

Chapter 9 – Department of Health and Children

9.1 Extension of Medical Card Eligibility to Persons aged 70 and over

In his 2001 Budget speech in December 2000, the Minister for Finance announced the extension of the medical card scheme to cover all persons aged 70 years and over, irrespective of means, to take effect from 1 July 2001. This was given legislative effect through the Health (Miscellaneous Provisions) Act 2001 enacted in late May 2001. The Health Boards were formally advised of the Budget measure in January 2001 and were instructed to make ready their administration procedures in preparation for implementing the initiative by 1 July.

My staff examined departmental files which indicated that the original forecasted additional annual cost of providing medical cards under these new arrangements was €19m based on an estimated extra 39,000 persons becoming eligible.

More recent papers on the files suggested that the databases, on which the original estimate of 39,000 potential applicants was based, were inaccurate and not up to date and that the number of new applicants under the arrangement was set to exceed 70,000. By April 2002 it was estimated that the additional annual cost would be in the region of €51m.

The Central Statistics Office (CSO) estimate for persons aged 70 or over in the State in 2001 was 299,000. At end February 2002, the General Medical Services (Payments) Board (GMS) had registered some 327,251 persons in that category and indicated that there were up to 5,000 yet to register, while a further 5,000 were estimated to be in institutional care. The GMS also advised that there were 8,000 potential duplicate registrations and 28,000 persons who had no pharmacy claim over a 21-month period in 2000/2001.

Given the serious financial implications for the Exchequer resulting from the underestimation of the number of applicants eligible for the extension of the medical card scheme I sought the views of the Accounting Officer.

In response to my enquiries the Accounting Officer informed me that

- The Department of Finance made his Department aware, a few days prior to Budget day in December 2000, of the decision to introduce automatic medical card eligibility for persons aged 70 and over. Informal oral contacts took place between officials of both Departments in relation to the cost implications of this initiative. The Department supplied such data as was readily available to it in the extremely short time involved in order to assist the Department of Finance in determining the likely cost of implementing the scheme in 2001. However, a clear marker was put down at the time that the implementation of the initiative would require the agreement of the Irish Medical Organisation (IMO) and the Irish Pharmaceutical Union (IPU), that the negotiating position of both unions would be greatly strengthened by the fact the measure was going to be announced as part of the Budget day package with a set date for its introduction, and that this would inevitably drive up the cost of the initiative.
- Following protracted and difficult negotiations between the Department of Health and Children and the IMO, a deal estimated to cost €19 million annually was agreed in late June 2001. Central to this deal was (a) a capitation rate of €438 per annum for newly eligible persons aged 70 and over, and (b) a capitation rate of €635 per annum for such persons in private nursing homes. This component of the deal with the IMO was estimated to cost €17.7 million in a full year, on the basis that there would

be 39,000 newly eligible persons in total. The balance (€1.3million approximately) was in respect of an increase in the rural practice allowance and an enhancement of arrangements for payment of practice nurse/secretary allowances.

- The Department is still engaged in ongoing negotiations with the IPU in relation to the implementation of the scheme by community pharmacy contractors and it is estimated that the eventual cost of the deal to be finalised with the IPU would be in the region of €24 million.
- The nature of inaccuracies in the Health Board/GMS databases was attributed to duplicates and to the non-removal from the lists in a timely manner of persons who have either died or moved away. A cleansing exercise concentrating on identifying patients in the over 70 category had recently been completed. As a result of this exercise in excess of 14,100 medical cards had been identified as surplus and were in the process of being removed from the system. It was planned to extend the cleansing exercise to the full over 70 medical card population and latterly to the full GMS list. The last major GMS list cleansing exercise had taken place at the time of the introduction of the plastic medical card in 1998.
- The Department maintains no independent records in this area. Under the 1970 Health Act a Chief Executive Officer of a Health Board is authorised to issue a medical card. The Minister for Health and Children has no authority or responsibility in the issuing of a medical card.
- The significant increase in the capitation costs to the Department of medical cards issued to persons aged 70 and over since July 2001 arose because this new category attracts a capitation rate which is a multiple of the rate for existing over 70s medical card holders.

Annual capitation rates for previously eligible persons over 70 years of age as at 31 December 2001 are shown in Table 38.

Table 38 – Capitation rates for previously eligible persons over 70 years of age

Distance to Surgery from Home of Medical Card Holder	Male	Female
	€	€
0 – 3 Miles	95.43	106.11
3 – 5 Miles	106.71	117.44
5 – 7 Miles	123.56	134.24
7 – 10 Miles	140.06	150.79
Over 10 Miles	160.58	171.33

- Health Boards were being particularly vigilant to ensure that new applicants had not already been in the system on a means-tested basis to avoid the possibility of the higher capitation rate being unnecessarily paid.
- No analysis had been carried out of the reasons for cancellation of existing cards on issue to persons in the aged 70 and over category.
- The GMS had done some work in assessing the potential overpayment arising from the inaccuracies in the databases used to determine the capitation payments to doctors and pharmacies. On the basis of research carried out in a number of Health Board areas the inflated figures could be resulting in overpayments of €12m annually.
- Given what had emerged in relation to the over 70s, it would be reasonable to expect a certain amount of inaccuracy in the GMS list in all age categories of the medical card schemes. However, with the higher mortality rates associated with the over 70s, it was expected that the level of inaccuracies in the list would be less in the under 70s category. It was planned to extend the current cleansing exercise to the entire GMS list in time. The planned rollout of the GMS Central Client

Eligibility Index, an IT based eligibility system, would also address this issue. It was also pointed out that some years ago Health Boards relaxed the regime in relation to reviewing medical cards for the elderly with the result that the over 70s were reviewed less frequently than other card holders.

- A GMS Information Project, funded by the Department, would address a range of GMS information deficits and would provide, in part through a national survey of 2000 persons (half of whom will be medical cardholders) an independent basis for estimating numbers of persons in each Health Board who have or should have medical cards and the basis for having such cards. It would address visitation rates (across age categories and specific categories of persons and illnesses), ascertain medical card review procedures used in Boards and the issue of so called discretionary medical cards. It would also identify the information collected by Health Boards for GMS Scheme purposes, the linkages that exist or should be created and through small sample studies it would be able to ascertain the reliability of the information arrangements currently in place.

The revised costings for the scheme for 2002 are shown in Table 39.

Table 39 – Revised Costing for 2002 Scheme

	Doctors	Pharmacists	Total
	€m	€m	€m
Pharmacy Lump sum and Enhanced Fees	-	17.78	17.78
Pharmacy Ingredient Cost	-	22.00	22.00
Doctors Capitation re New Over 70s	33.00	-	33.00
Other	10.15	-	10.15
Total	43.15	39.78	82.93

The GMS estimates consequential savings on the Drugs Payment Scheme on the basis of 69,068 patients at €28.06m. The net additional estimated cost for 2002 is therefore €54.87m.

9.2 Drugs Payment Scheme

The Drugs Payment Scheme (DPS) was introduced on 1 July 1999 and replaced both the Drug Refund Scheme and the Drugs Cost Subsidisation Scheme.

Under the new scheme, individuals or family units would meet the first €53.33 per month of the cost of approved prescribed drugs, medicines and medical and surgical appliances. Pharmacists, by agreement, claim the balance of cost over this amount from relevant Health Boards through the General Medical Services (Payments) Board.

Under the old Drug Refund Scheme, patients were required to pay, in full, the cost of prescribed drugs etc. at the pharmacy and at the end of each calendar quarter seek a refund from the relevant Health Board of their expenditure in excess of the threshold amount of €114.28.

The Drugs Cost Subsidisation Scheme subsidised expenditure of patients, certified by their doctors as having a long-term condition requiring regular and continuous use of prescribed drugs. The scheme met the patients' monthly expenditure in excess of €40.63.

The DPS was introduced administratively in July 1999. This method of introduction did not comply with statutory requirements and therefore the scheme could not be said to have come into operation legally until the introduction of amending regulations in March 2001.

The delay in the making the regulations to give legal authority to the new scheme has resulted in either overpayment or underpayment of subsidy to persons availing of the schemes depending on individual circumstances and expenditure levels.

I sought the views of the Accounting Officer as to

- the reason for the delay in making regulations to give the new scheme legal effect
- the estimated amount of subsidy denied to participants under the scheme as a result of the delay for the same period and whether the Department intends to refund these amounts to the individuals involved
- the estimated amount of overpayments arising because of this delay in the period July 1999 to February 2001 and whether the Department intends to seek to recover these overpayments.

In his response the Accounting Officer stated that regulations fixing the threshold for the new scheme at €53.33 per month could have been made in July 1999 under Section 59 of the Health Act 1970 but, as Government approval had been obtained to amend that section, it was decided to defer making the regulations until the Act was actually amended. At the time it was envisaged that the amending provision would be enacted very quickly. Subsequently, however, difficulties and delays arose in securing drafting time and parliamentary time for the new legislation. Following further consideration and legal advice obtained from the Office of the Attorney General in October 2000, regulations to fix the threshold at €53.33 per month were put in place under the existing Section 59 of the 1970 Act in March 2001.

The Department of Health and Children considered that DPS provided a fairer and more user friendly system than the schemes it replaced, especially for monthly budgeting for families, and has produced significantly greater overall benefit for patients. The total benefit to patients under the Drug Refund Scheme or Drug Cost Subsidisation Scheme in 1998 was €95m (the last full year of operation). In contrast, the DPS subvention to patients was €140m in 2000 (the first full year of operation) and rose to €177m in 2001, an increase of 87% in 3 years.

While the overall level of benefit to all patients increased to the extent indicated, there would have been individual cases where the level of benefit was either under or over stated under the new DPS as compared to the entitlements under the Drug Refund Scheme or the Drug Cost Subsidisation Scheme. The General Medical Services (Payments) Board estimates that the overall cost of potential claims arising from the increased threshold during the period concerned is in the region of €18 million. The potential claims involve some 175,000 households and cover approximately 4.75 million transactions relating to 11.86 million items. The administrative cost of processing claims for potential refunds on such a large scale is estimated at a further €2 million. The Accounting Officer pointed out however, that in accordance with an Informal Government Decision dated 17 July 2002, it was not intended to make refunds.

The estimated amount of overpayments arising is not known. The Department has not asked the General Medical Services (Payments) Board to devote the resources needed to calculate this amount in light of the legal advice received from the Office of the Attorney General in April 2002 that the Department cannot recover overpayments made to persons who may have benefited financially from the non-statutory scheme.