

# Capital Investment in Health Report of the Department of Health

## Overview and Priorities

### *Introduction*

The attached report, which can be read in conjunction with the HSE Capital Plan 2011-2015<sup>1</sup>, seeks to address the various questions raised by the Department of Public Expenditure & Reform for the purpose of its review. As requested, the material reflects the allocations in the February 2011 REV.

The Department has also been asked to indicate clearly what programmes/projects it would prioritise if its allocation was cut to 70% for each year and what other programmes/projects it would prioritise if it had access to the remaining 30% of its allocation.

### *Programme for Government*

The Programme for Government contains a specific commitment that “*health capital spending will be a priority*”. The Minister’s view is there has to be demonstrable evidence of this explicit commitment in the outcome of this review of the public capital programme.

The Programme for Government says that “*Within the health capital budget, the immediate priority areas will be primary care centres, step down and long-term facilities and community care facilities such as day centres for older people*”.

It also says that “*The National Children’s Hospital will be built*”.

It also promises to “*establish a Service Delivery Unit (SDU) to assist the Minister for Health in reducing waiting lists and introducing a major upgrade in the IT capabilities of the health system*”.

### *Current year and previous cuts*

€337.25m has been allocated to the HSE in 2011 for non-ICT capital investment (further details in part 2 of the report). Another €15m in proceeds of disposals of surplus assets has been approved for investment in mental health service infrastructure. An additional €25m has been allocated (following the transfer of €15m to Fair Deal) for ICT investment (further details in part 3 of the report).

The Department of Health has been allocated €16m in 2011 to support health investment in agencies under its remit and capital projects in local and regional task force areas under the Drugs Initiative (further details in part 4 of the report). The Health Research Board (HRB) will receive capital grants of over €12m to meet its commitments in 2011.

HSE capital commitments in January 2011 amounted to €213m. In addition €40.4m is required to equip and commission facilities already under construction. Most of the

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<sup>1</sup> The Plan has been approved (subject to certain conditions) by the Minister for Health with the consent of the Minister for Public Expenditure & Reform.

spend under the HSE Capital Plan relates to existing contractual commitments and capital required to complete projects under construction, with a total of approx. €31m available for new projects in 2001 (with estimated expenditure of €277m to end 2015).

Since 2008 there has been a reduction of approximately 36% in the capital provision for the HSE. The Department of Finance's analysis of spending programmes acknowledges the reduction in health capital funding stating that:

*“the Health and Children capital programme has already undergone significant downward adjustment”.*<sup>2</sup>

### ***HSE infrastructure***

The purpose of the HSE infrastructure programme is to support agreed Government health priorities and strategies. In addition to the obvious health and social care needs which any Government has an obligation to address as best it can within the resources available to it, the wider economic benefits of a high performing health service are becoming increasingly recognised, e.g. in terms of its impact on the productivity of those in employment. The Department of Finance's Infrastructure Investment Priorities 2010-2016<sup>3</sup> states:

*“Alongside the very obvious social benefits, an improved stock of health capital can boost the performance of the health service and in turn can make a significant contribution to the economy.”*

In February this year, the European Commissioner for Health and Consumer Policy, argued that:

*“Spending money on health – in particular on prevention and on innovation in healthcare – should be seen as an investment in the future”*<sup>4</sup>.

Health infrastructure investment also has a very positive employment creation/support impact. The HSE can provide evidence to show that, on a conservative estimate, larger health projects generate 12 person years employment per €1m spend and smaller projects (up to €0.5m) can generate up to 20 person years employment per €1m investment. The Department understands that health capital investment has a greater employment impact than investment in other parts of the public service because of the nature of health projects and is also particularly beneficial for local employment (particularly for young males) because of the presence which the health care sector has throughout the country.

### ***Priorities***

The infrastructure allocation amounts to €1.674bn in the period 2012 to 2016. Existing contractual commitments amount to about €247m and it is estimated that a further €323m will be required for essential repairs, meeting minimum regulatory requirement (health & safety and HIQA) and replacement of existing equipment.

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<sup>2</sup> Infrastructure Investment Priorities 2010 – 2016, A Financial Framework, Department of Finance, July 2010

<sup>3</sup> Infrastructure Investment Priorities 2010 – 2016, A Financial Framework, Department of Finance, July 2010

<sup>4</sup> John Dalli, European Commissioner for Health and Consumer Policy, addresses high-level representatives of the Finnish Government, Helsinki, Finland, 3 February 2011.

The clinical need for and value of the new National Paediatric Hospital has been clearly established. In addition, proceeding with this project would obviate the need for otherwise unavoidable capital investment in Temple St and Crumlin (which would not have long-term benefits) and would deliver ongoing cost savings of €25m a year from 2016 onwards. The estimated cost is €xxxm<sup>5</sup>. An additional €xxm would be required for the associated ambulatory care facility in Tallaght.

Two other priority projects are the replacement of the Central Mental Hospital and the National Plan for Radiation Oncology. xxx xxxxxxxxxxx xxx xxxx xxx xxxxxxx xxxxx xxxxxxxx xx xxx xx xxx xxx xxx xxxxxxxxxxxxxx xx xxxxxx xxxxxxxxxxxxxxxx x xxxxxxx xxx xx xxxx xxxx xxxxxxx xx xxxxxx xxxx xxx xxxxxxxx xxxxxx xx xx xxxxxxx. xx xxx xxxxxxxx xx xxxxx xxxxxxxx xxxxxxx xx xxxxx xxxxx xxx xxx xxxxxx xxxxxx xxx xx axxxxxxxxxxx, xx xxxxxx xx xxxxxxxxxxx xx xxxxxxx xxxxxxxxxxx xxxxxxx xx xxxxxxxxxxxxxx xxxxxxxxxxx xxxxxxxx xxxxxxxx. xxxxxx xxx xxxxxxx xxxxxxx xxxxx xxxxxx xxxxxxxxxxx xxxxxx xx xxxxx xxxxx xxx xxxxxxxxxxxxxx xxx xxxxxxx xxxxxxx, xxxxx xxxxxxxxxxx xxxxxx xxxxxxxx xx xxxxxxxxxxx xx xxxxxxx xxxxxx (xxxxxxxx xxxxx xxxxxxxx xxxxxx xxxxx xxxxxxxx xxxxxxx xxx xxx xxxxxxxx). This project is a very high priority because of the demonstrated need for extra radiotherapy capacity and its obvious impact on mortality and morbidity.

Notwithstanding this, the Minister believes that the replacement of the Central Mental Hospital is of an even higher priority. There is an urgent need to replace the CMH. The existing hospital dates from 1850. The European Committee on the Prevention of Torture and Inhumane or Degrading Treatment or Punishment has been repeatedly critical of the facilities at Dundrum, specifically its unsatisfactory physical environment and sanitary conditions. The existing hospital is simply no longer an appropriate place for treating and caring for patients with mental illness.

The existing approach to the construction of primary care centres which is outlined in the attached report relies largely on the facilities being privately financed with the HSE leasing space for its directly employed staff subject to certain conditions, particularly in relation to the co-location of GPs. As a result, the existing HSE capital plan provides only a very small amount of funding for primary care centres.

However, we must ensure that the construction of primary cares centres should be determined by an assessment of capacity and health/social care need and deprivation.

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In the case of mental health, the existing allocation and capital plan would by end 2016 deliver the remaining infrastructure outlined in *Vision for Change*. If it was not possible to achieve this (because of a cut in the allocation) the Minister believes it would still be necessary to proceed with some of these projects, with the remaining being deferred until later years. This situation would be at odds with the Programme for Government commitment to *Vision for Change*.

Having regard to the foregoing and in the event of any significant reduction in the allocation, it seems unlikely that much if any funding would be available over the next five years for the three remaining care groups/sub-programmes within the existing plan – older people, acute hospitals and disability.

In the case of older people, this would run counter to the commitment in the Programme for Government to prioritise “*step down and long-term facilities and*

*community care facilities such as day centres for older people*". It would make it impossible to proceed with replacing any existing public long-stay nursing homes. In these circumstances, alternative approaches to intermediate care would have to be explored (e.g. reconfiguring existing beds/facilities in acute hospitals).

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In the case of disability, the absence of sufficient funding within the HSE allocation would make it imperative that local authorities be funded to provide appropriate accommodation for persons with disabilities.

### ***ICT***

In recent years the HSE has under-spent its ICT capital budget. Delays in procurement, project approval and peer review partly account for the low uptake but other key constraints have been the HSE's capability in terms of business transformation and change management. However, the SDU has already shown that these deficits can be overcome in the way it has worked with the HSE to achieve the recent upgrading of ED information systems.

This situation needs to change dramatically. A major upgrade in IT capabilities for the health system is specifically included within the Programme for Government because it is recognised and universally accepted that ICT is a key enabler to transforming (health) service provision.

The ambitious Government reform programme (including abolition of the HSE, a major strengthening and expansion of primary care, the introduction of a "money follows the patient" system of funding and Universal Health Insurance) will have to be underpinned by effective information and ICT. Extensive development and deployment of ICT within the Irish health system is a necessary strategic imperative. These systems will require significant capital funding. Indeed, it may be necessary to increase the €40m a year provision which is included in the existing HSE Capital Plan. Failure to invest the necessary resources in ICT will prevent the objectives of transformation from being achieved.

### ***Department***

The existing allocation for the Department is €16m a year. The allocation for the next five years will have to cover the Exchequer's contribution to two significant infrastructure projects (a replacement blood transfusion facility in Cork and the Galway Clinical Research Facility), various minor projects (including ICT projects) in the Department's direct funded agencies, and the purchase of equipment, goods, etc. for local drug treatment/rehabilitation projects. However, the bulk of the allocation goes to the Health Research Board. A reduction in the Department's allocation is not considered practicable. Indeed there will be a need to increase the allocation, within the overall Vote Group allocation, to facilitate the construction of the new Munster Regional Transfusion Centre. Any reduction in the allocation would curtail the HRB's

ability to support the Government's objectives in regard to investment in health research, particularly in relation to clinical research - the priorities for the Department are, necessarily, population health and health systems research.

### ***Conclusions***

A further reduction of 30% in the capital programme for health, which is still dealing with the impact of a reduction of 38% since 2008, would have a major impact on all HSE priority projects and care programmes, and run counter to the commitment in the Programme for Government to prioritise health capital spending. Major priority projects and programmes would be severely cut or significantly delayed by up to five years. In the event of the existing allocation having to be cut by some lesser amount, the priority projects/programmes (after meeting contractual commitments and unavoidable "minor capital" requirements) would be the new Paediatric Hospital (possibly at a slower pace), the replacement of the Central Mental Hospital, the National Plan for Radiation Oncology, an expanded programme of primary care centres/other mental health facilities. The scope for any investment in older people, acute hospitals and disability would then be considered. As indicated above, failure to invest in ICT over the next five years would undermine delivery of the Government's entire health reform programme.

*20 September 2011*