

An Alternative European Perspective

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October 2022

Ostensibly this is a European newsletter aimed at casting light on the UK, intended to illuminate and inform on healthcare matters. But it is events in the UK that are casting shock and awe across the Continent.

Change, like the 85 bus, comes in a convoy. With no shortage of avenues to explore I comment on the new leadership in health in the UK, the possibility of the Irish path being followed, the latest edition of the French health service accounts, Portugal and other pickings from across Europe in the usual summary of selected European publications on healthcare over the last month.

In the space of a month the UK has a new King, new Prime Minister, new Chancellor of the Exchequer, new Secretary of State for Health and Social Care, new Health Minister and perhaps most significantly, a new top civil servant in the post of Permanent Secretary to the Treasury (the current one has been asked to resign). If I were the Governor of the Bank of England or the Chief Executive of the NHS I would not be planning any holidays in the next year.

To be fair it's mainly the UK version of the Game of Thrones that has been holding most attention across

Europe. In France they found the vigil of the Royal Family at the wake of the Queen particularly theatrical and the reputation of the English love of queuing has only been enhanced.

President Putin is threatening a cold wind from the East but found time to note the Queen's passing. World leaders (for which read Joe Biden) are letting Liz Truss know in no uncertain terms to back off on the Northern Ireland Protocol issue or risk a trade war.

In the UK, Covid has been put on the back burner with the Parliamentary Inquiry into the behaviour of the last Prime Minister seemingly forgotten – to be published in due course; and the Independent Covid Inquiry caught in the long grass.

Oh, and there is a run on the pound, a crash on the financial markets and the prospect of a surge in interest rates. ([Time to brush up your MMT](#)).

As I said, there is no shortage of topics to pick on.

New UK leadership in healthcare

Liz Truss (Liz'll fix it) has a can-do attitude, perhaps learnt from her neighbour in [Roundhay, Leeds](#) when she was growing up.

She has promised to deliver on the NHS. She hasn't said what yet but her first appointment as Secretary of State for Health and Deputy Prime Minister is her best friend, fellow management accountant, and [minister in charge of the karaoke machine, Therese Coffey](#). Coffey has not been slow in publishing her '[Our plan for patients](#)'. It seems she sees herself as a patient's champion rather than the minister in charge of the whole enterprise; as a person applying extra pressure on the new local Integrated Care Boards and independent GPs to deliver: like a Cabinet level Healthwatch. Mmmm.

What qualifies the fun-loving [Therese Coffey](#) and the bung-loving (allegedly) Health (ex-Housing) Minister [Robert Jenrick](#) for leadership of the NHS? Not much at first sight but I suppose a PhD in chemistry (in the case of Coffey) and one year on the Health Select Committee (in the case of Jenrick) must count for something.

On reading in recent editions of Private Eye that the green light has been given to [ministerial involvement in procurement decisions](#), by Jacob Rees-Mogg, the new [Secretary of State for Business, Energy and Industrial Strategy](#), one can only speculate on the opportunities that arise for adding ministerial influence, in the largest spending department, accounting for more than 50% of departmental expenditure. But I imagine it doesn't come cheap¹.

On a personal note the name that came to mind when Coffey was discussed was not Therese but Denise. Who will forget the episode of '[Do not adjust your set](#)' when Denise Coffey presented the world low bar jumping championship which the young David Jason narrowly failed to win (see after 4m 9secs)?

Unless 'Our plan for Patients' is followed up with a convincing plan for increasing real resources, delivering a credible staffing strategy,

Revised Health Care Expenditure in Ireland, 2011 to 2019

	€ million									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Total Health Care Expenditure	18,972	19,164	19,393	19,486	20,274	21,266	22,362	23,669	25,320	
Capital Expenditure ¹	720	511	898	878	1,043	1,158	1,142	1,237	1,538	
Current Expenditure	18,252	18,653	18,495	18,607	19,230	20,107	21,219	22,432	23,782	
Current Public Expenditure	13,122	13,383	13,056	13,212	13,848	14,622	15,486	16,628	17,736	
Current Private Expenditure	5,130	5,270	5,439	5,395	5,383	5,485	5,734	5,804	6,046	
Current Expenditure:										
% GDP, Ireland	10.7	10.7	10.3	9.5	7.3	7.4	7.1	6.9	6.7	
% GNI*, Ireland	14.4	14.7	13.5	12.5	11.8	11.5	11.4	11.3	11.1	
% GDP, OECD Average (adjusted) ²	8.6	8.7	8.7	8.7	8.7	8.8	8.7	8.7	8.8	

¹ CSO, National Income & Expenditure 2019

² OECD average recalculated with revised Irish data and latest GDP estimates

reforming the Treasury rules blocking capital expenditure, and returning incentives for performance and productivity rather than delaying and diluting care, Therese may find herself lowering the bar even further. Under questioning in Parliament on her Plan she confirmed it was not currently the Government's intention to pursue European-style social insurance schemes to fund the NHS. I wonder; methinks the lady doth protest too much.

Given the management accounting background of both Truss and Coffey one thing we might expect is that they can read numbers.

With that in mind it will not have escaped their attention that the Irish have succeeded in spending much less on healthcare than in the UK, as per the table reproduced here showing health expenditure against GDP in Ireland.

At first glance Ireland appears to be economically successful with average per capita income well in

¹ It's a little worrying that the [largest donor to Liz Truss](#) in her campaign to be Prime Minister has links to private healthcare.

excess of the UK² and the share of GDP taken by healthcare appearing to be very low by European standards. For those who feel inclined to attribute this to the social healthcare insurance scheme in place in Ireland, a warning: all is not as it seems, as I discuss in the next section.

Understanding Irish healthcare expenditure

In comparison to other European countries in 2019, Ireland ranked considerably lower in terms of health spending as a share of GDP (6.7%). Top of the list was Switzerland, which spent 12.1 percent of GDP on healthcare. Germany and France both spent over 11 percent on health. The UK, Ireland's closest neighbour, spent 10.3 percent of its GDP on health. Although Irish expenditure shows only modest growth over the period in both public and private spending, health spend as a % of GDP figure has plummeted and is at very low levels compared to the UK and European averages.

The explanation is the ballooning Irish GDP. According to the World Bank, Ireland is one of the richest countries in the world. Before you pack your bags however you should read this article: [Honohan, P. 2021. 'Is Ireland really the most prosperous country in Europe?', Central Bank of Ireland Economic Letter, Vol. 2021, No.1](#)

Honohan, who by the way is an ex-Governor of the Central Bank of Ireland concluded, 'When we dig into the available data in the more relevant parts of per capita income and consumption, we find that Ireland's relative international position is somewhere between 8th and 12th in the European Union – a lot lower than is commonly presumed. The lower ranking comes not only from removing the distortions from multinationals but also from taking account of the fact that consumer prices in Ireland are relatively high." (27% higher)

And if you don't believe Honohan, John Fitzgerald of the ESRI in [Problems Interpreting National Accounts in a Globalised Economy – Ireland](#) summarises,

² Ireland GDP per capita for 2021 was \$99,152, a 16.07% increase from 2020. (UK \$47,334)
Ireland GDP per capita for 2020 was \$85,423, a 5.61% increase from 2019. (UK \$41,098)
Ireland GDP per capita for 2019 was \$80,887, a 2.25% increase from 2018. (UK \$43,070)
Ireland GDP per capita for 2018 was \$79,108, a 13.38% increase from 2017. (UK \$43,607)
Source: Macrotrends <https://www.macrotrends.net/countries/IRL/ireland/gdp-per-capita>

...five special problems in interpreting the Irish national accounts.

1. *The so called "patent cliff". Because the pharmaceutical sector accounts for a substantial share of Gross Value Added (GVA), developments in the statistical treatment of the sector can have a significant impact on the national accounts: for example, if patents on major drugs produced in Ireland run out.*
2. *The changing behaviour of the IT sector as to where they accrue their profits.*
3. *The effects of so called "redomiciled plcs" on Gross National Income (GNI) / Gross National Product (GNP) and on the current account.*
4. *The inclusion in exports and imports of goods and services produced abroad for Irish companies and later sold abroad.*
5. *The potential effects of incorporating aircraft leasing firms fully into the Irish national accounts.*

Together these problems have a very big impact on the national accounts data for Ireland: artificially raising the current account surplus and distorting the measured growth rate of both GDP and GNI/GNP.

This has made it very difficult to understand recent developments in the Irish economy unless these rather arcane national accounting issues are taken into account. It is likely that problems in interpreting the accounts will continue in the future.

While these problems are experienced in a more exaggerated form in Ireland, they do significantly affect the data for some other countries. As globalisation continues it is likely that these problems will come to be seen as of more general concern across a range of developed economies.

The chart below helpfully explains the different measurement currencies.

<https://www.economicshelp.org/blog/3491/economics/difference-between-gnp-gdp-and-gni/>

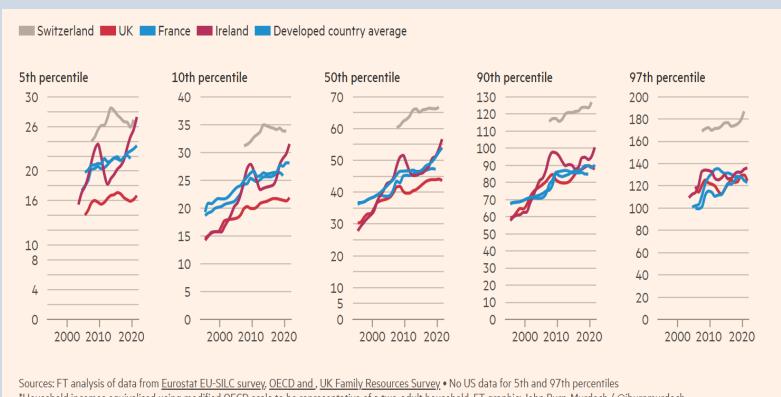
GDP Gross Domestic Product	GNP Gross National Product	GNI Gross National Income
Value of national output produced in a country. - National income - National output - National expenditure	GNP = GDP + net property income from abroad.	Similar to GNP - Sum value of output by resident producers + net receipts of primary income from abroad + any product taxes (less subsidies) not included in the valuation of output.
Includes income of foreign multinationals	Excludes income earned by multinational when profit is sent back to other country	A country which earns positive net income on FDI will include in GNI, but not GDP

www.economicshelp.org

Take my word for it, neither Ireland nor Switzerland (nor Luxembourg for that matter) are as rich as we may be led to believe. The citizens of a country with a large number of multinationals posting profits (for tax reasons) in that country do not necessarily get the benefits if ownership of those companies lies elsewhere.

Fitzgerald concluded,

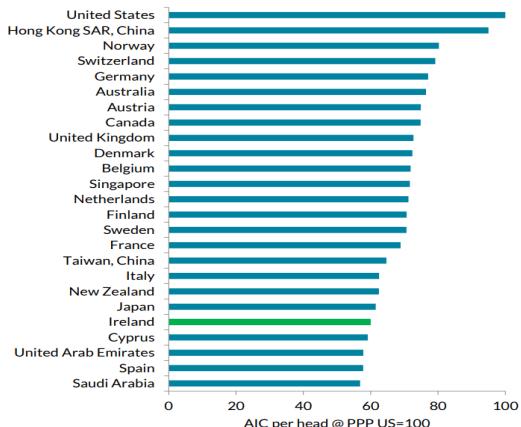
Ireland is a prosperous country, but not as prosperous as is often thought because of the inappropriate use of misleading, albeit conventional statistics. There is less consumption per capita than in the United Kingdom, and on this metric we are closer to New Zealand, Israel and Italy, than to the United States, Switzerland or Norway (which is where the GDP comparison would put Ireland). The same conclusion is drawn if GDP is replaced with the Ireland-specific GNI indicator. Using GDP as a measure can mislead analysis of such matters as debt, carbon-intensity and inequality.*



I would add to this list the healthcare expenditure to GDP ratio.

Consumption per head would appear to be the better measure of relative incomes, although not a measure of healthcare spending.

Figure 3 | Actual Individual Consumption per Head in 2017 for the 25 Countries with Populations of over One Million, Index Measured at Purchasing Power Parities with United States = 100.



[This article from the FT puts the comparisons of income with Ireland into a better perspective.](#)

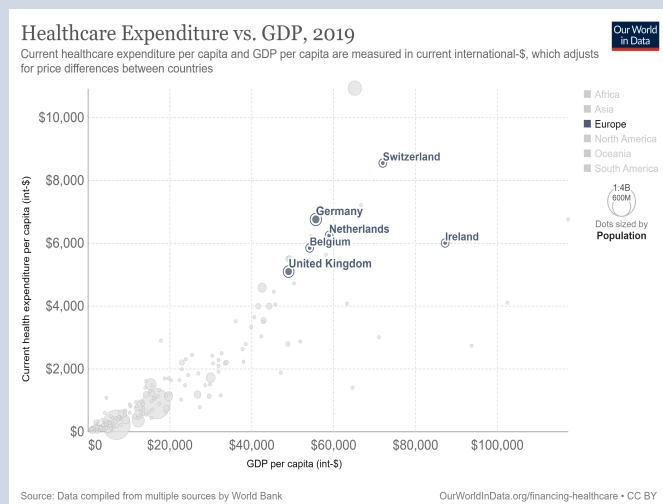
The chart³ shows the differing levels of average household incomes received by differing segments of the population across various countries over the last 20 years. The UK seems to be leading the world in ensuring those with least income stay exactly where they belong. Ireland on the other hand...

So my message to Liz O'Leary (Liz Truss's married name) is that although it may be tempting to think that you could reduce NHS spending to Irish levels relative to GDP by introducing a social-insurance-based funding mechanism as in Ireland with high levels of co-payments and additional insurance for 50% of the population ([described succinctly in this guide to ex-pats in Ireland](#)), while at the same time providing a pretext to lower tax rates for multinational companies to mask what is really going on, it's not going to work.

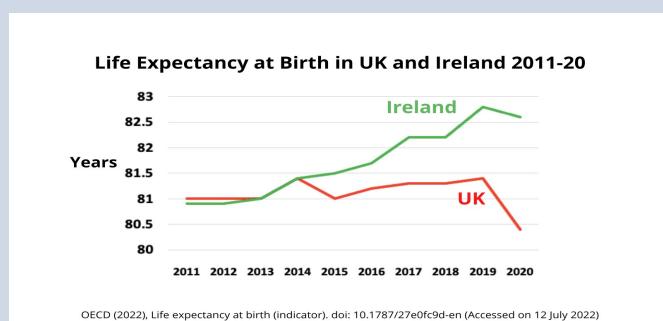
Many in Northern Ireland have a real fear of moving to a United Ireland thereby losing the

benefit of free healthcare in the UK⁴. Irish history is replete with examples of opportunism in seeking to capture the benefits within benefits systems⁵. For example, laxity in registration of births in the early 20th century accounted for very high numbers of healthy centenarians qualifying for pensions in later years. In fact healthcare spending per capita is higher in Ireland than in the UK and so a social-insurance-based healthcare system extracts more money for healthcare. But things have to get very bad indeed before people voluntarily forego free healthcare.

Perhaps that's the plan.



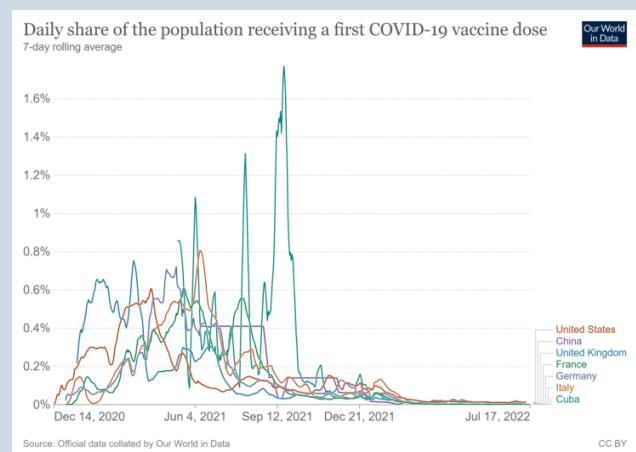
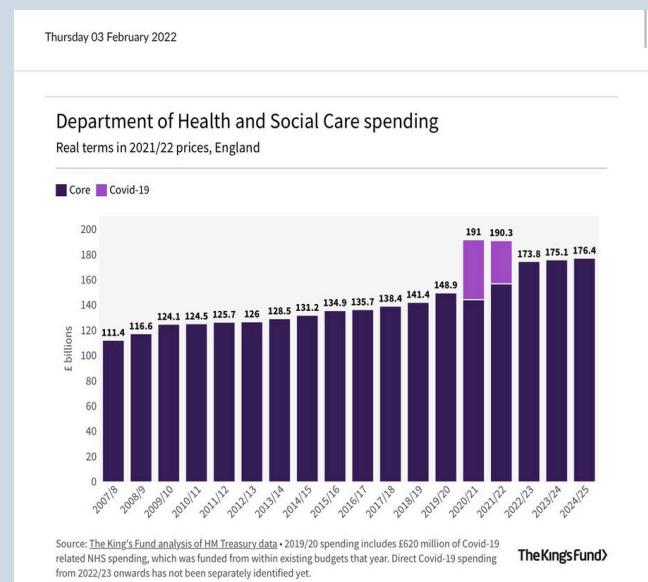
But the Irish are getting something right ([although not everything with inequality growing](#)).



3 Did Macron manage Covid better than Boris?

We all know by now; because he has repeated it so many times, that Boris Johnson claims to have got Covid done under his watch. As I remarked in earlier reports, it would be closer to reality to say that Covid got Boris. The marginal gains in buying vaccines at over the odds came at a high price as the chart below shows for the UK.

There was approximately £50bn extra covid expenditure in 2020/21 and around £40bn in 2021/22. It was mostly spent on PPE that didn't protect and a testing regime that never worked as intended. But extra vaccines were procured ahead of some other countries, for a short time. Whether that was worth £90bn is for each of us to judge.



⁴ "Celtic Revolts" Daniel Finn NLR May/June 2022

⁵ 175 Years of Mismeasuring Ireland? Some Traps Set by Historical Data de Bromhead, A (download unavailable but copy available by request)

The question is put in sharper relief if we turn to the latest edition of the French equivalent of the DHSC Annual Accounts, 'Les dépenses de santé en 2021' édition 2022 DREES, just released.(p9)

Évolution de la dépense courante de santé au sens international (DCSi) Montants en milliards d'euros

	2018	2019	2020	2021
Consommation de soins et de biens médicaux (CSBM)	202,8	206,9	210,2	226,7
CSBM hors mesures de garantie des revenus*	202,8	206,9	207,8	226,0
Mesures de garantie des revenus*	0,0	0,0	2,4	0,7
Hors CSBM	62,1	63,4	70,1	81,1
dont soins de longue durée	41,4	42,7	46,4	48,8
dont soins de prévention	5,4	5,5	8,6	16,9
Dépense courante de santé au sens international (DCSi)	264,9	270,3	280,3	307,8
DCSi (en % du PIB)	11,2	11,1	12,1	12,3
Évolution (en %)	1,5	2,0	3,7	9,8

* Dispositif d'indemnisation pour perte d'activité pour les professionnels de santé en libéral (DIPA) et garantie de financement pour les cliniques privées.

Source > DREES, comptes de la santé.

No equivalent blip in expenditure seems to have occurred in France, although spending on prevention doubled. P18 reveals that there were Covid additional costs as shown in the table below.

Synthèse des dépenses liées à la crise sanitaire dans la DCSi en 2020 et 2021

	2020	2021
DCSi – Dépenses de prévention	5,0	11,8
Vaccination en ville		3,8
Achat de vaccin Covid-19		2,2
Injection de vaccin Covid-20		1,6
Test PCR et antigéniques en ville	2,1	6,5
Prélèvement pour tests PCR et TAG	0,3	0,7
Tests PCR	1,6	3,4
Tests TAG	0,2	2,4
Établissements médico-sociaux	2,0	0,7
Prise en charge des surcoûts	1,2	0,7
Primes et revalorisations salariales	0,8	

Autres dépenses d'urgences	0,9	0,8
Consommation de soins et de biens médicaux (CSBM)	11,8	5,6
Masques	0,9	0,5
Dispositif d'indemnisation de la perte d'activité (DIPA)	1,3	0,1
Établissements de santé	7,6	5,0
Prise en charge des surcoûts Covid-19	2,9	2,9
Primes et revalorisations des heures supplémentaires	1,6	
Fourniture de masques	1,6	0,4
Tests PCR	0,4	0,7
Campagne de vaccination		0,4
Garantie de financement aux cliniques privées	1,1	0,6
Total des dépenses de crise Covid-19 dans le champ des CNS	14,8	17,4

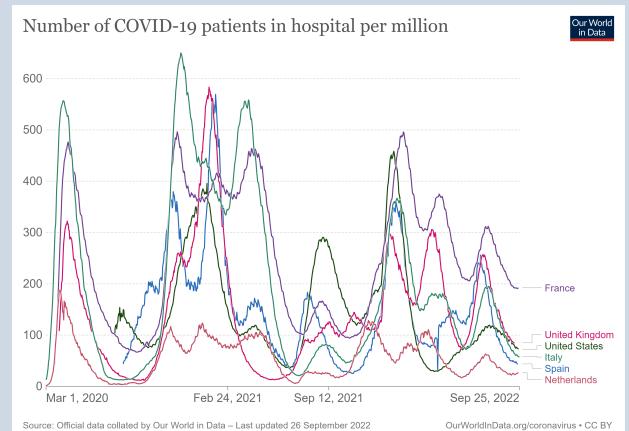
These seem much less compared to the UK, at £14.8bn in 2020 and £17.4bn in 2021. The DHSC annual report has yet to be published for 2021/22.

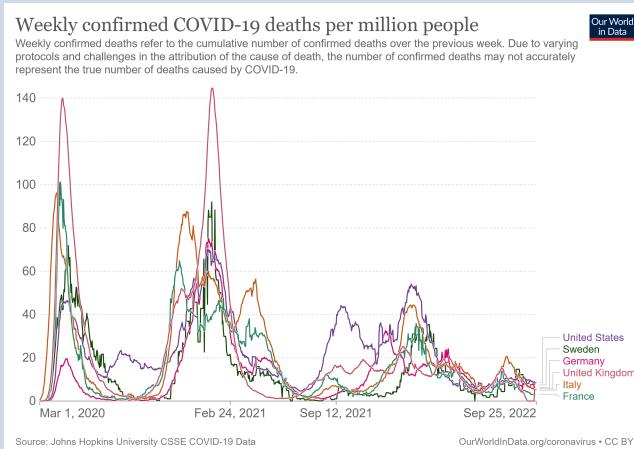
I believe we are owed an explanation from the Permanent Secretary for the UK's comparatively costly performance.

Perhaps someone would like to ask?

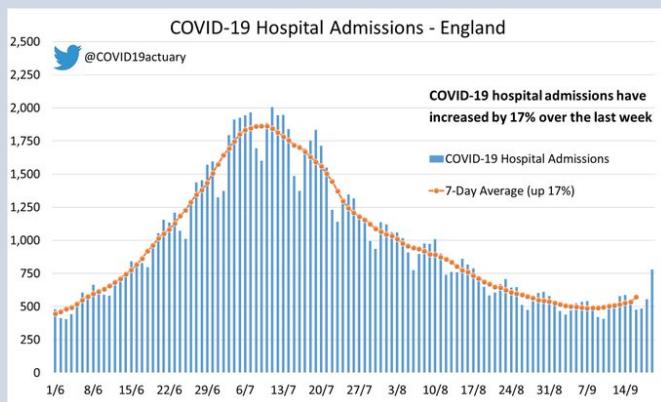
Speaking of Covid

The raw figures in western Europe continued to improve particularly since the beginning of August when the rate of hospitalisations started to dip again after rising ominously in April. Deaths had continued to fall also.





However, the very latest figures are showing that as children returned to school, and adults from their holidays, both hospitalisations and deaths have started rising again, albeit from lower levels, in the UK that is.



Whether the return to school, the potential for new variants, a relaxation in public health controls and a weakening in the protection from vaccines is enough to erode the public relief at what is perceived as the end of Covid only time will tell. [The Chinese](#) however are still being cautious. As was [Independent Sage](#).

Meanwhile in Portugal

[The Portuguese Health Minister has just resigned](#).

Apparently a patient died who was being transferred between hospitals by ambulance. Care could not be provided in the main hospital because of a lack of capacity.

This has been met with outrage in Portugal, where a month-long health crisis has shut emergency services across the country and put maternity care under extreme pressure. The Health ministry has been dubbed 'the Ministry of Pretend'.

This should not augur well for Coffey and Jenrick, as the UK has major problems with ambulances, and has had for a long time. The last [Secretary of State didn't resign, but was effectively poleaxed](#) by a member of the public on the subject. Not for nothing is Coffey's ABCD of healthcare priorities starting with ambulances.

Summary of information across Europe

The Lancet has just [published](#) 'The Lancet Commission on lessons for the future from the COVID-19 pandemic'. Key findings include,

... staggering death toll (17.9million est.) is both a profound tragedy and a massive global failure at multiple levels. Too many governments have failed to adhere to basic norms of institutional rationality and transparency, too many people—often influenced by misinformation—have disrespected and protested against basic public health precautions, and the world's major powers have failed to collaborate to control the pandemic.

The multiple failures of international cooperation include;

- (1) *the lack of timely notification of the initial outbreak of COVID-19;*
- (2) *costly delays in acknowledging the crucial airborne exposure pathway of SARS-CoV-2, the virus that causes COVID-19, and in implementing appropriate measures at national and global levels to slow the spread of the virus;*
- (3) *the lack of coordination among countries regarding suppression strategies;*
- (4) *the failure of governments to examine evidence and adopt best practices for controlling the pandemic and managing economic and social spillovers from other countries;*
- (5) *the shortfall of global funding for low-income and middle-income countries (LMICs), as classified by the World Bank;*
- (6) *the failure to ensure adequate global supplies and equitable distribution of key commodities—including protective gear, diagnostics, medicines,*

medical devices, and vaccines—especially for LMICs;

(7) the lack of timely, accurate, and systematic data on infections, deaths, viral variants, health system responses, and indirect health consequences;

(8) the poor enforcement of appropriate levels of biosafety regulations in the lead-up to the pandemic, raising the possibility of a laboratory-related outbreak;

(9) the failure to combat systematic disinformation; and

(10) the lack of global and national safety nets to protect populations experiencing vulnerability.

Not exactly on the same wavelength as the ex-Prime Minister of the UK.

The Lancet report tells the Covid story in 45 pages of dense text (and 12 pages of reference).

It finds that Western Pacific suppression tactics worked better than the mitigation strategies used elsewhere. It pays tribute to the extensive US government funding over many years that enabled the rapid development of vaccines.

It notes in passing the high number of deaths caused by people refusing vaccines (200,000 in the US alone). Its call, however, for the strengthening of multilateralism in all crucial dimensions: political, cultural, institutional, and financial, seems to be out of touch with the new surge of nationalism, symbolised by the rise of Trump and Johnson as political leaders (and Truss).

It is disappointing that the UK government is seriously thinking of withdrawing from the European Court of Human Rights so as to be able to deny asylum to those seeking it in the UK, while at the same time inviting many more immigrants from parts of the world that can ill afford to lose them to help staff its health and social care services.

The Nuffield Trust /European Health Observatory/ WHO Europe published [Addressing backlogs and managing waiting lists during and beyond the COVID-19 pandemic](#). Among its key messages were,

COVID-19 meant non-emergency procedures were postponed which led to backlogs of care (and particularly hospital and specialist care) in virtually all countries.

Drivers that increase the backlog include:

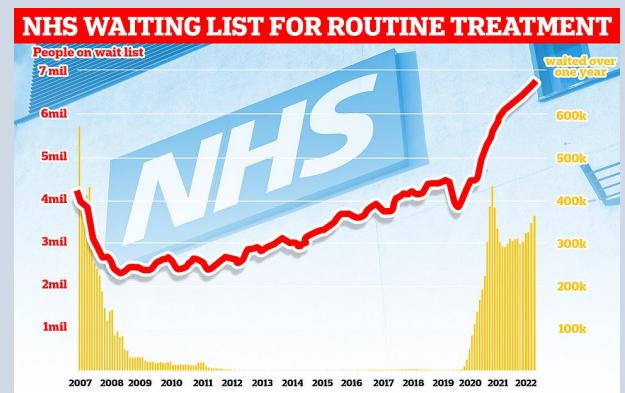
-Supply-side factors, such as: low numbers of health workers (even pre-COVID); lower productivity due to staff exhaustion; the extra cost of providing treatment safely; and weakened incentives for some care.

-Demand-side factors include: new technologies; the ageing of the population and the rise of chronic conditions (including long COVID).

This reads in the UK context as a statement of the obvious. But governments sometimes need reminding.

The Financial Times meanwhile [reports that many are taking the solution into their own hands](#) by going private. Those that can afford it that is.

In fact the battle has been lost with the backlog increasing remorselessly in the UK, as the diagram below from the Daily Mail shows. You know that things are bad if the Daily Mail is effectively criticising a Conservative government.



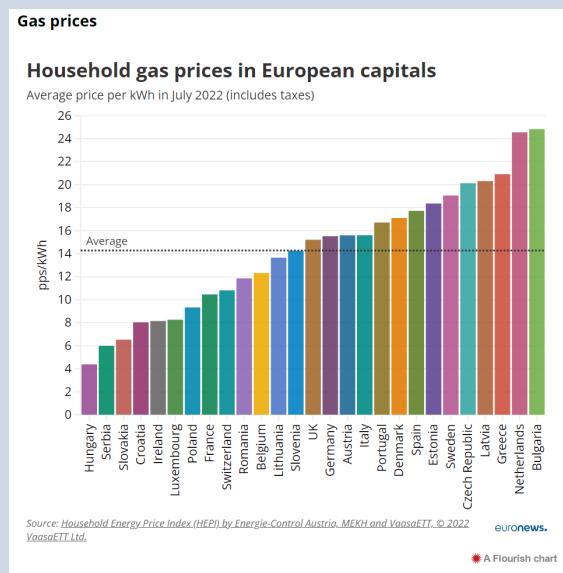
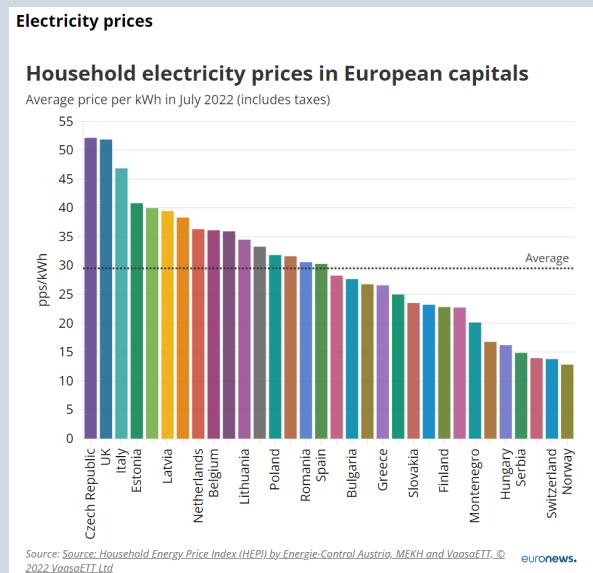
The European Health Observatory also published a special edition of Eurohealth devoted to the question, [A European Health Union-if not now, when?](#)

The answer seems to be, some way off, from a light skimming of the contents. As was always the case the rhetoric is ahead of reality. This doesn't make it a bad idea, and I would argue that without a social dividend

in terms of tangible social benefits to ordinary European citizens, public support for the European project will weaken over time.

In fact nationalism seems to be on the rise rather than multilateralism ([if the result of the Swedish elections are anything to go by](#) . [And the Italian elections for that matter.](#))

Euronews emphasis the heterogeneity of European responses by [summarising the energy position across the countries of Europe](#).



For those that fancy a flutter on the future spot markets this seems to be a [good source](#) of market intelligence.

But news from Germany in [Eurointelligence](#) and [Brave New Europe](#) shows that it is not just in the UK that there is debate and instability.

At least in the UK there is a monarch to add a little stability in these troubled times.

Although in a recent 'L'Equipe' the headline was '[The King is Dead](#)' and my heart skipped a beat.

They were referring to Roger Federer however. Who says the French have no sense of humour.

