

New Executive will face squeeze on health funding

Health spending per head in Northern Ireland is falling below that in England for the first time this year, increasing pressure on the next Executive to address the relative inefficiency of its health system and to consider sources of additional funding, according to a new study by the NI Fiscal Council.

The findings form part of the Council's debut report on the sustainability of the NI public finances, the first volume of which was published on 7 September. The first volume looked at sustainability in general, while the second focuses on health – the largest item of the Executive's budget. It draws heavily on independent analysis we have commissioned from Professor John Appleby and colleagues at the Nuffield Trust, which is also published today. We are very grateful for the help and inspiration that their work provided.

The Department of Health (DoH) accounted for 49 per cent (£7 billion) of the Executive's resource spending in 2021-22, although this also includes funding for social care. In 2019-20, spending per head on health was 7 per cent (£181) higher than in England, in line with the average for the past 20 years. This is broadly consistent with the latest (albeit far from recent) estimates of the additional spending required in NI to deliver a service equivalent to that in England thanks to factors like population age structure, sparsity and deprivation.

But that picture is changing. Even though DoH fared better than most other departments, the Draft Budget published for consultation by the Minister of Finance in December 2021 implied significantly slower growth in health funding in 2022-23, 2023-24 and 2024-25 in NI than the Treasury is financing in England. This reflects the general squeeze on the Block Grant discussed in our first volume, plus the ending of temporary earmarked funding attached to the Confidence & Supply and New Decade New Approach political agreements.

As a result, health spending per head of population has fallen below that in England for the first time in 2022-23 and will remain 2-3 per cent lower until at least 2024-25. The gap with the estimated need for spending is even greater and, on this basis, NI would not be able to afford to deliver the same standard of services as in England unless it ran its services more efficiently.

The analysis by the Nuffield Trust suggests that the NI health system is currently less efficient than that in England, which is disappointing but implies room for improvement. Nuffield found that hospital costs for in-patients, out-patients and day cases were 36 per cent (£410 million) higher than in England where meaningful

comparisons could be made. The average unit cost of patients admitted to hospital has increased by 28 per cent in NI since 2016, compared to an 8 per cent increase in England over the same period.

The Nuffield analysis points to a number of potential inefficiencies in the system, among them the fact that in-patients stay in hospital for 1½ days longer in NI than England on average (although in some cases this may be for good clinical reasons). People in NI are now 4 times as likely to be waiting for planned care as in England, while the drugs budget is 43 per cent higher per head in NI than in England.

Professor Appleby commented: *“Our findings support what successive reviews have suggested. Northern Ireland’s hospitals are not treating as many patients as their counterparts elsewhere could with the same resources. While these are very difficult times for all health systems, this is contributing to the dire waiting times which stand between many people and the care they need.”*

“There is no magic switch to flick to treat more patients – I have no doubt that people across the system are already trying very hard. Northern Ireland urgently needs a period of stability, action, and stable financial planning to make progress. It must now be an urgent priority to dig into the detail, find out how and why treatment seems to cost more, and do what must be done to change this.”

Some inefficiencies are ‘explainable’ because NI is smaller than England and so on average are its hospitals. But even here there is the potential to improve efficiency through specialist centres of excellence. In addition to efficiency-enhancing reforms, the Executive could address the squeeze by raising additional revenue (from fees and charges or the Regional Rates) or further prioritising Health at the expense of other departments (although many of these confront pressures of their own). Encouraging healthier lifestyles could also contribute by reducing demand for healthcare over the longer term. However, these measures are unlikely to be sufficient to address the pressures on health spending over the next three years.

The report reviews evidence that health outcomes in NI are worse than elsewhere in the UK, partly through population differences, relative health service performance and the legacy of the Troubles. There are data challenges, but people in NI do spend more of their life in ill health, on average, than in England. Many more people in NI receive disability benefits and mental health seems to be a more serious issue in NI.

Looking ahead, demand and cost pressures in health (including inflation) will continue to grow in NI, just as they will throughout the developed world. Combined with slower growth in the available funding compared with in England, this represents a material risk to the financial sustainability of health care delivery in NI over the short and longer term. This will have serious implications for the delivery of both healthcare and wider public services.

It is essential to address system inefficiencies to maximise the quality and quantity of services that can be provided within existing budgets. Key to success will be appropriate governance and accountability structures, and the funding of transformation and workforce planning.

Notes to editors:

1. The NIFC's Sustainability Report, published on 7 September 2022 can be accessed at <https://www.nifiscalcouncil.org/publications/sustainability-report-2022>. The special focus on health report can be accessed at <https://www.nifiscalcouncil.org/publications/sustainability-report-2022-special-focus-health>.
2. The Nuffield Trust report can be accessed at <https://www.nuffieldtrust.org.uk/research/future-funding-and-current-productivity-in-northern-ireland-s-health-and-social-care-system>
3. The NI Executive Block Grant is planned to increase by 19 per cent between 2019-20 and 2024-25 compared with 34 per cent for the UK as a whole, 28 per cent for Wales and 27 per cent for Scotland.
4. NI Regional Rates income is planned to decrease by 1 per cent between 2019-20 and 2024-25.
5. NI's relative funding advantage over England for spending as a whole (i.e. across the entire Block Grant) is projected to fall from 38 per cent in 2017-18 to 25 per cent in 2024-25.
6. Further information on the NI Fiscal Council is available here: <https://www.nifiscalcouncil.org/>
7. Follow us on Twitter: [@NIFiscalCouncil](https://twitter.com/NIFiscalCouncil)