Irish Hospital Finance

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(Due to limitations of space it has been found necessary to omit the introductory passages of Mr Hargadon's paper in which he outlined the development of Irish hospital finances up to the early years of the twentieth century)

Current Period of Hospital Finances

It will be readily understood that the energies of the local and central Government bodies in the 1920's were very considerably absorbed by general tasks of national reconstruction, with the result that little could be achieved in the way of provision of new hospitals or the extension of hospital services Six new district hospitals were, in fact, built, and considerable efforts were made to improve the existing accommodation and equipment of other local authority institutions In the voluntary hospitals capital development was equally limited For the purposes of a broad review of financial aspects of the hospitals the 1920's may, therefore, be regarded as a mere continuation of the nineteenth century, and the "current period" may be regarded as commencing in the early 1930's

The financial administration of any large undertaking falls naturally into two classifications—capital and revenue—and it is proposed to approach the examination of the hospital finances of the current period from these standpoints

Capital Undertakings from 1930 to the Present

The overhaul of the hospital services became a most acute problem in the 1930's The old buildings in which the local authority hospitals were established were without exception unsuited to the needs of modern hospitals Many of the voluntary hospitals were almost as badly handicapped as regards their buildings, and there was also a pressing need to modernise equipment At that time, when the hospitals were in greatest need, the resources of the State were strained in an economic war, and voluntary financial support for hospitals, which had previously been a main source of income, was diminishing rapidly Out of this situation there arose the Hospital Sweepstakes The raising of money by lotteries for the support of hospitals and other charities has quite a long history, but it was in the year 1930 that the present statutory system of Sweepstakes for the support of hospitals had its origin

The Public Charitable Hospitals (Temporary Provisions) Act, 1930, granted powers to enable funds to be raised by means of Sweepstakes

for the support of public charitable hospitals and sanatoria The conditions necessary to enable an institution to participate included (*a*) that it should be in receipt of subscriptions from the public, and (*b*) that in the year preceding the passing of the Act not less than 25 per cent in-patient accommodation should have been used for patients who paid 10/- a week or less for their treatment

The Act referred to above, together with some amending legislation of the years 1931 and 1932, were repealed by the Public Hospitals Act, 1933, which established the system of administration of Sweepstake funds still in operation (apart from certain changes effected by an Act of 1938, which have little bearing on the subject of this paper) The 1933 Act re-defined " hospital " so as to include any institution or organisation (not conducted for private profit) affording treatment for human ailments or defects, or conducting medical research Provision was made for the appointment of National Hospital Trustees by the Minister for Local Government and Public Health, and for the creation of the Hospitals Trust Fund to be held in the custody of the Trustees and at the disposal of the Minister for the purposes of the Act The Minister was empowered to appoint the Hospitals Commission whose main functions were defined as surveying hospital services and reporting to the Minister on any matters related to those services, either at his request or of their own volition The Act provides that the governing body of a hospital may apply for grants and that the Minister shall refer every application to the Hospitals Commission and shall not make a determination until the Commission's report is received, but he shall not be bound by such report

Results of Expenditure from Hospitals Trust Fund

As a result of the operation of the Public Hospitals Acts, the hospitals, voluntary and local authority, have benefited to the extent of about £33,000,000 up to 31st December 1955 In recent years the income to the Fund from the produce of Sweepstakes has not been sufficient to meet the total demands, and beginning in the year 1953-54, there have been subventions from the Exchequer as follows —

1953–54	£2,900,000
1954–55	£2,000,000
1955–56	£1,130,000
TOTAL	£6,030,000

The money made available to the hospitals through the Hospital Trust Fund up to the present has, therefore, been derived from the Sweepstakes and from Central Government Funds to the extent of 82 per cent and 18 per cent respectively

The main purpose to which these funds have been devoted is the building of new hospitals and the renovation, repair and re-equipment of existing hospitals Another important form of grant to the voluntary hospitals is that paid towards deficits on Revenue Accounts The total amount paid under that heading up to 31st December last was £6,800,000

Up to the commencement of the war, the total amount paid in grants to all hospitals (exclusive of deficit grants) was £5,200,000 During the " war " period (i e from 1939 to 1948) a further £2,000,000

was paid in grants of a capital nature and since the post-war schemes got under way in the year 1949, a further £19,000,000 has been disbursed

The grants paid from the Hospitals Trust Fund have not in all cases covered 100 per cent of the cost of the capital works, and, it is estimated, those grants were supplemented by local authority or other funds to the extent of almost £1,000,000 The total investment from the year 1930 to date in works of capital equipment or major renovation is thus estimated at £27,000,000

It is difficult to state with any precision the extent of the physical results of this expenditure, since a great deal of the work consisted of renovation of buildings, replacement of obsolete equipment and the provision of new types of equipment in existing institutions Other works resulted in new or removated staff accommodation and did not directly manifest themselves in new patient accommodation There are, however, as a direct result of the expenditure approximately 12,400 beds in new or largely reconstructed hospitals and homes Of these about 5,000 were provided in the period up to the year 1948, and 7,400 under the programme carried out since that year In addition to general medical and surgical hospitals there are included in these figures about 2,700 beds in regional and other large tuberculosis hospitals, a new cancer hospital of 160 beds and about 1,350 new beds in homes for mental defectives In this last-mentioned category the building works up to the present increased accommodation by approximately 120 per cent and further schemes are on hands

Annual Expenditure and Income of Hospitals

It is proposed to examine separately the revenue aspects of the finances of voluntary hospitals and local authority hospitals, and then to consider briefly the annual total financial burden of hospitalisation

Voluntary Hospitals' Revenue Expenditure

The total ordinary expenditure of the hospitals receiving grants from the Hospitals Trust Fund towards their revenue deficits was, in respect of the year 1954, approximately £2,500,000 In terms of bed complement these hospitals, as at 31st December, 1954, represented about 90 per cent of accommodation in all hospitals conducted on a voluntary basis Information on the finances of the remaining 10 per cent of the hospitals is, of course, not published, but by applying to the bed complements of these hospitals the same average costs as are known to operate for comparable institutions coming within the Hospitals Commission purview we can obtain an estimate of the annual revenue expenditure These " non-participating " hospitals are principally institutions providing a wide range of services, and their costs would be in the higher brackets—a safe estimated cost at 1954 rates would be about £400 per bed per year The revenue cost of their 850 beds would, therefore, be about £350,000 a year and the total annual revenue outlay of the voluntary hospitals would be as follows —

Hospitals participating in the Hospitals Trust Fund Deficit Grant Scheme	£2,500,000
Other Hospitals (estimated)	350,000
Total	£2,850,000

In addition to the voluntary medical, surgical and maternity hospitals of which the annual revenue expenditure is estimated at £2,850,000, it is necessary to take account of the cost of Homes for mental defectives, epileptics and deaf and dumb All the accommodation available for these classes of patient is in the voluntary Homes, all but a small percentage of whose income is derived from payments by health authorities in respect of patients chargeable to them The cost of running the Homes in the year 1954 was in the region of £350,000 The total revenue costs of voluntary public institutions catering for sick and defective persons is, therefore, estimated (at 1954 costs) at *£3,200,000*

Analysis of Voluntary Hospital Expenditure

For the purpose of analysing the nature of the expenditure and income of the voluntary hospitals, it is proposed to deal only with those coming within the Hospitals Trust Fund Scheme and in respect of which accurate comprehensive information is available (It will be seen later that the headings under which income and expenditure of the voluntary hospitals are classified in the reports of the Hospitals Commission are not identical to the headings adopted in the accounts of local authorities This results in some difficulty in drawing comparisons, but only for the less important items)

The following table indicates the nature of the expenditure over a period of more than 20 years and the changing proportions of total costs in the different categories of expenditure —

TABLE 1

Revenue Expenditure

Category	1933	1939	1945	1951	1954
Salaries and Wages	21 4	23 2	21 8	28 6	31 5
Food	30 0	27 1	30 3	23 0	22 4
Medicines, Medical Appliances, etc	12 3	14 7	11 7	15 3	17 6
Heat, Light, Furniture, Cloth ing, Laundry	18 2	18 7	21 0	18 1	15 5
Repairs, Building Maintenance etc	7 1	6 0	5 3	5 7	4 0
Administration (salaries and expenses)	6 6	6 1	5 7	5 1	5 0
Miscellaneous (including Bank Charges, etc)	4 4	4 2	4 2	4 2	4 0
	100 0	100 0	100 0	100 0	100 0

(NOTE This table was compiled from the reported accounts of 21 voluntary hospitals, being the most important group for which particulars are available over the whole period from the establishment of the Hospitals Commission)

The most striking thing in this table is the way in which two classes of expenditure—on Salaries and Wages and on Medicines and Medical Appliances—have assumed dominant significance

The conditions of employment of nurses have been much improved since the end of the war Hours of duty have been shortened, involving increases of staff, and scales of pay have been brought more or less into line with those applying in comparable employment Cost of living increases have also been granted and wages of tradesmen and other staffs besides nurses have been adjusted from time to time as in other spheres of employment There is also a long-term trend towards increasing staffs due to increasing specialisation and the development of new techniques In cancer hospitals, for instance, entirely new physicists' departments have been established and are assuming growing importance The growth in the proportion of the funds of the hospitals covered by the foregoing table required to meet salary costs would be even greater but for the fact that in about one-third of them members of religious communities provide a substantial part of the nursing force, and the fact that the services of visiting specialists are not a charge on the hospital funds

The increase in the share of expenditure devoted to medical supplies is, of course, due in part to the general increase in prices, but a more important influence is the increased use of newly-developed drugs This is also a post-war development, as is reflected in the figures for the two post-war years The effect of the use of these drugs on hospital costs is quite an involved matter One result of their use is that many illnesses can be treated in a fraction of the time previously required, and the patients' stay in hospital, and consequently the volume of other materials and services required for each case is much reduced There is thus a simultaneous increase in the cost of drugs used *per patient* and a decrease in the cost of food and general hospital services Apart from their therapuetic value, therefore, the new drugs have the effect of economising the general services of the hospitals by increasing the turn-over in terms of patients treated in any given period It must be admitted that these ideas are based on medical reports and views on the use of the new drugs, and not on direct statistical evidence taken from hospital records Indeed our published hospital records do not provide material for an assessment of the matter which would seem to be one deserving investigation

To sum up the broad features of the present nature of hospital expenditure, it might be said that about one-third of total expenditure is in respect of salaries and wages, and that salaries and wages together with medical supplies absorb one-half of the total Food costs, which as recently as in the year 1945 accounted for over 30 per cent of total expenditure, were in 1954 only 22 4 per cent of the total The rise in food prices is thus seen to have been outstripped by the increases in remuneration and drug costs

Analysis of Voluntary Hospital Income

The following table shows, for the same group of hospitals and for the same period as were dealt with in the expenditure table, the changes in the nature of ordinary income —

TABLE 2

Ordinary Income

Type of Income	1933	1939	1945	1951	1954
	Percentage				
Voluntary Gifts	4 6	3 3	2 0	1 3	0 9
Patients Contributions	29 3	31 9	34 1	24 1	25 7
Receipts from Public Authorities	31 6	36 5	40 8	62 9	66 0
Probationers Fees, etc	7 5	3 4	2 8	1 5	1 5
Interest on Investments	21 8	19 9	13 8	5 6	4 5
Other Receipts	5 2	5 0	6 5	4 6	1 4
	100 0	100 0	100 0	100 0	100 0

The total annual income on which this table is based increased four-fold in the period of twenty years from 1933 to 1954 The income under two headings increased, while under the other four headings only slight variations took place in the volume of receipts Voluntary gifts showed a remarkable inelasticity in their total amount, and have now become a negligible fraction of the total income Fees from student nurses increased in total only slightly, and investment income diminished The most remarkable change is, of course, the increased extent to which the hospitals have become dependent on public authorities for their income The contributions of " Public Authorities" in this context include payments by the Department of Social Wefare in respect of hospital treatment for persons insured under the Social Welfare Acts, as well as payments by Health Authorities (and formerly Public Assistance Authorities) for treatment provided for patients chargeable to them

A very important factor in the changing income of voluntary hospitals was a financial change effected in the year 1947 in relation to the services provided for Dublin City patients Up to 1947 the services provided in the Dublin voluntary hospitals involved little charge on the City rates, but in that year an arrangement was made whereby the Corporation undertook to distribute between those hospitals the produce of 1/- on the rates The money was divided between the different hospitals in the ratio of the numbers of days in each year for which City patients paying 10/- a week or less from their own resources were maintained in hospital The purpose was to recompense the hospitals for the services provided for patients who would, as poor persons, be entitled to receive services at the expense of the rates The amount distributed totalled £106,000 in the year 1947/48 and rose to more than £120,000 in the year 1953/54, the last year in which the arrangement operated With effect from 1st August, 1954, the Dublin Corporation has paid on a daily capitation basis for each patient treated in a voluntary hospital and who applies for, and is determined to be eligible for services under the Health Act, 1953

The widening of the scope of the statutory services will result in the assumption by public authorities of liability for an increased number of persons receiving treatment in voluntary hospitals, and the dependence of these hospitals on public funds will be increased

Local Authority Hospitals

The total gross expenditure on all hospitals conducted by local authorities was as follows, in respect of the past three financial years

TABLE 3

Gross Costs of Local Authority Hospitals

Category	1952–53		1953–54		1954/55	
	Amount (£000 s)	Percentage of Total	Amount (£00 s)	Percentage of Total	Amount (£00 s)	Percentage of Total
Salary and Wages	3,066		3,490		3,763	
Superannuation	232	44 8	248	46 5	273	47 2
Food	1 615	21 9	1,845	22 9	1 900	22 5
Medicines, Medical Appliances, etc	372	5 1	358	4 4	419	4 9
Heat and Light	703	9 5	628	7 8	695	8 0
Repairs and Upkeep	328		384		365	
Clothing and Bedding	240	14 0	250	13 8	258	13 1
Furniture, etc	88		85		90	
Other Expenses	374		395		410	
Farm Expenses	346	4 7	367	4 6	373	4 3
Total	7 364	100	8 050	100	8,546	100

The institutions to which these figures relate are County Hospitals District Hospitals, Fever Hospitals, County Homes, Tuberculosis Hospitals and Mental Hospitals

In County Homes and Mental Hospitals there are large numbers of patients who require little active medical treatment, and in those institutions the volume of expenditure on medicines, relative to other costs, is slight In the year 1952–53 a considerable quantity of drugs and other supplies were purchased to form reserve stocks as a precaution against supply difficulties which would have arisen from any extension of the Korean War For that reason the 1952–53 figures for expenditure on medicines and fuel are abnormally high The reserve stocks were liquidated in subsequent years but as the process was spread over several years the effect on levels of expenditure in any one year was not great

The outstanding feature of this expenditure—apart from the impressive annual total and rapid growth—is the fact that almost half the cost is attributable to the remuneration of staffs In local authority hospitals, unlike voluntary hospitals, all staffs, whether medical, surgical, nursing or other, are paid Since hospital services consist mainly of the provision of services rather than commodities, and since specialisation and technical development tend to increase the element of personal service in hospitals this growing importance of remuneration must be accepted as an unavoidable feature of hospital costs

In a period of monetary inflation and in a community in which salaries and wages move with the general price levels the hospitals must inevitably find themselves in the position that their greatest cost factor is one having the greatest power to increase itself The volume of the service provided is at the same time limited by the nature of the work and of the physical equipment, and in some cases by the excess of capacity over average demand For example, a small fever hospital may be staffed and equipped to deal with 30 patients (based on the needs in epidemic conditions), but may over long periods have an average occupancy as low as 3 The salaries of the hospital staff increase in common with the salaries of other similar employees, and as each " cost of living " bonus increase is added the weight of remuneration as a hospital cost increases at a greater rate than any other cost, since these other costs either vary with the extent of the service (e g food or medicine costs) or are less sensitive to the inflationary trend (e g rents, insurance, building maintenance) The under-occupied fever hospital example is an extreme, but it illustrates the cost-situation in any institution in which the nature and volume of service provided are relatively constant while certain parts of the costs vary as a result of external influences

In considering the food costs of the institution covered in Table 3 one should take into account also the Farm Expenses, which are incurred mainly in Mental Hospitals where a considerable proportion of the food consumed is produced on the hospital farms Food costs are thus the second most important item being probably about 25 per cent of total expenditure, " Heat and Light " taking third place is about 8 per cent of the total, and the expenditure under any single remaining heading is not greater than 5 per cent

The hospitals to which the particulars set out in Table 3 relate are of such a varied character and include such a large proportion of accommodation for patients not requiring acute medical or surgical treatment that they could not reasonably be compared with the voluntary hospitals of which particulars were given in Table 1 A selection has, accordingly, been made of County Hospitals and large sanatoria in which a wide range of surgical and medical treatment is provided and in which there is a turn-over in terms of patients treated per available bed comparable to that of the voluntary hospitals covered by Table 1 The following table shows the weight of expenditure under each heading as far as it is possible to achieve uniform classification from the available records —

TABLE 4

Composition of each £100 of Revenue Expenditure

(Voluntary Hospitals year 1954, Local Authority year ended 31st March, 1955)

Type of Expenditure	Voluntary Hospitals	Local Authority Hospitals
Salaries, Wages and Superannuation (Voluntary Hospitals Paid Staffs—Junior Medical Officers, lay Matrons, Sisters and Nurses (of whom a large proportion are student nurses), lay members of ancillary staffs, and subordinate staffs) (Local Authority Hospitals—All Medical Officers, all Matrons, Sisters and Nurses (of whom student nurses form a small proportion) and other staffs, including office staffs)	31 5	48 0
Food (Patients and Staff)	22 4	22 3
Medicines, Medical Appliances, etc	17 6	9 0
Heat, Light, Furniture, Clothing, Laundry, Repairs, Building Maintenance Administration (Voluntary hospitals only—includes office salaries) and Miscellaneous Expenses	28 5	20
TOTAL	100 0	100 0

Owing to the fact that the records available do not contain similar analyses of expenditure it is not possible to avoid a rather wide grouping of expenditure under the fourth heading, and, also, there are important factors to be borne in mind in any comparison of the costings of the two groups of hospitals

In relation to the item of Salaries, Wages and Superannuation some important factors are —

(*a*) that in voluntary hospitals the actual expenditure on medicines and medical appliances per in-patient is, for reason explained in the following paragraph, higher than the average expenditure under that head in the local authority service, with the result that salaries and wages as a percentage of total costs tend to appear lower,

(*b*) that in the voluntary hospitals an appreciable amount of nursing service is (as indicated in Table 4) provided by student nurses while in local authority hospitals, with a few exceptions, all nursing services are provided by nurses on full scale of pay In the voluntary hospitals to which Table 4 has reference approximately 73 per cent of the total nursing staffs are student nurses, while in the local authority general hospitals on which that Table is based only 23 per cent of the nursing staffs are student nurses

The subjective costs when expressed as percentages are doubly affected where student nurses form a high proportion of nursing staff, since the absolute amount of salaries is lower and the absolute amount of expenditure on food, uniforms and housing of staff is higher,

(*c*) superannuation schemes have in general been adopted in voluntary hospitals only in recent years and relative to the numbers of serving staffs, the amount of pensions and retirement gratuities is lower than in local authority institutions

The average cost of salaries and wages per occupied bed in nine general and maternity hospitals in which lay nursing staffs are employed was, for the year 1954, £172 5 The average in the County Hospitals to which Table 4 has reference was £200 (excluding salaries of senior medical staffs, since their opposite numbers in voluntary hospitals are not paid from hospital funds) In the light of these facts the variation in remuneration of staffs as a percentage of cost in the two groups of hospitals is of much less significance than it might otherwise appear

In voluntary hospitals, Medicines and Medical Appliances are larger items of expenditure than in local authority hospitals for two main reasons, viz (1) the fact that teaching hospitals and hospitals with highly developed specialities must in the nature of their work use a greater quantity and variety of medicines, and (2) that the voluntary hospitals' out-patient departments distribute medicines on a considerable scale while no corresponding departments exist in local authority hospitals, medicines for patients, other than in-patients, being provided under a separate arrangement

The following table shows, for the year 1954–55, the expenditure and income arising on the different types of local authority institutions —

TABLE 5

Expenditure and Receipts—Local Authority Hospitals, 1954–55

Category	County, District and Fever Hospitals and County Homes	Tuberculosis Hospitals	Mental Hospitals	Total
	£000			
Gross Expenditure	3,941	1,300	3,305	8,546
Receipts from Paying Patients	483	10	143	636
Receipts from Farm Sales	153	53	103	377
Other Receipts			68	
Total Receipts	636	63	314	1,013
Net Expenditure	3,305	1,237	2,991	7,533

Total Annual Outlay on Hospitals

The aggregate expenditure on hospital services (local authority hospitals financial year, 1954–55, voluntary hospitals year 1954) is estimated at £11,746,000 made up of £3,200,000 for voluntary hospitals and £8,546,000 for local authority hospitals The manner in which this sum was met was as follows —

Voluntary Hospitals	£
Receipts from self-paying patients	688,000
Receipts from investments, nurses' fees, etc	235,000
Receipts from public authorities	1,473,000
Total Ordinary Income	£2,396,000
Deficit on revenue accounts	804,000
	£3,200,000

Local Authority Hospitals	£
Receipts from self-paying patients	636,000
Receipts from farm sales, etc	377,000
Net amount falling on public funds	7,533,000
	£8,546,000

(The estimates of income of voluntary hospitals which do not receive Hospitals Trust Fund grants towards their deficits have been based on the assumption that their total outlay was met from ordinary income)

Up to the end of July, 1954, the hospital service provided for persons insured under the Social Welfare Act, 1952, was paid for from the funds of the Department of Social Welfare With effect from the 1st August, 1954, the liability was transferred to health authorities (County and County Borough Councils) as a result of the operation of the Health Act, 1953 For the purpose of an examination of the sources from which hospital costs are defrayed it may, therefore, be assumed that 'Public Authorities" means health authorities, and an important point is that the revenue expenditure of those bodies is recouped to the extent of 50 per cent from Exchequer funds

Some of the outstanding facts which emerge from the figures set out above in relation to the latest completed financial year are —

(*a*) Hospitals and Homes providing accomodation for sick and defective persons cost in all about £11¾ millions,

(*b*) Of this sum taxpayers and rate-payers bore equally £9 millions or 76 6 per cent,

(*c*) Persons paying from their own resources for hospital services contributed £1,324,000 or 11 3 per cent,

(*d*) Other income amounted to £612,000 or 5 2 per cent,

(*e*) The balance of the cost, £804,000, or 6 9 per cent represents the deficits of the voluntary hospitals to which deficit grants are payable from the Hospital Trust Fund, which, as mentioned, is now supplemented from the Exchequer

In the year to which these figures relate, hospital services at public expense were available under the Health Acts only to persons unable

to provide such services from their own means (i e the " lower income " group) persons insured under the Social Welfare Act, 1952, who fulfilled certain conditions as to their contribution record, persons suffering from infectious diseases, and certain children in respect of defects discovered at school medical, etc examinations The statutory services are now being extended to insured persons and their dependants, persons (and their dependants) whose incomes do not exceed £600 a year, farmers (and their dependants) the valuation of whose holding does not exceed £50 The financial effect of this extension of services will be to provide hospital services for those newly-admitted classes either wholly or largely at the expense of local and central government funds This must result in the State and local authorities bearing a considerable amount of the cost of services hitherto paid for out of the private resources of the recipients The effect on the income of local authority hospitals is likely to be less marked than the effect on the pattern of income of voluntary hospitals which are likely to become dependant on public funds to a rapidly growing extent

Since the close of the year 1954–55 hospital costs have risen, particularly as regards salaries and wages, and the figures mentioned above may be regarded as a conservative statement of the national annual bill for hospital services Moreover, a most important change is at present taking place in the financial organisation of the country's health services, and this modest review of the current finances of the hospitals services describes a situation which will soon be radically altered

The nature of the changes over the past 27 years which have resulted in the present financial situation is indicated by the figures set out in the following table —

TABLE 6

Cost to Public Authorities of Services provided in Local Authority and Voluntary Hospitals

	1927–28	1937–38	1947–48	1954–55
	(£000 s)			
Total Cost to Public Funds (*a*)	1,367	1,981	4,272	9,000
State Grants (*b*)	261	340	573	4,500
Net cost to Local Rates (*c*)	1,106	1,641	3,699	4,500
	(Percentage)			
Borne by State (*d*)	19	17	13	50
,, ,, Local Rates (*e*)	81	83	87	50
State Grants (*b*) as Percentage of Total Supply Services (*f*)	1 08	1 08	0 87	4 15
Net Cost to Local Rates (*c*) as Percentage of Total Local Rates (*g*)	22 50	28 00	40 40	26 53

(NOTE If the subsidy of £2,000,000 from the Vote for Health for the year 1954–55 to the Hospital Trust Fund is added to the State grants for that year, shown above, the combined total would be 6 per cent of the total estimated cost of the Supply Services)

In the first ten-year period from 1927/28 to 1937/38 the total cost rose by rather less than 50 per cent In the second ten-years from 1937/38 to 1947/48 the total cost was more than doubled and in the following seven-year period, up to 1954/55, it was again more than doubled

The growing entanglement of the central government's funds in the financing of hospital services is another striking feature From the establishment of the State up to the year 1947/48 a little more or less than one per cent of the total amount voted annually by the Oireachtas for all central government services was for the payment of the State's contribution to the annual cost of hospital services With the commencement of operation of the Health Services (Financial Provisions) Act, 1947, and with the rising cost of hospital services the proportion of voted moneys necessary to meet this charge began to rise, and by the year 1954/55 it had become 4 15 per cent or, if the provision for state contribution to the Hospital Trust Fund is included, 6 per cent

Costs per Unit of Service and Total Cost

The principal motive for an examination of the finances of any public service is to discover whether the service is satisfactory in terms of value for the money spent and whether an appropriate amount of the community's resources is being devoted to the service A great deal more ground than has been covered by this paper would have to be examined before any confident answers could be attempted in relation to the Irish hospital services There are, however, some facts and figures that may enable us to form impressions, if not opinions

As regards the cost per unit of service, the first difficulty is the absence of an informative system of costing of hospital services In the local authority services the prescribed form of accounts includes a cost statement showing under subjective headings the crude averages obtained by dividing the year's expenditure for each institution by the aggregate number of days for which patients were maintained For the voluntary hospitals covered by the Hospitals Commission reports there are for each hospital annual figures for total cost per occupied bed These figures are also crude averages, and in no case is there a separation of out-patient and in-patient costs, much less separate costing for specialist or service departments of the hospitals

The question of hospital costing, which is a very involved one and one which has been the subject of enquiry in other countries for several years past, is outside the compass of this paper, but it might be remarked that the technique of financial administration has lagged much behind the technique of other departments of the hospitals

Bearing in mind the shortcomings of the available statistics, we find that in the year 1954, the cost per bed in general teaching hospitals in Dublin ranged from £8 10s 0d a week to £12 19s 0d a week (The costs for non-teaching hospitals in the provinces were generally lower, as might be expected, but the hospitals are of such a varied nature and size that the figures could not be quoted without lengthy explanation if misunderstanding is to be avoided) The majority of the Dublin general hospitals returned costs below £10 a week and the highest at £12 19s 0d was approximately £1 17s 0d in excess of the next highest

The average costs (including salaries of medical staffs), of County Hospitals providing a wide range of surgical and medical services were £9 15s 0d a week at the highest and as low as £8 5s 8d a week (year 1954/55) When allowance is made for the factors affecting costs in the different classes of hospital there would appear to be no ground for holding one type of hospital to be significantly different from the other as regards costs The wide deviation of one of the voluntary hospitals from the rest of the group is, however, striking

The average costs of similar institutions in Great Britain are generally much higher According to the Ministry of Health Costing Returns for the year 1954/55, hospitals conducted by Boards of Governors average £36 12s 10d a week in London, and £27 9s 10d a week in the provinces Acute general hospitals conducted by the Regional Hospitals Boards, which would be more reasonably comparable to acute hospitals in this country, are generally on a lower cost level, the range in the provinces being from about £18 to £24 a week

The evidence based on the cost per unit of service in the Irish hospitals, such as it is, indicates that waste in operation is unlikely to exist on a large scale or in many institutions (Even very small per centage savings on such large sums, would, needless to say, be very considerable in total and would justify considerable efforts towards improvements in administration) The rates of occupancy of the Irish hospitals are generally high, and waste due to under-occupation, except in some fever hospitals, is not a problem Duplication of equipment might be found to be a source of unnecessary cost There is no statistical information available on this point, but it is an observable fact that a number of hospitals in the same area are sometimes each equipped to provide specialised services, the local demand for which could be dealt with by the equipment of any one of the hospitals The avoidance of such unnecessary expenditure is a matter of co-operation and planning, but would seem primarily to be a subject for statistical enquiry

An enquiry into the duration of stay of patients in hospital might also yield valuable results, if only to establish that patients do not remain any longer in hospital than is necessary The " average stay " as calculated at present gives no reason to suppose that there is unnecessary hospitalisation but the " average ' figure suffers from the same defect as the other hospital statistics in that it is an overall crude average taking no account of such elementary factors as the classification of maladies, operations, age groups, etc

The answer to the question whether value for money is obtained in the hospital expenditure would, therefore, seem to be that the information available indicates no unnecessary or avoidable costs on a general scale, but that information is far from complete

The question of the extent to which the resources of the community are devoted to hospital services is much more difficult, as it involves consideration of such other questions as the size and age grouping of the population, the geographical distribution of the population, national productivity and levels on expenditure of other social services The gross cost of the hospitals available to the general public in this country has been estimated at £11,750,000 (for the year 1954/55) which is about 2 24 per cent of the gross national product at factor cost The corresponding proportion for England and Wales for the

year 1953/54 has been shown in a recent report to have been 2 01 per cent One further item of information which may be relevant is the number of hospital beds in proportion to the population A recent publication of the World Health Organisation gives the number of general hospital beds per 1,000 of the population of 8 countries including the Republic of Ireland as follows —

TABLE 7

Total Hospital Beds in General, Maternity and Paediatric Hospitals per 1,000 *of the Population*

(Year 1953)

County	Number per 1,000
New Zealand	8 42
Australia	7 37
Switzerland	5 86
Denmark	5 57
Sweden	5 33
Norway	5 17
Republic of Ireland	4 50
Belgium	4 08

In conclusion, the writer would like to make it clear that this inadequate and condensed survey of the subject has not pretensions to anything more than an outline of the financial structure of the hospital services At best it may help to bring to the attention of some who are interested in such matters the fact that in the hospitals of this country we have an organisation in which in the last 25 years there has been invested approximately £27,000,000 in capital undertakings, and the running cost of which are claiming a growing amount of our national resources

DISCUSSION

Mr T C J O'Connell M D , M Ch , in proposing the vote of thanks to the speaker, said that in his opinion this was one of the most informative and timely papers on the whole subject of Hospital Finance and the cost of hospital treatment He considered that it was a great pity that a paper such as this should not have been undertaken some years ago " Those of us who work in hospitals " he said " find it difficult to have patience with the amount of ill-informed criticism to which the hospital and its staffs are subjected " This is particularly the case where the voluntary hospital is concerned

The paper has shown that the *cost of hospital treatment* in this country is as yet far below the cost of that in Gt Britain Our speaker informed us that whilst the average cost in a voluntary hospital for the maintenance and treatment is below *Ten Pounds* per week the same costs in Gt Britain is between *Twenty-seven* and *Thirty-six Pounds* per week The total cost of all the hospital services in this State at the moment is over eleven and a half million pounds What the cost will be now that almost two-thirds of the total population is eligible for " free " hospital services it is difficult to estimate

The speaker naturally had not time to elaborate upon the actual *salaries or payments to the medical and surgical* staffs of hospitals in this country He did, of course, indicate that in the State or Local Authority Hospitals the Staffs were fully remunerated, and for that reason the cost of salaries, wages, and superannuation in State hospitals is almost 17 per cent more than that of the big voluntary teaching hospitals This whole matter of the payment of doctors has recently been the source of some political bickering It is interesting to note that the medical profession generally were quite willing to carry on their system of not being paid for their work in the voluntary hospitals until the extension by the State of free services to the great majority of patients rendered it necessary, in some way, to allow the staffs of voluntary hospitals to retain an interest in their profession There have been rumours of extraordinary amounts, now being paid to the staffs of voluntary hospitals as compensation for the loss of their practices through the extension of services under the Health Act This, of course, is quite untrue Let us look at a few statistics

For a patient coming in to a Dublin Hospital for an operation on say the stomach, heart, brain or kidneys or any other major operation the sum allowed per day to include medical fees is 20/4 Of this sum, 18/- per day goes to the hospital for maintenance, drugs, nursing, etc , the remainder is divided amongst the medical and surgical specialists It will be seen, therefore, that in the case of a patient having a major operation and remaining three weeks in hospital the total sum to be divided between the surgeons, physicians and other specialists attending the patient, including pre and post-operative treatment and advice is somewhat in the neighbourhood of Three Pounds This works out roughly at One Pound per operation It is difficult to understand the moaning that has taken place over this sum After all, an electrician charges more than this for putting in an electrical point, and a plumber will hardly do a " wiped joint " for that

It would be an interesting conception for the statistician to stand in an operating theatre in this city whilst a major operation on the brain, for instance, is carried out If he were to estimate the cost of the training and experience of the two or three surgeons involved, the cost of the training of the anaesthetist, of the various assistants in Radiology, Pathology and Bio-chemistry and of the expert nursing staff in attendance he would soon find himself dealing with five figures If added to this he were to estimate the cost of the development of the modern drugs and apparatus used and of the capital expenditure on instruments and apply a fraction of this to the seven or eight hours involved in such an operation he would see that One Pound is really very little to pay for all that investment Yet every day of the week in all our hospitals those procedures are carried out

I turn now to something which the medical profession as a whole would welcome as a contribution towards the hospital service of this country The paper we have heard here to-night has exemplified in no small way the differences financially and otherwise that exists between the voluntary teaching hospitals and the local authority hospitals Unfortunately, this divergence is growing It must surely be necessary to undertake a survey of the hospital services with a view to improving their integration Hospitals are not just

buildings where sick people are mended They are living organisms in which all the greatest attributes of the human mind in the exercise of charity toward's one's fellow creatures gets full play They play an intimate part in a nation's life and are an index of its state of civilisation It is necessary, therefore, if we are to advance as we hope we should advance in this whole matter of health services that our hospital situation should be carefully surveyed

It gives me great pleasure to propose that the best thanks of this Society is due to Mr Hargadon for this excellent paper

Mr J J Davy It is my privilege to second the vote of thanks to Mr Hargadon for his paper on Irish Hospital Finance and in particular for the historical and analytical research which he has carried out Speaking personally, I was naturally particularly interested in the comparisons made as regards the relative position of the two systems —the public and the voluntary

Mr Hargadon refers to the remarkable change by which the voluntary hospitals have become dependent on public money either local or central This change has, of course, effected a complete transformation in the concept of voluntary hospitals In Great Britain voluntary hospitals have practically ceased to exist, having been merged into the State system, but here they still survive and so far have maintained their independence which has become the very basis of their *raison d'etre* The word voluntary now in effect means voluntary in administration or government Should this function be made dependent upon direction or veto from an outside public authority the voluntary hospitals would cease to exist as such and would have to be considered as merged into the State system

I was very interested in Mr Hargadon's reference to the amount by which the hospitals have benefited from the Sweepstakes and he has shown that in the last three years sums totalling £7,150,000 have been paid from central Government funds towards the hospitals in supplement I doubt, however, whether the Government is entitled to any credit for their payments as it has collected and is collecting a substantial proportion of the receipts in the form of stamp duty It would be interesting to know what the total collection by the State has been and possibly some other speakers might like to express opinions on the merits of these " raids on the Sweepstakes " which brings before my mind such expressions as " raids on sinking funds " and " raids on the road fund " in the past—not necessarily in this State

My approach to the whole problem of Hospital finance is from the voluntary side having been 25 years Hon Secretary of one hospital during which I have seen a complete change in the theory of administration in the voluntary hospitals Whereas before the Committee were perforce bound to try and fit expenditure within a limited income now they have to apply themselves to establishing norms based on new standards of services

It is very instructive to have comparisons of Revenue expenditure in the public and voluntary hospitals Under the heading of salaries and wages the voluntary hospitals spend 31 5 per cent as against

47 per cent for the public hospitals That difference however will tend to disappear as the visiting Consultants and Hon Medical staff become entitled to payment under the Health Act, and the emoluments of the ordinary staff are increased under such headings as pensions, etc

Approaching the matter of expenditure under the heading of food it is perhaps surprising to note that both systems spend exactly the same amount at 22 5 per cent

On the other hand, the cost of medicines in the voluntary hospitals was 17 6 per cent compared with 4 9 per cent over all for the public authorities or compared with 9 per cent for a selected few of the county hospitals The expenditure under this heading is always a difficult problem for voluntary Committees What standards should be adopted in sanctioning the use of expensive drugs or treatment—or should the medical staff be given uncontrolled carte-blanche ?

Payment of salaries and wages is now almost outside the control of the Committees and is set by the general scale which in itself is largely decided by reference to what the minister authorises in the public hospitals The voluntary hospitals have little option but to follow the same scale or else lose their staff

One item in recent years has fallen seriously—I refer to Repairs and Renewals One reason for this is the erection of new buildings or the complete renovation of existing ones the cost of which has been charged to capital and the need for repairs has not yet arisen Contrary to commercial practice, which naturally influences so many voluntary Committee people, no depreciation is provided for so that in the future it may be expected to see a large increase under the heading of Repairs and Renewals, etc

The average weekly cost per bed for the voluntary and public hospitals is remarkably close but, of course, it is not possible to compare services In that regard there is a very considerable amount of competition both between the voluntary and public hospitals and between individual institutions of each system—the financial effect of this competition becomes a heavy burden and will tend upward always

The final comparison in Mr Hargadon's paper refers to the gross cost of all the hospitals in this country and elsewhere Our total figure is given as £11¾ million representing 2 24 per cent of the gross national product compared with 2 01 per cent for England and Wales Relatively speaking, bearing in mind the very much lower standard of income in this country, the figure of 2 24 per cent is a much greater burden on the community than the figure might indicate I fear that this is a burden that will tend ever higher and I sometimes fear that the competition between the voluntary and public hospitals may be partly responsible As a final word I should like to explore the possibility of seeking far more co-operation between the two systems and above all of removing any jealousies

Is it possible that we could envisage a union or co-operation between the L G Hospitals and the voluntary hospitals if even it were only

prompted by financial considerations Could not the specialist services of the big clinical voluntary hospitals be linked up with the smaller hospitals in neighbouring counties In that way the county authorities would be saved the cost of providing for these very expensive services and on the other hand the clinical hospitals would be happy to have the county hospitals cater for the normal cases This arrangement would have the three-fold advantage of better treatment for abnormal cases, improved teaching opportunities in the clinical hospitals and saving of expense by avoidance of multiple departments

I understand that the present president of the I M A some years ago suggested a plan which he called the " Mother-hospital " scheme under which she large city hospitals in Dublin should adopt the county and district hospitals within a certain radius of Dublin

These are ideas which might provoke discussion and I think are germane to the subject of the paper read here to-night