Minute of the Minister for Finance
on the Committee of Public Accounts – Third Interim Report
on Expenditure on Health Services

The Minister for Finance has examined the Committee's Third Interim Report on Expenditure on Health Services and has taken account of its conclusions. In relation to the Committee's recommendations, his response is as follows:

Chapter 2 - Effective deployment of resources and the need for performance indicators

1. The HSE should establish benchmarks to underpin decision making on the allocation of human resources

The Minister for Finance is informed by the Department of Health and Children that:

- the HSE accepts the need for benchmarks to underpin the decision making process on the allocation of human resources and that they are taking steps in this regard. A Workforce Planning Strategy for the Health Services is being designed and developed to ensure future integration of workforce planning activity with the broader objectives of financial and service planning;

- the 2009 Service Plan for the HSE provides for greater linkage between the allocation of financial resources, staffing resources and performance indicators (e.g. waiting times) by programmes and that the presentation of the HSE capital plan is also being improved to include an assessment of the staffing requirements of capital projects.

2. Decisions on resource allocation should be based primarily on activity levels with incentives being put into place to improve performance.

The Minister for Finance is informed by the Department of Health and Children that:

- their view is that activity-based resource allocation runs the risk of supplier-induced demand and cost escalation without reference to best outcomes for patients. The Department of Health and Children would emphasise that other important considerations are the need for appropriateness of care and evidence on the outcomes associated with the intervention;

- the Department has established a Resource Allocation Group of independent experts to report within one year on the best way to allocate resources to support best outcomes for patients, within the given level of

health resources. This is a complex task as it covers not just hospital-based activity but services in the community and chronic illness care.

The Minister for Finance is also informed by the Department and the HSE that, operationally, it is the responsibility of managers and clinical leaders within service delivery units to allocate available resources in accordance with established priority of need in the particular service.

The Minister for Health and Children considers that this local decision making should be guided by the more strategic developments outlined in response to Recommendation 1 above so as to ensure HSE managers of service delivery units operate within strategically determined policy, resources and targets and be held accountable for their performance in that regard.

3. **Data collected through the HealthStat system should inform allocation decisions and be made more readily available to key stakeholders including Oireachtas Committees.**

The Minister for Finance is informed by the Department of Health and Children that:

- the HSE accepts this recommendation and that HealthStat data on performance is made available to the CEO, Directors and Senior Managers in the HealthStat Forum;

- performance data is also routinely circulated on a monthly basis to key stakeholders in the HSE, voluntary hospitals, and the Department of Health and Children.

4. **All major health development projects should be planned on the basis of whole life cost and should not be signed off until agreement is in place on all inputs including human resource requirements.**

The Minister for Finance is informed by the Department of Health and Children that the Department and the HSE accept this recommendation.

The Minister for Finance would point out that it is a requirement of Department of Finance Guidelines for the Appraisal and Management of Capital Expenditure Proposals for the Public Sector that the whole life cost of projects, including operational costs, are assessed. The Department of Health and Children and the HSE are subject to these requirements.

The Minister is also been informed by the Department of Health and Children that:

- the HSE capital plan now includes summary details of the revenue and staffing implications of projects. The Department Health and Children, in approving the HSE's 2009 National Service Plan, has re-iterated the need

to accurately identify the revenue and staffing implications for proposed capital developments;

- the Department of Health and Children will work with the HSE to use the Capital Plan and Service Plan approval processes to drive implementation of this recommendation. Further information is set out at Chapter 5, Recommendation 1, on the HSE's own processes.

Chapter 3 - The Consultants Contract

1. **The new consultants' contract should provide absolute transparency on the time commitment to public hospital duty of consultant staff: these commitments should be monitored and enforced in order to ensure that value is received for the salaries paid to consultants**

   The Minister for Finance is informed by the Department of Health and Children that the HSE accepts this recommendation and that the new Consultant Contract 2008 provides for a number of explicit requirements in this regard including:

   - *"Both the Consultant and the Employer shall co-operate in giving effect to such arrangements as are put into place to verify the delivery of the Consultant's contractual commitments." (Section 4, (b))*

   - *"The Consultant is contracted to undertake such duties / provide such services as are set out in this Contract in the manner specified for 37 hours per week. This 37 hour commitment will normally be delivered across a span of 12 hours between the hours of 8am and 8pm Monday to Friday. The Consultant will not be obliged to work more than 8 hours in any one day. This will be structured as a single continuous episode. Scheduling arrangements may be changed from time to time within the 8am to 8pm period in line with clinical and/or service need as determined by the Clinical Director / Employer in consultation with the Consultant. (Section 7 a)"*

   - "*The Consultant must participate in development of and undertake all duties and functions pertinent to the Consultant's area of competence, as set out within the Clinical Directorate Service Plan and in line with policies as specified by the Employer.*" (Section 12 (a))

   - *"Ensure that duties and functions are undertaken in a manner that minimises delays for patients and possible disruption of services." (Section 12 (b)).*

   - *"Work within the framework of the hospital / agency's service plan and/or levels of service (volume, types etc.) as determined by the Employer." (Section 12 (c)).*

   - "*The volume of private practice may not exceed 20% of the Consultant's workload in any of his or her clinical activities, including in-patient, day-patient and out-patient.*

   - *"The volume of practice shall refer to patient throughput adjusted for complexity through the medium of the Casemix system".*

   - *"The 80:20 ratio of public to private practice will be implemented through the Clinical Directorate structure. The Employer has full authority to take*

all necessary steps to ensure that for each element of a Consultant's practice, s(he) shall not exceed the agreed ratio." (Section 20, a) to c))

The Minister for Finance is advised by the Department of Health and Children that the HSE will monitor the new arrangements as indicated in the response to Recommendation 2 below.

2. **The HSE should introduce a stringent monitoring regime of public and private caseloads in hospitals and data on the level of private practice in public hospitals should be published on a consultant by consultant basis.**

The Minister for Finance is informed by the Department of Health and Children that:

- the HSE accepts this recommendation and has instituted a reporting system regarding inpatient and day case activity on a consultant by consultant basis;

- the HSE systems report activity three months in arrears and in that context, data regarding Consultant public and private activity from September 2008 onwards is now available;

- a report is produced each month for a Joint Department of Health and Children and HSE Committee (Public / Private Mix Measuring) and for local hospital management and that as soon as the new reporting system is fully implemented and has bedded in, the information will be made more widely available.

In relation to diagnostic (laboratory and radiology) and outpatient activity, the Minister is further informed by the Department and the HSE that:

- to monitor compliance, the HSE is making use of existing information systems which record attendances at public out-patient clinics. It is evaluating the measures needed to record and report on public and on-campus private outpatient activity using such systems;

- in a number of instances, such systems will require significant amendment and expansion before they will accurately report total public and private activity and that the HSE is engaged in a detailed evaluation of the changes needed to these systems.

3. **The terms of the 1997 contract should be strictly enforced in respect of those consultants who do not transfer to the new contract so that these consultants are seen to deliver services in accordance with their commitments.**

   The Minister for Finance is informed by the Department of Health and Children that:

   - the HSE accepts this recommendation and that the HSE will initiate a series of measures in 2009 to ensure that the provisions of the 1997 Contract are applied in full for those consultants who choose to remain on that contract;

   - the HSE has advised that, at end-May 2009, there were 1,823 permanent consultants working in the public health service and that to that date 1,544 permanent consultants (85%) had signed up to the Consultant Contract 2008. The HSE anticipates that approximately 200 consultants will remain on the 1997 Consultant Contract.

4. **The contract implementation group, that will oversee the change process, should provide six monthly progress reports to the Minister for Health**

   The Minister for Finance is informed by the Department of Health and children that:

   - the HSE accepts this recommendation and that since the Contract was agreed on 23rd July 2008, the Steering Group and staff assigned have provided a single source of guidance, information and direction for health service management regarding the implementation and monitoring of Consultant Contract 2008;

   - in December 2008, an audit of signed contracts was initiated to validate the offer and acceptance process at a local level, that a report on the implementation of the Consultant Contract was furnished to the Minister for Health and Children on 31st December, 2008 and that these processes will continue in 2009 and will be consolidated within the national human resources directorate.

Chapter 4 - Charges for private beds in public hospitals

1. **The Department of Health and Children should conduct a cost analysis on the economic cost of keeping a private patient in a public hospital bed**

   The Minister for Finance is informed by the Department of Health and Children that:

   - it accepts this recommendation. It is Government policy to move towards charging private patients in public hospitals the full economic cost of their care;

   - charges for private accommodation have been increasing e.g. the charge for a private bed in a teaching hospital in 2004 was €401 and in 2009 a charge of €910 is applied;

   - the Department of Health & Children proposes to conduct an in-depth analysis during 2009 of the cost of treating and maintaining private patients in public hospitals in order to obtain an up to date, definitive and transparent assessment of the costs.

2. **The full charge of treating and maintaining a patient in a private bed in a public hospital should be calculated and any amount discounted from that figure, due the fact that the patient would have had underlying entitlements as a public patient, should be highlighted.**

   As indicated in the response to recommendation 1 above, the Minister for Finance is informed by the Department of Health and Children that:

   - it is to conduct an in-depth analysis during 2009 on the full cost of treating and maintaining private patients in public hospitals;

   - patients who choose to be treated privately in public hospitals forego their eligibility for public treatment and that discounting for their eligibility for public treatment would not, therefore, arise.

3. **The HSE should report annually in its appropriation account on the cost of private treatment and patient maintenance in public hospitals, highlighting the amount recovered from the private health insurance industry.**

   The Minister for Finance is informed by the Department of Health and Children that the HSE accepts this recommendation and that this reporting will be initiated in 2009 by way of a note to the Appropriation Account, including information on income from private health insurers.

Chapter 5 - Utilisation of assets and facilities

1. **All future purchases of property and utilities should be accompanied by appropriate business plans and issues such as staffing requirements should be finalised before contracts to purchase are agreed**

   The Minister is informed by the Department of Health and Children that:

   - the HSE accepts this recommendation and he is further advised that the problems identified in the PAC's report should not recur because all property transactions, including purchases, are now subject to review by a HSE National Property Committee;

   - a comprehensive transaction document forms the basis of the business case submission to the Committee and that in the case of a proposed acquisition, this identifies the location and purpose of the acquisition, the service users and the purchase cost;

   - this is accompanied by a technical condition report on the property, an options appraisal, identification of statutory obligations and a valuation report on the property;

   - in addition to the purchase cost, any additional capital and revenue costs are identified as well as any additional staffing necessary to operate from the proposed location and that if the business case is deficient it is not recommended by the Committee;

   - if the business case is found to be robust it is recommended for approval to the corporate management team and HSE board and that a contract to purchase is not agreed until the transaction, including the capital and revenue implications, is reviewed at this level and approved by the appropriate level of authority.

2. **Where facilities have been purchased, the HSE should deploy them as quickly as possible to ensure value from the investment. Instances noted by the Committee where delays occurred include:**

   - **failure to utilise, since 2001, three community houses in Castlepollard by setting a deadline for moving patients from St Peters Centre;**

   - **failure to secure agreement with Mallow General Hospital on the operation of the CAT Scanner purchased in 2006.**

   The Minister for Finance is informed by the Department of Health and Children that the HSE accepts this recommendation.

   The Minister is also informed by the Department of Health and Children and the HSE that the upgrade and renovations of the three community houses in Castlepollard has been completed and that the houses are being transferred to

the ownership of the Mullingar Housing Association and this process is well advanced. He is also informed that the process of prioritising 17 clients for transfer to the houses, based on assessed need, has been completed. He is advised that in line with best practice, this process involved consultation and liaison with families, that staffing and rosters for each house are being finalised and that they will be progressed in the context of the HSE employment control framework.

With regard to the CAT scanner in Mallow, the Minister is informed by the Department of Health and Children and the HSE that a Clinical Specialist Radiographer in CT (computed tomography) was appointed and that the service was introduced on a phased basis in September 2008 and is currently operating four days per week, Monday to Thursday. He is also advised that the appointment of a fulltime radiologist is expected by the end of 2009.

The Minister is also informed by the Department and the HSE that in the interim a Consultant Radiologist in CT from the Mercy University Hospital, Cork attends each Tuesday and Thursday and that Mallow General Hospital Radiologists supervise the service on Monday and Wednesdays. He is further informed that the CAT scanner enables patients to be scanned locally thus avoiding the necessity of travelling to Cork city and that at present, 35 to 50 patients are scanned each Monday to Thursday.

It is envisaged that the new property committee arrangements, as outlined in the reply to recommendation 1 above, will assist in preventing recurrence of instances such as those mentioned above.

3. **In order to ensure that property for the primary care teams and other initiatives is sourced rationally, the national database of HSE property should be finalised as soon as possible, but not later than the end of 2008**

   The Minister for Finance is informed by the Department of Health and Children that the HSE accepts this recommendation and that its national property database was completed in December 2008.

4. **The HSE should adopt a property management policy which seeks to achieve maximum utilisation of its property portfolio and disposal of surplus properties in a timely manner**

   The Minister for Finance is informed by the Department of Health and Children that the HSE accepts this recommendation and that a "HSE Protocol for the Acquisition and Disposal of Property" was fully adopted and is being implemented by the HSE Management Team since 2008.

Chapter 6 - Financial Management and Financial Accounts

1. The HSE should develop an integrated financial management system

The Minister for Finance is informed by the Department of Health and Children that:

- the HSE accepts this recommendation;
- the Department of Health and Children accepts the need for such a system and is anxious to have the matter progressed and that detailed planning work is required to introduce such a system;
- the matter is currently receiving consideration by the HSE and the Department of Health and Children with a view to the submission of a proposal to the Department of Finance.

2. For transparency, new developments, compensation schemes and capital spending should be ring-fenced within the vote of the HSE.

This is a policy matter for decision by the Minister for Health and Children in consultation with the Minister for Finance.

In this context, the Minister for Finance would point out that, since 2008, Department of Finance sanction for current expenditure by the HSE requires the specific sanction of the Minister for Finance and the consent of the Minister for Health and Children for the use of development funds other than for the original purpose provided.

The Minister is informed by the Department of Health and Children that:

- the use of development funds is monitored as part of the HSE monthly performance monitoring framework internally and also as part of joint arrangements with the Departments of Health and Children and Finance;
- In addition, the 2009 Revised Estimates Volume provides for a new subhead (B.17) to account for additional funding for service developments as part of the move towards restructuring the HSE Vote to provide for greater transparency in Vote accounting on a programme basis;
- Compensation schemes such as the Nursing Home Repayment Scheme and the Hepatitis C Compensation Tribunal already have individual subhead lines within the Votes;
- There are also dedicated subheads for capital spending.

3. **A note to the Appropriation Account should set out, by subhead, the amount included in the provision for new developments and the amount utilised in the year for these developments as well as an explanation of the main delayed initiatives**

   The Minister for Finance agrees with this recommendation. As a result of the new subhead for new developments included in the HSE Vote for 2009, such a note will be provided in the 2009 Appropriation Account.

4. **Plans for the utilisation of the €38million that is ring-fenced for mental health services should be agreed between the HSE and the Department of Finance in 2008.**

   This is a policy matter for consideration by the Minister for Health and Children in the first instance.

   The Minister for Finance is informed by the Department of Health & Children and the HSE that it is intended that this issue will be addressed in the context of the consideration of the HSE's 2009 Capital Plan which is currently being finalised, based upon the revised capital allocation for 2009.

   The Minister for Finance would, however, point out that this matter will also be considered in the light of the prevailing economic and budgetary climate.

Chapter 7 - The operation of the National Treatment Purchase Fund

1. **The HSE should review the incidence of public hospitals using the National Treatment Purchase Fund to pay for treatment in the same hospitals and be in a position to certify that those hospitals had the spare capacity to allow them undertake this work**

   The Minister for Finance is informed by the Department of Health and Children and the HSE that:

   - it is the policy of its National Hospitals Office that any external work (NTPF or other) is undertaken outside of and in addition to agreed service plan activity and that any costs associated with equipment / staffing / nursing, etc are apportioned separately;

   - where work is undertaken with Irish public hospitals, the HSE will review with each hospital how that hospital refers and treats patients, looking at the scheduling of theatre and/or other hospital services. This will ensure that the costs of externally funded treatments are treated separately.

2. **The HSE should conduct an audit of cases where consultants were paid under the National Treatment Purchase Fund for treatment to a patient that was on that consultant's public waiting list so as to be able to certify that public funds were applied in the most cost effective manner possible**

   This is a policy matter for consideration by the Minister for Health and Children in the first instance.

   The Minister for Finance is informed by the Department of Health and Children and the HSE that it is the policy of the NTPF that only in exceptional circumstances should a patient be referred to a consultant who was the original consultant for that patient.

   The Minister for Finance understands that the Department of Health and Children, the HSE and the NTPF intend to consider how the above recommendation can be progressed.

3. **The National Treatment Purchase Fund should establish a benchmark of costs, which the Comptroller and Auditor General can use to assess whether value for money is being obtained by the National Treatment Purchase Fund in the amount paid for treatments.**

   The Minister for Finance is informed by the Department of Health and Children that:

   - it accepts this recommendation;

   - the Department of Health and Children is committed to ensuring that the NTPF achieves maximum value for money so that as many public patients as possible can benefit from treatment through the Fund. This issue will therefore continue to be the subject of attention in the context of the Department of Health and Children's oversight and monitoring role in relation to the NTPF;

   - the NTPF has continually used a number of benchmarks to assess whether it is securing value for money in its dealings with private hospitals. These include estimated insurers' prices, consultant costs based on the insurers' schedules of fees and the prices proposed by peer hospitals for similar work. The Minister is informed that this also includes HSE case-mix cost data but that the prices paid by the NTPF to private hospitals are for a full package of care, including pre-operative and post-operative treatment as required, while the HSE case-mix cost data deals with the cost of treating groups of patients with similar conditions, not the cost of individual procedures;

   - the Comptroller and Auditor General has access to information about the prices paid by the NTPF for procedures undertaken in private hospitals.

4. **Public hospitals should be given a direction to clear those longer than 12 months on their waiting lists and the HSE should impose sanctions against those hospitals who fail to do so**

   This is a policy matter for consideration by the Minister for Health and Children in the first instance.

   The Minister for Finance is informed by the Department of Health and Children and the HSE that:

   - the HSE will be actively monitoring both the waiting times and referral rates in 2009 and will continue to work closely with the NTPF on ensuring effective waiting list management;

   - the HSE will in 2009 be specifically monitoring the arrangements in place and the referral rate to the NTPF from each hospital and where referral rates are found not to be appropriate, the HSE will follow up with those hospitals to address the issues involved.

However, the Minister for Finance is also informed by the Department and the HSE that there can be multiple factors involved for patients who are waiting more than 6 or 12 months. For example, some patients may chose to remain with their original consultant until a treatment slot becomes available, some patients may not be willing or able to travel to access an alternative treatment in another hospital and for some patients (particularly in the area of paediatrics or complex areas such as neurosurgery) an alternative treatment may be difficult to source.

5. **The Department of Health and Children should review the powers available to the National Treatment Purchase Fund with a view to strengthening its authority viz a vis public hospitals.**

This is a policy matter for consideration by the Minister for Health and Children in the first instance.

The Minister for Finance is informed by the Department of Health and Children that:

- it accepts the overall thrust of this recommendation;
- in 2008, the Department of Health and Children asked the NTPF and the HSE, working together, to give particular attention to the issue of people waiting for more than twelve months for treatment;
- as a result of the work done by both organisations during the year, the total number of persons waiting over 12 months was reduced by 60%, from 4,594 in October 2007 to 1,576 in December 2008;
- the issue of people having to wait a long time for hospital treatment was again highlighted in the Minister for Health and Children's letter of 9 December 2008 approving the HSE's 2009 Service Plan. While acknowledging the improvement already made, the Minister for Health and Children asked the HSE to consider, where necessary, directing hospitals to co-operate with the NTPF and to consider imposing financial penalties on hospitals for failing to refer patients who could benefit from NTPF-funded treatment.

Chapter 8 - Cost of drugs under the General Medical Scheme

1. **The Department of Health and the HSE should initiate discussions with the Irish Pharmacy Union (IPU) and with the Irish Medical Organisation (IMO) on introducing incentives that will prevent the prescribing and dispensing of drugs that are not required and which will reduce the incidence of "over prescribing" especially in the area of antibiotics.**

   This is a policy matter for consideration by the Minister for Health and Children in the first instance.

   The Minister for Finance is informed by the Department of Health and Children that:

   - that Department accepts the need to reduce the incidence of "over-prescribing" and that the Department established a group, which included representatives from the Irish Medical Organisation (IMO), the Irish Pharmacy Union (IPU), the HSE and the pharmaceutical industry, under the Chairmanship of Dr Michael Barry, to examine Economies in Drug Usage in the Irish Healthcare Setting.

   - this group delivered its report in December 2008 and that the Minister for Health and Children then established an implementation group under the chairmanship of Dr Barry to advance those recommendations which relate to changes in prescribing practices by General Practitioners.

   - the work of the group is ongoing.

2. **Ethical guidelines, which include new systems of enforcement and penalties, should be introduced by the Medical Council on all contacts between GPs and the pharmaceutical industry.**

   The Minister for Finance is informed by the Department of Health and Children that under section 9(1) of the Medical Practitioners Act 2007, the Minister for Health and Children is specifically precluded from giving policy directions to the Medical Council "*relating to the professional conduct and ethics of registered medical practitioners*".

   The existing "*Guide to Ethical Conduct"* issued by the Medical Council, stipulates in paragraph 10.1 that: *"A doctor should prescribe appropriate therapies for the patient's condition and best interest. The manner in which doctors are remunerated, or any financial interest they may have in the pharmaceutical or allied industries, must not influence the doctor when recommending therapy for their patients. Non-promotional educational grants represent the only acceptable mechanism of financial support by the pharmaceutical and medical manufacturing industries to individual doctors".*

   The Minister for Finance is also informed by the Department of Health and Children that:

- section 88(8) of the Medical Practitioners Act 2007 (which was commenced in March 2009) provides that "*The Council shall prepare and publish in the prescribed manner guidelines on ethical considerations to be taken into account in respect of the acceptance or otherwise of any non-Exchequer funding offered or provided in relation to medical education and training for basic and specialist medical qualifications"*. The Council is currently preparing these guidelines.

- advertising of medicinal products is governed by regulations made under section 32 of the Irish Medicines Board Act 1995, i.e. the Medicinal Products (Control of Advertising) Regulations 2007 (S.I. No. 541 of 2007). They cover advertising both to health professionals and to the general public. Section 32 of the governing legislation provides for a fine not exceeding €1,500 or up to one years imprisonment on summary conviction for contravention of the regulations derived from the Act. Conviction on indictment in the case of a first offence allows for a fine of up to €100,000 (€250,000 for a second offence) and a prison term of up to 10 years or both.

- Statutory Instrument (S.I.) allows for the Minister (for Health and Children) to approve voluntary codes of advertising practice developed by self regulating bodies in so far as they conform to the provisions of the Medicinal Products (Control of Advertising) regulations 2007 (SI No. 541 of 2007). The Irish Pharmaceutical Healthcare Association (IPHA) has developed a code of marketing practice which elaborates upon many of the provisions within the S.I. Acceptance of the code is a requirement of membership of the organisation which represents 56 pharmaceutical companies operating in the Irish market. IPHA has submitted to the Department (of Health and Children) a revised code which incorporates changes arising from the above S.I. and those informed by the new European Federation of Pharmaceutical Industries and Associations (EFPIA) published in October 2007. The revised code is currently under consideration.

Given under the Official Seal
of the Minister for Finance on
this the 20th day of July, 2009

L.S.

David Doyle
Secretary General
Department of Finance