

Irish Voluntary Healthcare Association Pre-Budget Submission 2025

The Irish Voluntary Healthcare Association (IVHA) is the newly established voice for Ireland's voluntary hospitals and hospices.

Ireland has a hybrid healthcare model, with both publicly owned and voluntary hospitals working together to service the healthcare needs of Irish society. As a result of this model, the role played by independent healthcare providers is vital.

IVHA members include many of the most trusted institutions in Irish healthcare. Together they employ over 30,000 people and provide care to over 1.8m patients each year. They have and continue to be drivers of innovation demonstrated by many initiatives subsequently implemented more widely in the health system e.g. transplant surgery, day case unit Tallaght (model being used elsewhere), medical assessment unit St James (extended elsewhere) COPD outreach and virtual wards (extended elsewhere), SVH cardiology and neurology virtual consults, energy efficiency Mercy, etc

The funding of the healthcare services provided by IVHA members accounts for 40% of the HSE's total annual expenditure on acute hospitals. In this context, IVHA is pleased to present its Pre-Budget Submission for Budget 2025.

IVHA recognises that there is consistent pressure on the exchequer for increased funding across multiple sectors. Therefore, this submission does not focus on current expenditure allocations but aims to highlight how improved budgetary processes could enhance both efficiency and transparency.

While the implementation of the health budget is ultimately delivered by the HSE, we believe there are key principles that should be incorporated within the annual budget process.

In summary, IVHA is calling for the following in Budget 2025:

- 1.** Replacing the current block funding model for independent hospitals with objective and performance-based measurement of total hospital productivity
- 2.** Transition to a new multi-year budgeting model for independent healthcare providers
- 3.** Resolve the problem of accumulated deficits in voluntary hospitals
- 4.** Provide funding for new regulatory requirements

1. Replacing the Current Block Funding Model

Traditionally Irish hospitals have been funded via a 'block funding' model. This has seen hospitals provided with a fixed sum of money allocated for each financial year. This funding is allocated based on historic budgets rather than the actual volume or complexity of services provided during the year.

Block funding is no longer fit for purpose. This model requires hospitals to manage all their activities, including staffing, medical services, equipment, and operational costs, within a pre-determined budget. The model does not adjust for changes in patient demand, the introduction of new treatments, or unforeseen healthcare needs, and depreciation of capital assets leading to significant financial constraints and limiting hospitals' ability to respond effectively to evolving healthcare challenges.

In 2012 the Government committed to transition to a model of activity based funding (ABF) for hospitals. ABF is a model where funds are allocated to hospitals based on the actual services they provide and at an efficient cost by reference to peer comparison. While there have been considerable changes in how publicly owned hospitals are funded, IVHA members are still beholden to the block funding model.

1a. Supporting Accountable Autonomy

The Department of Health published 'Partnership Principles' in April 2023 to define how a new and improved relationship could be fostered between the State and voluntary healthcare providers.

Accountable autonomy was agreed upon by all stakeholders, as one of the key principles to strive for for healthcare providers. This requires hospitals to have the financial flexibility to make decisions that best serve their patients while being held accountable for the outcomes of those decisions.

The current block funding model restricts this autonomy and stymies hospitals in their ability to operate with the flexibility and innovation required to meet patient needs effectively. These challenges include:

- 1. Lack of Flexibility:** Hospitals operate to a fixed budget, limiting their ability to allocate resources as needed in response to changing patient demands, undermining their autonomy to make strategic decisions.
- 2. Disconnection from Performance:** Funding is not linked to service delivery or outcomes, hospitals have limited the ability to improve efficiency and to innovate.

- 3. Constraints on Innovation:** With a predetermined budget, hospitals have little room to invest in new technologies, treatments, or care models, curbing their autonomy.

By restructuring funding to support accountable autonomy, hospitals will be empowered to:

- Tailor services to the specific needs of their communities.
- Innovate in care delivery, reducing costs and improving outcomes.
- Responsibly manage resources, ensuring that funding is used efficiently and effectively.

There are alternative funding models that have been successfully implemented in other countries and could be considered for Ireland, such as Activity-Based Funding or Population-Based Funding where funding is allocated based on the health needs of the population served.

The Department of Health has recently created the Health Performance Visualisation Platform (HPVP) to help inform decisions regarding hospital funding. But to date, there has been no clarity on how this will influence funding models and whether internationally proven models will be utilised.

There is a clear need to reform the funding model for voluntary hospitals in Ireland. IVHA proposes a structured dialogue between the government, healthcare providers, and other stakeholders to explore the most appropriate funding model for the sector.

This dialogue should focus on creating a model that promotes efficiency, supports accountable autonomy, and aligns with the health needs of our population.

3. Multiannual Healthcare Budgets

The budget for Irish healthcare is currently set annually as part of the central budget process. The funding allocation is cascaded down from the Department of Health to the HSE and ultimately to service providers including the voluntary hospitals.

This is a cumbersome process that creates practical and administrative challenges for every single voluntary hospital every single year.

Hospital management teams are often forced to plan their annual expenditure and workforce requirements with no knowledge as to what their budget for the year will be. Many hospitals only learn their budget allocation several months into their financial years. This problem is compounded by the block funding model, as budgets are not directly

aligned to service provision and by the distribution of end-year adjustments which, again, do not always clearly demonstrate transparency and objectivity.

Transitioning from annual to multiannual healthcare budgets presents significant potential benefits, particularly for acute hospitals and voluntary healthcare institutions. These benefits would include:

- 1. Improved Financial Planning and Stability:** Multiannual budgets provide hospitals with greater financial predictability, enabling better long-term planning and resource allocation.

With a multiannual approach, hospitals can invest in long-term projects without the pressure of annual budget constraints. This is particularly crucial for voluntary hospitals that utilise charitable donations and need stable financial planning.

- 2. Enhanced Efficiency and Cost Management:** The annual budget cycle contributes to significant inefficiencies that could be eliminated. These include in the areas of administration, financial management and procurement.

Multiannual budgets allow for bulk purchasing and long-term contracts, leading to significant cost savings in areas such as medical equipment and pharmaceuticals.

- 3. Improved Patient Care and Outcomes:** With stable funding, hospitals can implement continuous quality improvement programs which are otherwise disrupted by the annual budget cycle.

Long-term programs, and the implementation of integrated care pathways such as chronic disease management and preventative care, also benefit from long term funding. Where these are implemented patient outcomes improve.

- 4. Workforce Development:** Healthcare providers everywhere, but particularly acute hospitals, are facing extreme staffing challenges. This is compounded by the annual budget cycle. With multiannual budgeting hospitals can plan and invest in workforce development, including training programs and staff retention initiatives, over a multi-year period.

The government, in recent weeks, has provided budgetary certainty to RTÉ for a multiyear period. In doing so, the government has recognised the benefits of multiannual budgeting. We note the two year settlement for HSE core expenditure but this has not translated into certainty for hospital budgets. We therefore call on the government to provide the same commitment and support to those hospitals that treat 1.8m people a year, as it has to the national broadcaster.

Addressing Accumulated Deficits

The deficiencies of the current budgetary process for the independent healthcare sector have created the challenge of accumulated long-term deficits.

Owing to the block funding model, many hospitals have been under funded when compared to the services they have provided. Due to the single year budget cycle hospitals are unsure of the budgets they will receive, with many starting each year 'in the red', due to underfunding in the prior year and once off allocations.

Many voluntary hospitals are now facing significant budget shortfalls that have accumulated annually. At the end of 2023 the combined level of deficits stood at €327m across the sector, with the situation deteriorating further due to a total shortfall in 2024 budgets of €344m.

The hospitals have limited ability to address these financial deficits given the block funding model, and with many costs (eg public sector pay rates) also fixed by the HSE.

The scale of these deficits has raised significant liquidity concerns which the boards of the hospitals are forced to consider. Auditors of several hospitals have also sought assurances from the HSE regarding funding and liquidity, assurances which have not been forthcoming.

While IVHA is strongly urging a move to new funding model that is multiannual, it can only be realised if these historic deficits are addressed.

Failing to address these deficits will have a lasting impact on the healthcare providers and ultimately their patients.

4. Funding Regulatory Compliance

The nature of 21st century healthcare involves increasing levels of oversight and regulation. While any regulation that improves patient safety is to be welcomed there is often a considerable cost imposed on healthcare providers to implement and maintain systems that ensure compliance.

These are costs which are created as a direct result of government policy decisions. Despite this, the same policy makers often overlook the costs created by their decisions, and support is not provided to meet implementation costs.

Within any new multiannual funding model, the government must commit to supporting providers in delivering on any new requirements as determined by robust regulatory impact assessment.

One current and pertinent example relates to cyber security and technological innovation. In the wake of the HSE hacking incident in 2021 the area of cyber security is an area of acute concern for all hospitals. The introduction of the Network and Information Systems Directive (NIS 2) in October 2024 establishes a new set of rules relating to cyber security, while undoubtedly important this creates a significant new regulatory burden upon the voluntary healthcare sector.

The burden will include the need for stronger security measures, increased audits and compliance checks. All of this comes as a significant cost which is not accounted for in the current block grants from the HSE to IVHA members.

For IVHA members to be reasonably able to meet these requirements and also to deliver on the huge potential of the Digital for Care strategy, improved funding will be required.

Conclusion

IVHA recognises the perennial pressures healthcare spending creates within the budgetary process. For this reason, we have focused our recommendations on ways to alleviate these pressures to benefit healthcare providers, the state and patients.

We believe transitioning away from the arbitrary block funding model and towards a modern multiannual budgetary approach would yield significant benefits. However, this will not be possible if the historic deficits that have accumulated are not addressed. Furthermore, there will be a need to provide funding to meet the ever-changing needs of the regulatory environment.

IVHA remains available to all stakeholders to support the implementation of these policies and health reform in general.

The members of the Irish Voluntary Healthcare Association are:

- Central Remedial Clinic.
- Children's Health Ireland
- Incorporate Orthopedic Hospital of Ireland
- Leopardstown Park Hospital
- Mater Misericordiae University Hospital
- Mercy University Hospital
- National Maternity Hospital
- National Orthopedic Hospital Cappagh
- National Rehabilitation University Hospital
- Our Lady's Hospice & Care Services
- Peamount Healthcare
- Royal Hospital Donnybrook
- Royal Victoria Eye and Ear Hospital
- St. James's Hospital
- St. John's Hospital
- St. Vincent's Healthcare Group
- St. Vincent's Hospital Fairview
- Tallaght University Hospital
- The Coombe Hospital
- The Rotunda Hospital