

Sustainable Healthcare Funding

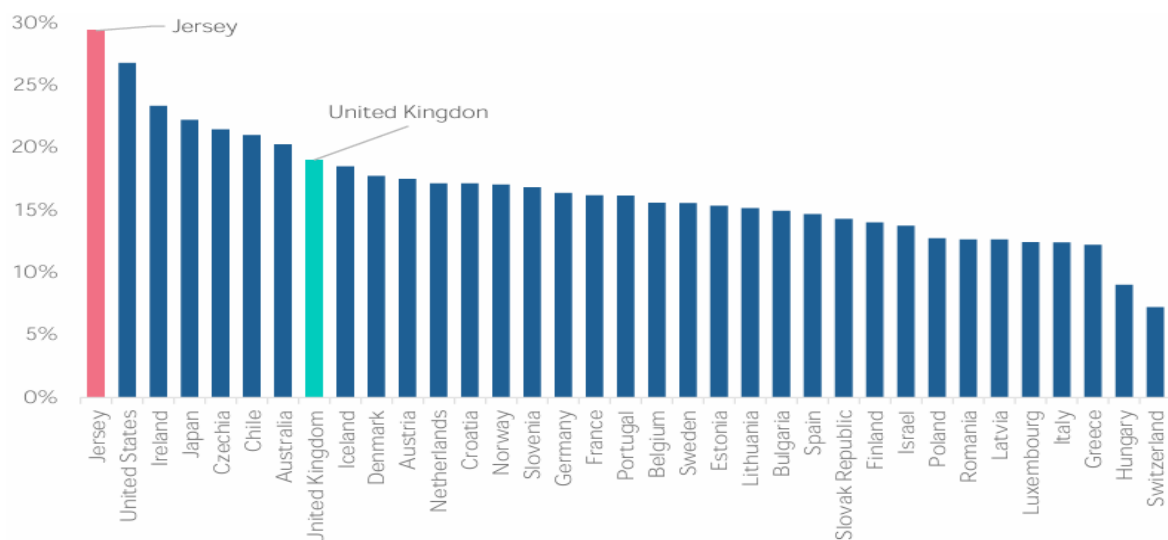
Audit Specification

Background

The funding of healthcare represents a significant financial challenge to many jurisdictions. Jersey is no exception to this.

Using the Classification of the Functions of Government (COFOG) system, expenditure on health in 2024 was £515.7 million which represented 29% of total general government expenditure. In 2023 (the last year for which comparative data is currently available) the percentage of total general government expenditure on health was higher than any Organisation for Economic Co-operation and Development (OECD) country and was over 10 percentage points higher than the United Kingdom (Exhibit 1).

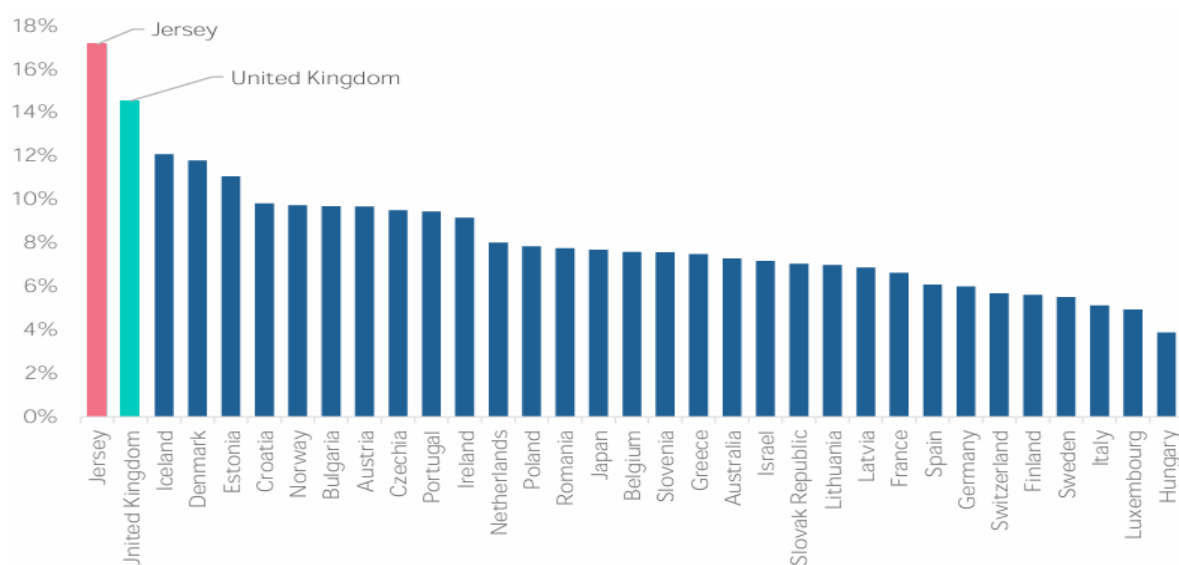
Exhibit 1: General government expenditure on health as a percentage of total expenditure 2023



Source: Statistics Jersey Public Sector Spending Statistics 2024

The high level of expenditure in Jersey is driven primarily by the percentage of Government expenditure on hospital services in Jersey being above all OECD nations (Exhibit 2).

Exhibit 2: Expenditure on hospital services as a percentage of total general government expenditure 2023



Source: Statistics Jersey Public Sector Spending Statistics 2024

The need to develop a long-term sustainable healthcare funding model has long been recognised. A proposition to the States Assembly in 2012 (P.82/2012) indicated that work would be undertaken to develop a long-term sustainable funding mechanism for Health and Social Services by 2014.

Additional funding was provided to the then Health and Social Services Department in both the Medium-Term Financial Plan for 2013-2015 and the Medium-Term Financial Plan for 2016-2019. This included a 2% investment in service standards and healthcare inflation.

In 2016, a proposition was brought to the States Assembly as part of the Medium-Term Financial Plan 2017, to approve, in principle and in accordance with P.82/2012, the introduction of an income-based Health Charge to raise £7,500,000 in 2018 and £15,000,000 in 2019, with details of the charging mechanism and legislation to be proposed and debated as part of the Budget 2017. This proposition was rejected by the States Assembly.

The Jersey Care Model was launched in 2019 and was set out to be a continuation of the work put forward in P.82/2012. As part of this the then Health and Community Services Department planned to continue to transform and modernise and to ensure that existing services were funded sustainably. The plan assumed the continuation of 2% annual growth funding.

The Government Plan for 2021-2024 included an investment of £28.1 million in the Jersey Care Model. This investment was expected to deliver a net financial benefit from 2025 and was forecast at the time to avoid £23 million per year by 2036 of the expected

expenditure growth for Jersey's health and care system. Additional investment was approved in the Government Plan for 2022-2025 and a wider review of sustainable healthcare funding was planned to be undertaken during 2022.

Following the election in 2022, work on the Jersey Care Model was paused although some further work was continued in respect of the sustainable healthcare funding workstream.

Since 2022 the work that has been undertaken includes the development of a model to underpin future projections in healthcare expenditure. This work is planned to continue through 2025 and into 2026.

In the meantime, pressures on healthcare expenditure have continued and in each of the last five years Health and Care Jersey (HCJ) has spent more than the initial budget allocated to the department in the Government Plan (after adjusting for pay awards and excluding COVID-19 pandemic budgets and expenditure). In 2026 an additional 1% has been allocated to HCJ while the work on sustainable healthcare funding is progressed. The Proposed Budget 2026-2029 also includes two new fees to be introduced in 2026 (use of the Emergency Department and Did Not Attend Fees) as well as investment in prevention measures and the digital health strategy.

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law 2005
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives of this audit

The audit will assess the:

- assumptions underpinning the model being developed and the extent to which the model and supporting assumptions will enable effective options appraisal and decision making
- design of the controls supporting the implementation of new fees; and
- extent of progress being made in the development of sustainable healthcare funding in Jersey including by taking learning from previous initiatives.

Scope

The audit will include arrangements and strategies within and available to Health and Care Jersey and across the States of Jersey, including those which relate to current and future assumptions and modelling options.

The audit will include an assessment of progress in implementing previous recommendations relating to financial management and governance within Health and Care Jersey.

The audit will not include the new healthcare facilities programme.

I am currently undertaking a separate audit of the Health Insurance Fund. The findings from that audit will be considered as part of this audit.

The audit will not include the Long-Term Care Fund.

Audit approach

This audit will use a combination of a result-oriented and system-oriented approach.

The audit will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers and potentially with other stakeholders.

The audit fieldwork will commence in December 2025.

The detailed work will be undertaken by affiliates engaged by the C&AG.

Audit criteria

To assess relative performance during our audit, we will use the following criteria.

Model effectiveness:

- formula and logic correctness and consistency
- technical assumptions including data availability and the reasonableness of assumptions; and
- data quality and integrity

Implementation of new fees:

- effectiveness of the process being adopted for implementation; and
- effectiveness of proposed controls in respect of fee collection

Progress in development of sustainable healthcare funding:

- effectiveness of current and planned programme governance arrangements including linkages to overall health governance arrangements
- alignment of healthcare strategies including digital strategy, service strategies, commissioning strategy, financial recovery programme and workforce strategy
- robust financial forecasting and management arrangements
- activities adopting an appropriate balance across prevention and treatment, and optimising patient empowerment and stakeholder involvement; and
- collection and assessment of relevant data and evidence to support current and future decision-making.



JERSEY AUDIT OFFICE

LYNN PAMMENT CBE
Comptroller and Auditor General

Jersey Audit Office, De Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 716800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je