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# **Privatisation of the Irish Health Care System**

INMO Position Paper  
2010

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## Background

The Irish public health system is under threat as it lacks the physical infrastructure, levels of staffing and the overall capacity to adequately respond to the demands for care. The health system is currently undergoing a major programme of reforms, focusing particularly on the structures of management and finance. Even if such reform programmes are successful they fail to challenge the inequitable access which comes about as a result of the two-tier health system.

The INMO has for many years championed the right for everyone to have access to a health care system that is appropriately funded and provides equal access to all, regardless of status or income. Initiatives such as trolley watch have proven to be an extremely useful resource to demonstrate the failures of our current system. In 2006 we called for the reversal of all government strategies to introduce privatised health care. In 2007 we sought for the Minister to abandon the agenda for privatisation and instead focus on a quality service with equal access for all citizens. This call was again repeated in 2008, and at our last conference in 2009, we called for the introduction of a universal health system to allow for a fair and equitable world class health service.

This position paper seeks to formulate an INMO response to the increasing privatisation of our health care system, and puts forward the alternative.

### 1. Introduction

The INMO is opposed to the increasing privatisation of our health care system. Indeed, we believe that current aspects of the current system should revert to public funding e.g. the National Treatment Purchase Fund. We believe there should be social and political acceptance that all citizens must receive equal care and treatment on the basis of their health care needs rather than their financial means. This social solidarity principle was the central plank of ICTU policy paper *How Ireland Cares in 2006*. The government's drive for more and more privatisation needs to be challenged and trade unions need to show the advantages of the public provision of health services for quality health care. In this policy paper we make the argument about why privatisation will not deliver the best health care system in Ireland. And we will argue that it is important for the INMO to be proactive in making the case for the public provision of health care.

We need to ask important questions about:

- What kind of health care system do we want so that people live healthier lives?
- How can we make the best use of our resources to ensure that everyone has access to good quality health care?

## 2. What is privatisation?

Core to the concept of privatisation is the transformation of the notion of healthcare as a right delivered on the basis of need, to that of healthcare as a commodity delivered for a profit, to be bought and sold like any other commodity on the market.

While Ireland has a long history of public/private mix in healthcare, there has been a significant trend in policy in recent years, towards greater reliance on private provision. This is particularly evident in nursing home care, where two thirds of all beds are private; in home care packages for older people; in the development of facilities for the provision of multidisciplinary primary care, and in the increasing number of public hospitals where one third of all in-patient hospital beds are private.

The private and market-based provision of health services range from contracting out of services and sub-contracting to full privatisation. Privatisation and the private market in public services have also impacted on the way that public services are managed internally. In practice, in a world of profit-shrinking markets and tough competition, private and commercial companies have sought new “colonies” and places to make profit. This is certainly the case in the health care market and seen in the growth of private commercial companies from the USA now seeking to get a share in the European private health care market.

Different models of privatisation:

- There are different models of privatisation, ranging from the full-scale sale of state assets, pioneered by Margaret Thatcher in the UK, to models of commercialisation that result in the transfer of operational functions to the private sector.

- A more recent trend is the private sector provision of public services through co-location and public-private partnerships, which provide for joint roles between the state and private companies in managing and delivering public services. Although public-private partnerships have enabled governments to reduce their debts and the costs of providing services, they have created a scenario of long-term higher costs and a long-term loss of public ownership.
- New Public Management methods of delivery and managing services have become an important element of this commercial revolution and is the basis upon which many services have been privatised. New Public Management is the management and running of a public service as if they are private enterprises. This model is based on the introduction of business principles, cost-cutting and profit maximisation for the private sector.

### **3. What is the impact of private profit-making companies providing health care?**

The private sector makes an important contribution to service needs, however the way health services are funded, delivered, and structured privileges private patients over public patients in access to diagnosis and treatment.

There is no evidence from any country across the world that profit-making companies make health care more efficient, and yet the government's strategy is to encourage profit-making companies to build and run new hospitals, residential care facilities and primary health care centres. Health is big business and large global companies are now vying for a share of the commercial health care sector.

This fits with the government's short-term strategy to reduce expenditure in health care, which in the long run will end up costing the state more than if they had invested in the public provision of health care.

The different elements of privatisation in the Irish health care system

- In the hospital sector in Ireland there is a mix of public and private hospitals. The INMO recognises that historically we have always had a public/private mix in Irish healthcare, but more recently, there has been a proliferation of for-profit private care providers. This has been assisted by the 2002 Finance Act, which allows tax breaks for for-profit hospitals and nursing homes. However, privatisation will increase in line with the government's strategy of co-location (where private

hospitals are built on the grounds of public hospitals) and public-private partnerships (where private companies build and own hospitals and other health care faculties and then lease them back to the state).

- Co-location will not free up beds in the public hospital system at anything like a one for one basis, therefore, it would be prudent for the government to abandon its plan to permit the construction of private hospitals on public hospital grounds. In the UK, the evidence of public-private partnerships shows that they are far more costly to the state than public provision.
- The roll-out of the Primary Care Strategy envisaged that primary care teams would, where possible, be located in Primary Care Centres. Because of a lack of funding to build these centres private companies and corporate business are taking over the funding of these centres. When the 2001 Primary Care Strategy was first launched plans were put in place to invest €1.3 billion in the building of primary care centres. However, this funding never materialised and developments are now taking place which are commercially driven centres or centres owned and run by GPs.

There is evidence from other countries that privatised health care fails to deliver an equitable and accessible service for all people.

- As Professor Allyson Pollock told the ADC in 2006, public-private partnerships in the UK have led to spiraling costs, lower levels of efficiency and poorer quality services. For example, she cited evidence of the fact that in the UK and USA private and not-for-profit hospitals are more expensive to build and run than public hospitals. In the UK capital costs of building new hospitals are more than three times more expensive than if they had been built with public money. She urged delegates to learn from the experiences of other countries and fight to keep the private sector out of the Irish health care market.
- We have seen that in countries like the USA that private provision of health care has led to gross inequalities in access to health care. As President Obama's recent landmark victory to provide a universal health care system has shown, 32 million Americans will now have access to health care for the first time.
- Most European countries provide health care on a social insurance model (working people pay social insurance directly from their salaries and those that are retired or not working are subsidised by the state).

This means that there is no need for a two-tier health care system as everyone has equal access to the same health care. Waiting lists can be reduced, the system is more efficient and there is better value for money.

- In Canada, the provision of a universal health care system, funded by the taxpayer, has been found to be more efficient and less expensive than a system that is private or a mix of public and private health care.
- There have been some reversals of privatisation in health care in recent years, which have resulted in better quality health services. The Scottish National Health Services is a good example of how it has been in the public interest to publicly fund health services and reverse decades of creeping privatisation and commercialisation in health. The result is that services are now provided in the public sector resulting in better quality services that are managed with democratic accountability.

Fine Gael have caught onto the need for a universal health care system, using the Dutch model of social insurance, based on a realisation that if everyone has access to social insurance this will not only save the state money but can provide a better quality, more equal health care system. The Irish Medical Organisation has also recently called for a discussion on the merits and drawbacks of different models of universal insurance.

**In Ireland the following are examples of the current private provision of health services:**

- Two-tier health service, where there is an unequal access to health care for all, based on public and private health care provision;
- Policy of public-private partnerships / co-location of hospitals;
- Treatment purchase fund;
- User fees for general practitioner consultations, co-payments for specialist consultations, payments for outpatient services and payments for drugs. User fees have the effect of placing extraordinary financial burdens on the poor;
- Privatisation of services for the most vulnerable people, for example, residential care for older people or disabled people;

- Contracting out of services in public hospitals, for example, in catering and cleaning;
- Private contracts of consultants;
- Private provision of GP and primary health care;

#### **4. Why is the issue of privatisation important for the INMO?**

The INMO believes in the basic principles of quality public health services delivered by quality public sector workers, with quality working conditions are:

##### *a) Essential to creating equality of access to health services for all*

- Creating cohesive, inclusive and equal societies and meeting the health care needs of everyone, including the most vulnerable and disadvantaged people
- This challenges the concept of private funding, deregulation, privatisation and contracting out of services, as well as the two-tier system

##### *b) Creating a dynamic and prosperous society*

- By investing in quality public services the government are able to stimulate the economy, and create jobs – the Irish government has done the opposite! For example, Letterkenny General Hospital is the largest employer in Donegal.

##### *c) Providing for democratic accountability*

- Privatised services are not democratically accountable; being democratically accountable means having systems of governance that are accountable to the electorate.

##### *d) Essential to building the strength of the trade union movement and the rights of workers*

- All the evidence shows that privatisation reduces workers' rights and destabilises trade union representation and organisation. Some countries are reversing previous privatisations because service quality has deteriorated and costs have gone up.

## 5. The arguments against privatisation

The INMO needs to counter the arguments that privatisation is necessary to provide choice. Private provision and market-based systems only allows choice for those that can afford to pay.

Private and commercial principles do not lead to greater efficiencies. In practice many countries are now finding that privatisation has resulted in lower quality services and poorer access to services, particularly as profits are not invested back into services.

Reform programmes in health and social care services have concentrated on efficiency, cost cutting and marketisation, driven by neo-liberal agendas that view health care as a commodity. We believe health is not a commodity and investing in public health care is essential if inequalities in access to health are to be reduced. Investing in health can reduce inequalities in health between different social groups and prevent the long term costs of poor health. The most glaring inequalities that exist in Ireland are poverty related. Poorer people get sick more often, and die younger. In fact people from the lowest occupational class are twice as likely to die prematurely, than people from the highest class.

Because private solutions to health care are based on profit making, they are less likely to focus on the need to address the underlying causes of poor health ('the social determinants of health', which include poverty, unemployment and the impact of poor working conditions, stress and poor housing). The requirement is for effective public health policies to keep people well, and therefore out of the health system. The privatisation of long-term care of older people has resulted in huge profits for private companies, often to the neglect of the care of older people. Because the care needs of older people will continue to grow, as a result of an ageing population, privatisation of care will result in lower staffing levels to increase profits, with particular risks for vulnerable older people.

Private health care is selective, in that it selects younger more profitable and less expensive patients for treatment, leaving the sicker and more expensive to the public and voluntary providers. For example, orthopedics and certain day surgery procedures will always be favoured over brain injury and other medical conditions, psychiatric care, and intellectual disability care.

## 6. The global economic crisis

One of the consequences of the global economic crisis is that governments should be safeguarding economic and social cohesion, for example, by minimising the impact of unemployment, homelessness and poverty. One of strategies to counter the recession is for governments to undertake reflationary packages in the economy through increase public spending and borrowing, some of which is for investment in public services infrastructure such as social housing, schools, hospitals, roads and public transport. This strategy is supported by the Irish Congress of Trade Union's 10 point plan.

Reflationary measures, achieved by increasing government deficits, have been introduced by governments in the US and the European Union to stimulate the economy through higher government spending. In particular, these reflationary packages have had the effect of maintaining employment through spending on infrastructure, both of which have economic and social benefits. Examples of these measures can be seen in the USA, New Zealand, China, Mexico and South Korea, to name a few. The US recovery plan is leading to huge investment in infrastructure, which is seen as critical to boosting the economy. China announced a significant injection of funding in 2009 through a stimulus package, which includes infrastructure development and a programme of health and social spending. And yet our government has taken an opposite course by cutting public services and increasing unemployment.

## 7. What do we want as an alternative to privatisation?

The INMO needs to continue to actively promote quality public health care services, with viable alternatives to the government's policy of cost-cutting and privatisation. We need to build union capacity and strength in defending and promoting quality public services.

### INMO action for quality public health services

- Build quality public health care as the basis for accessibility and quality
- Adequate resources to provide access to and equity in public health care
- Universal provision of health care for all – the end of the two-tier system
- Professional skills and training to enable workers to provide the best quality care

- National standards of care and treatment that meet the needs of service users
- Health and safety of workers, patients and service users in hospital and community based settings
- Empowered workers and service users. Opportunities for workers and service users to participate in influencing and designing quality public services.

We should challenge the language that has been used in the commercialisation of public services. For example, efficiency is equated with reducing costs and value for money. Instead we should be arguing that efficiency is about meeting the needs of the most disadvantaged people, for the good of the whole society and creating universal solutions for the provision of quality health care services, so that everyone can have access to the services that they need.

Providing affordable, accountable and good quality public services can herald a new relationship based on social solidarity and a social contract.

Popular resistance to public expenditure cuts and austerity measures have mobilised people in all corners of the globe. By focussing on quality public services trade unions can build alliances based on a progressive way forward.

**Trade unions in the public services need to be at the forefront in actively campaigning against privatisation and taking on the challenge of quality public services by arguing for sustainable alternatives to public service restructuring and privatisation.**

**The INMO supports an equitable health care service with universal access to primary and secondary health care.**

- **Investment in public health care represents good value for money, whereas privatisation is more costly and less efficient. Evidence from across the globe shows that it is more cost effective to provide public health care.**
- **A good quality health care system is essential to provide good quality, accessible and equitable services for everyone in hospitals, community and primary health care services, nursing homes or social care etc. and to addressing inequalities in health.**

## 7. Is universal health insurance the answer?

The INMO believe that a good quality health care system with equal access is achievable, through the introduction of a universal health care system to cover all citizens. Currently 53% of the Irish population (including many nurses) have private health insurance. Ireland is unique in that almost half of all private patients are treated in public hospitals. The government has traditionally encouraged the up-take of private health insurance, by offering tax incentives and ensuring affordability by tightly regulating the health insurance market through a system of community rating and risk equalization. However, it is noteworthy that private health insurance pays only a little more than half of the actual cost for a private patient in a public hospital. In fact, despite the large number of people who pay private health insurance, only 7% of the total health spending in Ireland, can be attributed to the private health insurance companies. Individual “out of pocket”, expenses account for 13% with 78% of total health funding being provided by the Exchequer (OECD 2004). This in effect means that despite private health insurance companies being a major player in the Irish health market, they are only responsible for 7% of the actual costs of the provision of health care.

The recent report from the Adelaide Hospital Society ‘Social health Insurance: Options for Ireland’ argues that a social health insurance model could be introduced into Ireland for the same amount of money that is being pumped into ‘our dysfunctional health system’. This would see everyone entitled to a ‘common basket’ of services free of charge, including GP care, medicines, acute hospital care and treatment.

This report argues that the introduction of social health insurance, has the potential to improve significantly, both the transparency of the current health system and its performance in terms of equity and efficiency. It identifies four alternative designs, referred to as the “Rolls Royce” to the “mini” options. All are to be financed solely through the contributions of members, with government providing start up investment.

### Adelaide Hospital society: four models

- Providing equitable access and quality of all services (the “Rolls Royce” option). This gives medical cards to all the population and effectively extends the benefits of private supplementary hospital insurance to all (including private/semi-private hospital beds and access to consultants);

- The Priority primary health care model. This extends medical card coverage to all the population while removing some of the barriers to care for hospital services faced by the uncovered population;
- The Priority Hospital model. This focuses on extending hospital insurance cover across the population and lowering GP access charges to those without medical cards;
- Making only small improvements in access (the “Mini” model). This reduces the financial barriers to access at hospitals for the uninsured and substantially lowers the GP attendance fees for the population without medical cards.

These models can also be seen as stages in a developmental process.

## **Conclusion**

It is clear that the ongoing move towards privatization is not consistent with the provision of an equitable health service. The INMO believes that we require a system which is exercised within a framework of transparency, accountability and openness. We view, in a very positive light, the proposals which form the main plank of the Adelaide Hospital Society’s Report. It is clear that the time has come for Ireland to introduce a universal health insurance model, and now is certainly the time for a structured and vigorous debate about the future financing and appropriate model.

The state is at a crucial turning point in regard to the financing of the health system, and the recession presents an opportunity for reform. We should move in a planned way towards a new social insurance based system of universal health care, which would provide guaranteed access to quality care, delivered efficiently, and at the lowest cost for all citizens on an equal basis.

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