Donnelly: HSE productivity not matching funding increases

DANIEL MURRAY

Major funding increases to a number of hospitals in recent years have not been matched by an increase in output, Stephen Donnelly has warned the HSE.

The minister for health said that new productivity data reveals that at some hospitals average output has decreased following increased funding.

It comes as Donnelly is preparing to publish a new action plan on productivity in the Irish health system this week.

Writing to Ciaran Devane, chairman of the HSE board, last November, Donnelly said that he had launched an initiative a project to obtain detailed productivity data.

"I initiated this project as it is vital that we ensure we are seeing the maximum benefit, in respect of increased patient activity, in line with the substantial increase in investment, health infrastructure and workforce," Donnelly said.

He said that the preliminary data showed "a fall in the average number of patients seen per whole-time equivalent consultant (in scheduled care)."

Donnelly said that while some of this could be explained by increased presentations to emergency departments, "the scale of the gap between increases in workforce and increases in patient activity suggests that there is an opportunity to increase the number of patients receiving care within the current level of resources."

Highlight the case of one hospital, which he did not identify, he said that there had been a 17 per cent increase in beds, nearly 50 per cent more consultants and 61 per cent more funding, but the data showed overall activity had increased by less than 7 per cent and outpatient activity had actually fallen.

He said that despite the increase, outpatient appointments per consultant fell from 1,353 in 2016 to 894 in 2022.

Donnelly said that wider analysis suggested this hospital we "not unique".

He called on the HSE board to be briefed on productivity data and ensure that it "plays an active role in fostering a performance culture across the HSE where improved productivity is actively managed and enabled."

There has long been a concern within the department that increases in HSE funding were not improving performance. Donnelly's letter said that better financial controls in the HSE would require "maximising the productivity of the staffing complement already recruited across the key priority areas." He also said that clarity is needed on "how the impacts of substantial investments will be measured and reported".

Responding to queries from the *Business Post*, Bernard Gloster, chief executive of the HSE, said that across 2023 and this year they had seen improvements in the numbers of patients seen and waiting times, and that the new productivity task force set up by the department would guide further efficiency over the coming years. "Those results are the combined effect of investment and productivity, the latter meaning we are demonstrating continued better use of what we have for the increasing numbers who need services," Gloster said.

Donnelly established a productivity taskforce in January to "realise savings and maximise productivity across the health services".

The taskforce is made up of senior officials from the Department of Health, the HSE and the broader health services, and is co-chaired by Bernard Gloster, the chief executive of the HSE, and Robert Watt, the secretary general of the Department of Health.

That taskforce has now delivered its action plan to Donnelly, which the minister is due to publish this week. It will increase requirements for hospitals to explain productivity levels and demonstrate the impact of investments.

Gloster is also working with health unions to try move the acute hospital system to a full seven-day week, which would further improve productivity. New public only consultant contracts will require weekend work, while other health staff are to be moved over time to a system that is at much higher activity over weekends.

€2.9bn

Increase in hospital funding between 2016 and 2022

50k

Number of healthcare staff added to public service in last 10 years

100%

Increase in University Hospital Limerick budget between 2016 and 2022

DONNELLY'S DILEMMA: Record hospital spending, yet 'war-zone' conditions

Patient treatment in decline even with more money than ever before

Daniel Murray
Policy Editor

Responding to questions in the Dáil last week about University Hospital Limerick (UHL) in the wake of the the tragic death of Aoife Johnston, Simon Harris fully accepted that the situation at the hospital was "very serious".

However, the Taoiseach quickly began to ask his own "legitimate questions" about the substantial level of government investment at UHL and whether it was resulting in improved performance.

Harris listed a 42 per cent increase in staffing since 2019, the largest budget increase of any hospital in the country, and the fact that UHL was now operating with the highest number of emergency consultants in the country.

However, he alluded to data which showed there had not been a corresponding level of increased activity at UHL, which would be expected from such investments.

"The impression is sometimes given that resources are not going into a hospital," Harris said

"It is not a question of a lack of budget or a lack of willingness to do more. There is also a need to ask why we are not seeing improvements for patients when we are putting so much additional investment into a hospital."

Harris was drawing on data contained in a new report on productivity published by the Department of Health. That report contained stark findings on the "divergence" between record public investments and meagre increases in activity, and in some cases actual decreases.

Robert Watt, the secretary general at the Department of Health, and Bernard Gloster, the chief executive of the HSE, have both identified this disparity between funding and hospital output as a "major concern".

The question of what we are getting in return for record investment in the health service is now set to move centre stage, as Stephen Donnelly, the Minister for Health, is tasking the HSE with not only getting the ballooning health budget under control, but proving that the money invested is having an commensurate impact.

In fact, a major change to health budgeting next year is to tie new development funding to high productivity levels.

The new data published by Donnelly shows that taxpayers are not getting the proper outcomes from hospital spending. At a time of repeated health budget overruns, that situation will become increasingly intolerable to the government.

Worrying data

Over the past decade, Ireland's health budget has grown from €13.7 billion in 2014 to €22.8 billion in 2024. Over 50,000 healthcare staff have been added to the public service, with improvements in healthcare infrastructure including the rollout of 174 primary care centres and over 1,000 new beds in the hospital system.

These investments have undoubtedly resulted in real changes for patients, from improved access to care, to expanded eligibility, to slowly reducing waiting lists and improved outcomes across a range of diseases.

But while improvements in the health system are undeniable, the question the government is now asking is whether those improvements are keeping pace with the scale of investment.

Last year, Donnelly asked his officials to gather some preliminary data on productivity in hospitals. Parsing that data, he noted a substantial divergence between the record investments being made and the incremental change in output at certain hospitals.

This worrying data coupled with ongoing rows with Paschal Donohoe over the seemingly untameable health budget led Donnelly to establish a Productivity and Savings Taskforce earlier this year, and to commission a thorough study.

That report from the Irish Government Economic and Evaluation Service landed just over a week ago, and its conclusions are alarming.

Between 2016 and 2022, it found a "large divergence" at all hospitals between increases in spending and staffing relative to the growth in activity across a range of areas, from outpatient appointments, to inpatient discharges, to day case discharges.

"In most cases, the divergence is significant, with the percentage growth in composite activity between 2016 and 2022 either negative, or two times behind workforce growth, and up to three times behind real expenditure growth over the same period," the report warned.

In other words, activity in hospitals is not increasing in line with investment, and in some cases has been going backwards.

This "productivity puzzle" is not unique to Ireland, the authors noted, with a similar report on Britain's NHS also demonstrating mismatches between investment and activity.

The hospital level data showed a level of divergence between investment and activity that was startling.

UHL's budget was shown to have increased by more than 100 per cent between 2016 and 2022, with staff increases of approximately 60 per cent. But "composite" activity at the hospital increased by just over 15 per cent. Within that, outpatient activity actually fell by 6 per cent, while inpatient discharges only increased by 18 per cent.

Our Lady's Hospital in Navan got a 74 per cent increase in its budget, but recorded a near 30 per cent fall in overall activity. In fact, at six hospitals activity fell despite large investments, and all hospitals saw investment outstrip activity by a significant margin.

On outpatients data, which is a good measure of non-complex hospital activity, 17 hospitals saw the volume of outpatients appointments fall, with UHL seeing the largest fall of 11,000 appointments since 2016.

The authors were keen to point out that the relevant period included Covid-19 and the HSE's cyberattack, both of which had an impact on productivity. But even these events don't explain the scale of divergence between investment and outputs.

HSE boss Gloster said that data for 2023 and the first quarter of 2024 showed increasing activity levels across hospitals, and improving productivity.

"Those results are the combined effect of investment and productivity, the latter meaning we are demonstrating continued better use of what we have for the increasing numbers who need services."

A spokesman for UHL said that it was "grateful for the additional staffing and resources" and that most of the additional resource was accounted for by "demographic and inflationary pressures".

"The HSE and Department of Health are working together through the Productivity and Savings Taskforce . . . to ensure we can deliver more and better healthcare within the resources we have," he said.

But as evidenced by the scale of the productivity gap in the new government report, there is a long way to go.

Stephen Donnelly, the minister for health, and Bernard Gloster, chief executive of the HSE

The money

The question of course is where the money is going, if it is not resulting in a corresponding increase in activity.

Total hospital funding has increased from €4.4 billion in 2016 to €7.3 billion in 2022. More than 70 per cent of that funding goes towards pay, and pay-related spending has increased by 53 per cent since 2016. However, the workforce itself has increased by just 28 per cent, suggesting the growth in pay is far outstripping the growth in the workforce.

This is down to a combination of public sector pay increases, changes to public service working hours, and substantial increases in overtime, night-time, on-call and weekend shifts.

While non-pay expenditure makes up less than 30 per cent of hospital spending, there has still been a 55 per cent increase in this type of spending, notably in medicines, labs and medical equipment.

All of this suggests the primary source of cost inflation is on the pay side of the house, with the inefficient use of people standing out as the reason for weak productivity.

To fix this, Donnelly is planning a radical overhaul of not only how hospitals gather productivity and activity data, but how budgets will be tied to that data from next year.

The minister's new taskforce presented its action plan last week, which detailed not only how savings of €424 million would be made in 2024, but how productivity would be monitored and improved.

By this summer, most hospitals will have their productivity data published on a monthly basis, along with established national baselines to track progress. This can only be achieved because hospitals were forced to sign up to a new health performance visibility platform (HPVP) earlier this year, software that helps measure and report activity. Several hospitals resisted implementing the new digital platform on the basis of data protection, but Donnelly threatened to withhold funding.

The implementation of a new financial management system by the HSE will also deliver a more granular level of reporting to the government.

With that data now readily available, Donnelly will also require hospitals which make new funding requests to show that they are making proper use of existing resources, such as theatres and surgeons.

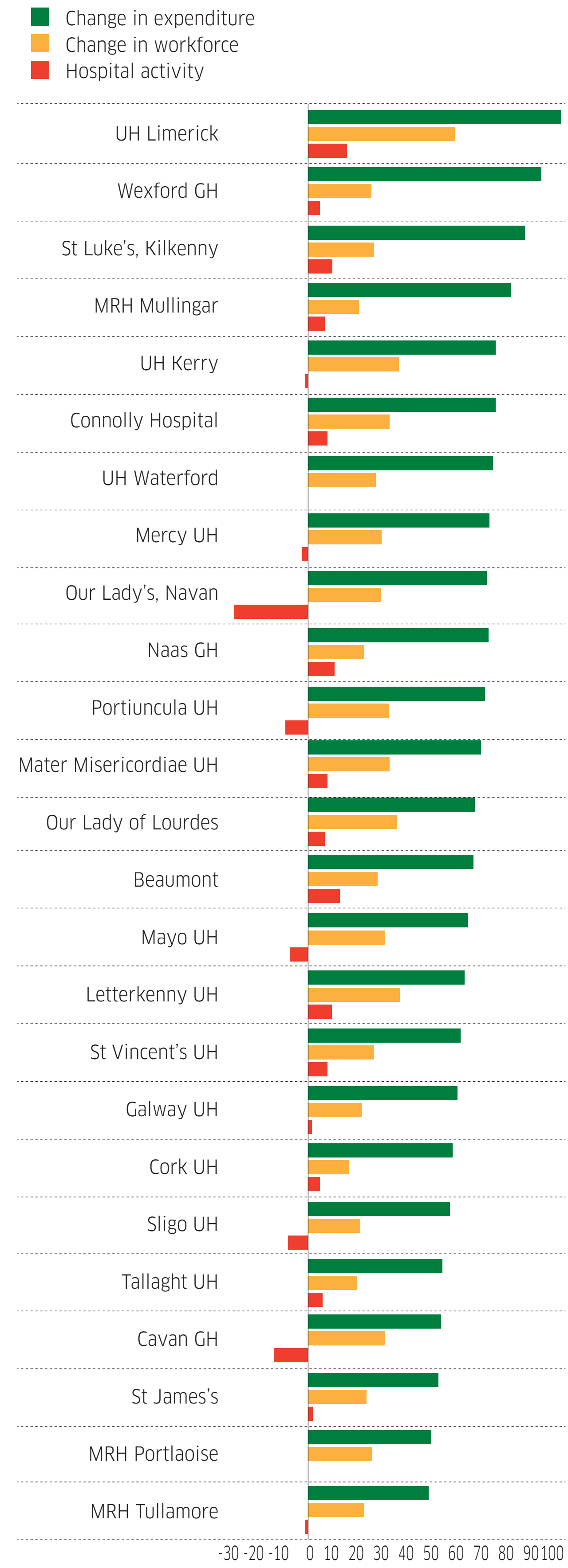
This new system for funding the health service will be a radical departure, and when integrated with the new regional health areas, which are to be implemented over the next year, will result in substantial changes. Soon, the amount of money invested in hospitals will be decided on by the productivity from the existing resources.

Finally, Donnelly is planning new legislation which will require the HSE board and chief executive to ensure the "highest standards of prudent and effective financial and budgetary management".

The legislation will also require them to propose corrective action immediately should planned expenditure levels in the health service be exceeded.

What's clear is that hospitals are now going to start being held accountable for their productivity levels, in the hope that taxpayers' money will be better accounted for, and more efficiently spent as a result.

Percentage change in expenditure relative to hospital activity and workforce 2016-2022



Source: Irish Government Economic and Evaluation Service

No new funds for hospitals that fail to meet targets under Donnelly plan

Dramatic health funding overhaul will kick in after government effort to improve productivity

DANIEL MURRAY

Underperforming hospitals will have funding for new projects and additional staff withheld under radical new plans drawn up by Stephen Donnelly, the *Business Post* has learned.

The health minister will not fund new developments or posts in hospitals that do not meet new productivity targets, with money instead being directed to sites that can prove they are productive and efficient with the resources they have, it's understood.

Donnelly has explicitly told his senior officials that he will not allocate new funding to sites that do not meet targets set by a savings and productivity taskforce he established, starting in the upcoming budget in October.

The taskforce is co-chaired by Robert Watt, the secretary general in Donnelly's department, and Bernard Gloster, the chief executive at the HSE.

The move from the Minister for Health represents a dramatic change to health budgeting from next year, as new funding for developments or staff posts will be prioritised for hospitals that can demonstrate their productivity as part of hospital level output data that will begin to be published from next month.

It is understood Donnelly has also advised officials that he wants next year's budget funding linked to common sense productivity initiatives at hospitals such as adoption of text message reminders for outpatient appointments and the extent to which centralised referrals and patient-initiated reviews have been adopted.

The numbers

100%

Increase in funding at Limerick University Hospital between 2016 and 2022

15%

Increase in activity measure at the hospital in the same period

The move comes as concerns grow in government regarding the disparity between record investment in hospitals in recent years and productivity gains.

It follows the publication of a new report published by Donnelly last month which contained stark findings on the "divergence" at all hospitals between increases in spending and staffing relative to the growth in activity across a range of areas, from outpatient appointments, to inpatient discharges, to day case discharges.

In most cases, the divergence was significant, with the percentage growth in composite activity between 2016 and 2022 either negative, or two times behind workforce growth, and up to three times behind real expenditure growth over the same period.

Some hospital level data was even more concerning, with University Hospital Limerick's budget having increased by more than 100 per cent between 2016 and 2022 and staff increases of about 60 per cent.

Over the same time, productivity did not increase by a similar degree, however, with a "composite" activity measure at the hospital increasing by just over 15 per cent.

Within that, outpatient activity actually fell by 6 per cent, while inpatient discharges only increased by 18 per cent.

Donnelly has also been examining data by individual hospital and specialty, as well as theatre use, where he has identified serious disparities between hospital sites and teams.

Donnelly has now requested that comprehensive data on productivity from across the health service and individual hospital sites be delivered from next month.

This will then be used to determine where productivity improvements are being made over the coming months, which will become the basis of new development funding for hospital sites.

Government sources have indicated that the focus on hospital productivity has delivered results.

Day cases have increased by 7 per cent and inpatient volumes by 10 per cent to date this year, despite an 11 per cent increase in emergency department presentations.

The "productivity puzzle" in the health system, where investment is not matching output, is not unique to Ireland, with a similar report on Britain's NHS also demonstrating mismatches between investment and activity there.

Mairead McGuinness: certain types of insurance, such as commercial and home policies, may become unaffordable or withdrawn due to climate change Getty

McGuinness: Firms face higher premiums due to climate change

DANIEL MURRAY

Businesses risk being left without insurance cover or having to pay higher premiums as a result of climate change, Mairead McGuinness has warned.

Ireland's European Commissioner for Financial Services said that while there wasn't yet a widespread problem with insurers hiking costs or withdrawing cover, it could become a significant issue if policymakers failed to prepare for the threat climate change posed to the insurance sector.

McGuinness was speaking at the Global Economic Summit where she said certain types of insurance, such as commercial and home policies, might become unaffordable or withdrawn due to climate change.

She warned that the "insurance protection gap" would grow as climate trends worsen, and that insurance premiums could rise as a result.

"More critically, insurers and reinsurers could retreat from covering risks related to extreme weather patterns. In the US, several large property insurers have told regulators that they are no longer providing coverage against extreme weather or wildfires in certain regions, because of climate change," she said.

McGuinness also said that a small increase in insurance levels could "significantly reduce the cost of climate-related disasters for the public and private purse".

Speaking to the *Business Post* at the event, McGuinness said proposals to fix the insurance gap for climate change-related disasters would be published by the European Commission shortly.

"The issues I mentioned during my speech – insurers raising premiums or even withdrawing coverage – don't yet appear to be widespread in the EU, but could become a problem if we don't prepare. We also see that only about 30 per cent of economic losses due to climate events in the EU are covered by insurance."

McGuinness said that other member states had partnered with the insurance industry to establish national schemes to increase insurance cover in their markets, or even "mandated" compulsory insurance for climate risks.

> **In the US, several large property insurers have told regulators that they are no longer providing coverage against extreme weather or wildfires in certain regions**

She said different approaches could be taken at national level, reflecting the "multifaceted" nature of the problem.

The *Business Post* previously reported that the Irish government is examining a public-private partnership with insurers to ensure homes and businesses in areas affected by flooding can get cover. Flooding in Ireland is set to get worse as global warming increases.

The avenues being explored by the Irish government include a state partnership with insurance companies similar to a British scheme, an increase in cover by private insurance companies for areas where there are temporary flood defences in place, and possible state insurance schemes.

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€40m biogas scheme for developers to be launched

LORCAN ALLEN

Energy developers are in line for €40 million in grants as part of a landmark biogas strategy due to go to cabinet this week.

The scheme will allocate direct grants to developers with planning permission to build plants which takes organic waste, such as grass or food, and process it into biomethane – a renewable gas.

Depending on demand, the initial funding may be increased to €60 million in this year's budget, which would be enough to subsidise the development of 10 to 15 plants.

The government has set a target to have around 200 biogas plants in operation by 2030 producing 5.7 terawatt hours (TWh) of biomethane, equivalent to 10 per cent of Ireland's gas demand.

As previously reported by the *Business Post*, the government has opted not to introduce direct subsidies to prop up the price of biogas.

The government will also create a definite market for biomethane by putting regulatory obligations on energy intensive industry to buy renewable gas. Businesses with high intensity heat processing systems and heavy industry have been calling for the establishment of a biomethane sector to help decarbonise their business models, which currently rely on natural gas.

PJ McCarthy, chief executive of the Renewable Gas Forum Ireland (RGFI), which represents industrial gas users, developers, farmers and other groups, said the biomethane strategy set to be published by government was a "positive start" as the industry sought to grow over the coming decade.

> **Biomethane provides a real opportunity for the government to support decarbonisation**

"If there is a budget of €60 million for capital grants it should see somewhere between 10 to 15 plants developed over the coming years. And that would be a great start to the industry here," McCarthy said.

He added that a significant ramp up in government support would be needed to meet its 2030 targets.

"Biomethane provides a real opportunity for the government to support decarbonisation across a number of sectors, including agriculture and heavy manufacturing. And it needs to be done at scale to deliver tangible results. But this initial policy is a positive start. It will give developers confidence as we now have a clear direction of what's needed."

RGFI has previously called for a feed-in tariff, or direct subsidies, to be implemented by government to reduce the end-use cost of biomethane gas, which would have cost up to €1 billion to implement.

McCarthy said he understood why the state didn't want to "find itself on the hook" for an enduring subsidy regime.

Pick-up in euro wages 'no threat to interest rate cuts'

MARK SCHROERS

A pick-up in wage growth across the eurozone is not a concern for the European Central Bank as it prepares to begin cutting rates next month, a governing council member has said.

Mario Centeno, the Portuguese central bank chief, said the "real wage recovery" was "compatible with inflation converging" to the ECB's 2 per cent target.

"I don't read too much into 0.2 points above what we were expecting," Centeno said on the sidelines of a conference in Reykjavik, Iceland.

The comments, made in an interview to Bloomberg, will come as welcome relief to businesses who are set to benefit from more benign borrowing conditions if the ECB begins lowering interest rates in the coming weeks.

Consumers too will be in line for lower mortgage rates once rates begin to fall, albeit the extent to which these are passed onto Irish borrowers may be limited as the full rate increases of recent years were not passed onto mortgage holders here.

Christine Lagarde, the ECB president, said this month that inflation is " under control."

In an interview with RTÉ during a two-day governing council retreat in Kilkenny last week, Lagarde said there was a "strong likelihood" of a rate cute in the coming weeks if the data "reinforces" its view that the battle against inflation was being won.

The path for monetary policy is unclear following an expected first reduction in borrowing costs in less than two weeks. Investors pared bets on interest rate cuts in the wake of the pay data and a separate release suggesting a recovery in the struggling euro-area economy is taking hold.

Centeno's remarks signal he may deem that market repricing to be an overreaction, with the downward trajectory for prices still intact.

The central banker said "some recovery" in the euro zone economy would not "jeopardise the disinflation process".