



Northern Ireland
Fiscal Council

Bringing transparency to NI's public finances

Sustainability Report 2022:

special focus - Health



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Fiscal Council

Robert Chote
Chairman

27 September 2022

September 2022

The NI Fiscal Council

- Created following the New Decade New Approach agreement in 2020
- One of 40+ official-but-independent fiscal watchdogs worldwide
- Two reports each year required by current Terms of Reference
 - How the Executive balances its Budget (last December)
 - Sustainability of the NI public finances, split on this occasion into two volumes
 - ❖ General discussion of sustainability (September 7)
 - ❖ Special focus on health, with accompanying Nuffield Trust paper (today)
- Part of a broader mission: transparency and independent scrutiny

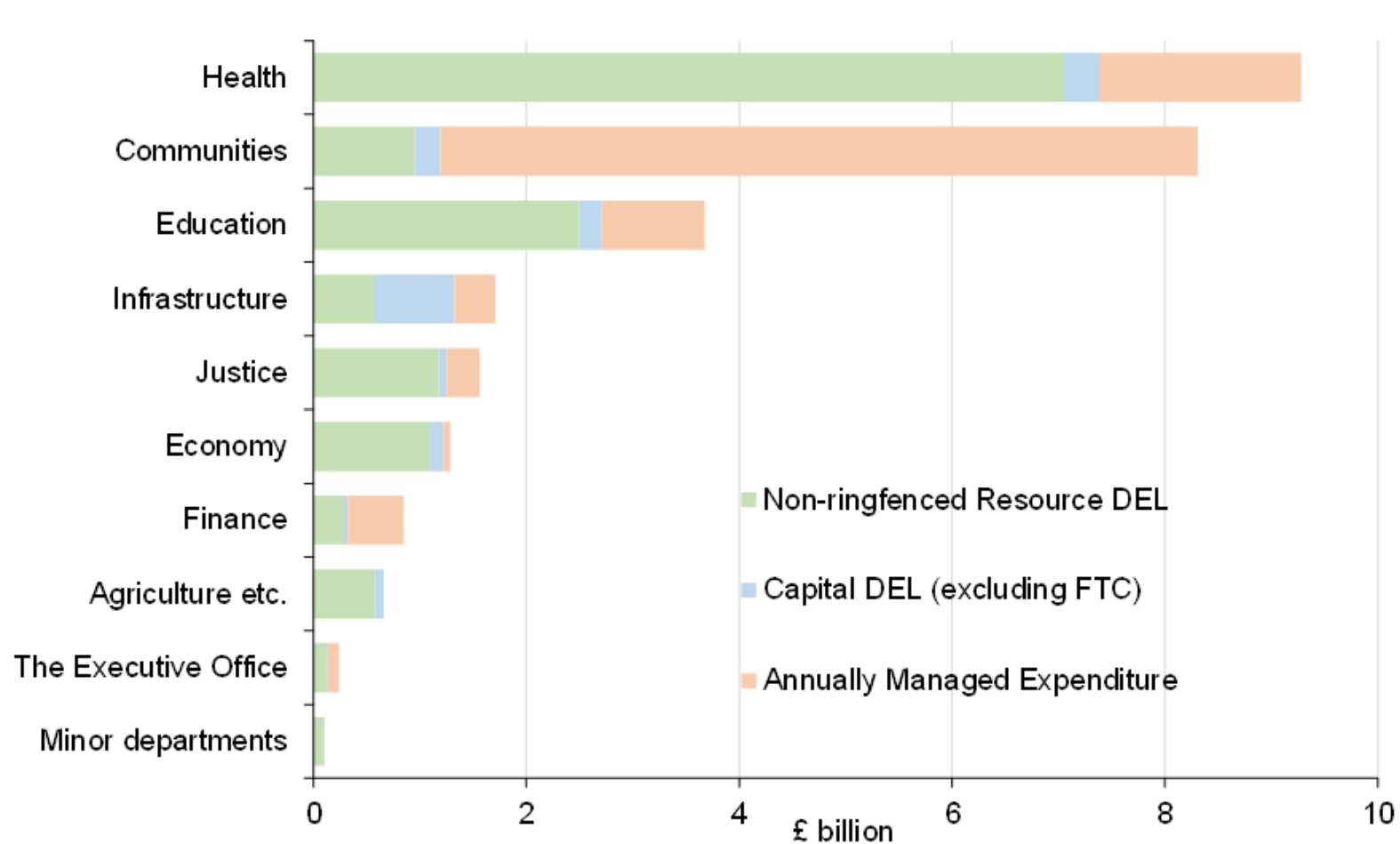
A quick recap of Volume 1

- Executive public services spending largely funded from Block Grant
- Premium per head over equivalent UK Government spending is shrinking and could fall below 20% estimated needs threshold in early 2030s
- Barnett paradox – the faster UK spending rises, the faster the Block Rises in absolute terms but the faster it shrinks in relative terms
- On its own, the Executive could prune services, increase efficiency, borrow a little more or raise Regional Rates and fees & charges
- And/or seek more UK funding: NDNA-style or a Welsh-style needs floor

What does this report cover?

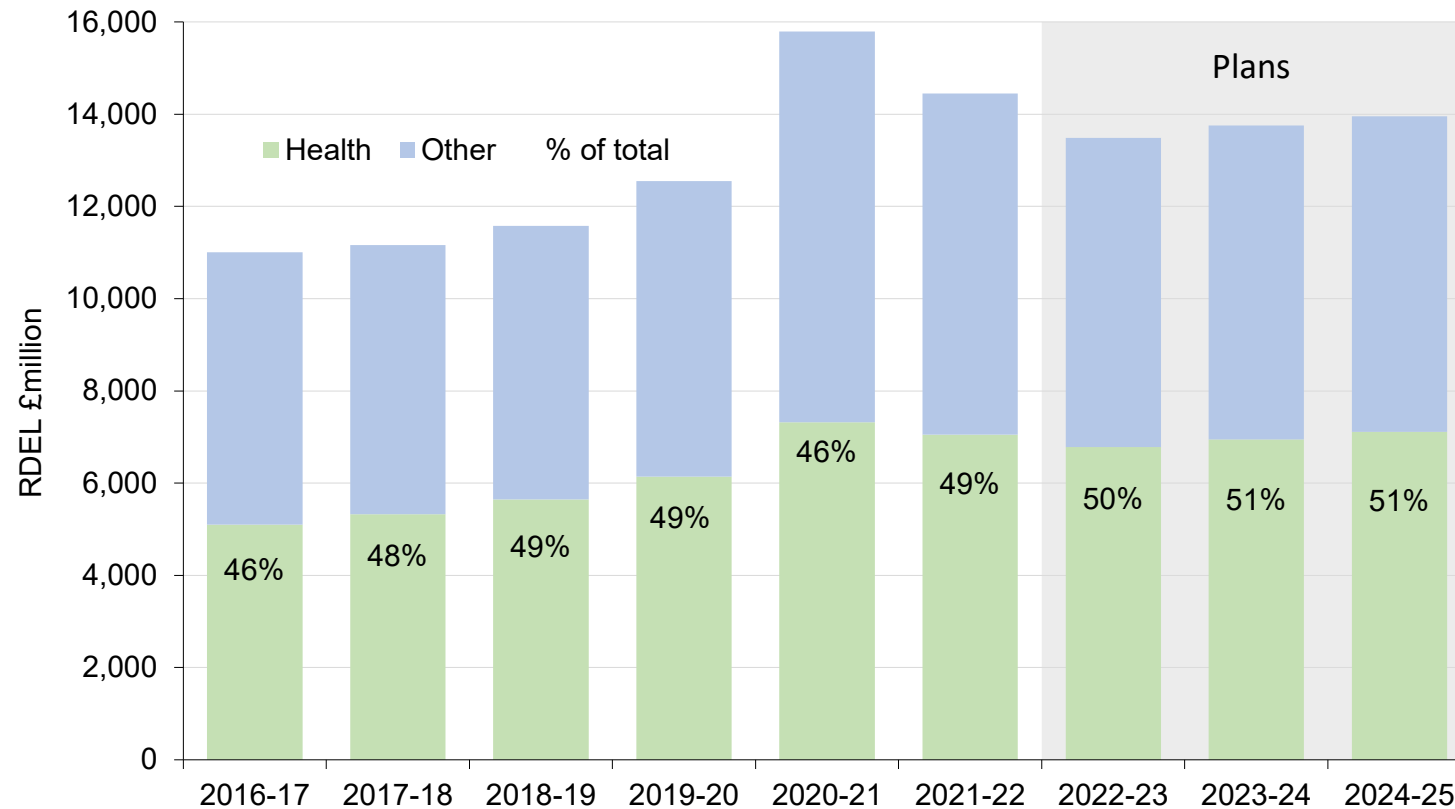
- Governance structures and funding flows (including Trust finances)
- Health spending per capita – falling below England and estimated 'need'
- Health service efficiency and NI health status – lower than England
- Longer term pressures on health spending – common across countries
- Importance of reformed governance and accountability

Health is the Executive's biggest spender



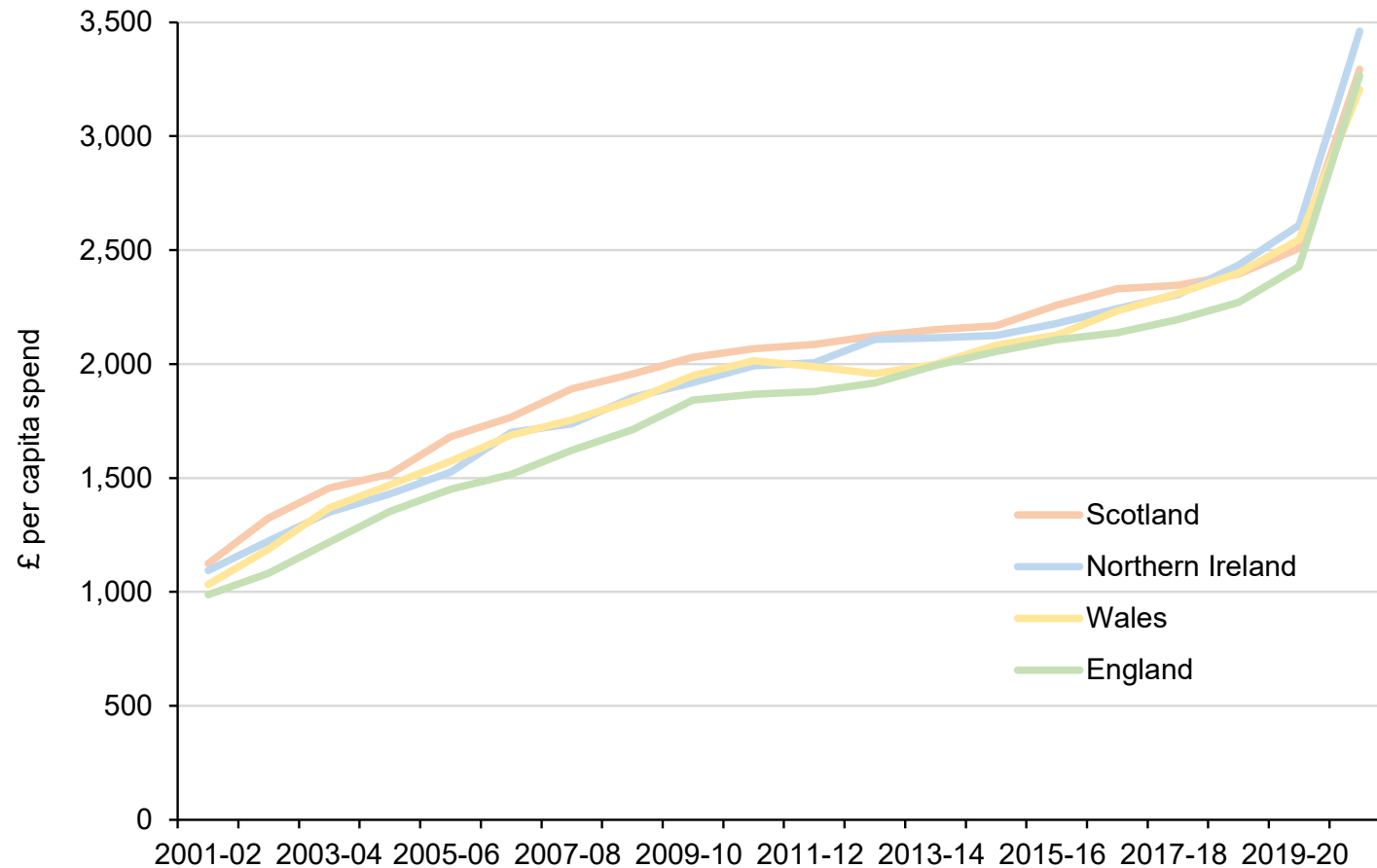
Source: Department of Finance

Health absorbs half of resource spending

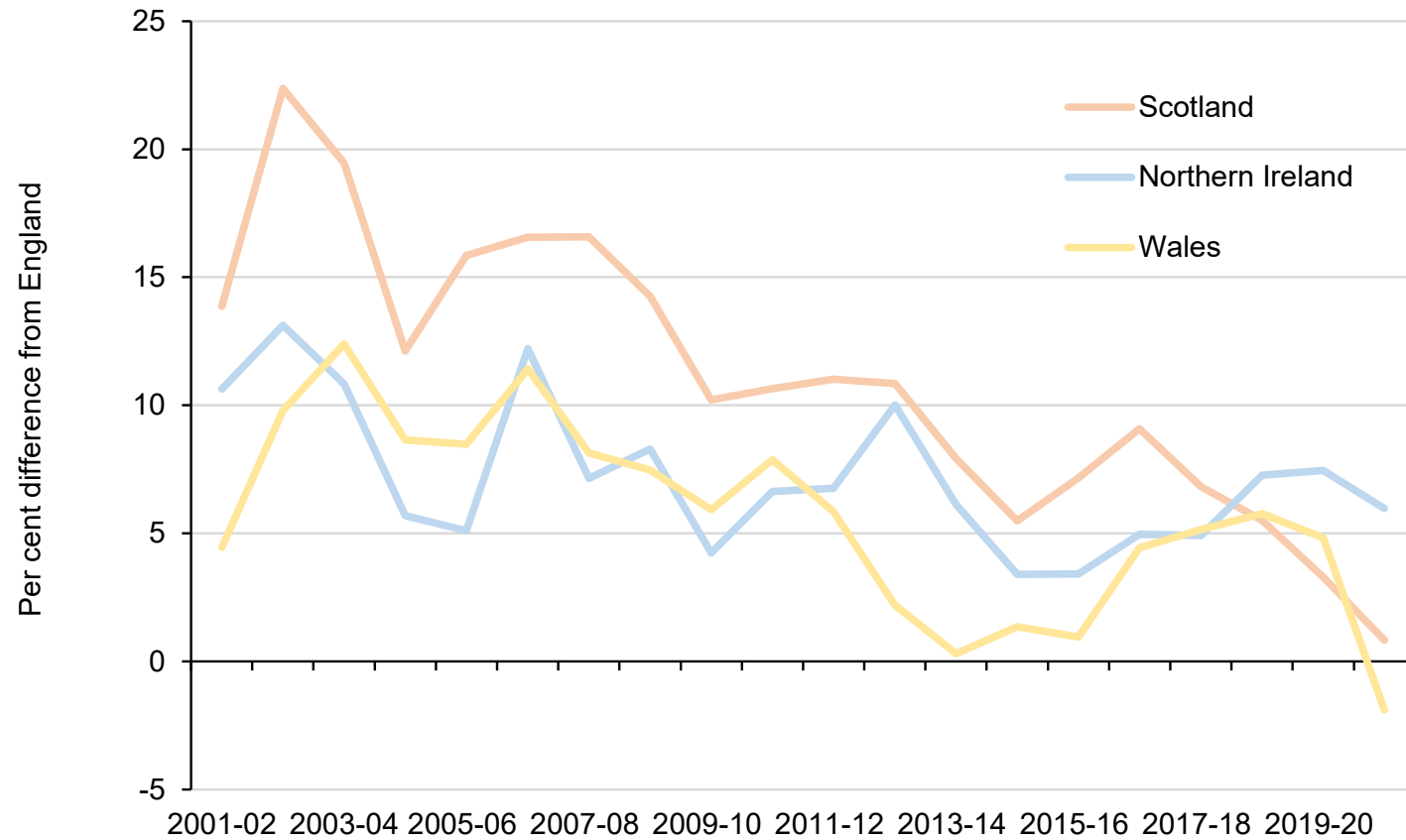


Notes: ¹2016-17 to 2020-21 based on Final Outturn. ²2021-22 based on Provisional Outturn ³2022-23 to 24-25 based on Draft Budget
Source: Department of Finance

NI spends more per head than England

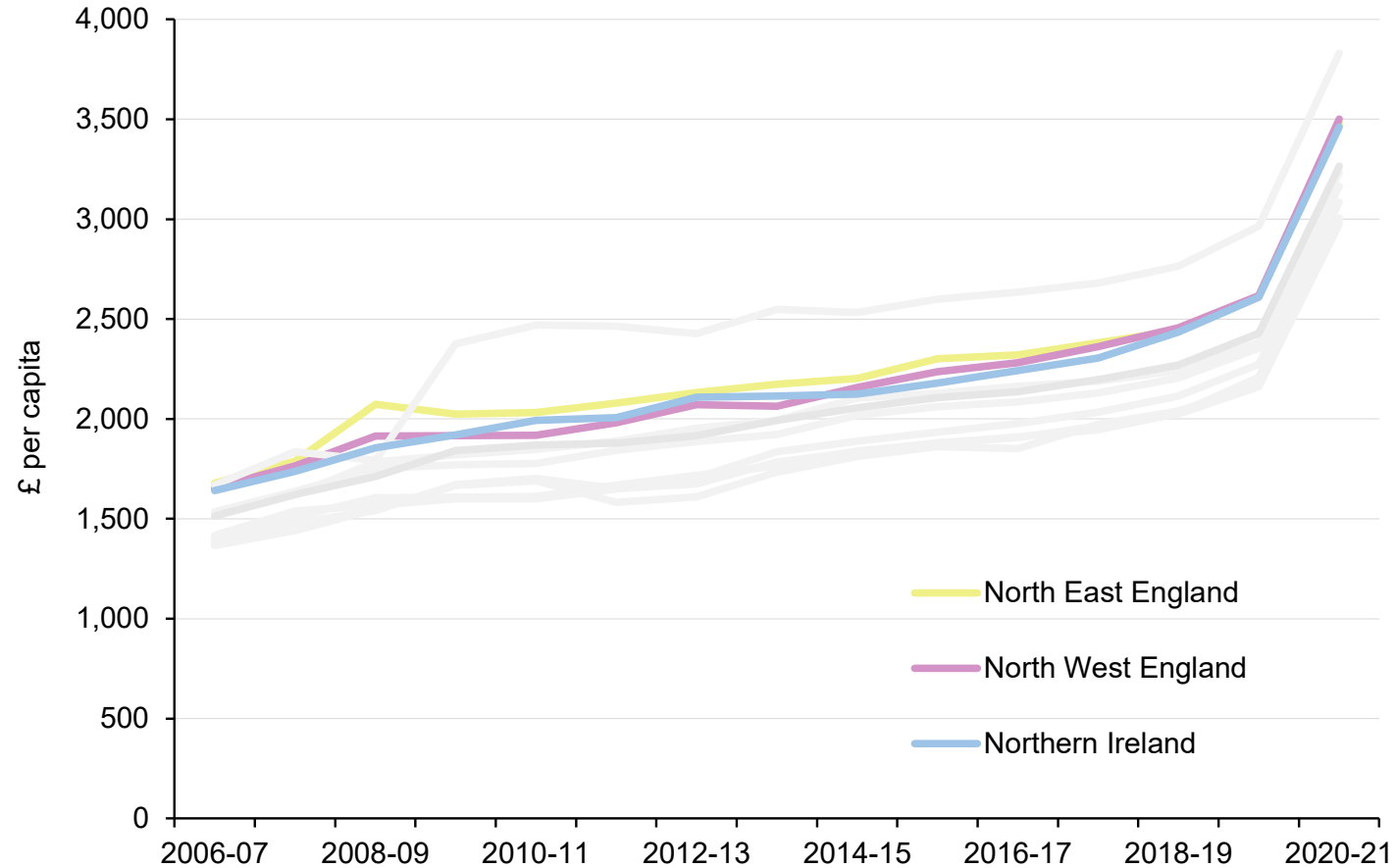


DA spending premia shrink over time



Source: HM Treasury PESA

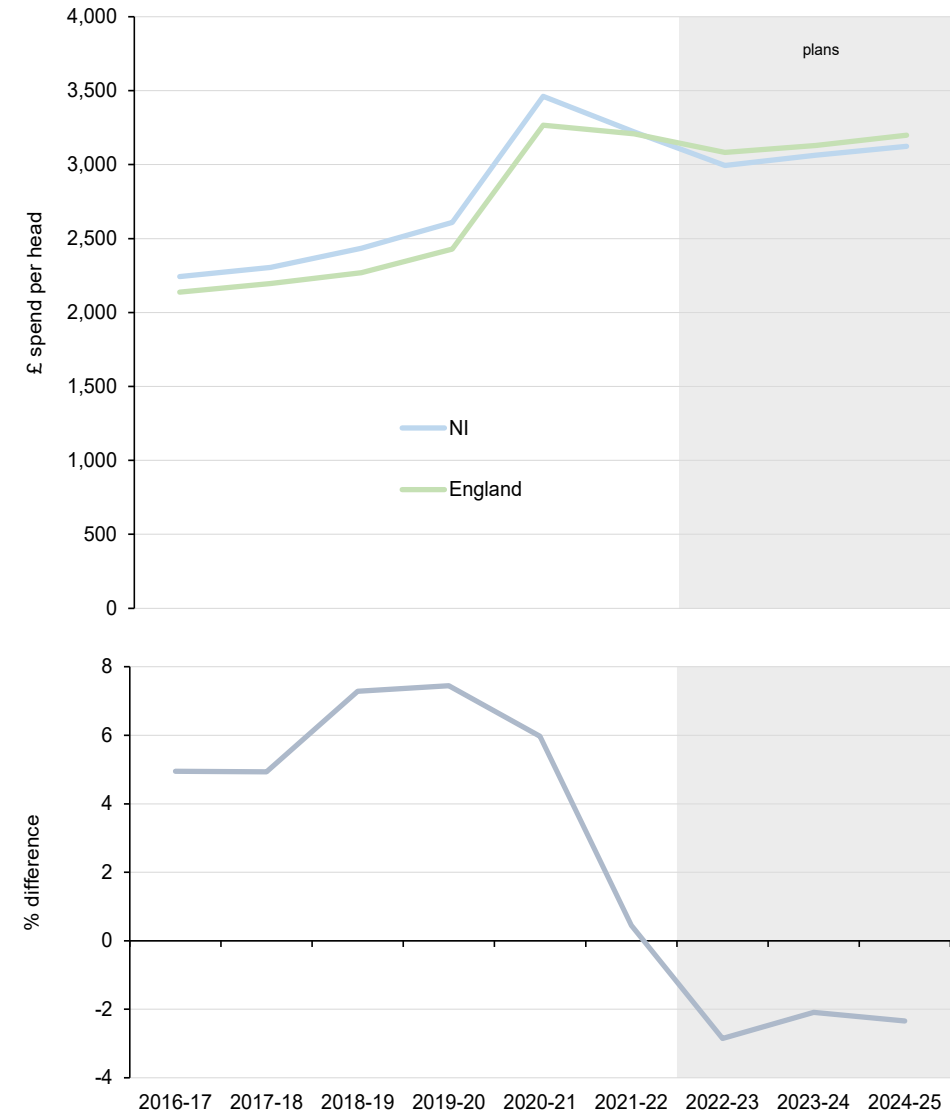
NI spending closer to northern England



Source: HM Treasury PESA & ONS

Health spending per head vs England

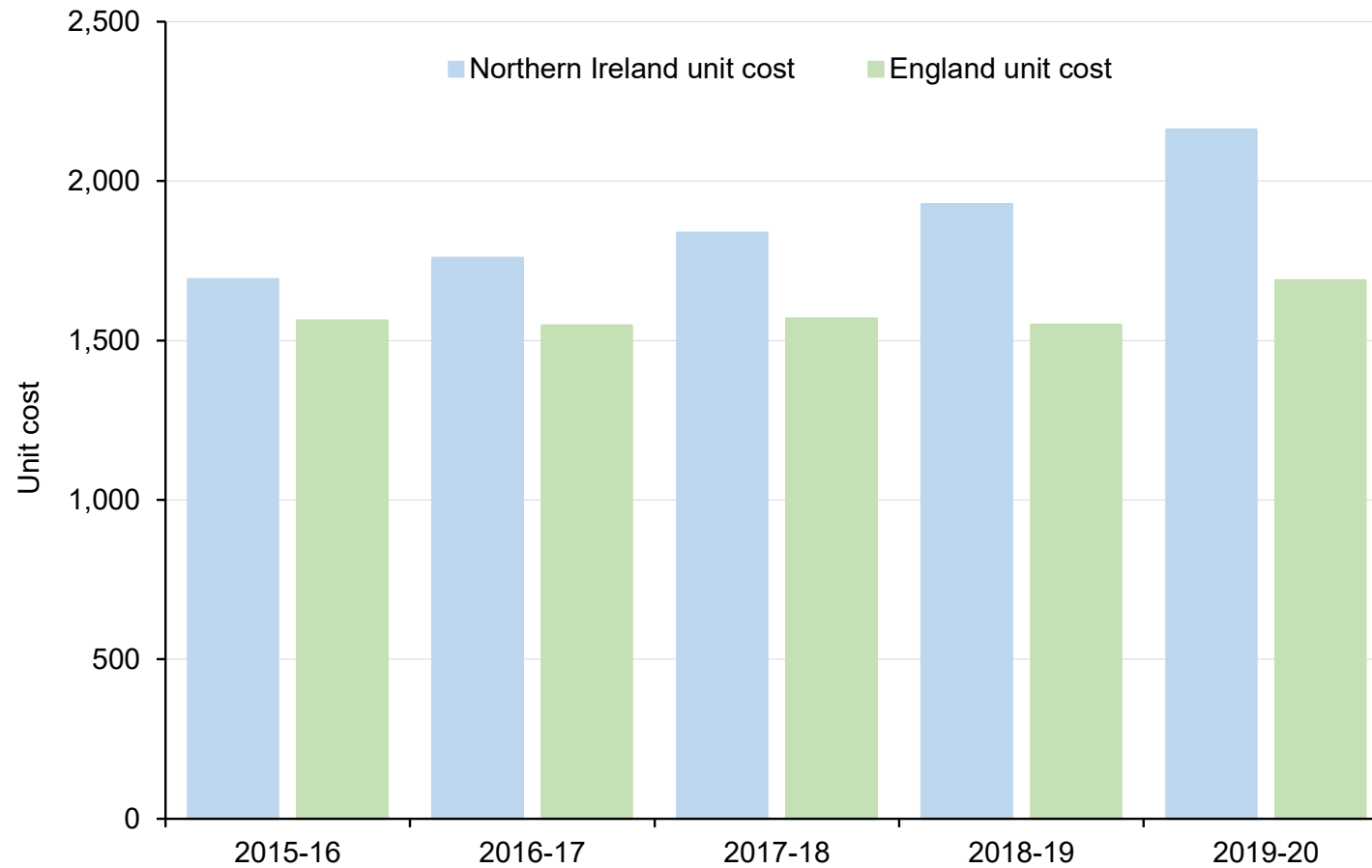
- Health spending per head in NI has been about 6-7% above England, in line with need
- But falling below England for the first time this year and likely to remain 2-3% below to 2024-25
- Reflects Block Grant convergence and ending of political agreement funding



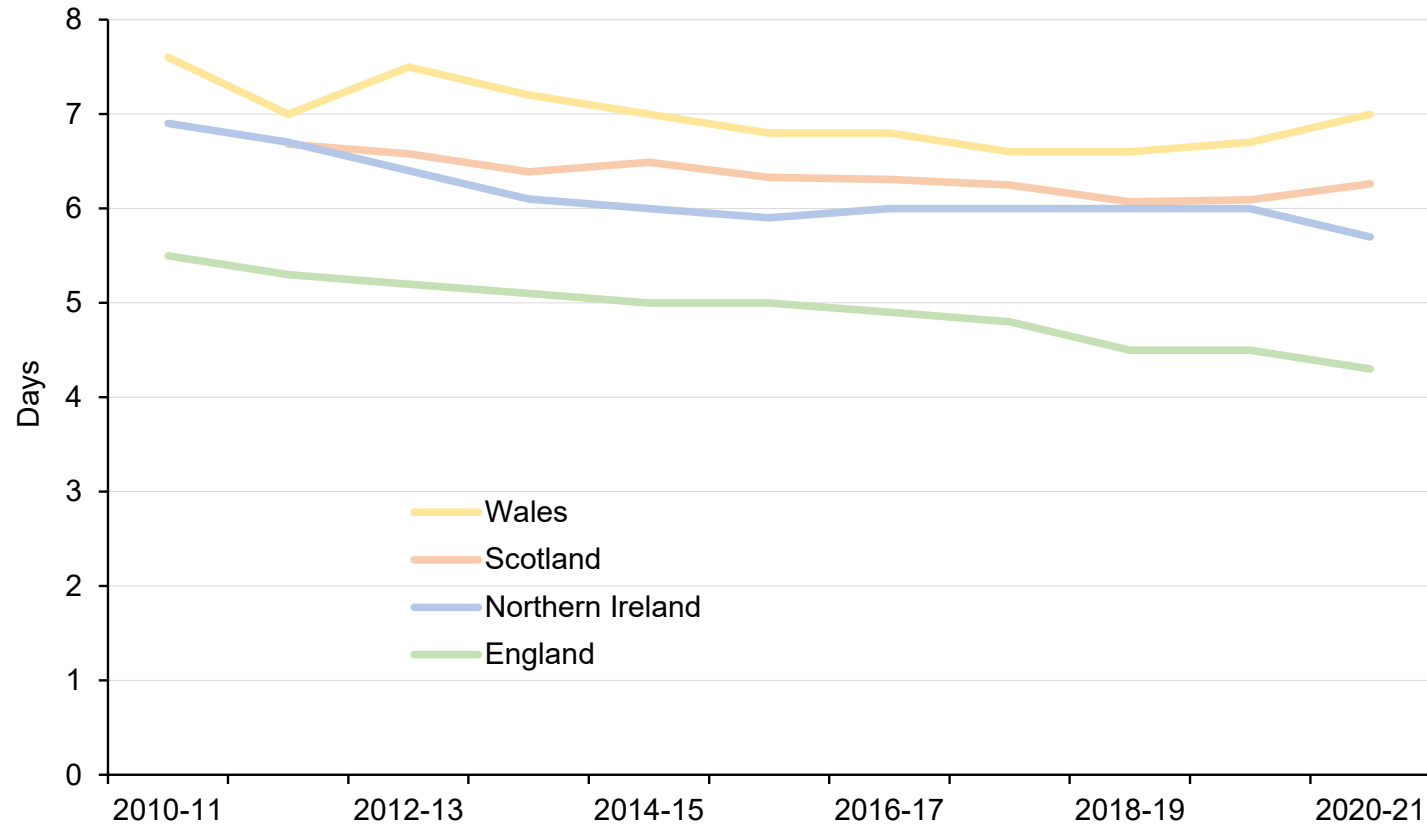
Health status in NI versus England

- Data comparability challenges, but
 - People in NI spend more time in ill-health
 - Preventable mortality rate higher, although treatable rate similar
 - Evidence on balance points to lower mental health status
 - Less healthy food consumption patterns
 - More people on disability benefits
 - More drugs subscribed (20% of population on anti-depressants)

Unit costs for patient care higher in NI

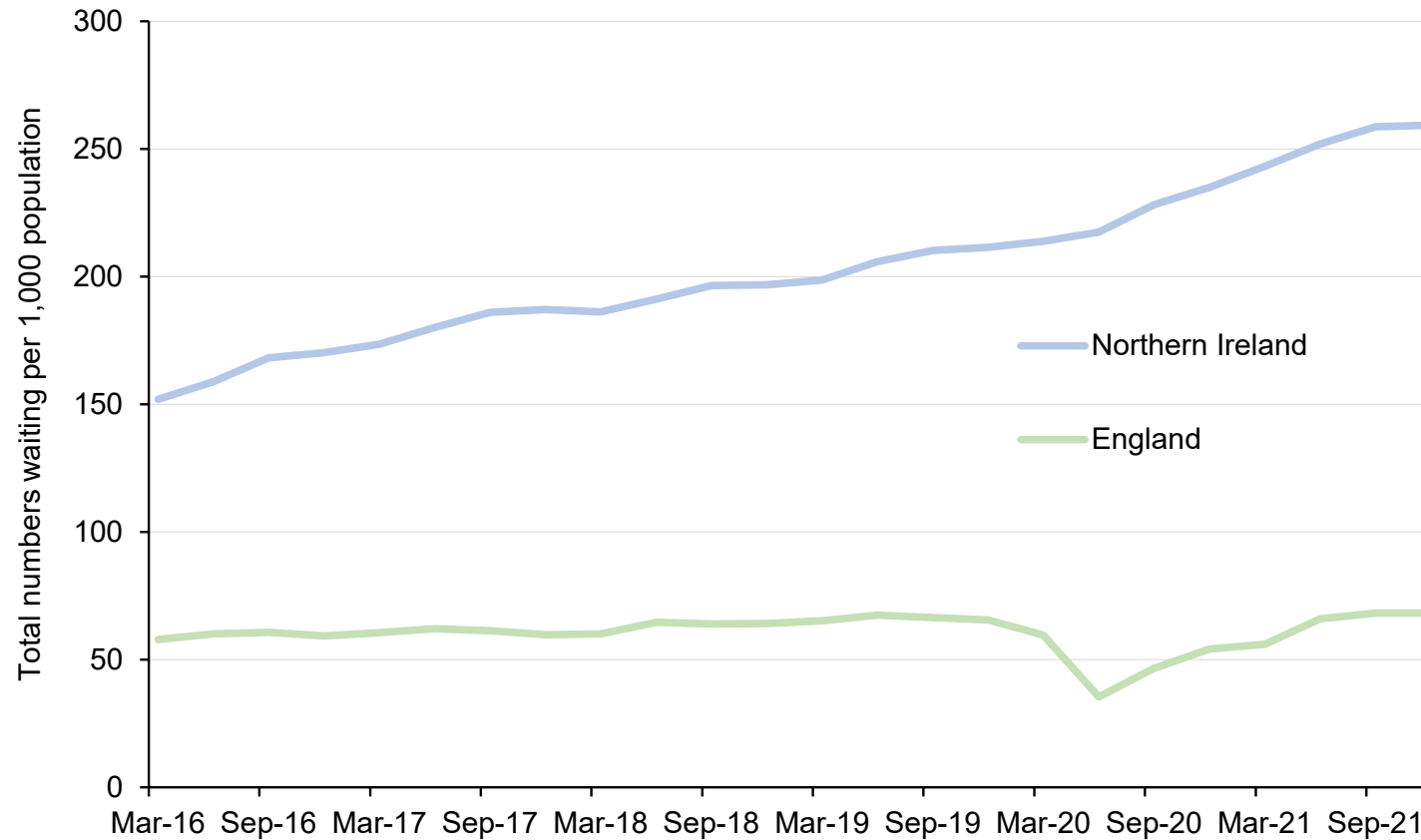


Hospital stays longer than in England



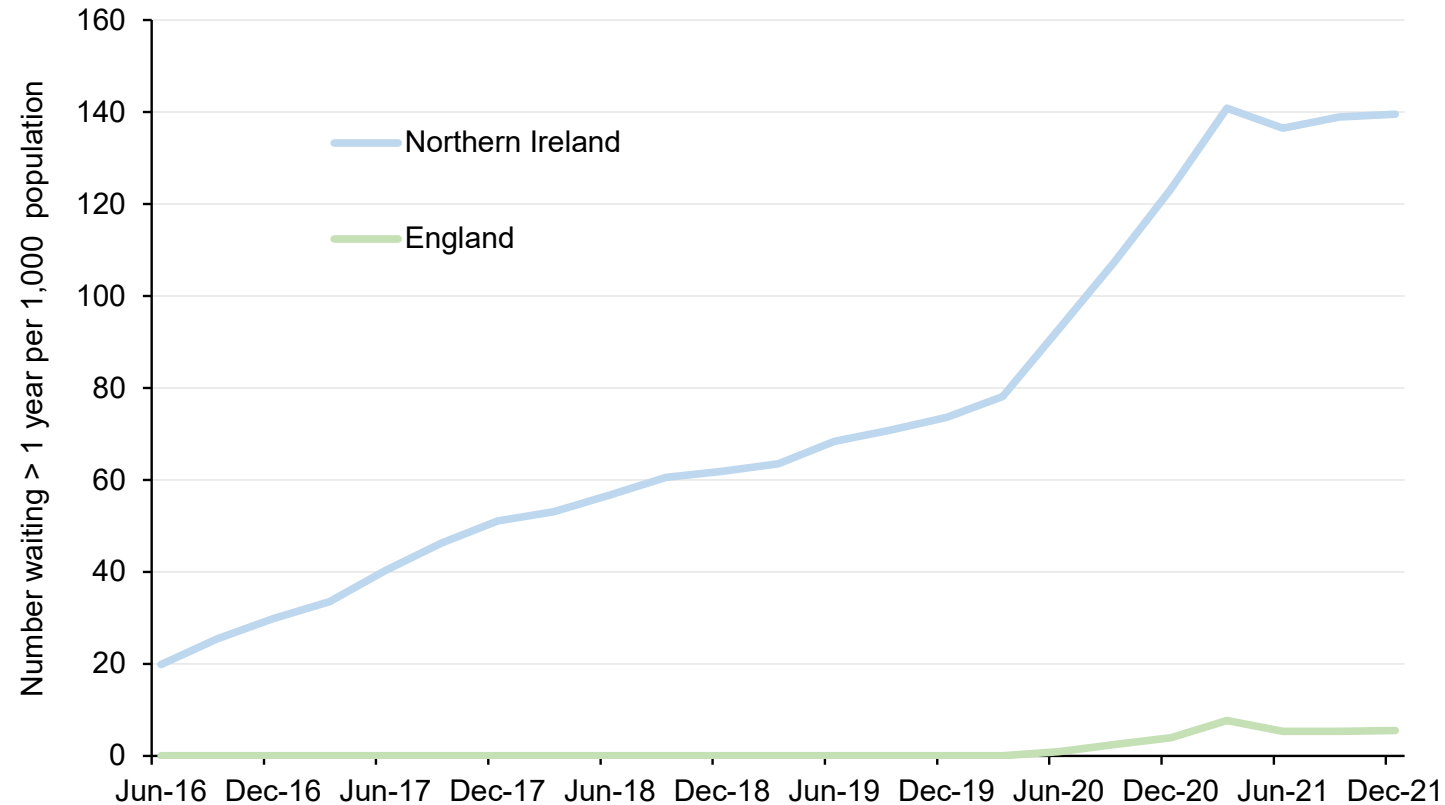
Source: Nuffield Trust using Department of Health, Public Health Scotland NHS Digital and NHS Wales data

Longer waiting lists for elective surgery...



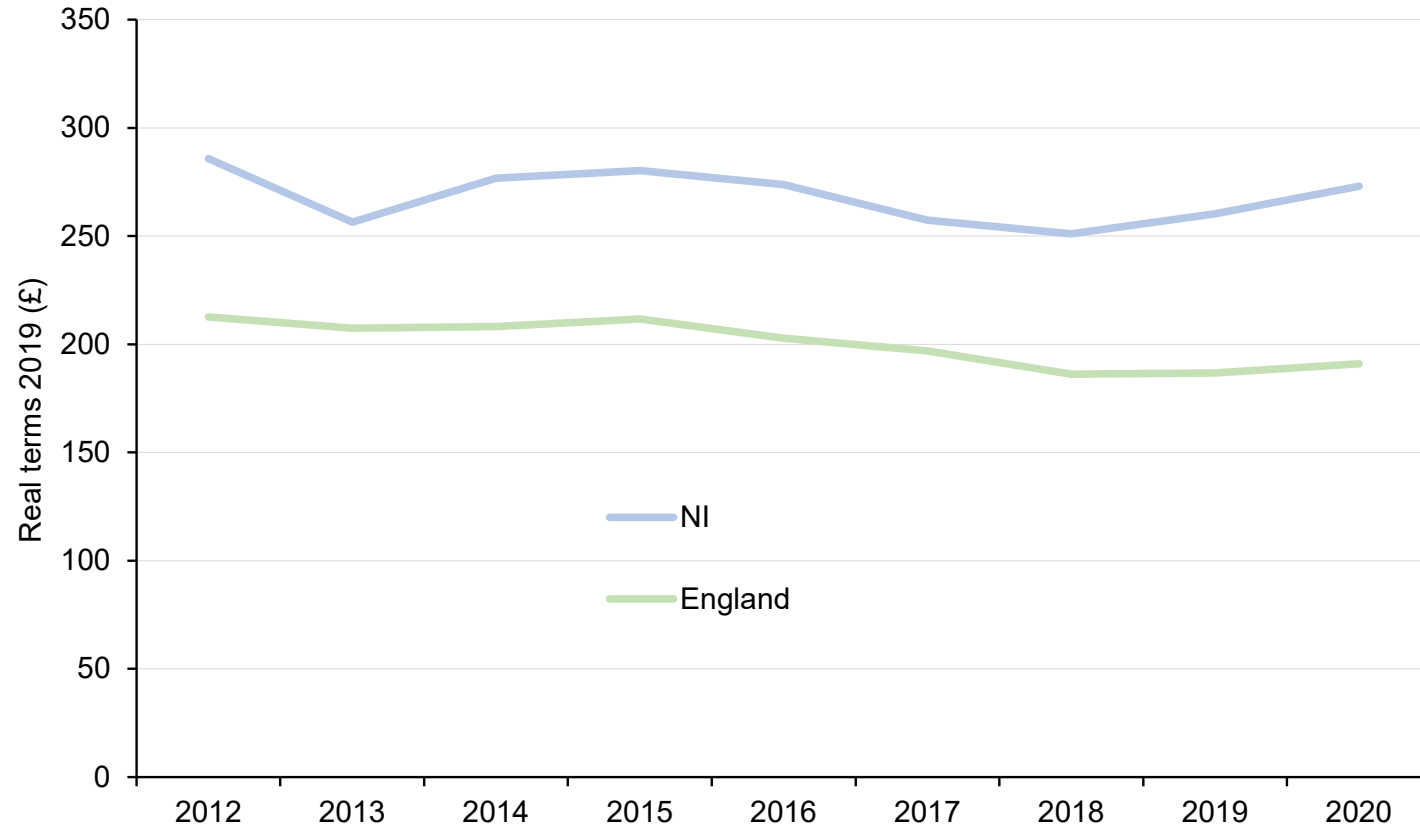
Source: Nuffield Trust using NHS England and Department of Health data

...especially for more than a year

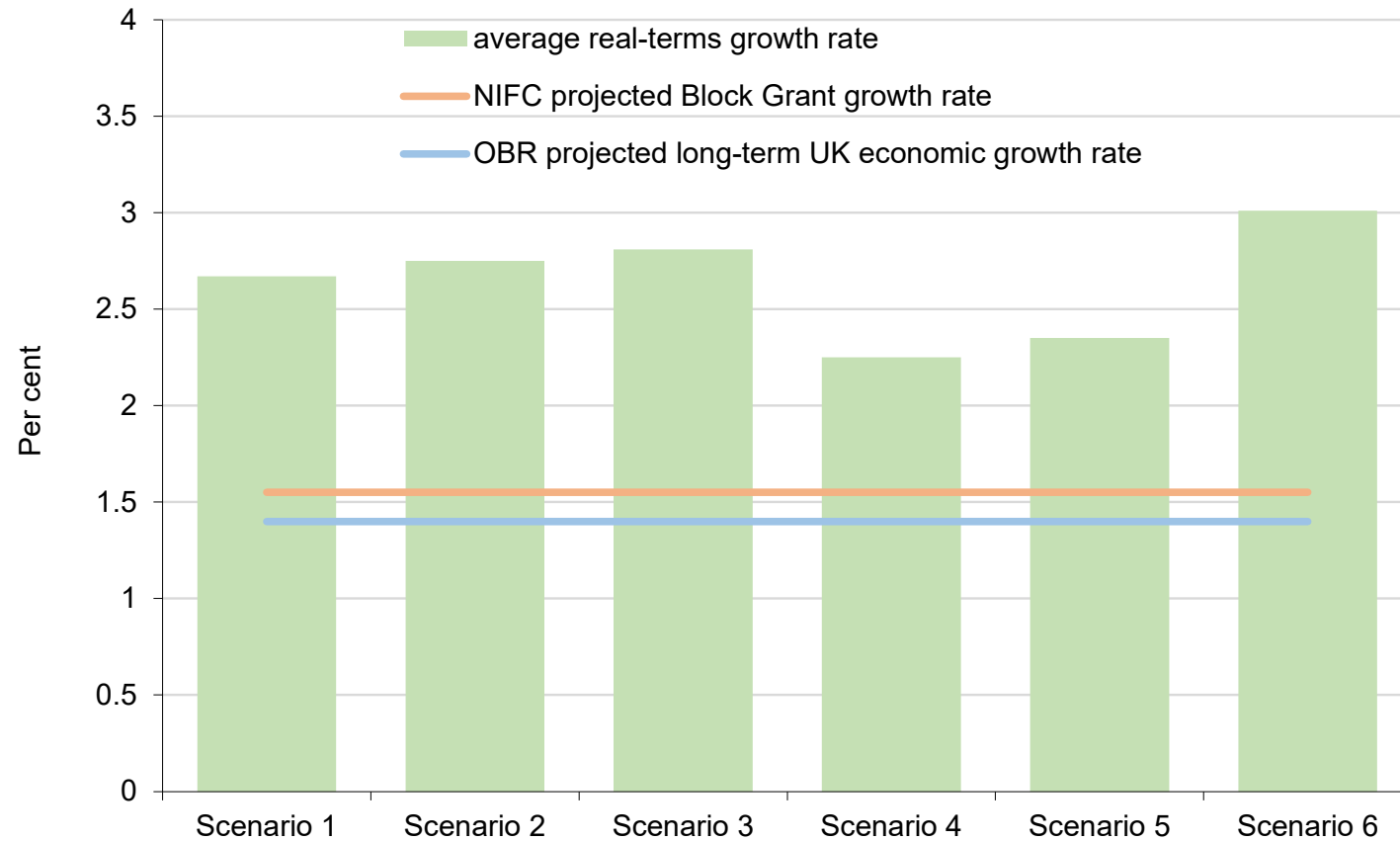


Source: Nuffield Trust using NHS England and Department of Health data

Higher per capita spending on drugs



Long-term pressure on spending



Conclusions

- Health spending per head in NI is falling below that in England, increasing pressure on the next Executive to:
 - address the relative inefficiency of its health system; and
 - consider sources of additional funding
- Nuffield Trust report points to relative inefficiencies
 - Average hospital stay 1.5 days longer than in England;
 - People in NI 4x more likely to be waiting for elective care than in England
 - Per capita drug budget 43% higher than in England

Conclusions

- NI has tended to spend more per head on health than England but without delivering a better service or health outcomes
- Demand and cost pressures on health spending everywhere
- Slower funding growth will make it harder to deliver health care comparable to that in England
- The Executive could address the squeeze by:
 - Increasing efficiency and value for money (reform, specialization, good governance, financial transparency and long-term funding for transformation and workforce planning)
 - further prioritizing Health at the expense of other departments
 - raising additional revenue (from fees and charges or the Regional Rates)
 - encouraging healthier lifestyles to reduce demand for healthcare