SUBMISSION TO:

The Sláintecare Independent Review Group examining the removal of private practice from public hospitals

Submission date: Friday, 9th February 2018

CONTENTS **PAGE**

Introduction……..2

Executive Summary..... **Error! Bookmark not defined.**3

Six principles to consider:

1. Genuine collaboration to achieve reform……..4
2. Expanding Primary Care Services……5
3. Controlling costs and addressing inefficiencies in healthcare delivery……6
4. Alternative Funding Model……7
5. Sustainability of the Private Health Insurance market…… 8
6. Government Policy in support of healthier choices……..9

Conclusion……10

Contact details……..11

Introduction

Laya healthcare (LHC) is a major contributor to the Irish economy, employing more than 500 people in our offices in Dublin and Cork. LHC is Ireland's second largest private healthcare insurance provider with more than 580,000 members and the largest health and wellness provider in the country.

While looking after the health and wellness needs of our customers and ensuring they get the best medical outcomes are a top priority for us, we are a committed stakeholder in the Irish health system and want to play a role in designing and implementing a better healthcare model that benefits *all of* Irish society**.**

Executive Summary

Providing access to enhanced healthcare solutions that improve medical outcomes for our customers is our biggest priority at laya healthcare. We are a strong supporter of the public health sector in Ireland and we share the goal set out in The Sláintecare Report of creating a fair and equitable model of healthcare that drives greater efficiencies and better patient outcomes. Delivering appropriate healthcare solutions in the most appropriate healthcare settings is a key component of a sustainable healthcare system and this should be a critical consideration in the scope of analysis of our current and future system.

A key reform recommended by the Oireachtas Committee on the Future of Healthcare is the phased transition to a one-tier health system, involving the *"disentanglement of private practice from public hospitals".* We welcome the establishment of an Independent Review Group to interrogate the far-reaching consequences of this. Devolving private practice from public hospitals promises to be an extremely complex challenge**,** requiring careful consideration so that reform is not achieved to the detriment of the patient.

It is the strong view of LHC that the removal of private practice from public hospitals won't address the systemic inefficiencies that exist in public hospitals that, if allowed to continue, will undermine the fundamental principles of reform that The Sláintecare Report sets out to achieve.

While we understand that the Report is forward-looking, there needs to be a critical review of our current system and the efficiencies that can be gained in our existing healthcare system while creating a vision for our future healthcare system. This will require genuine and substantial collaboration among key stakeholders in health, including Government, public and private hospitals, public representatives, clinicians, governing bodies, patients and health insurers.

In this brief submission, we set out our broad response to the proposal to remove private practice from public hospitals, outlining six priority areas we believe must be considered in detail before agreeing to its phased removal:

1. Genuine collaboration to achieve reform
2. Expanding Primary Care Services
3. Controlling costs and addressing inefficiencies in healthcare delivery
4. Alternative Funding Model
5. Sustainability of the Private Health Insurance market
6. Government Policy in support of healthier choices

Following the impact analysis carried out by the Independent Review Group, we look forward to working closely and collaboratively with the Government and other key stakeholders in health on the detailed groundwork that will be required to bring this ambitious reform programme to fruition.

1. Genuine Collaboration to achieve reform

LHC is a critical stakeholder in health. We have the experience; we talk to the industry and the public and we share in the vision of the Report so we would welcome the opportunity to engage in meaningful and genuine collaboration with the Government to bring about sustainable reform that improves the outcome for our customers, and indeed the wider public.

Transitioning to a one-tier system that strips private practice from public hospitals is a multi-faceted and complex task that will demand genuine collaboration among key healthcare stakeholders including Government, public and private hospitals, public representatives, clinicians, governing bodies, patients *and* health insurers.

Some 45.1%[1] of the population now has health insurance, up from 41% in 2016 but still a long way off the peak in 2008 when one in two people (50.9%) had cover. For almost six in ten[2] (58%) people private health insurance (PHI) is a necessity, not a luxury. This is understandable; Ireland has an overstretched public health system experiencing record waiting lists; the numbers of patients waiting longer than 12 months in acute hospitals increased from 84,000 at the end of 2016 to 138,000 at the end of 2017[3].

Rising health insurance premiums will not only drive current and potential members away from PHI, it will lead to more pressure on the public health system.

[1] Central Statistics Office (CSO), September 2017
[2] Health Insurance Authority, consumer research on PHI, January 2018
[3] HIQA guidelines, published January 2018

2. Expanding Primary Care Services

Ireland's primary care service is the lynchpin of a robust health system and LHC welcomes the Report's proposal to develop services in the community to deliver more efficient localised care in an appropriate setting.

Expanding primary care services offers a cost effective solution to delivering better patient outcomes and will reduce the number of unnecessary hospital admissions for procedures that do not necessitate acute hospital admission. Following a comprehensive clinical review of hospital procedures across a range of specialities, LHC has identified a list of such procedures that could be carried out in a primary care setting if the appropriate infrastructure was put in place.

The benefit to Ireland's healthcare system is that it would simultaneously result in a decrease in unnecessary hospital admissions for minor surgical procedures, freeing up acute hospital services and beds for more complex and acute admissions.

An Independent Report to the Minister for Health and the Health Insurance Council[4] drew attention to the **significant potential for health insurers to provide better integrated care** which would benefit the treatment and management of Chronic Disease in the long-term.

LHC can help provide cover for efficient, localised care in an appropriate setting and at an appropriate cost**.** We would welcome more detail on the proposed funding to ensure Primary Care Services receive adequate funding to develop the infrastructure required to service current and future demand.

[4] Review of Measures to Reduce Costs in the Private Health Insurance Market 2013, an Independent Report to the Minister for Health and Health Insurance Council by Pat McLoughlin

3. *Controlling Costs and Addressing Inefficiencies in delivering healthcare*

While cost savings are a fundamental measure of success in our current and future healthcare system, they cannot be achieved in isolation from the most important measure of any healthcare system: its ability to deliver **enhanced healthcare solutions** in the **most appropriate** setting that achieves **the best medical outcome** for customers.

Public hospital costs have risen, much faster than private hospital or consultant costs, and the inefficiencies driving these costs need to be addressed. It is our strong view that the proposed removal of private practice from public hospitals won't fundamentally address the systemic inefficiencies that exist in acute hospitals which will undermine the wider measures of reform set out in the Report.

LHC proposes the following be considered within the scope of the impact analysis:

- The **effective governance and monitoring of the current 80:20 contract rule** determining the public/private ratio of consultant work in public hospital settings. The reported widespread breach of this rule, as reported by RTE Prime Time Investigates[5], demonstrates clearly how failure to govern the public/private ratio places an undue burden on the public health system and exacerbates the unacceptable issue of record numbers of public patients on waiting lists. The removal of private practice from public hospitals is also expected to impact negatively on the **recruitment and retention of experienced consultants[6]**, and due consideration must be given to the impact on patient care in this regard. Any exodus of experienced and specialist consultants from public hospitals, specifically centres of excellence hospitals, would exacerbate the current recruitment issues that hospitals face.
- The potential of **freeing up significant capacity** in public hospitals, a clear aim of this proposed reform. Health Economist Brian Turner noted caution in this regard, "*three quarters of admissions to public hospitals occur on an emergency basis, via A&E departments where private patients do not gain an advantage in terms of timeliness of care. Of the patients admitted on an elective basis, over three quarters are public patients. Therefore, private patients account for fewer than 6 per cent of public hospital admissions, so the additional capacity that would be freed up would be limited.[7]*" We expect the independent impact analysis to detail exactly what enhanced benefits will be achieved for patients, and at what cost, by disentangling private practice from public hospitals.
- LHC recommends the implementation of **Care Pathways** which take a multi-disciplinary approach to promote organised, efficient and consistent levels of care that optimise outcomes for patients. An example of this approach can be seen under the National Cancer Control Programme (NCCP), which moved from a position of 33 hospitals delivering care in a fragmented manner to the creation of eight designated centres for cancer care in Ireland, leading to better patient outcomes[8].
- The universal use of **Diagnostic Related Groups** (DRGs) across the healthcare system, as previously recommended to Government in an Independent Report to the Minister for Health and Health Insurance Council by Pat McLoughlin. DRGs incentivise efficiencies and remove the incentive to over-treat or keep patients in hospital unnecessarily. Rather than paying the hospital for what it spent caring for a hospitalised patient, the insurer pays the hospital a fixed amount based on the patient's DRG or diagnosis. This incentivises the hospital to ensure correct diagnosis from the outset.

[5] http://www.thejournal.ie/cataract-surgery-waiting-lists-3710855-Nov2017/
[6] Irish Hospital Consultant Association response to the Sláintecare Report, May 2017
[7] Eolas magazine, December 2017
[8] http://www.hse.ie/eng/services/list/5/cancer/about/services/

- Greater collaboration with key stakeholders, including health insurers, who have a significant level of expertise with medical services' cost control strategies, to review:
    - Evidence of current practice
    - Adherence to best practice guidelines including reducing length of stay for medical admissions and surgical procedures and treating patients in the appropriate setting.

4. Alternative funding model

While the Sláintecare Report acknowledges the predicted demographic and population growth in demand for services and medical inflation, it does not outline a clear funding plan for delivery other than general taxation and specific earmarked funds, which would likely increase the tax burden on the public.

Our customers are a critical stakeholder in the public healthcare system and guarantees must be given on the level and cost of their care in this proposed 'new world' of public hospitals, a service they already pay for through their taxes. We must ensure that if radical reform is achieved, then it is delivered at the benefit – not the expense - of customers. Assurances must be given by Government that devolving private practice in public hospitals will deliver **improved access and better medical outcomes for patients**, and that any potential cost to the public – be it direct or indirect cost e.g. through increased taxation – is explicitly called out and explained so that people can make an informed decision on it.

Removing private practice from public hospitals, implemented between years two and six, will remove approximately €650m[9] a year in direct payments from private health insurers to public hospitals. The Report fails to detail exactly how this significant income gap will be plugged or who will carry the financial burden of meeting this revenue shortfall in the short and long-term. At present, two-thirds, or 69%[10], of funding for the health system comes from general taxation with the remainder made up of, in the main, from out-of-pocket charges and income from private health insurers. How does the Government propose making up the shortfall if these incomes are phased out as proposed?

Despite the upturn in the economy and falling unemployment levels, additional healthcare funding will pose a huge challenge for the State. While investment is needed to fund reform, this can only truly be achieved and sustained through a re-modelled health system recalibrated to:

- Introduce more incentive-based performance measures to drive greater efficiencies in healthcare
- Drive down the cost of services
- Deliver greater collaboration between all stakeholders in health
- Facilitate the universal introduction of a DRG system

[9] The Sláintecare Report, 2017
[10] The Sláintecare Report, 2017

5. Sustainability of the Private Health Insurance Market is critical

To successfully transition to a one-tier health system, a robust and sustainable private health insurance (PHI) market is critical. The Report's recommendation to "move people from PHI to avail of improved public healthcare" does not recognise the significant complementary support and value that the Irish health insurance market currently provides to the public system, directly and indirectly.

Government policy decisions that undermine the sustainability of the private health insurance (PHI) market will **destabilise the principles of Community Rating**, a fundamental cornerstone of the PHI market that is currently protected by legislative provisions in Health Insurance Acts 1994 – 2012. Moreover, it runs counter to the Government's successful Lifetime Community Rating initiative, which saw an additional 95,000[11] take out PHI in 2015/2016 and helped to restore stability to the market at a crucial time.

More than 272,000 people dropped their PHI cover[12] between 2008 and 2014 because of the rising cost of premiums. Premiums continue to be negatively impacted by the significant increase in the cost and volume of claims in public and private hospitals. Rising premiums will not only drive current and potential members away from PHI, it will lead to more pressure on the over-stretched public health system. As well as the impact on individuals, if premiums continue to rise, many businesses may be forced to remove a core benefit of employee PHI, which will have a detrimental impact on Ireland's economic competitiveness.

There were 2.16 million people, or 45.1% of the population, insured with inpatient health insurance plans in September 2017[13], accounting for 1.5 million claims at an annual cost to insurers of approximately €2bn. This support ensures that those with health insurance are not entirely dependent on the public health system, thereby contributing to its operational and financial sustainability to the tune of nearly €650 million.

LHC would welcome the opportunity to collaborate with Government on the proposed *disentanglement of public and private care* to ensure that reform isn't achieved to the detriment of the patient.

[11] Health Insurance Authority, May 2016 newsletter
[12] Health Insurance Authority, May 2016 newsletter
[13] Health Insurance Authority, November 2017 newsletter

6. *Government Policy in support of healthier choices*

Early prevention and intervention can have a significant impact on keeping our populations healthier, for longer, and thereby ease the burden on acute hospital care in the long-term. LHC recommends that more is done to empower people to live and feel healthy and that Government policy should support the introduction of initiatives to incentivise companies to support the health and wellbeing of their employees.

According to the World Health Organisation (WHO), workplace health programmes are one of the best ways to prevent and control chronic disease and support mental health[14]. The impact that the workplace can have on health and wellbeing is increasingly recognised at international level.

A formal Government initiative or statutory instrument would support Healthy Ireland's[15] agenda of taking a preventative approach to health and wellness and could take the form of **a grant or tax incentive** for pre-determined workplace programmes such as:

- Heart screening, diabetes testing and blood pressure testing
- Occupational health programmes
- Workplace programmes on diet, nutrition, physical activity, mental health
- Workplace programmes to address financial health / stress related health

While such a measure would come at a cost, the positive impacts towards for employers, employees and the State have the potential to render this initiative economically viable and help with the overarching healthcare reforms as laid out in the Report:

- IBEC estimates that workplace absenteeism is costing businesses in Ireland €1.5 billion per year[16]
- The fiscal burden on the State:
    - Almost 55,000 people received State Illness Benefit in 2016 at a direct cost to the Exchequer of around €598m[17]
    - Absenteeism means that the State loses out on payroll deductions (tax, PRSI, USC)

LHC is a strong advocate of initiatives that support health and wellbeing. We have the largest health and wellness offering that spans a wide spectrum of health needs; both physical and mental. We also founded **Super Troopers**, Ireland's first health homework programme now activated in 1,500 primary schools with 240,00 Irish school children taking part. This free programme is designed by teachers in collaboration with a team of experts in the areas of psychology, nutrition, wellbeing and physical activity to instil healthier habit at a younger age and embed healthy attitudes towards nutrition and fitness among families to ensure a healthier adult population in the future.

LHC recommends that more is done to keep people well and that Government policy should support healthier choices with the introduction of initiatives to incentivise companies to support the health and wellbeing of their employees.

[14] http://www.who.int/occupational_health/healthy_workplaces/en/ *
[15] http://www.healthyireland.ie/about/
[16] IBEC – A Guide to Managing Absenteeism
[17] DSP (2016) Statistical Information on Social Welfare Services 2016

Conclusion

The publication of the Oireachtas Committee's Report on the Future of Healthcare, or Sláintecare, sets out an important framework for a new system of healthcare in Ireland. More detail on cost and implementation is needed in relation to the proposed removal of private practice from public hospitals and we are strongly in favour of adopting a partnership approach to ensure that reform is not achieved to the detriment of our customers.

At laya healthcare, we have extensive experience working in both public and private hospital settings. This experience should be leveraged to help shape the future of healthcare, and we look forward to working with the Government and other key health stakeholders as Sláintecare is moved forward in earnest.

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