Operating and Financial Overview 2021

INTRODUCTION

The COVID-19 pandemic continued into 2021 causing a significant ongoing impact on the HSE. The key focus was on responding to the on-going COVID-19 environment whilst also working to provide for the safe delivery of prioritised core (non-COVID-19) services. This has continued to place significant pressure on funding and expenditure during the full year of 2021.

The HSE received revenue and capital funding from the DoH in 2021 of €21.6bn reflecting the need to ensure that the HSE's COVID-19 strategy was appropriately funded whilst ensuring the delivery of ongoing health services in a continuing COVID-19 environment.

€1.6bn of this funding was provided on a once off basis to fund in particular the following key areas and initiatives which are fundamental to the HSE's COVID-19 response. These are summarised below:

- Roll out of Vaccination programme
- Testing and Tracing Initiative
- Community and Hospital Response including:
    - GP COVID-19 related services
    - Temporary Payment Assistance Scheme for private nursing homes (TAPS)
    - Commissioning of private hospital capacity
- Procurement of Personal Protective Equipment (PPE) and associated logistics costs
- Winter planning in the context of the pandemic

The HSE suffered a cyberattack on 14 May 2021 which further added to the challenges for staff across all functions of the HSE already working in the prevailing COVID-19 environment. This cyberattack has highlighted existing weaknesses within the HSE's ICT infrastructure which will require additional future funding investment for a multi-year ICT and transformation programme

STRATEGIC CONTEXT

In 2021, COVID-19 continued to challenge the overall capacity and capability of the health service. The pandemic has led to unprecedented interruption to normal healthcare activity, with both community and acute settings affected in the delivery and improvement of healthcare services, while continuing to manage within a COVID-19 environment. COVID-19 has materially and perhaps permanently changed the way that the HSE provides healthcare. In 2021, we continued to adapt and to redefine service delivery models and the clinical environment itself to ensure service continuity and the safe delivery of care.

Ireland's population is currently estimated at over 5.01m people, with an annual population increase of 34,000 in the year to April 2021. Ireland has the highest birth rate with 60,396 recorded births in the past year and the lowest death rate within Europe. The most significant population growth continues to be among the older age groups. We are the second fastest growing population in Europe.

The number of people aged 65 years and over has increased by over one-third in the past decade which is twice that of the European average. Within this age group there were 176,000 people aged 80 years and above an increase of 19% since 2016. The life expectancy of the Irish population has increased significantly since 2000 and is now the fifth highest in Europe 84.7 years for women and 80.8 years for men. 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. As people in Ireland live longer they continue to live with one or more chronic illness including dementia. These population changes represent a significant challenge for our health services planning, exacerbated again this year by the impact of COVID-19 and the Cyber-attack. With an increasing population who are living longer, it is crucial that the health services effectively plan for future healthcare needs.

Lifestyle factors also continue to contribute to the complexity of health provision in Ireland. This includes the impact of smoking, drug use, alcohol consumption and obesity. The number of adults smoking in Ireland has decreased significantly however, Irish adults' alcohol consumption is greater than the OECD average and obesity rates have continued to rise presenting additional complexity in the provision of health services.

Over the last two years, we had to adapt our entire health system to serve the needs of patients falling ill; many seriously ill, from COVID-19, and we had to find a way to safeguard core services, for people in need of both emergency and urgent planned care. Not only have existing services been significantly impacted, but new services have had to be rapidly developed and deployed. During the course of the last year, we also had to staff, equip, and maintain supplies of vaccination on a mass scale, and continue a major testing and tracing operation.

The cyberattack on 14 May 2021, had a hugely detrimental effect on our healthcare system, on the delivery and access to timely healthcare services in 2021, which was already dealing with the unprecedented impact of the pandemic. This criminal act resulted in widespread disruption across all services and this continued for a number of weeks. As we move from pandemic management towards living with COVID-19 as one of many endemic diseases, it will be essential that we continue with a measured and proportionate response.

FINANCIAL OVERVIEW

Income Analysis

The HSE received revenue funding from the DoH of €20.6bn for the provision of health and social care services. Overall this represented an increase of €1.2 billion (6%) over 2020.

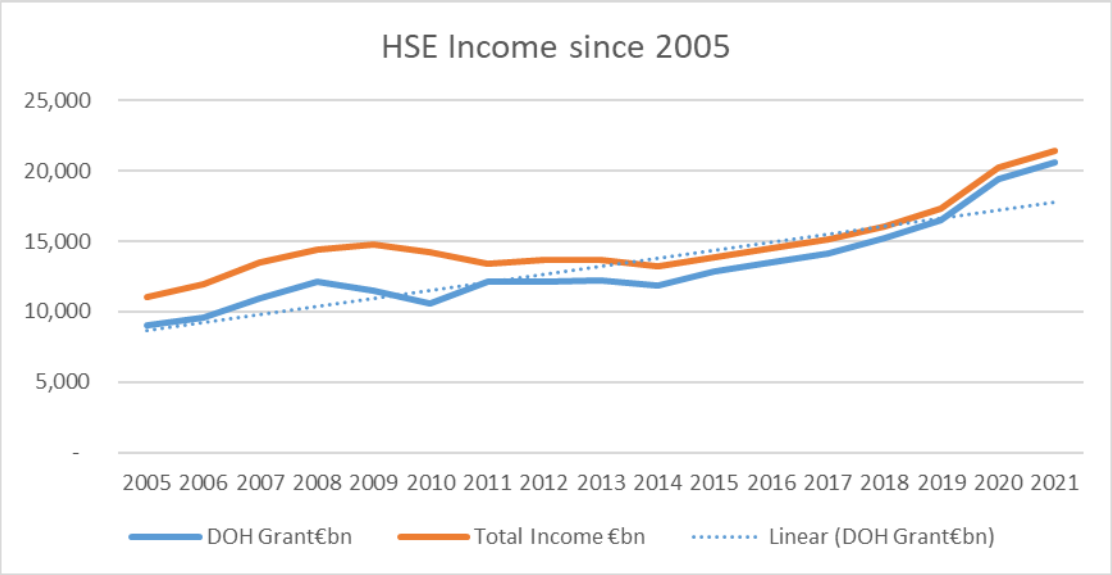
This funding included the allocation of once off funding of €1.6bn provided to cover 2021 COVID-19 costs. An additional €592m of time-related savings arising from reduced activity levels in core services and delayed planned developments was also available as part of overall funding.

Table 1 analyses overall HSE income for 2021 and 2020

Income Stream (Revenue) (shown in €'000s)	FY2021	FY2020	% Var
Department of Health Grant	20,617,795	19,451,541	6.0%
"First Charge"	-	6,472	-100.0%
Private Patient Income	342,780	328,549	4.3%
Superannuation Income from staff	156,180	159,838	-2.3%
Pension Levy	200,289	191,903	4.4%
Other Income	130,435	126,437	3.2%
Total Income per AFS	**21,447,479**	**20,264,740**	**5.8%**

Figure 1 HSE income since 2005

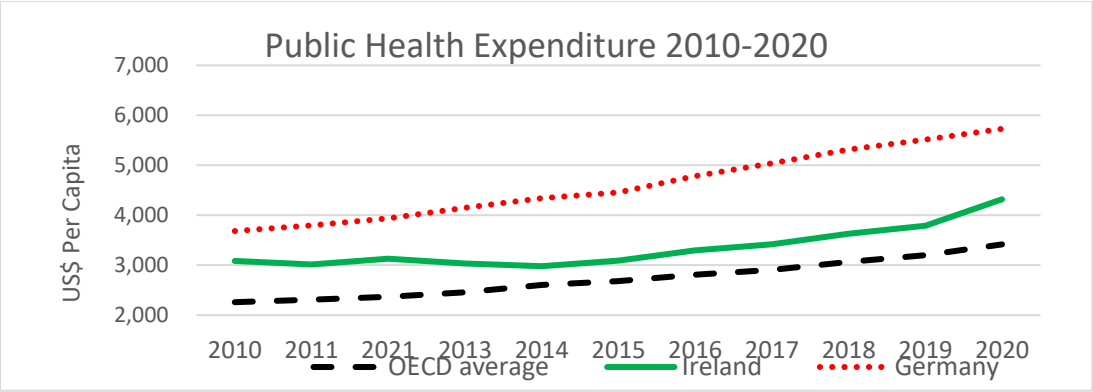
Figure 1 details the increase in HSE income and funding since 2005. There has been a significant increase in income since 2019 reflecting the additional funding required to respond to the COVID-19 pandemic.



Irish public health expenditure (capital and revenue) has been on the increase from a low of €13.4bn in 2013 to over €21bn in 2022.

However, the amount of money available for the health and social services of each person in Ireland has increased at a much slower rate over this period than for the average person in the OECD. In fact, between 2010 and 2020, the per capita public health expenditure for the average OECD citizen rose by 51% compared to a 40% increase in Ireland. Hidden in this trend is the worrying fact that half of Ireland's increase only came in the last 2 years masking the below average increases and their cumulative effects for 8 of the years. In comparison, Germany which started the period at a public health per capita expenditure 19% higher than Ireland's, experienced a 56% increase in funding and is now funding public health at a rate of 33% more than in Ireland. This is demonstrated in Figure 2 below:

Figure 2 % Change in Public Health Expenditure, per Capita, 2010 -2020



Expenditure and Outcome Analysis

At the end of 2021, the HSE is reporting a revenue deficit of income over expenditure of €195m or 1% of its overall income, with a significant element of this being driven by the direct impacts of COVID-19 surges. The cost of responding to COVID-19 of €2.4bn are significantly higher than the specific COVID-19 funding provided of €1.6bn. The COVID-19 costs of €2.4bn include the following three specific COVID-19 expenditure items: Testing & Tracing Programme costs of €680m, Vaccinations costs of €530m and PPE costs of €352m, in addition to other pay and non-pay costs incurred across the acute and community services which were categorised as directly attributable to COVID-19 expenditure.

In summary terms, COVID-19 costs are €787m higher than the specific COVID-19 funding provided to the HSE with some of this offset by €592m in net once-off savings in core areas, leading to a €195m adverse variance. Most of the savings relate to activity levels being lower as a result of COVID-19 and delays in our capacity to progress with developments, including

recruitment of additional staff to permanently strengthen the health service. These delays were largely caused by our need to prioritise the overall effective response to the pandemic.

The overall revenue expenditure reported for 2021 is €21.6bn which is 8% higher than the expenditure in 2020. The table below analyses this expenditure by HSE service area. Acute Hospitals and National Ambulance Services represent 38% of overall expenditure, with 46% of expenditure in Community Services[1].

The overall increased expenditure in 2021 of 8% or €1.6bn is mainly in respect of additional measures put in place in 2021 for the health services response to the COVID-19 pandemic.

Table 4 HSE Expenditure per Service Area 2021 and 2020

HSE Division (€000's)	FY2021	FY2020
Acute Hospitals	8,206,397	7,749,615
Primary Care	4,974,705	4,581,477
Disability Services and Older Persons' Services	3,951,737	3,695,946
Corporate Support Services *	2,856,134	2,691,501
Mental Health	1,070,648	1,038,601
Health and Wellbeing	582,892	263,266
Total Expenditure	**21,642,513**	**20,020,406**
* Including Other Demand Led Costs		

A more detailed analysis per service area is provided later in this report.

Acute Hospitals Services

Acute hospital services aim to improve the health of the population by providing health services ranging from self-management support, brief intervention and early diagnosis to specialist tertiary services. Acute hospital services are provided for adults and children within six Hospital Groups, Children's Health Ireland and the National Ambulance Service (NAS). These 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. These services are provided in response to population need and are consistent with wider health policies and objectives, including those of Sláintecare. Hospitals continually work to improve access to healthcare, whilst ensuring

[1] Primary Care, Disability Services and Older Person's service, Mental Health

quality and patient safety initiatives are prioritised within allocated budgets, including the management of COVID-19 and other infections.

The interruption to normal healthcare activity as a result of the pandemic resulted in significantly reduced activity levels in the acute system in 2021. Scheduled care services have been particularly impacted by COVID-19 and the cyberattack resulting in longer waiting times and larger waiting lists. However, significant developments in critical care capacity in 2021, included 66 critical care beds that were planned and funded, bringing the total to 321 beds across the service, as well as resources for rapid response teams, nurse educator roles and enhancement of critical care retrieval services.

During 2021, Service Level Agreements (SLA's) were signed with 18 private hospitals. These SLA's were activated by 'surge events' and also the cyberattack, ensuring the continued provision of unscheduled, urgent and time critical care to core activity patients.

Community Healthcare

Community healthcare spans primary care services, social inclusion services, older persons' and palliative care services, disability services and mental health services and is provided to children and adults, including those who are experiencing marginalisation and health inequalities. Services are provided by GPs, public health nurses and HSCPs through primary care teams and CHNs. Community healthcare services are currently delivered through nine CHOs and are provided through a mix of HSE direct provision as well as through voluntary section 38 and 39 service providers, GPs and private providers. These services are delivered to people in local communities as close as possible to their homes.

Older Persons Services

Older person's 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). These services are delivered directly by the HSE or through service arrangements with voluntary, not-for-profit and private providers. This ensures that appropriate care pathways are in place so services can be delivered at adequate levels, in an integrated manner to meet the needs of older people. In responding to COVID-19, services like transitional care, emergency residential respite services, home support and home respite and carer support continued but were reduced due to capacity constraints. Despite reduced activity over 20.5 million home support hours were delivered in 2021. Also, adaptations to service delivery continued into 2021 such as increasing Meals on Wheels, phone line support and outreach through social distancing compliant visitations.

Disability Services

Disability services are delivered through HSE services, section 38 / section 39 and for-profit providers. Disability services are provided to those with physical, sensory, intellectual disability and autism in residential, home support and personal assistance services, clinical / allied therapies, neuro-rehabilitation services, respite, day and rehabilitative training. The cost in Disability Services is primarily driven by the clients need and the complexity of each individual case presenting. In responding to COVID-19, the HSE and its partner service providers put in place a range of measures, which included the prioritisation of vital residential (including new emergency residential placements) and Home Support/PA services and tele-/online supports for service users and families whilst curtailing or closing certain services such as day services, respite services, and certain clinical supports.

Mental Health Services

Specialist mental health services are provided in local community areas. These services include acute inpatient services, day hospitals, outpatient clinics, community-based mental health teams (CAMHS, general adult and psychiatry of later life services), mental health of intellectual disability, community residential and continuing care residential services. Sub-specialties include rehabilitation and recovery, eating disorders, liaison psychiatry and perinatal mental health. A National Forensic Mental Health Service is also provided, including inpatient and in-reach prison services with a new modern and fit for purpose facility, increasing capacity to 130 beds. As a result of COVID-19 some community mental health services were reduced. The reduction in services was in line with public health advice on the provision of safe services. There was extensive use of remote consultation tools such as Attend Anywhere to ensure continuity of services for mental health patients.

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 dental, audiology, ophthalmology, child psychology and therapy services.

Primary care centres support the strategic shift of care and services 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. The opening of multiple primary cares 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. These centres proved to be an integral part of the health services response to the pandemic, including their utilisation as COVID-19 assessment hubs, swabbing sites and as vaccination centres. Nine new primary care centres became operational in 2021, bringing the total number of primary care centres in operation to 147. While clinic-based therapies were suspended at the outset of the

pandemic, innovative approaches (such as Attend Anywhere) were established to provide therapies virtually, where possible.

Health and Wellbeing Services & Public Health

Health & wellbeing services support our whole population to stay healthy and well by focusing on prevention, protection, health promotion and improvement, reducing health inequalities, and protecting people from threats to their health and wellbeing. The services within health and wellbeing support people and communities to protect and improve their health and wellbeing; turning research, evidence and knowledge into action; acting as the authority on health, wellbeing and policy development; building an intelligent health system and a healthier population.

Our public health teams played a major role in responding to the COVID-19 pandemic. Public health teams worked closely with the wider health system to mitigate and limit the spread of the virus using evidence-based strategies, guidance, disease surveillance and health intelligence developed nationally. Public health also supported end-to-end COVID-19 testing, contact tracing, outbreak management, surveillance and reporting delivered in a manner to specifically protect the health of our population from the threat of repeat waves of the virus. This was undertaken in partnership with the HSE's testing and tracing programme.

Testing and Tracing

As part of the HSE response to controlling and suppressing the transmission of the disease, a sustainable and flexible National Testing and Tracing Operating Model for COVID-19 was developed. The Testing and Tracing function is responsible for providing end-to-end COVID-19 testing and contact tracing and the core components of the service include referrals for testing, swabbing, laboratory testing, result communication and contact tracing (including surveillance and outbreak management). The Testing and Tracing function is also supported by acute & community services, including testing centres and hospital laboratory testing, GP consultations in PCRS and swabbing centres in the Primary Care CHOs. Accurate and large-scale testing, coupled with a robust contact tracing system, has played a central role in the management of the COVID-19 pandemic. Over the past 18 months, testing and tracing capacity has been significantly increased. The continued leveraging of technology, such as online portals, will allow testing and tracing to continue to efficiently co-ordinate testing operations as needed in 2022.

COVID-19 Vaccination Programme

A key component of Ireland's national response to the COVID-19 pandemic has been the roll-out of a national vaccination programme, with key involvement from the National Immunisation Office and Health Protection Surveillance Centre. The COVID-19 Vaccination Programme is responsible for the end-to-end management and distribution of the COVID-19

vaccines and the core components of the service include establishment of vaccination locations, development of a new ICT infrastructure, development of effective partnership arrangements with GPs and pharmacists and the expansion of our trained vaccinator workforce. The vaccinations programme is delivered through a network of community vaccination centres, GP practices and pharmacies providing the vaccines directly to patients on an age profile basis as determined by NIAC (National Immunisation Advisory Committee) and NPHET (National Public Health Emergency Team). By the end of October 2021, more than 90% of the eligible population had been fully vaccinated, with significant impacts in terms of reduced incidence of the disease, hospitalisations, and mortality. In addition, the success of the Vaccination Programme is a cornerstone in supporting the reopening of society and easing of restrictions. The programme is working to ensure flexibility and preparedness for future COVID-19 vaccination programmes to adapt to NIAC recommendations (perhaps annually if needed) as well as general pandemic responsiveness.

Primary Care Reimbursement Scheme

The Primary Care Reimbursement Service (PCRS) supports the delivery of a wide range of primary care services to the general public through primary care contractors like general practitioners (GPs), dentists, opticians or pharmacists for the free or reduced cost services they provide to the public across a range of community health schemes or arrangements. These schemes or arrangements form the infrastructure through which the Irish health system funds a significant proportion of primary care to the public. The schemes are operated by PCRS on the basis of legislation and/or government policy and direction provided by the DoH. PCRS manages the National Medical Card Unit which processes all medical card and GP visit card applications at a national level. It also processes drugs payment scheme (DPS) and long-term illness (LTI) applications. In response to the COVID-19 pandemic, significant COVID-19 related costs have occurred in PCRS, including costs in respect of the GP support package (primarily for respiratory clinics, COVID-19 telephone consultations, Non COVID-19 remote telephone consultation, increased out of hours), card eligibility extension costs and delivering vaccinations through GPs and community pharmacists.

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 2021 included:

- Completing the detailed design of the integrated financial management system (IFMS) to support improved financial reporting, including analysis and forecasting, in preparation for build, test and deployment activity commencing in 2022
- Developing and implementing a three-year Controls Improvement Plan and an Activity Based Funding Implementation Plan
- Responded to the challenges of the cyberattack in maintaining service levels across payroll, payment services (AP), income services and inventory / logistics
- Delivered the future operating model design, and progressed the resource model and payroll strategy for financial shared services
- Progressing the delivery of a Corporate Procurement Plan and improvements to self-assessment of procurement compliance.
- On-going implementation of the single National Integrated Staff Records and Pay Programme (NiSRP) with a successful implementation in the South East and implementation continuing in the South.

OUTLOOK FOR 2022

While COVID-19 remains a major challenge for our staff, patients, service users and vulnerable groups we will continue to work across the organisation to maximise the delivery of high-quality health and social care services as we transition from a pandemic to an endemic scenario. Simultaneously, we will continue to deliver reforms and improvements to support the permanent strengthening of the health services, based on the recommendations of the Sláintecare report.

In 2022, we will be taking forward a range of programmes and initiatives central to Sláintecare. We will focus on addressing waiting lists and waiting list times in both the acute services and in the community, women's health and driving improvements in mental health and disability services, reduce our dependence on the current hospital-centric model of care, and focus on reforms of home support and residential care in older persons' services. The Sláintecare Report 2017 also included a commitment to HSE regionalisation. During 2022, working with the DoH, the HSE will work to design and develop the specification of RHAs, including completion of a comprehensive implementation plan, clarity on corporate and clinical governance, and commencement of the transition phase to the new arrangements.

The National Service Plan (NSP) was published on 01 March 2022 outlining the health and social care services that will be provided within the 2022 allocated budget of €20.683bn, which focuses on the delivery and improvement of healthcare services while continuing to manage within a COVID-19 environment. This represents an increase of core funding of €1.037bn and once off COVID-19 funding of €697m. A total of €1.4bn of core new measures funding has been included in the 2022 budget, of which €1.1bn was made available in 2021

and an additional €0.3bn in 2022, which will provide increased capacity in the health system and will support the delivery of Sláintecare.

The total capital budget for 2022 is €1.045bn, which includes core funding of €130m and once off COVID-19 funding of €50m. The focus in the coming year is not just on new builds but on upgrading existing infrastructure to bring our estate up to modern standards. From an ICT perspective we will significantly enhance our e-Health capability, consolidating the digital enhancements we have made during the pandemic to support GPs to communicate more effectively with hospitals and the community in relation to patient care. Robust cyber security is also a top priority, and we will significantly upgrade our foundational infrastructure and cyber technology to safeguard our systems to the greatest extent possible against future attacks.

Events such as COVID-19 and the cyberattack on health service systems have demonstrated that there is a range of threats to the delivery of healthcare which can emerge without warning and can have a devastating impact on the delivery of care. The ongoing pandemic will continue to bring uncertainly and complexity to the planning and delivery of services in 2022. Consequentially this will also bring additional complexity to financial planning and financial management for 2022. The National Service Plan[2] notes that "It follows that it is not practical to provide the usual level of assurance around the extent and affordability of likely 2022 activity, particularly in respect of acute hospital services, albeit every practical effort will be made to manage and mitigate the various financial issues and risks.

Notwithstanding, the HSE is fully aware of, and committed to, its obligation to managing its resources to protect and promote the health and well-being of people in Ireland.

[2] National Service Plan 2022, Section 6, Financial Management Framework 2022