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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	16th May 2019	Agenda Item	5d
Report Title	Losses and Special Payments Update		
Report Author	Andrew Biston, Head of Accounting & Governance		
Report Sponsor	Lynne Hamilton, Director of Finance		
Presented by	Andrew Biston, Head of Accounting & Governance Finance		
Freedom of Information	Open		
Purpose of the Report	To provide the Audit Committee with an update on losses and special payments, for the period 1 st January 2019 to 31 st March 2019 and provide an analysis of the gross losses for 1 st April 2018 to 31 st March 2019 compared to the period 1 st April 2017 to 31 st March 2018.		
Key Issues	<p>The losses and special payments recorded during the period 1st January to 31st March 2019 totalled £4,008,681 of which £2,840,405 is recoverable from the Welsh Risk Pool. Taking this recovery into account, the actual loss to the Health Board in the period totals £1,158,276</p> <p>After the recoveries from Welsh Risk Pool are taken into account, the net loss of £3,111,651 to the Health Board for the period 1st April 2018 to 31st March 2019 is higher than the net loss of £2,352,169 for the comparable period 1st April 2017 to 31st March 2018.</p>		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
	✓		
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the losses and special payments made in the period which will need to be reported to the Board 		

1. INTRODUCTION

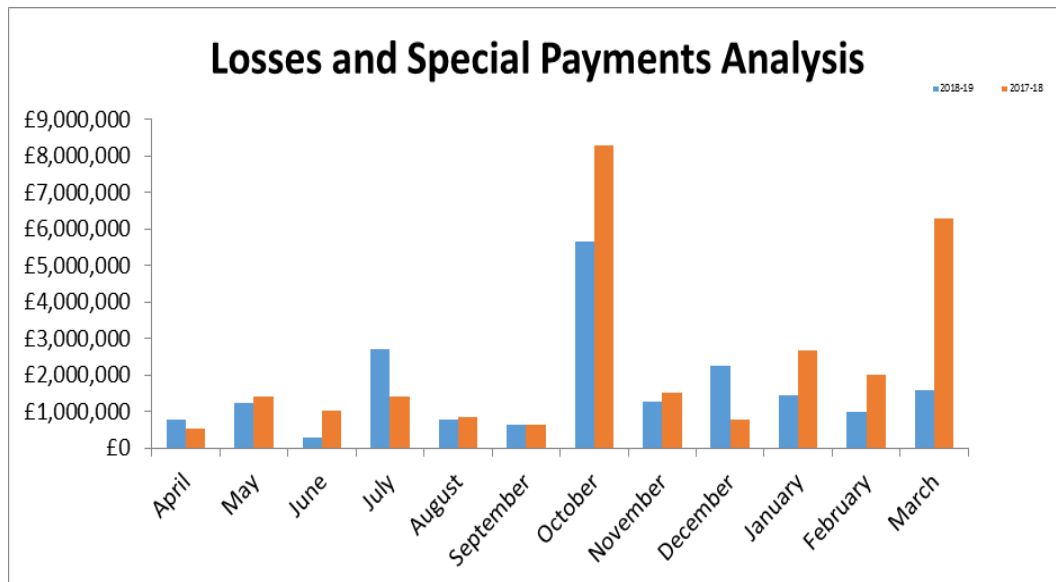
- 1.1. The Audit Committee handbook recommends that losses and special payments made by the Health Board be reported to the Audit Committee. This report addresses that requirement by providing an update on losses and special payments, for the period 1st January 2019 to 31st March 2019 and an analysis of the gross losses for 1st April 2018 to 31st March 2019 compared to the period 1st April 2017 to 31st March 2018.

2. BACKGROUND

- 2.1. The losses and special payments recorded during the period totalled £4,008,681, with the most significant payments relating to Clinical Negligence and Personal Injury totalling £3,246,634. The remaining losses of £762,047 relate to losses arising as a result of write off of obsolete drug stock, ex gratia payments, redress payments, bad debts written off and compensation payments, the largest sum being £626,571 relating to bad debts written off as a result of the write off of the section 117 invoices as reported to Audit Committee in January.
- 2.2. These losses are detailed in **Appendices A and B**, and summarised in the table below:

Loss Type	Value £
Obsolete Drug Stock	5,348
Ex Gratia Payments	3,168
Bad Debt Written Off	626,571
Redress Payments	126,959
Clinical Negligence - Defence Fees	135,358
Clinical Negligence – Claimant Costs	452,000
Clinical Negligence – Damages	2,464,865
Clinical Negligence – CRU Payments	34,005
Personal Injury – Defence Fees	80,097
Personal Injury – Claimant Costs	6,500
Personal Injury - Damages	65,097
Personal Injury – CRU Payments	8,713
Total	4,008,681

2.3. The gross loss of £4,008,681 for the period 1st January 2019 to 31st March 2019 compares to a figure of £10,986,723 for the period 1st January 2018 to 31st March 2018. For the period 1st April 2018 to 31st March 2019 the cumulative gross losses amount to £19,596,868 as compared to £27,408,805 for the period 1st April 2017 to 31st March 2018. The chart below analyses these losses and special payments on a month by month basis.



2.4. The graph above shows that there are variations in payments across the year with there being no discernible trend to when cases are settled. Whilst the April, May, August, September and November payments showed little variation from the same period in 2017, there are significant variations in payment between the years in all other months, the biggest of these variations being in March where payments in March 2019 at £1.576m were significantly lower than in March 2018 at £6.303m. This was due to a large settlement payment of £3.2m in March 2018 in respect of an Obstetric claim. There was also a significant variance in October (£5.654m compared to £8.283m), with a large settlement payment being made in October 2017 of £6.421m on a paediatric case at Singleton Hospital dating back to 2009.

3. GOVERNANCE AND RISK ISSUES

3.1. This paper addresses the financial governance requirements for reporting Losses and Special Payments to the Audit Committee. The Health Board adheres to the authorisation process for such payments as prescribed in the Welsh Government Losses and Special Payments manual and Standing Financial Instructions ensuring sound financial governance for such payments

- 3.2. The clinical governance issues raised and lessons learned from previous claims are discussed as part of the clinical governance agenda and does not form part of this report to the Audit Committee.

4. FINANCIAL IMPLICATIONS

- 4.1. The financial implications associated with Losses and Special Payments for the Health Board comprise two elements. Firstly, there is the amount directly taken from the health budget by Welsh Government to fund the Welsh Risk Pool. This is supplemented by a risk sharing agreement across NHS Wales which requires additional contributions to be made from Health Boards and Trusts in the event that the amount required by Welsh Risk Pool exceeds this directly funded amount. To date there has been no requirement to invoke this agreement.
- 4.2. The second implication is the net charge to the Health Board's resource limit of costs incurred which comprise the first £25,000 of all clinical negligence and personal injury claims, legal fees for redress claims which are not reimbursed under the Putting Things Right Scheme and the cost of all other losses and special payments.
- 4.3. During 2018/19 the responsibility for the reimbursement of redress payments under the Putting Things Right Scheme transferred from Welsh Government to Welsh Risk Pool as part of Legal and Risk Services. During quarter 4, Welsh Risk Pool changed the process for reimbursement of redress payments to mirror the clinical negligence and personal injury process. This has resulted in claims for reimbursement of redress cases not now being able to be submitted to Welsh Risk Pool until the redress case is closed and all costs paid. In addition in quarter 4 Welsh Risk Pool changed the accounting treatment of redress payments from a cash basis to an accruals basis to reflect the change in the point at which claims can be submitted for costs incurred. This has resulted in provisions, accruals and a Welsh Risk Pool debtor now being included in the year end accounts of health boards and trusts.
- 4.4. Of the £4,008,681 paid out in the period 1st January 2019 to 31st March 2019, £2,744,566 in respect of clinical negligence and personal injury claims and £105,839 in respect of redress claims is recoverable from the Welsh Risk Pool. Taking this recovery into account, the actual loss to the Health Board in the period totals £1,158,276, as summarised in the table below:

Losses & Special Payments	Amount
	£
Clinical Negligence	3,086,228
Personal Injury	160,407
Obsolete Drug Stock	5,348
Ex Gratia Payments	3,168
Bad Debt Written Off	626,571
Redress Payments	126,959
Sub Total	4,008,681
Less WRP Recovery	-2,744,566
Less Redress Payments Reimbursed by WRP	-105,839
Health Board Losses in the Period	1,158,276

- 4.5. After the recoveries from Welsh Risk Pool are taken into account, the net loss totals £3,111,651 for the period 1st April 2018 to 31st March 2019 and £2,352,169 for the period 1st April 2017 to 31st March 2018.

5. RECOMMENDATIONS

- 5.1. The Audit Committee is asked to note the losses and special payments in the period of £4,008,681, of which £2,850,405 will be recovered from the Welsh Risk Pool (£2,744,566 in respect of clinical negligence and £105,839 in respect of redress), leaving an actual loss to the Health Board in the period of £1,158,808.
- 5.2. These losses and special payments will need to be reported to the Board and disclosed in the Health Board's Annual Accounts.