

## VOTE 33 - HEALTH AND CHILDREN

### 33. GMS (Payments) Board Deficits

The General Medical Services (Payments) Board (GMS Board) makes payments to general practitioners, pharmacists and dentists holding contracts with the eight Health Boards for the provision of services to qualifying persons. The Health Boards reimburse the GMS Board for the cost of the drug cost subsidisation scheme, the long term illness scheme, the dental treatment services scheme, the childhood immunisation scheme and the methadone treatment scheme. Payments under these schemes represent approximately 20% of total payments by the GMS Board. Funding for other schemes and services administered by the GMS Board, as well as the Board's administration costs, is provided by the Department of Health and Children on behalf of the Health Boards. In particular, the Department of Health and Children directly funds the GMS Board for the cost of free general practitioner services and free drugs and medicines supplied to persons qualifying for a medical card under the GMS Scheme.

I audit the accounts of the GMS Board and I noted that at 31 December 1997 the Board had borrowings of £32.8m and moneys owing to doctors, pharmacists and dentists of £58m which were broadly matched by amounts accrued as owing from the Department and the Health Boards of £87m. The unaudited accounts for 1998 indicated that the position had deteriorated further with borrowings of £63.6m and amounts due from the Department and the Health Boards of £125.8m. In addition, the GMS Board had incurred bank and interest charges of £542,000 in the 1996 - 1998 period.

In approving the GMS Board overdraft facility of £59m in December 1998, the Department of Finance requested that a review of the funding flows associated with the GMS Board's operation would be completed by the end of May 1999, with a view to identifying and resolving the problems which had led to a sharp deterioration of its year end cash-flow position over each of the previous two years.

In response to my inquiries about these deficits the Accounting Officer informed me that:

- The review concluded that growth in the cost of the GMS, particularly drugs and medicines and to a lesser extent doctors' fees, has exceeded the increase in the Board's allocation over the period 1997 to 1999. The increase in the Board's overdraft in 1998 arose as a result of the shortfall in the GMS scheme itself rather than the other schemes recouped by Health Boards. The Board had an actual overdraft at the end of 1998 of £54m. It is recognised that this is an inappropriate level of overdraft for the Board to continue to carry at the end of the year and addressing this will require further funding on a once-off basis.
- The Department's proposal to the Department of Finance is that an additional £90m would be made available to the Board in the current year. £50m of this would be on a once-off basis and would allow the overdraft at the end of the year to revert to a more normal level of approximately £14m. An on-going sum of £40m would bring the Board's base allocation up to the level necessary to meet its projected on-going requirements. The amounts to be included in a Supplementary Estimate had not yet been agreed with the Department of Finance.
- The Department has reviewed its procedures for estimating the GMS Board's requirements.

The following revised arrangements are being considered with the Department of Finance:

- All non-pay expenditure will be treated as demand led, pay expenditure will be fully recouped provided the pay agreements applicable from time to time are accurately and appropriately applied.
- The basis of estimation will be revised to give greater weighting to the levels of expenditure reflected in the most recent outturns and the current spending levels, and the adequacy of the provision for each year will be reviewed in the context of the Supplementary Estimate.
- The information used to monitor the Board's performance during the year has also been reviewed with the Board. The Board currently submits a return for the month ahead showing the projected expenditure and funding requirement. Following the review, now completed, a further set of monthly information is being agreed with the Board for submission to the GMS Division and Finance Unit of the Department. Broadly the return will be modelled on the type of return currently submitted by Health Boards as part of the service planning and monitoring arrangements. At the start of each year Health Boards submit a projected profile showing expenditure and the associated cash funding requirement for each month. These profiles are then used to monitor variances in expenditure over budget on a monthly basis throughout the year. This reporting format is being adapted to take account of the particular features of the GMS Board's operations and financing.
- Additional information will also be returned by the Department to the Department of Finance on a monthly basis. Currently the Department's monthly Vote return shows the funding issued to date to the Board. The Department makes a second monthly return showing expenditure by Health Boards and voluntary hospitals. As part of this return, it has been agreed that the Department will include relevant data for the GMS Board and will comment, as appropriate.