

Operating and Financial Overview 2023

INTRODUCTION

The HSE received revenue and capital funding from the Department of Health (DoH) and Department of Children, Equality, Disability, Integration and Youth (DCEDIY) in 2023 of €24.5bn. This is the first year with allocations received from two separate Government departments, following the transfer of functions to the DCEDIY in respect of disability services.

Substantial Government investments, particularly over the past three years, are very welcomed and have supported our services to respond to sustained pressures, including a global pandemic, and deliver higher volumes of service. However, it needs to be recognised that many services have continued to operate at challenging levels, (e.g. hospital occupancy rates) for many years, as demand outstrips this increased capacity to respond to patient need.

On 5 May 2023 the World Health Organisation (WHO) ended the global emergency status for COVID-19 advising that it should now be managed along with other infectious diseases. In conjunction with this and the uncertainty in relation to the situations in Ukraine and Gaza, inflationary pressures and labour market forces has resulted in significant financial pressure on our available 2023 funding.

The HSE Health Regions Programme Team was established in early 2023 to oversee the design and implementation of the new regional structure and operating model in consultation with key stakeholders from across health and social care services including patients and service users, voluntary organisations, academics and policy makers.

Significant progress was made in implementing the Sláintecare Strategy & Action Plan 2021-2023 and the new Sláintecare Public Only Consultant Contract was implemented in March 2023. The Sláintecare Framework for 2024 to 2027 will be published following government approval.

STRATEGIC CONTEXT

Ireland's population is currently estimated at 5.3m people, with a population increase of 1.9% (i.e. 97,600) in the year to April 2023. The population has risen by 666,900 persons, or 14.5%, in the 10 years since 2013. Ireland had the third highest percentage increase (14.4%) in population among the European Union 27 (EU27) countries between 2013 and 2023, after Malta (28.3%) and Luxembourg (23.0%). Overall, the EU27 population increased by 1.7%.

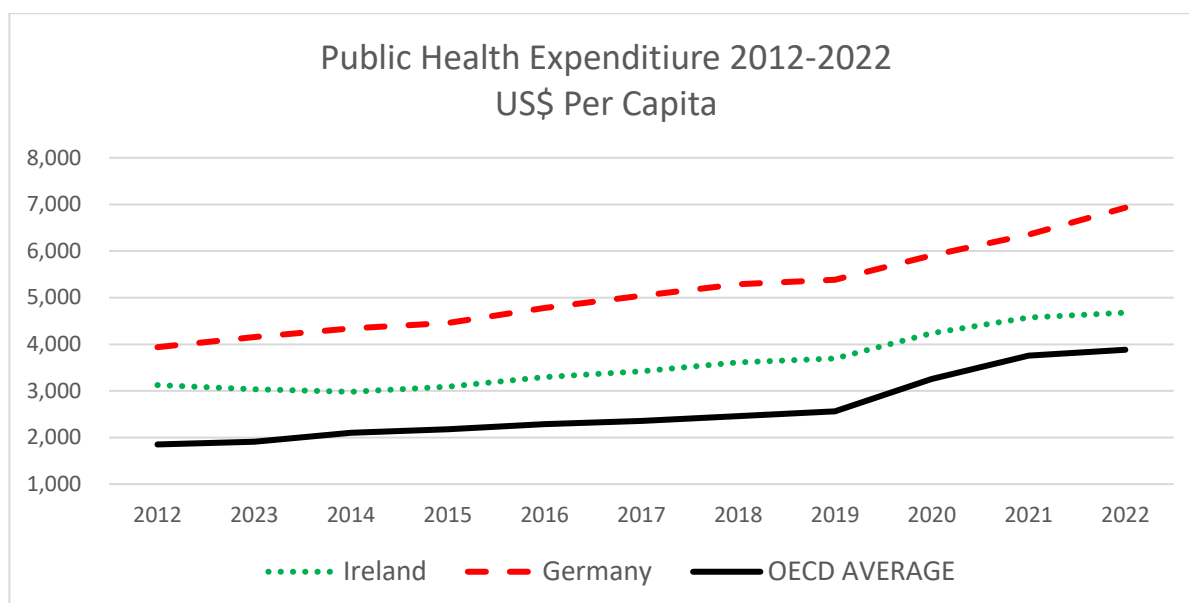
The most significant population growth continues to be among the older age groups. The proportion of the population aged 65 years or over increased from 12.3% in 2013 to 15.3% in 2023 (an increase of over 240,000 people). Ireland can be seen to have an ageing population over the last 10 years, as the proportion of people aged 45 or over increased from 35.4% in 2013 to 40.6% in 2023.

In 2021, Irish male life expectancy at birth was 80.5 years, which was 3.3 years higher than the EU27 average of 77.2 years. Female life expectancy at birth in Ireland was 84.3 years in 2021, which was 1.4 years higher than the EU27 average of 82.9 years. Healthy life expectancy is the number of years a person can expect to live in a healthy state. In 2021, females in Ireland had a healthy life expectancy at birth of 68.0 years, third highest in the EU27. This was 3.8 years higher than the EU27 average of 64.2 years. Males in Ireland had a healthy life expectancy of 66.4 years in 2021, fourth highest in the EU27.

The most significant increase in life expectancy is driven by reduced mortality rates from major diseases such as diseases of the circulatory system and some cancers. People in Ireland now live longer and healthier lives than most other Europeans although behavioural risk factors including smoking and obesity remain important public health concerns with more people continuing to live with one or more chronic illness. These population changes represent a significant challenge for our health services planning, exacerbated again this year by the impact of COVID-19 and the crises in Ukraine and Gaza. With an increasing population who are living longer, it is crucial that the health services effectively plan for future healthcare needs.

Over €23.5bn has been allocated to the Irish public health services in 2024 although as outlined in the National Service Plan the 'cost of running our existing services at current levels over the next twelve months will exceed the total funding available to the health service in 2024'.

In 2022, Ireland's public health expenditure per capita was nearly \$4,700 meaning that on average \$4,700 was spend by the Irish government on healthcare for each of its population. This is above the OECD average public health expenditure (\$3,900 per capita) but well below that of many of our comparator countries such as Germany who spent nearly \$7,000 per capita. The figure below shows public health expenditure 2012-2022 in US\$ per capita for Ireland, Germany and the OECD average:



Examining the rate of increase in public health expenditure over the past 10 years shows that Ireland's expenditure increased by 50%, a much slower rate of increase than both the OECD average (110% increase) or Germany (76% increase). In fact, in the past year alone, there was only a 3% increase in public health expenditure per capita in Ireland, while the average increase across the OECD was 6% (and 8% in Germany). This means that the level of investment in the Irish public health services in recent times is significantly lower than the investment made in most other OECD countries.

FINANCIAL OVERVIEW

Income Analysis

At the start of 2023, via the National Service Plan, the HSE received revenue funding of €21.7bn for the provision of health and social care services. By the end of 2023 the financial statements show a final revenue allocation from DoH and DCEDIY of €24.5bn. This includes €1.2bn once off funding provided by way of a supplementary estimate for 2023 and overall represented an increase of €1 billion (4.4%) over 2022.

Table 1 analyses overall HSE income for 2023 and 2022

Income Stream Revenue (shown in €'000s)	FY 2023	FY 2022	% Var
Department of Health Grant	20,750,200	22,482,176	4.40%
Department of Children, Equality, Disability, Integration and Youth Revenue Grant	2,720,918		
"First Charge"	(185,163)	(195,034)	-5.1%
Private Patient Income	333,018	370,839	-10.2%
Superannuation Income from staff	165,618	159,225	4.0%
Pension Levy	240,109	226,102	6.2%
Other Income	149,691	134,999	10.9%
Total Income per AFS	24,174,391	23,178,307	4.30%

Expenditure and Outcome Analysis

At the end of 2023, the HSE is reporting a revenue deficit of income over expenditure of €574.6m or 2.3% of its overall income. The 2023 figures include the 2022 first charge of €185m.

The overall revenue expenditure reported for 2023 is €24.7bn which is 6% higher than the expenditure in 2022.

Acute Hospitals Services

Acute hospital services include scheduled care (planned care), unscheduled care (unplanned / emergency care), diagnostic services, specialist services (specific rare conditions or highly specialised areas such as critical care and organ transplant services), cancer services, trauma services, maternity and children's services, as well as the pre-hospital emergency and intermediate care provided by NAS.

Attendances in ED in the 2022 winter months reached the highest ever recorded by the HSE and this has continued to increase in 2023. Within scheduled care, the number of patients who were seen in 2023 exceeded 2022 across all areas resulting in reduction in waiting lists. Operational costs particularly for drugs, medical and surgical supplies and laboratory, have increased in line with the increased activity, while non pay cost pressures include increased footprint and increased infection prevention measures posts Covid.

The Health (Miscellaneous Provisions) (No.2) Act 2022, removed the acute public in-patient charge of €80 per day, including day-case charges, for children under 16 years of age in all public hospitals. This measure came into effect from 21 September 2022 and was followed by the abolition of all inpatient and day cases hospital charges effective from 17 April 2023.

Older Persons' Services

Older persons' services provide a wide range of services including home support, day care, community supports in partnership with voluntary groups and intermediate care as well as long-stay residential care when remaining at home is no longer feasible (Nursing Homes Support Scheme). One third of adults aged over 75 years are living with frailty in Ireland. We must continue to provide support to enable them to remain living at home, in their communities, as independently as possible for as long as is practicable.

Mental Health Services

The range of mental health services delivered by, or on behalf of, the HSE covers specialist inpatient services, day hospitals, day services and residential services. It also includes mental health services provided within community settings and in primary care, as well as non-specialist supports and services, many of which are provided in collaboration with our funded partner organisations. The availability of skilled staff is a significant issue in Mental Health services where demand outstrips supply in both the national and international contexts and the workforce, particularly younger staff, are availing of employment opportunities outside of Ireland. This leads to a continued reliance on clinical agency and overtime which attracts a premium cost.

Primary Care Services

Primary care delivers care and supports to people across the continuum of their lives, close to home, through a community-based approach and incorporates general practice and GP out of hours' services, in addition to a wide range of diagnostic, treatment and support services including community and public health nursing, oral health, audiology, ophthalmology, child psychology and a range of therapy services.

The opening of multiple primary care centres over recent years have placed additional pressure on the primary care operational cost base. These facilities form a key part of the infrastructure required to provide primary care services to an aging demographic and underpin the overall shift to primary care ensuring better access to care, offering individuals and families a one stop shop to a broad range of primary care services in the community. Nine new primary care centres became operational in 2023, bringing the total number of primary care centres in operation to 174.

Disability Services

Disability services transferred to the DCEDIY in March 2023. DCEDIY finalised and secured Government approval for the Action Plan for Disability Services 2024-2026 in July 2023 which, along with the Roadmap for Service Improvement 2023-2026, Disability Services for Children and Young People provide a flexible future-focused template for the further development of disability services. They reflect a clear Government commitment to supporting the HSE,

providers and families in addressing the significant current deficits in services as well as future needs.

FINANCE-RELATED INITIATIVES

National Finance supports the organisation to secure and account for the maximum appropriate investment in our health services, ensuring the delivery of high-quality services and demonstrating value for money. This includes promoting strengthened financial management, best practice procurement, a robust governance and control environment and ongoing improvement in financial and procurement systems, planning, reporting, costing, and budgeting in order to drive and demonstrate value.

Key areas progressed in 2023 included:

- The single Integrated Financial Management and Procurement System went live in July 2023 to support improvements in financial reporting, including analysis and forecasting. As part of the first of five implementation groups almost 4,000 users were granted access.
- Implementation of the Activity Based Funding (ABF) 2021-2023 plan was progressed including development of an IT based Outpatient Clinic Register and the completion of a successful ED collection pilot.
- Implementation of the HSE Corporate Procurement Plan 2022-2024 progressed including implementing Green Procurement protocols.
- Following the launch of the refreshed user-friendly National Financial Regulations, a suite of webinars, training and related resources were provided. Five of the six work-streams of the three year internal controls improvement programme are now operational with the final expected to complete end of 2024.
- Implementation of National Integrated Staff Records and Payroll concluded in the southern region with the addition of the 18,500 employees. Engagement commenced with the HSE West and North East to progress its implementation and a business case is now in development to establish the delivery to all Section 38 agencies.

OUTLOOK FOR 2024

The National Service Plan (NSP) was published on 14th February 2024 outlining the health and social care services that will be provided within the 2024 allocated budget of €23.520bn. Of this €23.520bn, €2.8bn has been provided by the Department of Children, Equality, Disability, Integration and Youth in respect of specialist disability services with a balance of €20.7bn provided by the Department of Health. This is a €997.5m or 4.6%

increase on the level of recurring budget provided for these services in 2023 with a further €918.7m provided in once-off funding.

However, despite this welcome investment, the cost of running our existing services at current levels over the next twelve months will be a significant challenge in the context of the total funding available to the health service in 2024. We will seek to minimise the level of financial deficit that will arise by focusing on improving our financial controls particularly around staffing levels, maintaining current service levels while growing service levels in areas where this has been specifically funded, making savings, and improving productivity.

The total capital budget for 2024 is €1,234.3m, of which €23m is provided by DCEDIY and the balance by the DoH. This represents an increase in core funding of 11.5% over the 2023 closing position. Priority will be given to infrastructural risk, equipment and ambulance replacement and climate action programmes, after the allocation of funding to meet all contractual commitments is met.