

Dutch healthcare outlook: Capacity constraints could become chronic

The Dutch healthcare sector is being squeezed by an unprecedented shortage of personnel. The demand for care is rising, while the labour market remains very tight. Although complex, reducing absenteeism to pre-pandemic levels could halve the number of job vacancies. This is crucial to shortening waiting lists



Pandemic aftermath continues to limit accessibility

Traces of the pandemic are still visible in healthcare this year and will be evident next year, too. Accessibility of care has not yet returned to prior levels. The waiting times for hospital treatments have decreased somewhat, but with an average of more than eight weeks, they are still above the acceptable maximum standard of seven weeks. The already very long waiting times in mental health care continue to increase and the number of people waiting for long-term care (for the elderly or disabled) remains high.

But the demand for care is now greater

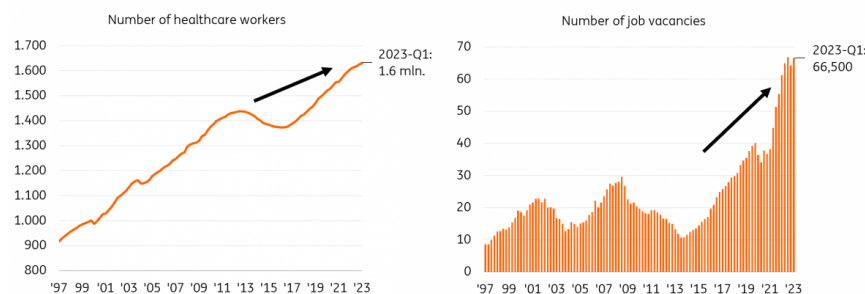
The number of patients that hospitals treat is back to pre-pandemic levels, but that is not enough to substantially reduce waiting times. The demand for care is greater this year than in 2019. It is

growing structurally under the influence of population growth and ageing. Postponing treatments during the coronavirus years will probably also have an upward effect on care needs. Although the amount of care still to be delivered has decreased this year, according to the latest figures, most specialties are now stable at a significantly higher level than in (pre-pandemic) 2019.

Job vacancies are still at record levels

An increasing share of the Dutch working population works in healthcare. While the labour market share was one in eight employed people in 2001, this increased rapidly in subsequent years. The share has been fairly stable over the past three years at almost one in six. However, the labour market has become tighter and competition with other sectors has therefore become fiercer. The number of healthcare job vacancies was at a record high in the first quarter of 2023, while the personnel demand in most other sectors is proportionately even greater. At 45 (vacancies per 1,000 jobs), the vacancy rate in healthcare is still below the national average of 49.

The number of healthcare workers continues to grow, job vacancies remain at a record high



Source: CBS, ING Research

Healthcare is growing less rapidly due to staff shortages

The healthcare sector is growing against all odds. In 2022, volume growth was 2.3%. For the first time in five years, this growth was lower than the growth of the economy as a whole (4.3%) and also lower than the structural (price-adjusted) annual growth of an average of 2.7% between 2022 and 2025, previously estimated by the CPB Netherlands Bureau for Economic Policy Analysis. This and next year, the availability of personnel is the inhibiting factor. In addition, there was a one-off negative volume effect in 2022 due to the scaling down of coronavirus care, such as testing and vaccination. The growth of healthcare volume in 2023 and 2024 is expected to be at a similar level as in 2022. Growth in 2023 may be slightly higher than in 2022 (2.5% versus 2.3%) due to slightly rising unemployment and a further decrease in absenteeism. Both factors could positively influence the care capacity in the short term. On the other hand, the room for growth for hospitals will be increasingly restricted in the coming years on the basis of the national Integral Care Agreement (IZA) and the cost-cutting measures for long-term care will also depress growth. We therefore expect slightly more limited volume growth (2.0%) for 2024.

Collapse of Dutch government makes planned transformations uncertain

The fall of the Rutte IV coalition jeopardises the existing policy plans for healthcare. Due to the

great importance attached to the agreed transformations, the sector organisations involved in the IZA have asked the House of Representatives not to declare the effect of this transition agreement controversial. The intended transformations, such as more regional cohesion and less 'inappropriate' care, still have to be worked out and implemented. Outgoing health minister Ernst Kuipers also believes progress is necessary to increase the accessibility and quality of care. There is also greater uncertainty around other transformations, such as the Housing, Support and Care for the Elderly Programme and the Reform Agenda for youth care. Rising costs and increasing staff shortages also make it necessary, according to recent advice from the RVS and the IBO, to intervene by reducing funding barriers and making sharper choices when providing care and reimbursing healthcare costs.

Continuing high workload at GPs due to higher demand, small scale and understaffing

The volume growth of primary care will remain above average in 2023 and 2024 due to the long-term shift from (lighter) secondary care to primary care. In addition, there are several factors that cause a persistently high workload in practices, such as the extra demand for care due to previously postponed treatments and the influx of asylum seekers and status holders. The shortage of general practitioners, the administrative burden and high absenteeism among GP staff also contribute to this. Due to long waiting lists in the care system, GPs are now more likely to receive patients who they cannot help properly themselves, but who cannot go elsewhere. An acceleration towards larger-scale practices is necessary to cope with the growing complexity. Since January 1, 2023, an incentive programme based on the IZA has started that provides resources and expertise for organisation and cooperation between general practitioners.

Hospitals free up capacity by organising treatments differently

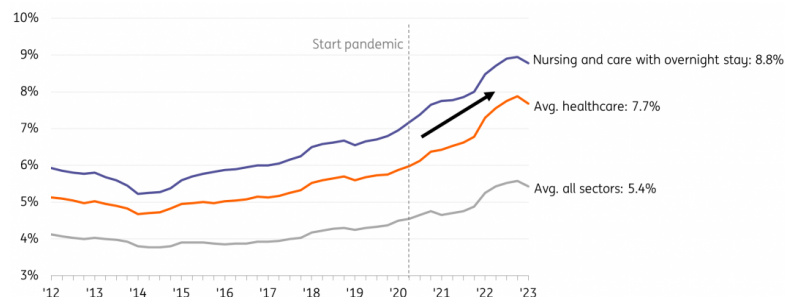
Hospitals are working together more and more intensively to reduce waiting lists. For example, top clinical and university hospitals more often outsource plannable care to general hospitals and independent clinics. Another way is to increase the number of operations on Saturdays or during holiday periods. In addition, more efficient planning and organisation of treatments offers opportunities, for example by taking a more critical look at the need for operating room use. Moreover, patients spend less and less time in hospital by, for example, applying minimally invasive surgery (with small incisions) or having the patient take measurements at home with medical equipment, apps and remote monitoring. A number of hospitals are already achieving good results with this.

Reducing absenteeism to pre-pandemic level halves the number of job vacancies

With an average of almost 8% in the past four quarters, absenteeism due to illness is well above the national average for all sectors (5.4%). Absenteeism is highest in nursing and care with overnight stays, at almost 9%. A reduction of two percentage points would bring absenteeism back to pre-pandemic levels. This would mean that more than 32,000 fewer employed persons would have to be hired, and almost half of the number of job vacancies could be filled. Unfortunately, due to the high workload and the large number of long-term sick people – partly due to long Covid – this is easier said than done. Reducing the workload by cutting or automating administrative tasks and by limiting 'false' self-employment offers a solution. It is also positive that

absenteeism in the first quarter of 2023 was somewhat lower than a year ago, but it is too early to speak of a turnaround. Long-term absenteeism remains stable at a high level. The decrease is also related to the reduced impact of Covid last winter.

Absenteeism in nursing and care sector higher than average in healthcare



Source: CBS, ING Research

Combat 'false' self-employment to reduce costs and workload

To combat the engineered self-employment in healthcare, the Ministry of Health, Welfare and Sport (VWS) signed a cooperation statement with sector organisations shortly before the fall of the cabinet to strengthen supervision and enforcement. This should prevent employees from resigning and then returning to the same role as a self-employed worker. Freelancers earn more than permanent employees and often choose more favourable working hours and bear less (administrative) responsibility. This increases the workload. Because of personnel scarcity healthcare institutions are spending more and more money on hiring freelancers. While the costs of external personnel in 2014 still amounted to about 5.3% of total personnel costs, this year 40% of financial employees in the healthcare sector expect this to exceed 10%, according to a recent survey.

Pandemic and inflation are also causing financial pressure for healthcare providers...

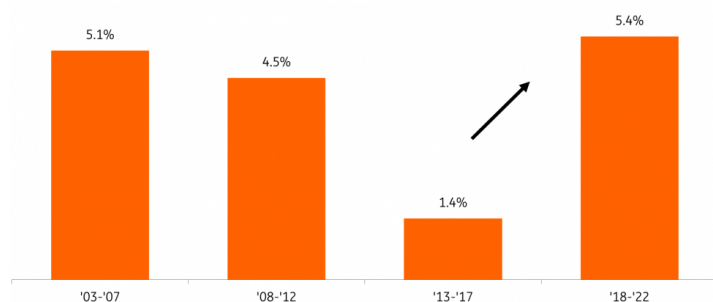
In addition to higher costs due to the hiring of staff, healthcare institutions also face increasing costs due to the energy crisis and the inadequate supply of raw materials, equipment and medicines. The (maximum) rates, budgets and reimbursement amounts have been increased for 2023 due to increased inflation. However, due to delayed and sometimes incomplete compensation via tariffs, many healthcare institutions will remain under pressure in 2023.

...and rapidly growing healthcare expenditure

After very moderate growth between 2013 and 2017 (an average of +1.4% per year), healthcare expenditure rose sharply again in the past five years, partly due to the pandemic, by almost 5.5%. Price rises will probably continue to drive up healthcare expenditure sharply in the coming years. In addition to the increase in demand, many expensive new medicines are coming onto the market and salary increases are unprecedented in new collective agreements. Personnel in care for the disabled will receive more than 13% more wages in two years. In care for the elderly, this will be

10% to 14% and most employees in hospitals will earn 15% more. In a sector where 52% (general hospitals) to 78% (care for the disabled) of operating costs consist of wage costs, this means substantially higher, often collective, healthcare expenditure and additional pressure on the margins of healthcare providers. The government contribution to labour costs follows the average wage increase and will increase by more than 6% this year. For the time being, an increase of almost 5% has been set for 2024. This does not (yet) fully cover the increase in wage costs.

Growth in health care expenditure has increased sharply in the past five years



Source: CBS, ING Research

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