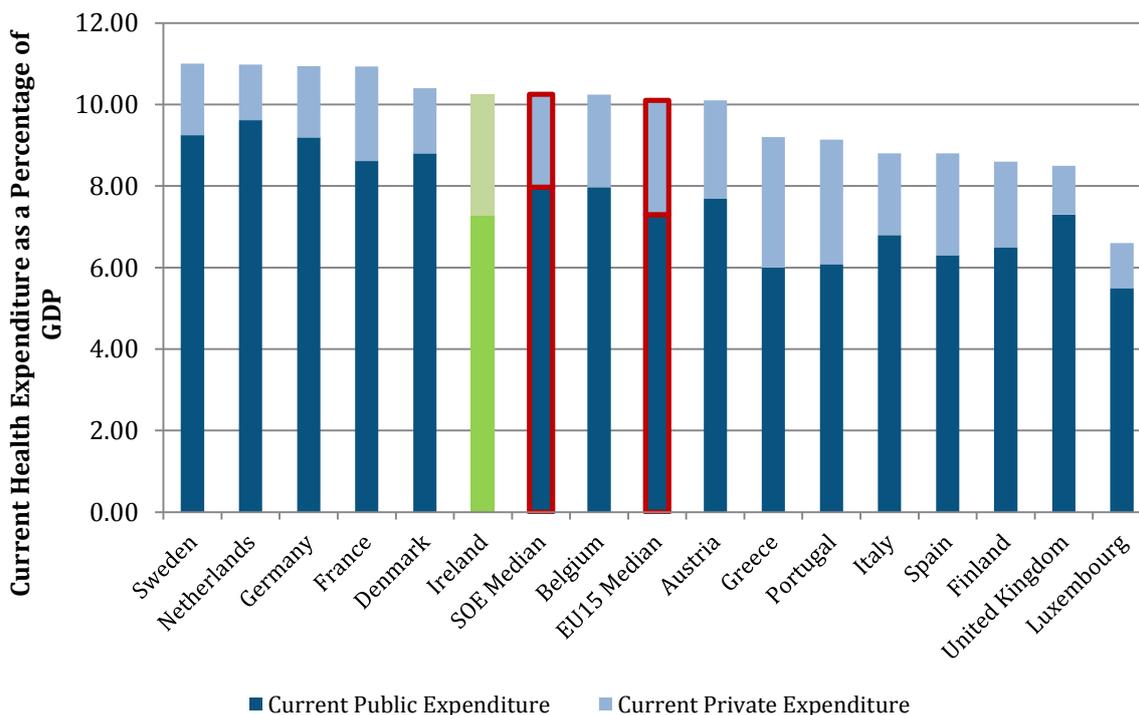
Figure 3 offers a comparison of Irish current expenditure in 2013, by healthcare function, with the median EU15 and SOE values as a percentage of GDP for selected healthcare functions.

Ireland spent a comparatively large amount on Pharmaceuticals and other medical non-durables in GDP terms relative to EU15 and SOE averages (1.54 percent versus 1.43 and 1.21 per cent). This difference amounts to between €200 and €600 million (when scaled to Irish GDP in 2013). This is consistent with the observations of the Irish Fiscal Advisory Council (2015) and European Commission (2016).

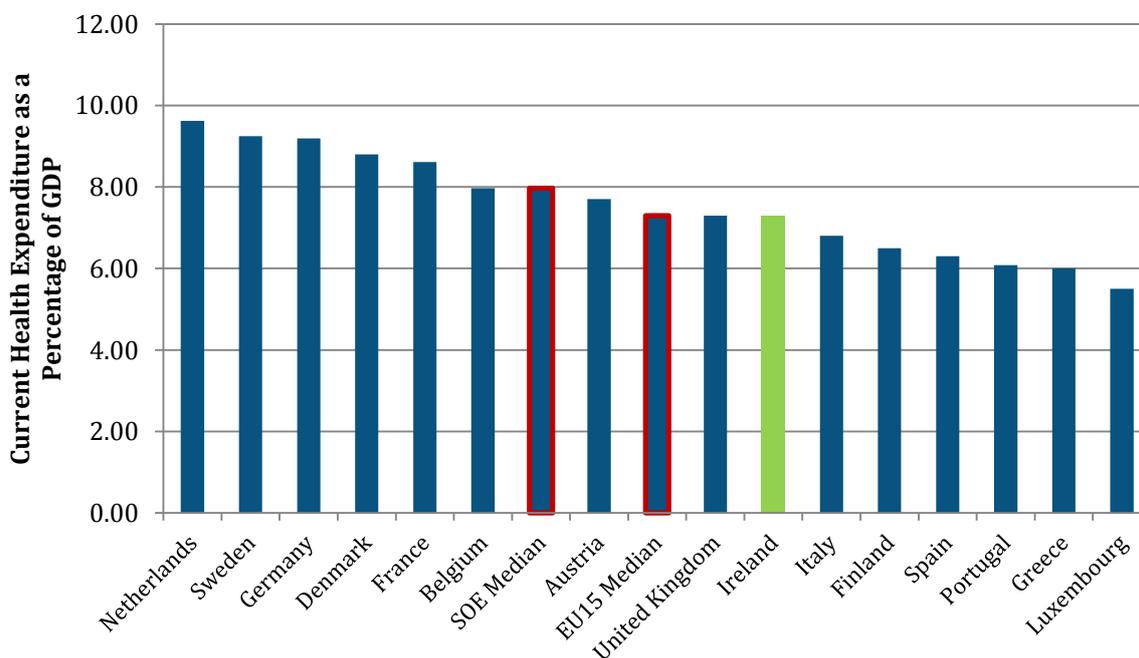
Ireland was similarly an expenditure outlier on day curative and rehabilitative care. This refers to services delivered to patients in a medical facility for the purpose of treating an ailment or improving healthy functioning with the intention of discharging the patient the same day. It differs in definition from standard "outpatient" care in that admissions are formal and planned. Ireland spent 0.71 per cent of GDP on these services in 2013, substantially above the EU15 and SOE median values of 0.2 and 0.11 per cent of GDP. In euro terms, this is equivalent to an excess in spending of between €900 million and €1.1 billion euro.

In contrast, Ireland was a low spender on prevention. Irish spending amounted to 0.15 per cent of GDP, half the EU15 average of 0.3 per cent. Irish spending was also 40 per cent below the SOE median (0.21 per cent of GDP). Spending would have had to have been between approximately €110 and €270 million higher to attain these median values. Spending on administration is comparable to comparator median values.

**Figure 1: Current Health Expenditure in 2013 as a Percentage of GDP**



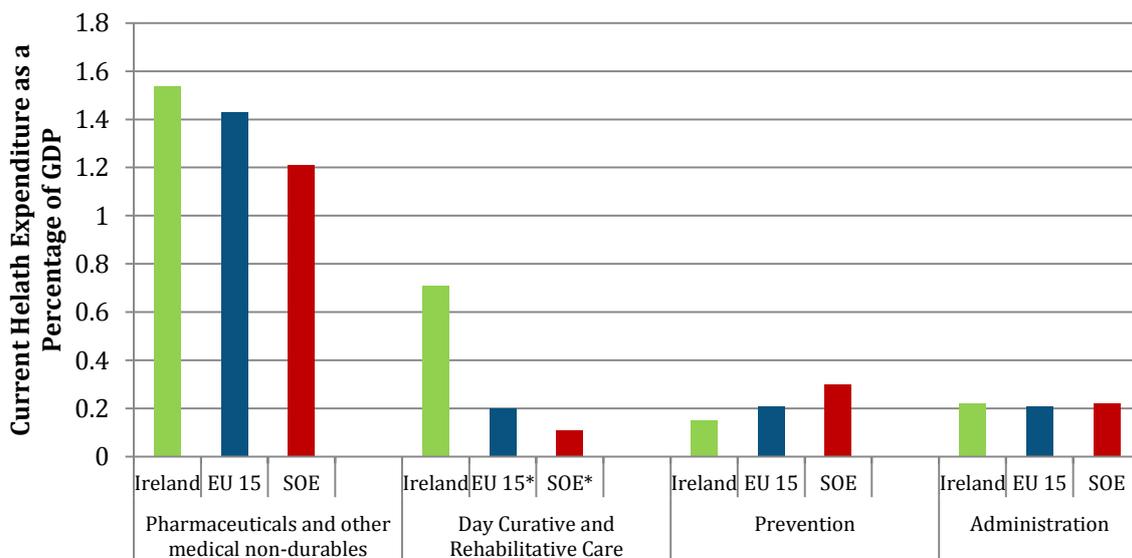
**Figure 2: Current Public Health Expenditure in 2013 as a Percentage of GDP**



**Source:** OECD Health at a Glance (2015), Eurostat (2016), CSO (2015) Ireland’s System of Health Accounts, Annual Results 2013 (Preliminary), CSO (2016) National Accounts Data, Author’s Calculations

**Note:** Variations between countries exist as to the application of different systems of health accounts (SHA 1.0 and SHA (2011)). Belgium, France, Ireland, Germany, Netherlands, Portugal and Sweden have published accounts according to the new SHA (2011) standard. Data for Italy do not conform to SHA standards but are considered comparable (OECD, 2015). All other country data is compiled by means of the SHA 1.0 standard. Luxembourg data refers to 2012.

Figure 3: Current Health Expenditure by Selected Health Function



**Note:** Data restrictions as outlined in previous note apply. The UK is absent from all functional breakdowns. Italian data is not available for Day Curative and Rehabilitative Care or Prevention. \* Denotes absence of Netherlands and Denmark data. Administrations represent data from the categories Governance and health system financing and Administration (SHA 2011) and Health Administration and Insurance (SHA 1.0) Prevention is an amalgamation of Prevention and Public Health Services (SHA 1.0) and Preventative Care (SHA 2011). These categories are considered comparable in OECD datasets.

**Conclusion**

A comparison of Irish healthcare expenditure against comparable countries (EU15 members and Small Open Economies (SOE)) shows that while Ireland may be comparable to or slightly above total (public and private) median values for comparator nations, disaggregated available data paints a more mixed picture depending on whether it is the public or private system being referred to, or a particular function of the health service.

While certain sectors may be worth targeting for possible efficiency gains, the picture of Ireland as an extreme expenditure outlier doesn't appear to be supported by the data.

**References**

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<sup>i</sup> EU15 refers to the EU members prior to expansion in 2004 that are comparable income terms. This group is composed of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg,

Netherlands, Portugal, Spain, Sweden and the UK. Small Open Economies (SOE) refers to a subgroup of the EU15 Austria, Belgium Denmark, Finland, Ireland, The Netherlands and Sweden (O'Riain, 2014).

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