



Deloitte Global Health Care Outlook  
**Taking Ireland's Pulse**  
March 2017

## Introduction

The Deloitte 2017 Global Health Care Outlook focuses on "making progress against persistent challenges". These persistent challenges stem from rising healthcare costs, rising incidences of chronic illness and the growing life expectancy of populations worldwide. The report identifies five key areas where established players, disruptive entrants, and governments are responding with new solutions and approaches: **cost, care delivery, innovation, operations and regulatory compliance.**

While Ireland is experiencing the same challenges, comparative policy and operational responses by Irish healthcare stakeholders vary across the five categories identified in the report. Developments in the Irish health ecosystem mirror global trends in some key areas, such as through efforts to devolve treatments into primary and community settings or via innovations in the field of eHealth. However, there is some uncertainty in Ireland as to the long term view on financing and payments, and a model for an inclusive health system.

**This report provides a summary of the 2017 Global Health Care Outlook Report and a comparative examination of the Outlook from an Irish perspective.**

### Cost

Global health care expenditures are projected to reach \$8.7 trillion by 2020, a 24% climb from \$7 trillion in 2015. This is driven by advanced, yet costly, treatments in therapeutic areas coupled with rising labour costs and increased life expectancy.

Given the anticipated budgetary pressure, many countries are examining the sustainability of their healthcare funding models. Healthcare providers internationally are set to prioritise clinical and



administrative waste reduction and operational efficiency in 2017.

Examples of **cost containment measures** underway include consolidating and centralising the offering of health services, shifting care to lower-cost and non-traditional care settings, redesigning clinical pathways, standardising clinical processes, changing strategic procurement models, and moving to shared service centres and technology-enabled care.

The Deloitte Global Outlook has identified a number of **emerging financial models** for healthcare in other countries. The United States is establishing a payment system that will more closely align reimbursement with quality and outcomes. Denmark is moving from diagnosis related group (DRG) financial models towards a focus on service quality and relevance rather than volume. The United Kingdom is expecting to see an increase in collaborative contracting and risk-sharing agreements.

Reflecting efforts to take a more holistic and preventative view on the health of their citizens, **population health models** are becoming more prevalent in advanced health systems such as those in Canada and Australia.

Finally, each region, country, and community globally is tackling issues based on uniquely local

demographic, governmental, clinical, and financial factors. For this reason, numerous countries are moving from centralised to **more localised health management.**

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## Cost – Ireland's Outlook

Ireland's total health expenditure reached €19 billion in 2014 (latest available figure) and public expenditure €13bn. Similar to our peers globally, our spend continues to climb - the Department of Health suggests that our public health spend, based on demographic changes alone, could rise by close to 6% between 2015 and 2020<sup>1</sup>. However, our per capita healthcare spend continues to surpass levels seen in most developed countries.

**Cost containment** continues to be a critical issue for the Irish public health sector. The national healthcare Financial Reform Programme was introduced to improve financial oversight and control, and will provide decision support with regard to cost containment and cost reduction options. Significant cost control and efficiencies should also be gained by the transition to activity based funding, the new drug pricing agreement, and through consolidation in hospital and primary care. Technology-enabled care, which is a key component of Irish public health transformation, will also assist in efforts to reduce costs.

Further cost control and efficiency measures in the shape of multi-annual budgeting or increased risk sharing have yet to be explored. Ireland has also yet to make a concerted move towards using outcome-based funding (beyond an early iteration of the Casemix programme). In addition, capital expenditure continues to be impacted by climbing operating costs. For equipment replacement alone between 2017-2021, the HSE estimates that Ireland faces a shortfall of €1.6 bn.

Ireland is keeping pace with international policy development around **population health**. For example, the HSE's chronic disease management programme targets subpopulations which are said to increase over time. The phased roll-out of the national health record and development of data analytics will bolster the segmentation and "predictive modelling" associated with population health management.

Ireland is also moving in the same direction as many of its global counterparts on **health localisation**. A process has been in play to replace the current centralised model of healthcare with a new system of earned autonomy. The HSE is focussing on devolving decision-making and accountability, where possible, to front line services through the development of Hospital Groups, Community Healthcare Organisations, and the National Ambulance Service. Under the new model, healthcare professionals will be given much greater leadership roles and provi operational freedom. This freedom comes with new or extended responsibilities in terms of tary, patient quality and access requirements

### Deloitte - Our Perspective

*A range of important measures have recently been adopted with a view to controlling costs in the Irish public health system. However, from a longer term perspective, it is clear that a new way of paying for our health services will have to be developed and implemented. Reimaging and reconfiguring economic incentives are critical to the push towards risk-sharing and emerging payment programmes such as outcome- and value-based payment models. The move toward activity based funding is taking Ireland in the right direction for the adoption of outcome- based*

*payments further down the line. Ireland can also benefit from adopting learnings from international efforts at this point.*

*While there has been support for universal health access at a political level, a workable, cost effective approach has yet to be identified. It is hoped that an Oireachtas all-party committee report due for release in April 2017 will provide some further direction in this respect.*

*To address financing needs, healthcare stakeholders should continue to explore novel approaches to addressing shortfalls in capital expenditures, such as through new procurement models and public-private partnerships. For example, managed equipment services for medical devices are now offered by a range of medical technology suppliers and provide an opportunity to move costs from capital to operating budgets. This has been implemented widely in the UK as well as within Ireland's private health sector.*

<sup>1</sup> Projected Demographic Effect on Health Service Costs in 2015, Department of Health

## Care Delivery

Lack of access to basic health care services and variations in care quality are persistent problems in many of the world's regions. A lack of clinicians, growing numbers of higher acuity patients, and concerns over the development of dual systems of public and private healthcare concern advanced and developing countries alike. Increasing numbers of public and private healthcare providers are **embracing technology-enabled, virtual care, public private partnerships and integrated care** to deliver care more effectively.

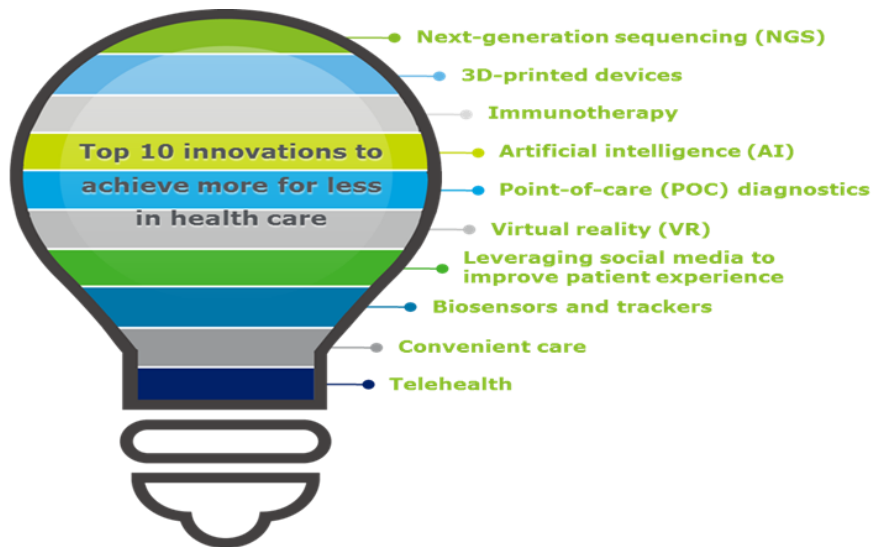


Figure 1: Innovations for value-driven healthcare, Deloitte Global Health Care Outlook 2017

### Care Delivery – Ireland's Outlook

Multi-morbidity aged care tends to account for more than 50% of the typical caseload of Irish hospitals and an even greater proportion of the available bed days within the system. Cost and care implications here are driving a model of **integrated care** to treat patients at the lowest level of complexity that is safe, timely, efficient, and as close to home as possible. Integrated care programmes under development target chronic disease prevention and management, older people, children, and patient flows. This will involve a collaborative approach with service users, medical colleges and clinicians to develop and implement processes to improve the way in which care is provided.

While moving towards universal health care remains a political priority, Ireland, similar to many advanced and emerging economies, continues to struggle with the creation of a cost effective model for a **single tier health system**.

### Innovation

Robotic surgery, 3D printing, implantable devices, and other digital- and technology-enabled innovations that target prevention, monitoring, and treatment are showing potential to improve outcomes and reduce costs. In addition, new R&D approaches, and big data and analytics are creating opportunities for innovation. However, stakeholders are challenged to invest in innovation while under pressure to cut costs.

*"Whilst innovation will offer important opportunities to improve treatments and cut costs in Ireland, healthcare stakeholders must balance adoption with authorisation requirements and ongoing operational cost pressures"*

### Innovation – Ireland's Outlook

Ireland's healthcare providers are moving at varied paces where adopting new innovations are concerned. For example, while use of robotic surgery is on the increase nationwide, it has typically been offered earlier by private hospitals.

Whilst innovation will offer important opportunities to improve treatments and cut costs in Ireland, healthcare stakeholders must balance adoption with authorisation requirements and ongoing operational cost pressures.

Consequently, a longer term public health view on innovation is key to driving a value-based approach to healthcare. Multi-annual budgeting would facilitate the development of this long term perspective.

## Operating Models

Public and private health systems will likely need to implement new business and clinical operating models to deliver scalable, efficient, and high-quality care, and to reduce waste, redundancies, and costs that threaten system sustainability.

**Measures to improve operational efficiencies include more vertical and horizontal integration** and a more focused approach **to patient engagement**.

### Operating Models – Ireland's Outlook

Ireland is moving towards **consolidated operations** via its Hospital Groups. Furthermore, Community Healthcare Organisation structures are being put in place to deliver standardised, accessible and integrated primary care to patients. In addition, a **patient centric** approach is being embraced by current policy and service design to improve services (for example through the "my name is" initiative and the use of patient satisfaction surveys).

## Deloitte - Our Perspective

*No matter how well-designed current policies are, implementation will present important challenges and will take time. For example, a more streamlined, devolved healthcare system necessitates the development of structures and processes to support the establishment and functioning of service provision arms including the Hospital Groups, Community Healthcare Organisations, and the National Ambulance Service to reflect and support the developing accountable and autonomous nature of these organisations. Enhanced sharing of data can provide a quick win to support consolidation and*

*localisation of healthcare operations. The national electronic health record will have an important impact here, but organisations should look to deploy and share existing data more effectively in the near term.*

## Regulatory Compliance

Health care is one of the world's most regulated environments with processes differing vastly from country to country. In 2017, organisations of all sizes will need to continue navigating and complying with a highly complex, changing set of global, regional, country, and industry-specific laws and directives. Globally, healthcare providers tend to be focused on areas including clinical quality and

safety, cyber security, counterfeit drugs and corruption.

*"Enhanced sharing of data can provide a quick win to support consolidation and localisation of healthcare operations"*

### Regulatory Compliance – Ireland's Outlook

Enhancing the quality of clinical service delivery and enabling the eHealth agenda are key regulatory areas for Ireland to address in 2017. Developing clinical quality and safety regulation and enabling the ehealth agenda are key regulatory areas to address for Ireland. Legislative priorities for 2017 include the Patient Safety (Licensing of Healthcare Facilities) Bill and the Health Information Bill. The latter Bill will serve to create better information systems, information capacity and data quality with a view to supporting Ireland's eHealth agenda.

Preparations are also underway for the transposition of the EU Directive on Cyber Security and the adoption of the new Data Protection Regulations.



## Conclusion

Irish healthcare providers are keeping pace with international trends in a number of key areas - there is a growing focus on localised and integrated care within the public sector, a focus on transforming and consolidating operations, and a regulatory focus around patient safety, cyber, and data management.

However, we need to continue and speed up our shift from a “break-fix” model of health care to one focused on prevention and the health of the population.

While national health systems are notoriously difficult to compare, it’s clear that many of the drivers that are forcing health reform globally apply to Ireland. From that perspective, there is clear value for Irish stakeholders to examine novel responses and best practice in international healthcare management as these areas develop.

## Contacts



**Shane Mohan**

Partner, Public Sector & Healthcare  
Lead

email: [smohan@deloitte.ie](mailto:smohan@deloitte.ie)

Tel: +353 1 417 2543



**David Kinsella**

Partner, Risk Advisory

email: [davkinsella@deloitte.ie](mailto:davkinsella@deloitte.ie)

Tel: +353 1 417 2529



**Gary Comiskey**

Director, Public Sector & Healthcare

email: [gcomiskey@deloitte.ie](mailto:gcomiskey@deloitte.ie)

**Tel:** +353 1 417 2924

## Authors

Brian Griffin, Public Sector &  
Healthcare, Consulting

Katie Kent, Public Sector &  
Healthcare, Consulting

Aine Sharkey, Public Sector &  
Healthcare, Consulting



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