

Office for  
**Budget  
Responsibility**

# Fiscal sustainability and public spending on health

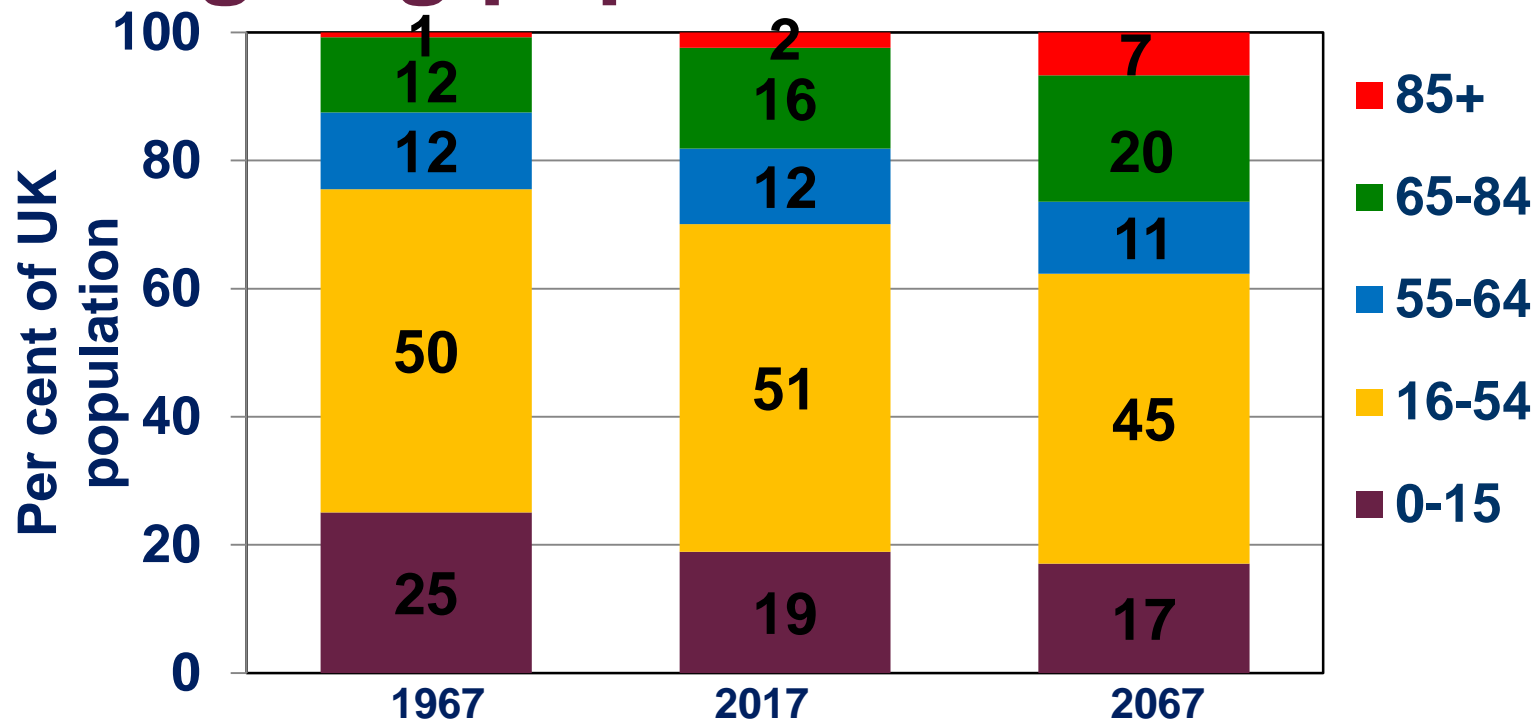
Jim Ebdon  
Team Leader Risks and Sustainability

Irish Fiscal Advisory Council  
Path for the public finances conference  
Feb 2019

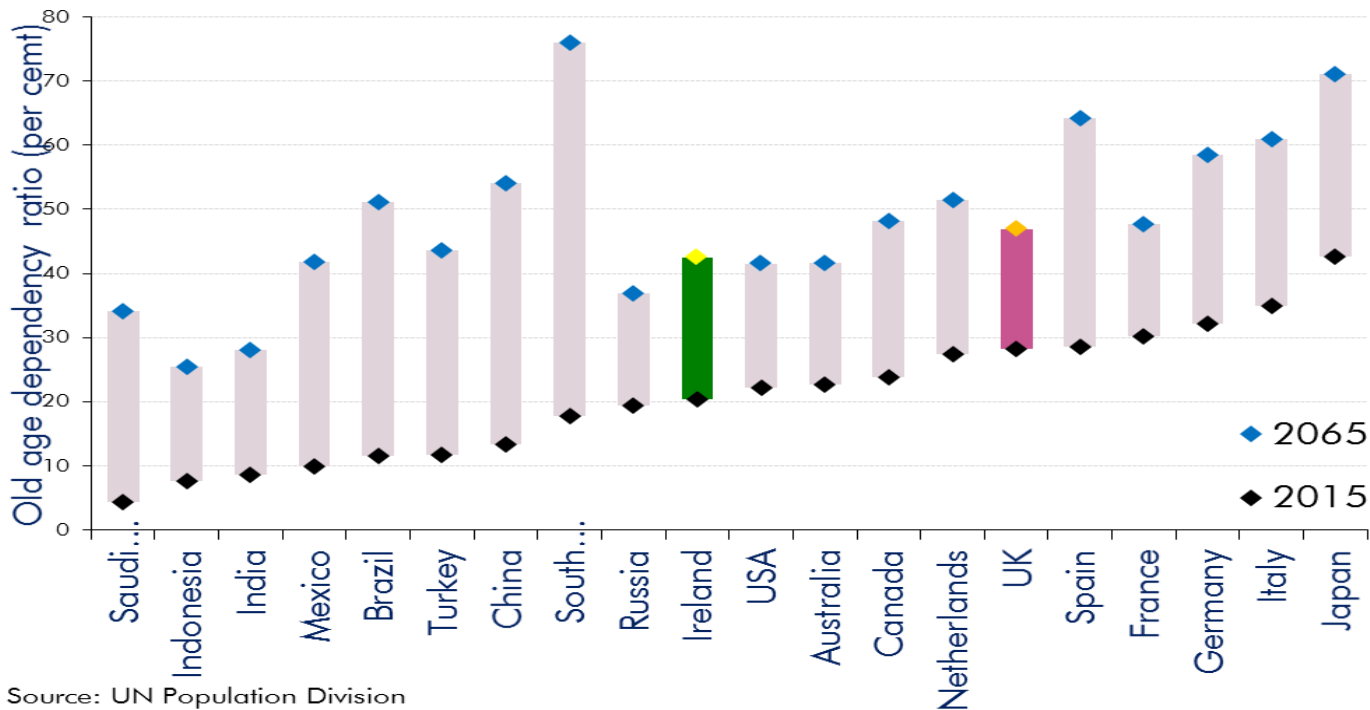
# Long-term projections

- Cover spending, revenue, balance and debt
- 50-year horizon
- Based on current policy, as best defined
- Projections, not precise forecasts
- Sensitivities important

# The ageing population

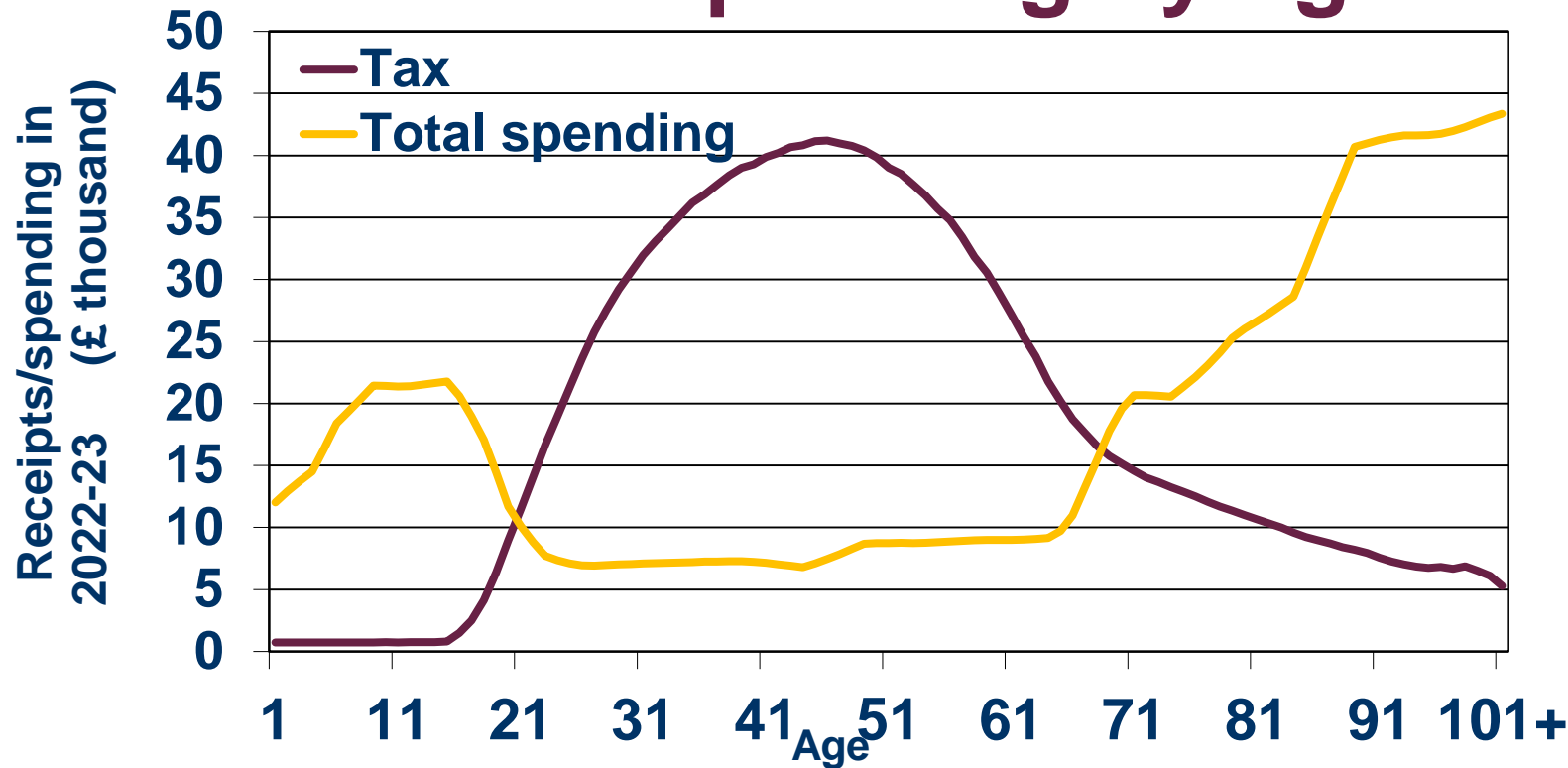


# Old-age dependency ratio



Source: UN Population Division

# Revenues and spending by age



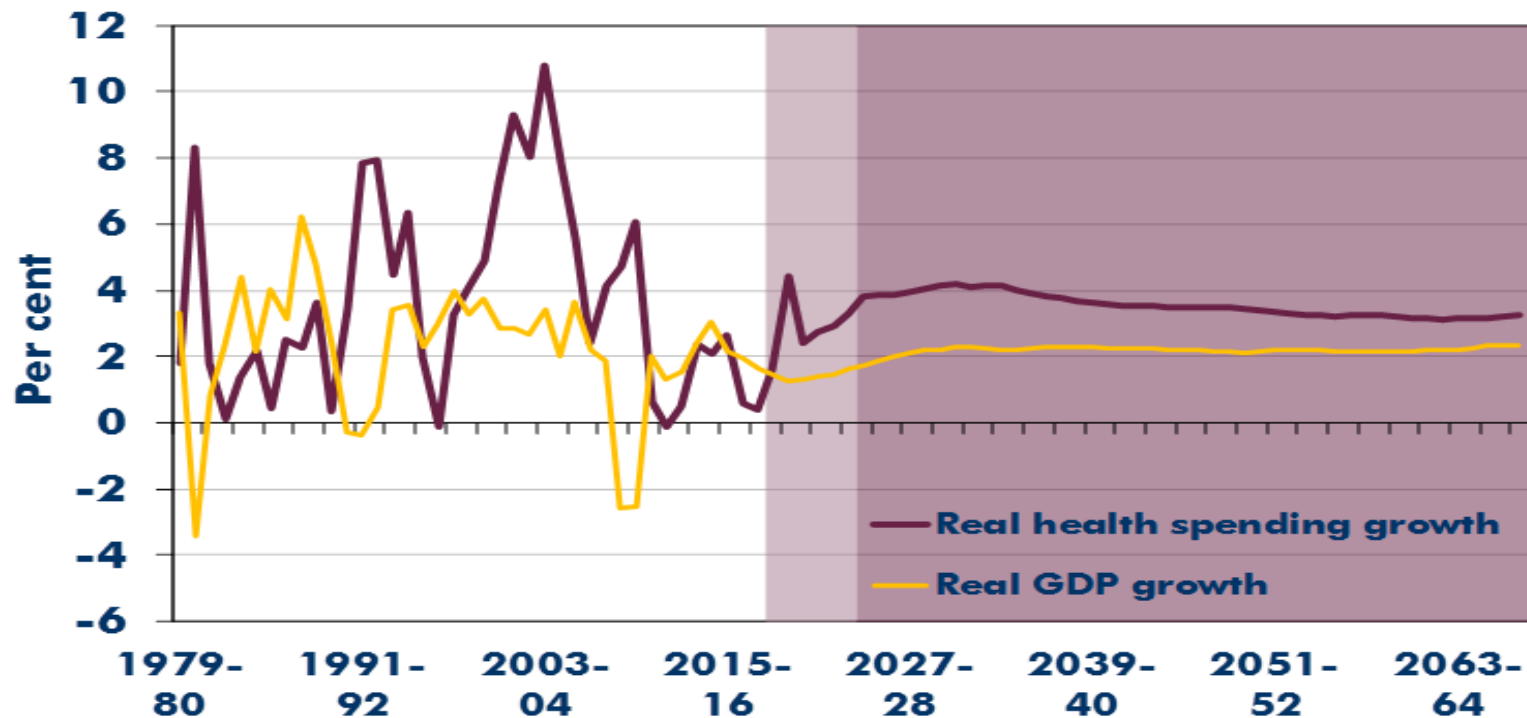
# Demographic uncertainty

- Much of the future population structure is known
- But uncertainties around:
  - fertility
  - life expectancy
  - migration
- Also uncertain relationship between demography and service needs, especially morbidity
- And not everything is demography, e.g. cost pressures in health, oil & gas

# Other cost pressures in health

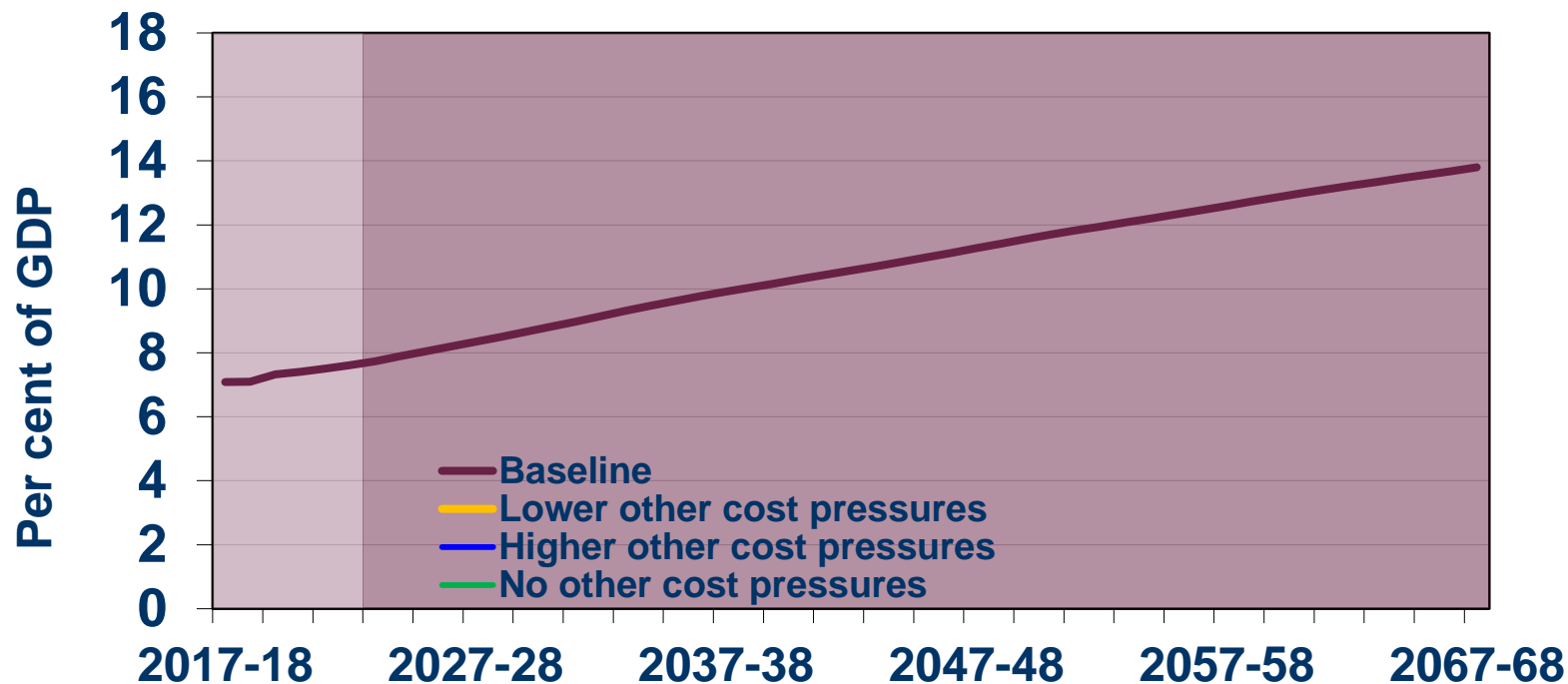
- Spending assumed to accommodate non-demographic pressures on health
- Technological advances
- Relatively weak productivity growth
- Spread of chronic conditions

# Real growth in health spending

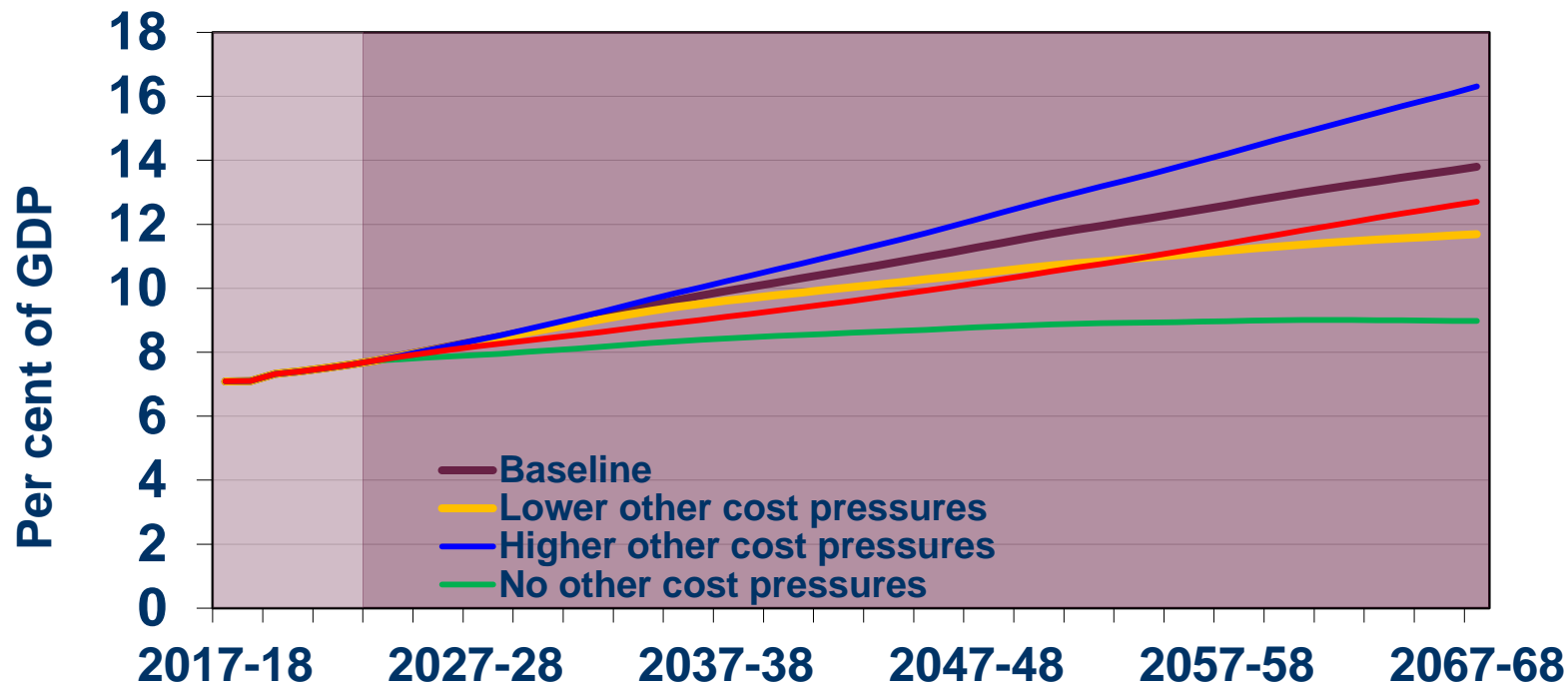




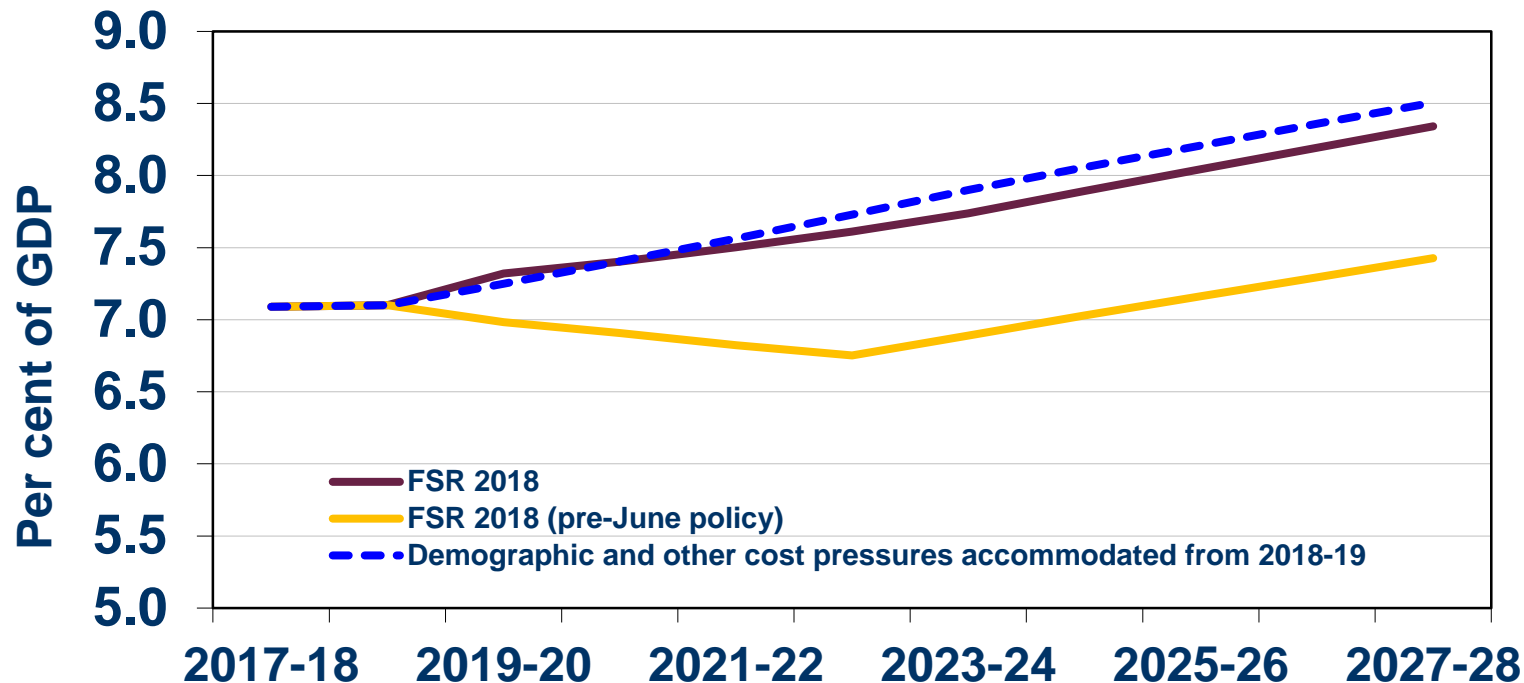
# Health spending as % of GDP



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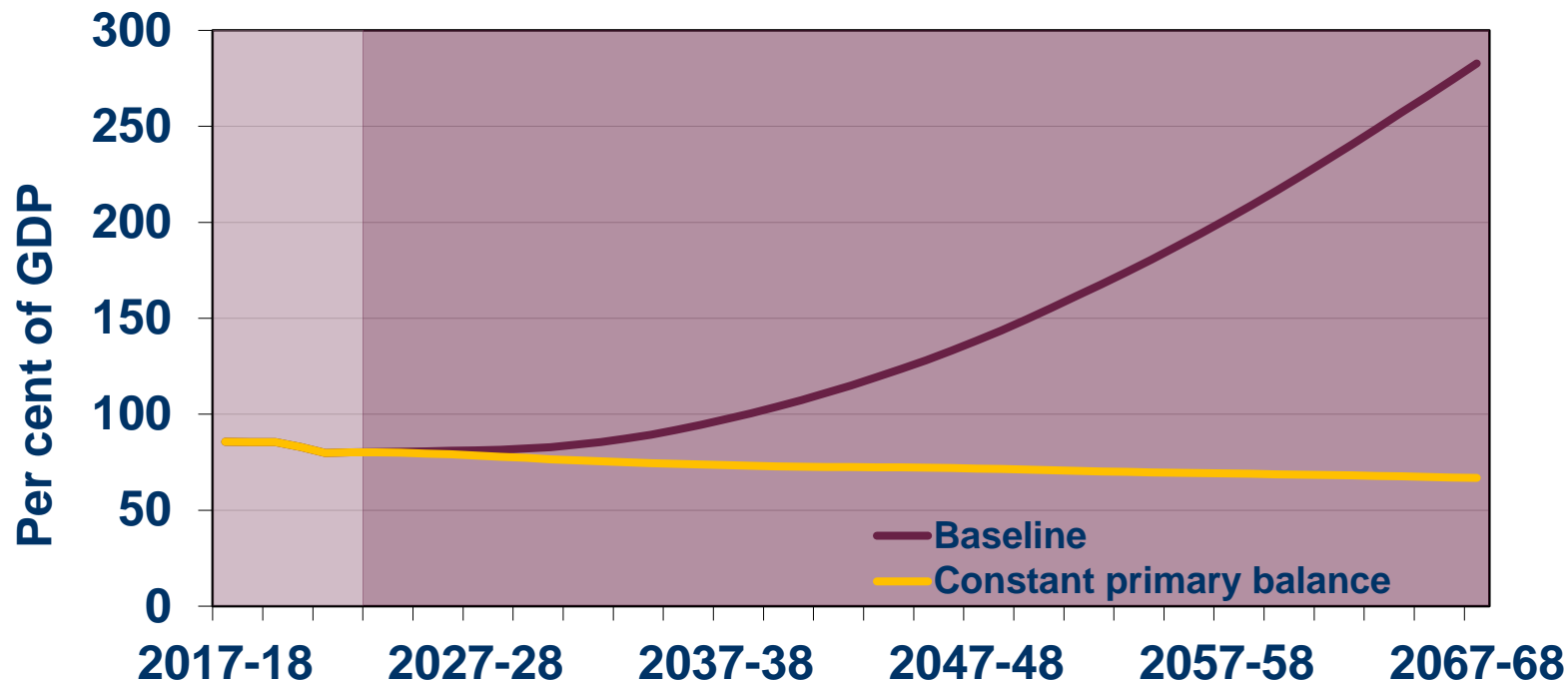
# Health spending and pressures



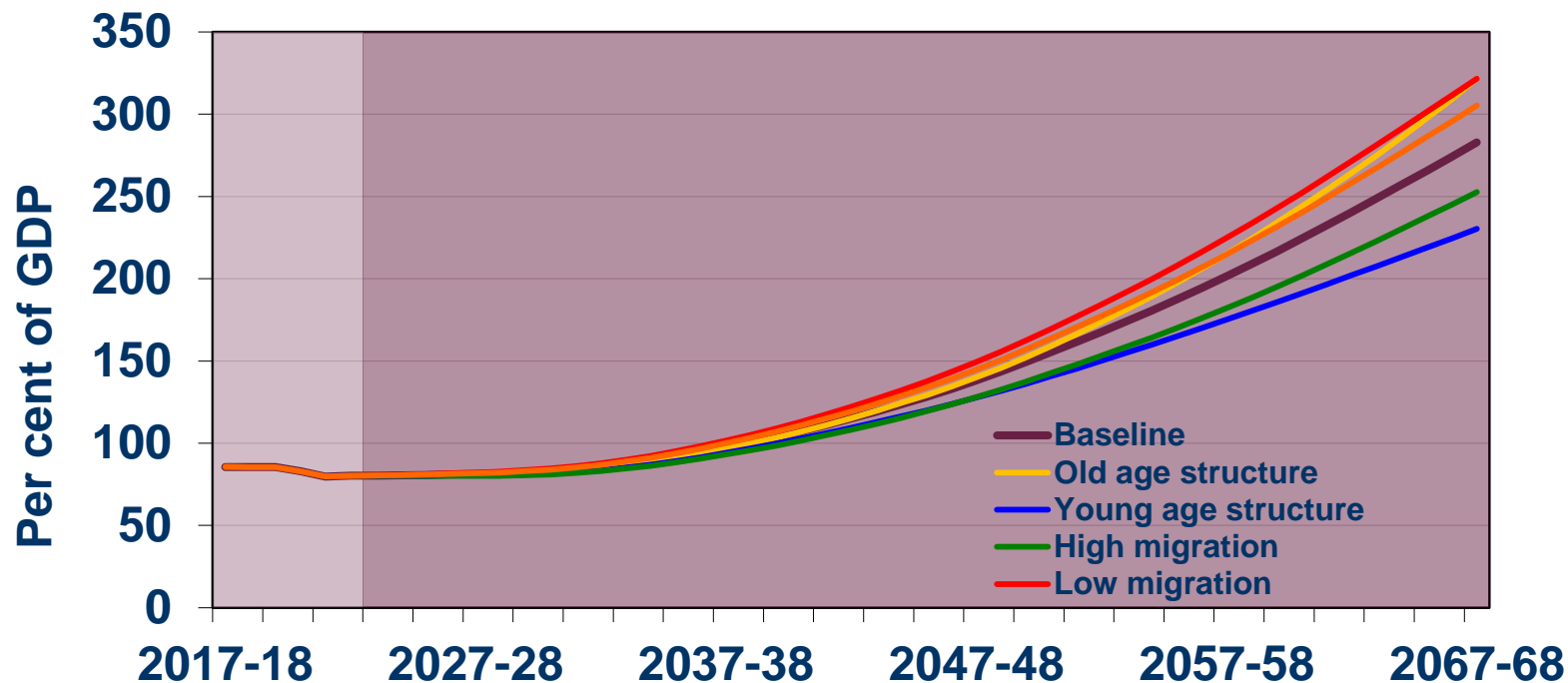
# Non-interest spending

Per cent of GDP	2017-18	2022-23	2067-68
Health	7.1	7.6	13.8
Adult social care	1.2	1.3	1.9
Education	4.3	4.1	3.8
State pensions	5.1	5.0	6.9
Pensioner benefits	0.8	0.8	1.3
Public service pensions	2.0	2.1	1.5
<b>Total age-related spending</b>	<b>20.5</b>	<b>20.9</b>	<b>29.2</b>
Other welfare benefits	4.8	4.5	4.2
Other spending	11.4	11.0	11.2
<b>Spending</b>	<b>36.7</b>	<b>36.4</b>	<b>44.6</b>

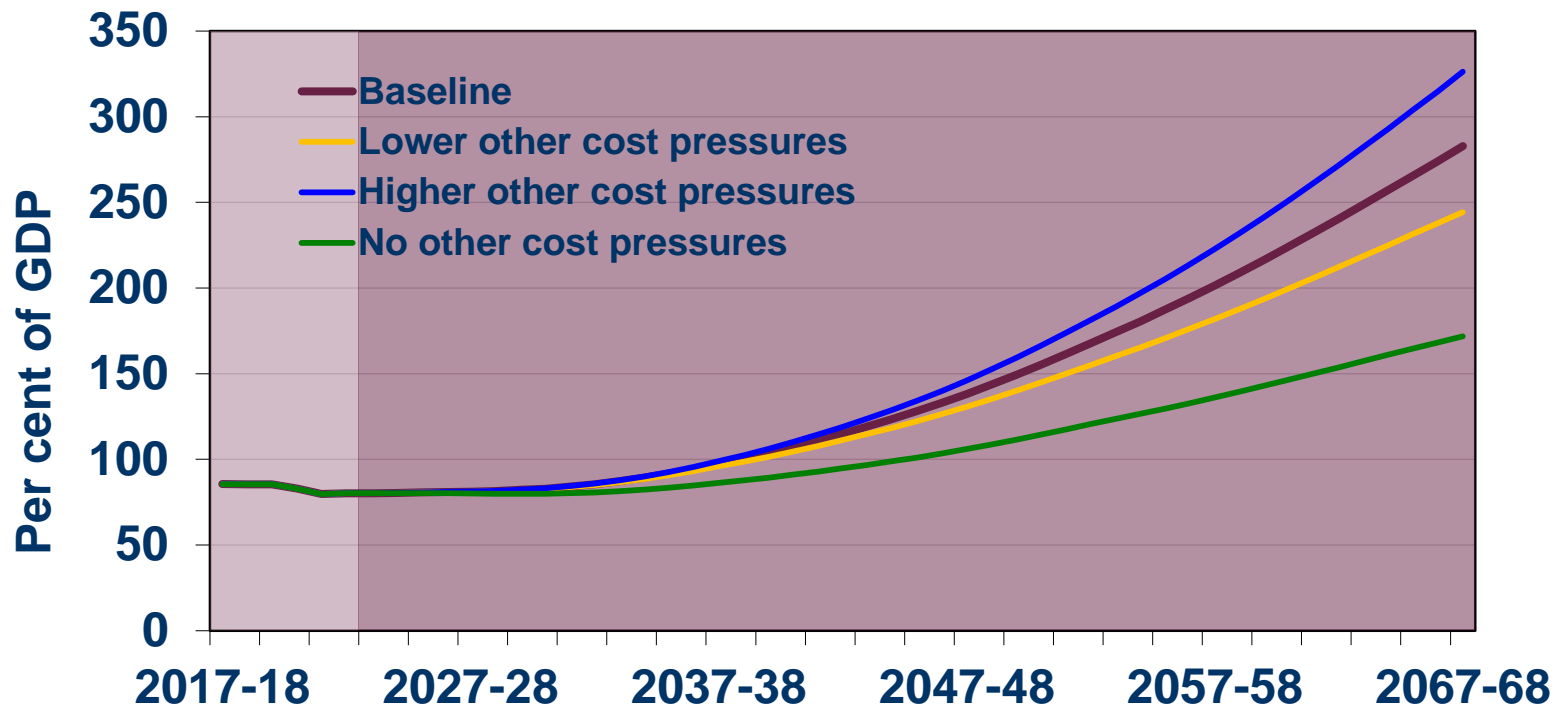
# Net debt: baseline projection



# Net debt: sensitivities



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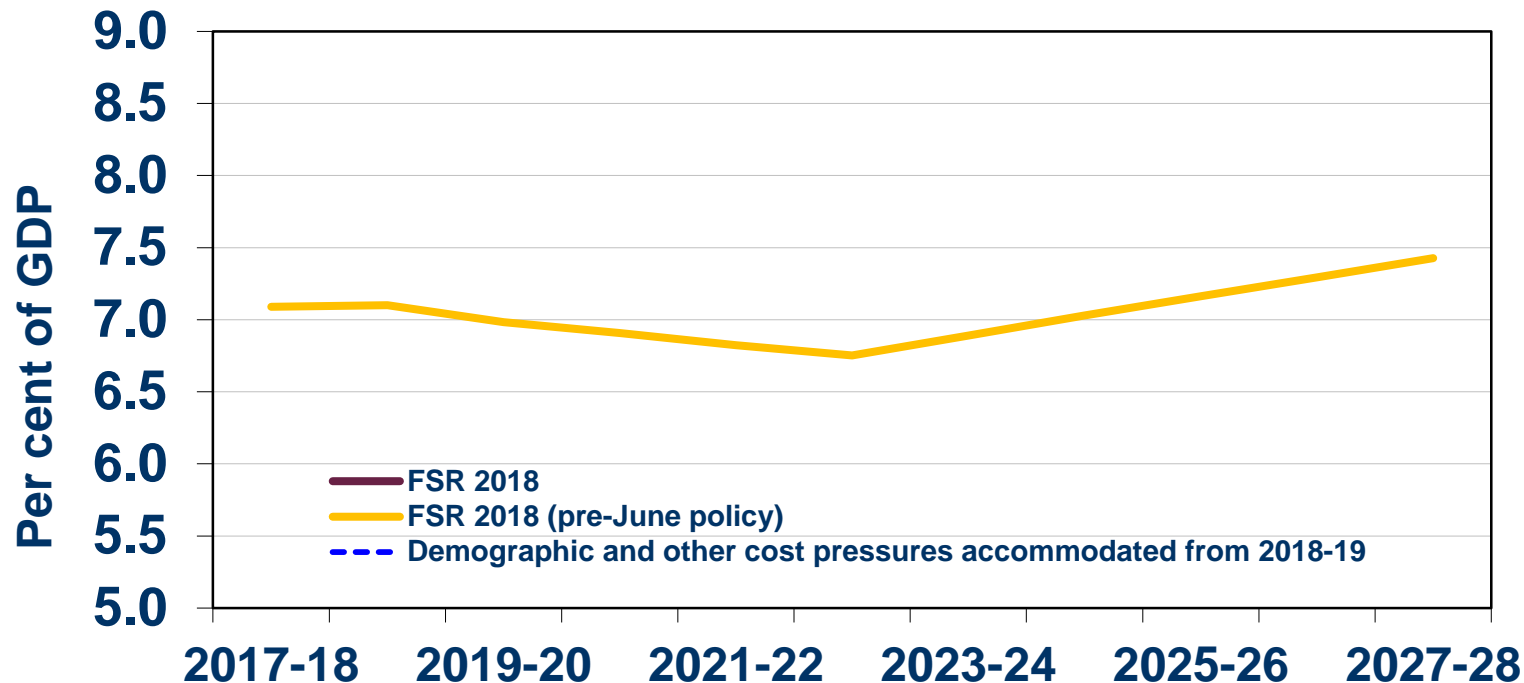


# Long-term projections: summary

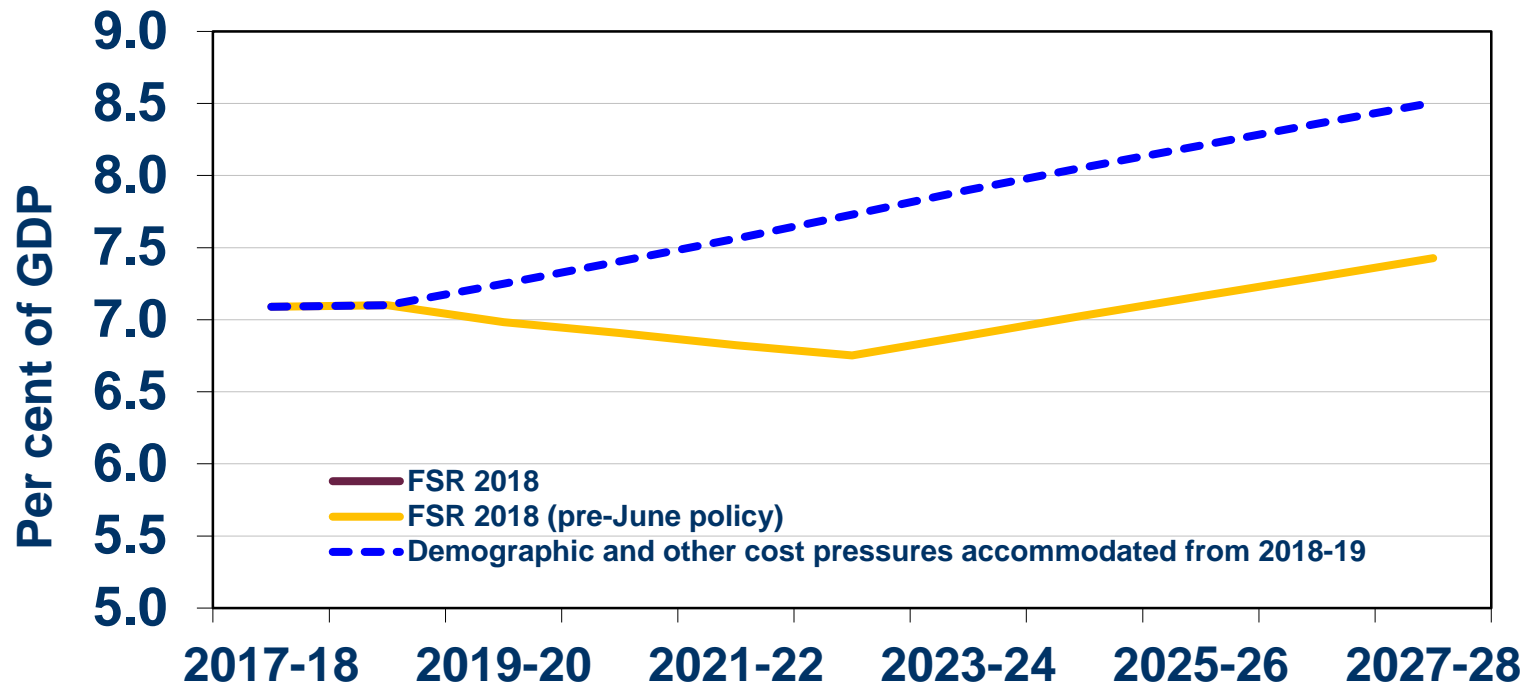
- Pressure from ageing and other health costs
- Common to most industrial countries
- Outlook depends on live policy choices over social care, pensions uprating and health
- Further policy action likely to be necessary



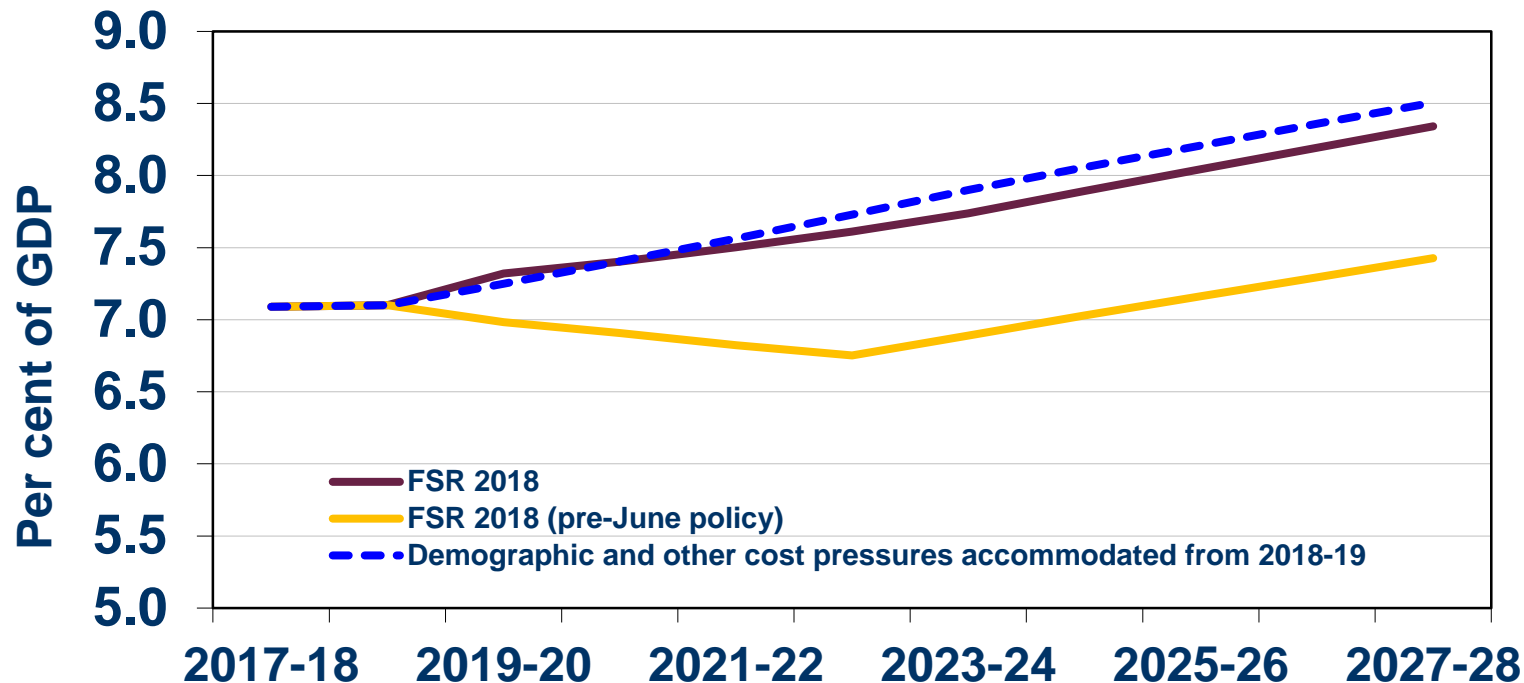
# Health spending and pressures



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# Health spending and pressures



# What next

- Age profiles increasingly out of date
- Time series of ‘other cost pressures’
- ‘Other cost pressures’ and low systemic productivity?
- Feed back health to economy