



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

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Committee of Public Accounts

**Meeting
12th June 2014**

Opening Statement

**Mr. Tony O'Brien
Director General
Health Service**

Chairperson and Members, thank you for the invitation to attend today's meeting to discuss the 2012 Annual Report and Appropriation Accounts for Vote 39: Health Service Executive and Chapter 21; Budget Management in the Health Service Executive and Chapter 22; Eligibility for Medical Cards.

I would like to introduce the senior Management members with me today.

Mr. Stephen Mulvany, Chief Financial Officer

Mr. John Hennessy, National Director, Primary Care Division

Ms. Valerie Plant, Assistant Chief Financial Officer

Mr. Paddy McDonald, Assistant National Director, Finance Division

We have submitted a range of information and documentation to the committee in advance of today's meeting and I will therefore confine my opening remarks to the following issues.

Financial Performance

At the outset, it is important to re-iterate that in developing its approach to the Annual Service Plan, each year the HSE sets out the likely cost of running the services for the upcoming year and specifies any foreseeable risks that are likely to increase costs in that year. It must be noted that the HSE does not control the process which leads to its final allocation of budget. The amount allocated in relation to HSE expenditure is decided, amongst other things, against a backdrop of national budgetary objectives and the prevailing macro-economic conditions. The final estimate provision allocated to the HSE is in effect determined outside of the HSE following the conclusion of the estimates process.

HSE net expenditure has fallen by €931m / 6.8% from 2009 to 2012 with a further reduction in 2013 bringing the cumulative 5 year reduction to €1,066m or 7.8%.

Despite considerable media and other commentary regarding HSE budget overruns, over the 6 years from 2008 to 2013, in which the HSE has received €71.277bn in total net Vote, the HSE has received a net supplementary estimate of under €2bn. Of this figure, €1.37bn (or 69%) is related to Exchequer and other items that are not within

the control of the HSE. A further €475m (or 35%) is related to medical cards, drugs and other demand-led PCRS services. The remaining figure of €144m (10%) is related to core service areas within the HSE's direct control and represents 0.2% of the aggregate net Vote for the period

You will be aware that expenditure in acute hospitals has risen by €52m or 1.3% between 2012 and 2013. However, it is important to note that net expenditure in acute hospitals has fallen considerably in cumulative terms by €515m or 11.6% of the 5 year period by from 2009 to 2013.

Despite this,

- i. Combined inpatient, day case and births activity has increased by around 15%
- ii. Bed days used has reduced by around 10%
- iii. Emergency Department presentations are up by around 6%

As outlined in written submissions for the most recent completed finance year 2013, separate to the exchequer related and other items outside of the control of the HSE the position is that;

- a. HSE delivered a €25m surplus made up of deficits on core services primarily hospitals and surpluses on capital and other services.
- b. In addition there was a deficit of €96m on PCRS (Medical Cards / GP fees, Drugs and Other demand led Schemes, DTSS etc).
- c. This indicates a combined €71m deficit in relation to the areas within HSE control and PCRS which equates to 0.6% of the net original vote.

I would also like to emphasize that there is in fact full clarity on the components of the cost overrun in PCRS for 2012 and this includes the residual €90m referenced in the chapter. Line by line detail in this regard has been provided to the C&AG. Accordingly it is important to stress that there is no unexplained expenditure. All public funds were appropriately accounted for and the HSE has provided a full analysis of expenditure to the C&AG in respect of 2012 and all previous years.

Financial Reform

The Finance Reform Programme is a key element of overall system reform in the health service.

Following detailed work over the past number of months involving a wide range of health service staff involved in finance-related activity, a new Operating Model for Finance has been designed and agreed.

A business case has been developed and submitted to the Department of Health for approval to procure a new integrated financial management system for the health service.

Implementing a new Financial Operating Model will provide the opportunity to transform the financial management of the health system and will support the delivery of key elements of the reform agenda of Future Health including introducing Hospital Groups and Money Follows the Patient.

I consider this programme to be the single most important non-clinical priority of the Health Service for this year.

Update Section 38 Agencies

Members you will be aware from the update provided in early March 2014 that work has been on going with all Section 38 Service Providers to assist them in reaching compliance with Government pay policy.

An Internal Review Panel, comprising of nominated members of the Leadership Team, has concluded the process of reviewing the Business Cases made for the continued payment of allowances, and the Internal Review Panel's report has already been furnished to the Committee.

Agencies have been advised that it is their responsibility as the direct employer to implement the recommendations made. A period of up to three months to 1st July 2014 has been provided to allow each Agency to make the necessary arrangements to

cease the payment of all unapproved remuneration and to ensure appropriate risk mitigation measures are put in place to deal with issues as they arise.

On the completion of the compliance process, a final report detailed by Agency will be provided to the Committee in early July 2014 at which time it is expected that all agencies will have demonstrated full compliance with Government pay policy.

Central Remedial Clinic (CRC)

I also wish to advise you that the Interim Administrator to the CRC, Mr. John Cregan has completed his work and I have received a Report from him which I am considering currently. Once I have fully considered the findings and recommendations of this Report, I intend to issue the report to this Committee. It is hoped that this will happen early next week At this juncture I can advise the committee that;

- A new Board has been appointed to govern the Clinic and a new Chief Executive Officer has also been appointed to manage the day to day affairs of the CRC.
- Service arrangement obligations have been met and there are no apparent obstacles to the HSE and CRC entering into similar arrangements for the foreseeable future and that
- The CRC has sound financial systems in place.

I would like to thank Mr. Cregan for his work as Interim Administrator and I am certain that the new governance arrangements that have now been put in place will secure and renew what is a very important service for the clients and their families.

Update on Section 39 Agencies

As you are aware, Section 39 agencies are distinctly different to Section 38 agencies as Section 39 Agencies are not directly bound by the Department of Health's Consolidated Salary Scales.

Notwithstanding this it is important that all agencies in receipt of public funding have due regard to overall Government pay policy.

The HSE's Director of Human Resources wrote to the CEO's of the Section 39 funded agencies on 10th December, 2013 stressing the importance for each such organisation

to have due regard to overall Government pay policy in respect of the remuneration of their senior managers.

Since the introduction of the National Standard Governance Framework with the Non - Statutory Sector the HSE has required all agencies covered by a service arrangement, both Section 38 and 39, to complete a template setting out details of the remunerative arrangements for Senior Managers (Grade VIII and above).

The exercise in respect of Section 39 agencies has been undertaken in two phases. Phase 1 looked at the not for profit agencies who receive in excess of €5m annually in grant assistance from the HSE (23 such Section 39 agencies) while Phase 2 looked at those agencies who receive between €3m-€5m in grant assistance annually from the HSE (16 such Section 39 agencies).

While this work is at an advanced stage, a number of the organisations have recently forwarded additional updated information on the pay arrangements etc. that apply and which I understand have been provided to the Public Accounts Committee. This information is now being validated against the original information provided to the HSE and any necessary changes will be incorporated in to the HSE's final report on the validation exercise.

The report when finalised will be available to the committee.

Medical Cards

Members, you will be aware of the Government's decision to develop an enhanced policy framework for medical card eligibility to take account of medical conditions in addition to the undue hardship test.

The HSE has established an Expert Panel to examine the range of conditions that should be brought into consideration, and acknowledges that this process may include the development of a new legislative framework for the operation of the medical cards scheme. While the task set for the Expert panel is an extremely complex one, it has been requested to furnish a report to me by September next.

In the meantime, the HSE has suspended reviews for existing medical cards that had been granted on a discretionary basis and no further reviews of such cards will commence pending the outcome of the process to develop a new policy framework. Urgent measures are also being examined to provide for people with severe medical conditions who have recently lost medical cards. All other medical card reviews continue.

This concludes my opening statement.

Thank You.