

**Date:** 27 March 2003  
**Time:** 09:10  
**Venue:** Committee Room 2, National Assembly for Wales



## **Reducing Lost Income from Prescription Charges**

### **Purpose**

1. The purpose of this note is to update the Audit Committee on the good progress announced by the Minister for Health and Social Services in countering reducing lost income from prescription charges resulting from patient's claiming exemptions to which they are not entitled. The Committee also has the opportunity to consider inviting the Accounting Officer, Mrs Ann Lloyd, to return to a future meeting of the Committee to enlarge on the recent Ministerial announcement. The note identifies the important role played by the Committee itself in encouraging action to reduce the level of lost income.

### **Background**

2. The Audit Committee considered the Auditor General's report on Maximising Income from Prescription Charges in December 2000 and January 2001. The Auditor General's report estimated that some £15 million per annum might be being lost as a result of exemptions from prescription charges being provided to individuals who do not, in fact, meet the relevant criteria for exemption. The estimate of some £15 million was based on a detailed analysis of around 2,000 prescriptions priced for September 1999. The report identified a variety of causes for the incorrect exemptions, including simple error on the part of patients and inconsistent checks on the part of pharmacists. The Audit Committee's own report made a number of recommendations for reducing the level of lost income, which were accepted by the Welsh Assembly Government.

3. The Auditor General for Wales also qualified his report on the 2000-01 NHS Summarised Accounts in respect of a potential shortfall in revenue due to NHS Wales from prescription charges. The health authorities did not have the systems and procedures in place to identify and recover monies due to NHS

Wales but not collected by independent pharmacists. As a result, the auditors of four of the five health authorities concluded that there was insufficient evidence available to determine the shortfall in 2000-01 with reasonable certainty. Accordingly they limited the scope of their audit opinions in each case and . Tthe Auditor General took similar action in respect of the summarised account. of the health authorities in Wales prepared by the National Assembly.

## **Recent developments**

4. On 24th October 2002 Jane Hutt, Minister for Health and Social Services, announced that the NHS in Wales had succeeded in reducing estimated losses, from the £15 million estimated in the Auditor General's report, to £8 million per annum for 2001-02. The Minister explained that this reduction resulted from a number of steps taken by the Welsh Assembly Government in partnership with the NHS Counter -Fraud Service, which covers both England and Wales, and with other partners. The reported £8 million represents a significant reduction of £7 million from the estimate in the Auditor General's report, equating to a reduction of around 47 per cent.%.

5. Announcing the revised figure, the Minister stated that

"Fraud in the NHS is totally unacceptable...These savings generated from reductions in fraud are now being spent where the money was intended to be spent – on the delivery of patient care. The Welsh Assembly Government has taken many steps to create an effective structure to counter fraud in the NHS and this figure proves that these have been successful."

The Minister also stated that the methodology used has been agreed by the National Audit Office as representing a sound basis for accurately estimating losses. The full text of the Minister's statement is attached at Appendix 1.

## **The revised estimate of losses**

6. The National Health Service's calculation of this year's £8 million figure is based on a methodology developed by the NHS Counter -Fraud Service. The estimate in the Auditor General's report highlighted the problem and, as this is the first full measurement taken across Wales, we are pleased to see that the position appears to have improved. In preparing this note, we have confirmed that the approaches to estimating the loss taken used by the NHS Counter -Fraud Service& by is similar to that used by the National Audit Office in preparing the Auditor-General's report. appearIn addition the NHS Counter Fraud Service had previouslyWe understand that the methodology used the methodologyhas been previously deemed a reasonable basis for estimation when applied to assess levels of prescription loss in England, and we note that the NHS and the Assembly Government are confident that the methodology measures accurately to within plus or minus 1 percent. The Auditor General's own report noted that his estimate was adjusted for sampling fluctuations and statistical uncertainties. As there is underlying consistency between the prescription process in both England and Wales it isdoes not appear not unreasonable to apply a similar methodologiesmethodology.

## **Actions taken to reduce lost income**

7. A reduction in income lost is consistent with the improving position in England, where the estimated loss reduced by 41 per cent% in 2000-01 from £117 million to £69 million. In addition, since the publication of the Auditor General's report, the subsequent Audit Committee hearing and the Committee's own report, the NHS in Wales has been pursuing a reduction in lost income through a variety of means. In her recent announcement, the Minister referred to a number of these:

- the Assembly Government has entered into the partnership agreement with the NHS Counter - Fraud Services on London, referred to above. This agreement allows for the Counter-Fraud Service to provide policy support, measurement, inspection, intelligence and training. It also provides the NHS in Wales with access to national counter fraud services.
- professionally trained counter-fraud specialists cover each NHS Trust and Health Authority in Wales. These specialists have been bolstered by the creation of a specialist counter fraud team dedicated to the NHS in Wales.
- on 23<sup>rd</sup> July 2002, the Assembly Government signed counter fraud charters with each of the major professional associations, the Royal College of Nursing, and with patient groups. These charters set out the basis for countering fraud between the NHS and its partners.
- the NHS in Wales has continued to work closely with the pharmacists to ensure that checks on those claiming an exemption from NHS charges are properly entitled.
- measures to strengthen the investigation, pursuit and penalties for fraud have also been taken. These measures include the introduction of a Post Payment Verification Team responsible for the application of new penalty charges of up to five times the amount obtained through improper exemptions.

8. A number of these actions reflect and build on recommendations made by the Audit Committee in its own report. The Welsh Assembly Government recognises the significant role that the Auditor General's report and the Audit Committee have played in encouraging improvements in this respect. For example, the Committee recommended closer working with the pharmacy profession, a review of existing sanctions and penalties and improvements to monitoring and measurement arrangements. As is evident from the actions of the Assembly Government described above, these recommendations have been acted upon. The Committee made other recommendations, such as improving anti-fraud publicity schemes and automatic recording of age on a prescription form, that continue to be worked on by the Assembly Government.

## **Continuing progress in reducing lost income**

9. The NHS in Wales has announced its intention to continue to develop its efforts to create an effective counter fraud culture, in particular by building on the charters agreed with the various representative bodies. The Auditor General will, of course, consider the methodology used to calculate the revised assessment of income lost and the impact of the revised figures, along with the reports of the relevant District Auditors appointed auditors, in the course of reviewing the NHS Summarised Accounts

for 2002-03. Assuming that these reviews conclude that the £8 million assessment of income lost is reasonable, then the revised figure could now serve as an effective baseline for monitoring future improvements in reducing lost income. This is in line with the Audit Committee's recommendation that the Assembly's work in the area should be guided by a target for decreasing year by year the number of exemptions given to individuals who are not entitled, either because of error or fraud.

**11 December 2002**