



The Island Healthcare Dilemma

ISLEFACT

BACKGROUND

It is internationally recognised that expenditure levels on healthcare are already at an all-time high and will increase further in real terms in the medium and long-term.

This is re-enforced in a recent International Monetary Fund (IMF) assessment <https://www.imf.org/en/publications> which viewed escalating healthcare costs as a major challenge thus threatening fiscal sustainability and long-term economic growth.

While the IMF emphasised the need to protect the current healthcare offer, it advocated structural healthcare reforms to curb 'unsustainable' spending growth. It also identified two primary forces pushing healthcare expenditure upward:

- Population ageing which is increasing the proportion of citizens with complex, high-cost health needs, and
- Excessive cost growth driven largely by the adoption of new, expensive medical technologies and treatments.

The IMF went on to stress the importance of balancing healthcare demands with fiscal discipline by:

- Shifting focus from 'healthcare' (medical procedures) to 'health' (outcomes) through the prioritisation of preventive and primary care over expensive hospital-based services,
- Reducing barriers to entry for healthcare providers and promoting competition to lower prices,
- Encouraging governments to implement medium-term fiscal frameworks which included long-term health expenditure projections to avoid sudden spending shocks, and

- Suggesting taxes on products which had a direct negative impact on health (e.g. tobacco, sugar, alcohol, etc.) and which may already be in place, be allocated/redirected to generate dedicated revenue for healthcare while simultaneously reducing long-term health risks.

It also highlighted that there were limits to the fiscal opportunities for extra financial support to meet real increases in healthcare costs. Accordingly, the focus would have to be on the adoption of both innovative health solutions and greater efficiencies in the sector as a whole.

Public health spending in advanced economies is projected to rise in real terms by an average of 3% of GDP over the next twenty years, complicating efforts to reduce public debt.

Independent analyses, such as that undertaken by the Institute for Fiscal Studies (IFS), suggest that average annual real-term health funding growth of approximately 3.6% over the next ten-year period. <https://ifs.org.uk/publications/past-and-future-uk-health-spending>

This growth would be required to achieve sustained improvements in services and meet rising demand from an ageing population and increased morbidity. Therefore, if one assumes an annual general inflation rate increase of 3%, then actual health costs would double over that ten-year period.

BACKGROUND contd.

Therefore, summarising current trends and various projections, there are several factors contributing to an escalation of healthcare costs over the next ten years.

- Populations in many parts of the world, but particularly in developed countries, are ageing and this will not abate. As people get older and live longer, they generally require more medical care and services which are more costly to deliver. These ageing trends will also eventually place considerable pressure on long-term care resources which, in many instances, are already woefully overstretched.
- While there is no argument that medical technology is improving patient outcomes, it can also be expensive. On the other hand, the introduction of newer and more advanced technologies is seen as an essential element in the evolution of healthcare, but it often comes at a far greater price.
- The cost of and demand for prescription drugs have been rising steadily in recent years and these trends are unlikely to reverse.

- Chronic diseases such as heart disease, cancer, and diabetes are becoming more common and treating these conditions is very costly indeed both in terms of equipment and specialist expertise.
- The escalating costs of constructing and maintaining healthcare facilities as well as higher salaries of healthcare personnel will also contribute to the rising cost of services.

It should be noted that the above factors will vary from country to country and by region and that healthcare policy decisions do also have a significant impact on expenditure levels.



ISLAND CONTEXT

Self-governing island communities are equally facing the same and, indeed, even greater healthcare challenges due to limited on-island resources (critical mass versus economies of scale) and having to meet the cost of accessing specialist secondary care in a nearby mainland country.

As far as island jurisdictions without ‘mother’ country support are concerned, while there is commonality over how island healthcare is currently delivered and, therefore, funded, the future delivery of healthcare and its increasing cost requirements will depend upon a variety of factors such as:

- Island government policies and consistency of implementation,
- Local economic and fiscal conditions,
- Advances in and the adoption of technology to improve the level of care quality and efficiency,
- The approach taken in preventative care measures to counter the obesity crisis and associated diseases, and
- The speed of changing demographics over the next ten years.

Notwithstanding these factors, the escalating cost of island healthcare delivery (which is now the largest element of island public expenditure) is already having to be addressed and alternative funding models will need to be considered as a matter of priority.

Applying the IFS ten-year healthcare cost increase projections together with an annual inflation factor to each of the Crown Dependencies, then approximately a further:

- £260 million for Guernsey
- £400 million for Jersey, and
- £340 million for the Isle of Man

will have to be found annually to fund public health services by 2036. (It should be noted that publicly funded healthcare in the three islands has already significantly increased in real terms over the last ten-year period.)

The above estimates exclude private healthcare funding (mostly met by local employers) which, as far as Jersey and Guernsey are concerned, represent as much as an additional 20% in healthcare expenditure levels. A doubling of these levels over a ten-year period will inevitably have a bearing on the future cost of insurance premiums.

It should also be noted that the rate of those reaching retirement age is growing and many who previously had private health cover may no longer be able to afford the private health premiums into retirement and will have to revert to public healthcare. This retirement rate also has an impact of direct taxation income from a resident in that personal tax liability will drop once retirement age has been reached.

The provision of free healthcare services on the point of delivery in relation to primary and secondary care varies to some extent between the islands with the Isle of Man system nearest to the UK NHS model.

ISLAND CONTEXT contd.

These are some of the possible healthcare funding scenarios which to a greater or lesser extent may already be in place in some island jurisdictions:

- Over and above current policies, prioritisation and increased investment in proactive, perhaps incentivised, preventative care programmes.
- Increases in direct and/or indirect tax to meet the additional financial demands of health and long-term care.
- Introduction of a compulsory, perhaps government controlled/administered health insurance schemes.
- The streamlining of healthcare by embracing the use of telemedicine and remote monitoring systems in care provision.
- Greater digital integration of primary and secondary care provision in relation to patient health data and monitoring.
- Possible sharing of services and specialist care provision where a number of islands are only a short physical distance apart - thus avoiding unnecessary duplication.

As far as long-term care is concerned, there are several possibilities for the financing of such care.

One approach is the expansion of public insurance programmes to cover more long-term care services. Another option is to encourage private insurance providers to offer long-term care coverage and incentivise individuals to purchase these policies through tax benefits or other subsidies.



CONCLUSIONS

The future funding of healthcare is arguably the most challenging issue facing island governments and there is no one specific solution. However, it is important that all residents have access to good standards of healthcare but perhaps there should be initiatives in place to encourage individuals to take on more personal responsibility for their own health quality. Again, that is also a difficult policy to introduce and then administer effectively.

One thing is clear. As highlighted earlier, the overall cost of healthcare is set to double over the next ten years while, at the same time, island residents will expect ever better services to be delivered.

What then are the key 'take-aways' for island-based organisations?

Private health cover offered as an employment benefit by many island-based businesses (mostly located in advanced economies) is already escalating in cost and is likely to continue to do so in the future.

Employee wellbeing may well become an increasingly important issue to address by employers due to rising obesity levels, more complex mental health challenges, and stress-related pressures. These may have recruitment and retention implications and the need to provide in-house help and advice.

While the demographic challenge of an ageing population is now fully recognised, there could be a strong case for local organisations to retain employees post retirement age subject to annual health checks. This may well be a part solution to an increasing shortage of on-island labour.

There are strong arguments which say that everyone should receive the same level of healthcare provision. This should not be dependent upon whether one employer is able to offer private healthcare cover due to their ability to fund such care over another which cannot meet such cost.

These issues very much form part of the discussion on the future of island healthcare funding and the degree of fairness over health provision across the whole community.

October 2026

