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Counter Fraud Authority



NHSCFA 2020

Strategic Intelligence Assessment

Covering 2018 - 2019

Foreword – CEO Sue Frith

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The mission of the NHS Counter Fraud Authority is to lead the fight against fraud, bribery and corruption which affects the NHS in England. Our primary focus is to protect the health service against the fraudulent exploitation of vital NHS resources intended for patient care.

The NHSCFA has reached the second anniversary of its creation. In this time, we have continued to lead the fight against fraud in the NHS and build on our approach to guide further improvements in the delivery of counter

fraud work across the NHS and wider health group. We have improved our understanding of the risks the NHS faces from fraud, bribery and corruption and are positively tackling and reducing those risks.

This year we have developed a renewed approach to this Strategic Intelligence Assessment (SIA) focussing on the Threats, Vulnerabilities and Enablers that allow fraud to happen in the NHS. This fresh approach will allow the NHSCFA to focus our resources more effectively and inform our partners of the issues they face and direct their efforts accordingly.

This 2020 strategic intelligence assessment covers activity that occurred within 2018-19. It is estimated that the vulnerability to the NHS in England from fraud, bribery and corruption is £1.21 billion.

The estimated vulnerability is a reduction of £85 million from 2018, a further improvement on last year's successful reduction.

Our aim is to secure partnerships across the NHS to advance data sharing within the NHS. This SIA is compiled through the analysis of data in the public domain as well as data available only from within the NHS. To further mitigate against the threats of fraud all NHS departments must embrace collaboration with the NHSCFA, this will provide a greater understanding of threats within the for the next SIA.



Executive Summary

The NHS Counter Fraud Authority assess that the NHS is vulnerable to fraud, bribery and corruption to an estimated **£1.21 billion**.

This year on year reduction in vulnerability demonstrates the continued improvement in proactive and collaborative approach across the NHS in England and wider health group. For example a notable reduction can be seen in Dental contractor fraud which has reduced from £93.5m to £65.9m.

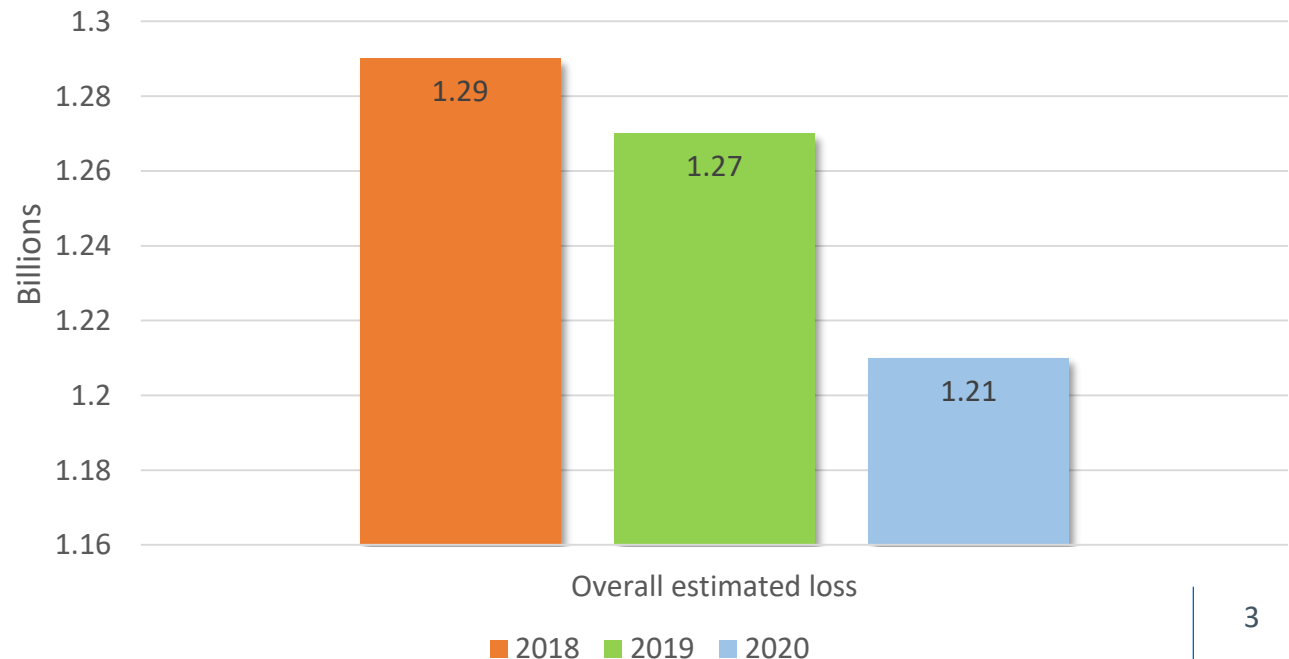
Fraud is only committed by a minority of people. As more and more people become aware of how fraud impacts on the NHS it is expected that more reports will be submitted to the NHSCFA. Through this increase in transparency, the NHSCFA and stakeholders are better informed of the landscape and as such in a better place to direct resources to mitigate against potential vulnerabilities.

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3 year vulnerability estimate (£ billions)



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The identification of fraud in the NHS can be challenging, with often a negative connotation attached to the occurrence of fraud. This is due to many assuming that the presence of fraud is an indication of poor control mechanisms. However, the identification of fraud empowers organisations and stakeholders to proactively reduce and increasingly stop public funds landing in the hands of criminals.

When reading this strategic intelligence assessment, it is important to note that the NHSCFA are only discussing the activities of a small proportion of staff, patients or individuals who divert valuable resources from where they are needed most, continued patient care. The estimated fraud vulnerabilities needs to be understood in relation to the wider context of overall budget, funding allocation and workforce.

Whilst the budget for the NHS in England continues to rise to meet demands and pressures, the vulnerability to fraud has continued to reduce year on year.

Throughout this document assessments and judgements are presented based on the foundation of intelligence. It is important to note that intelligence is not fact or evidence, but hypothesis and inferences drawn from the best available information at the time of writing.

It is the responsibility of every member of the public and NHS employees to remain vigilant and report any suspicions to the Local Counter Fraud Specialist or direct to the NHSCFA. By reporting suspicions we can all assist in ensuring the NHS remains one of the top health services in the world.

The links on the right hand side provides excellent examples of what constitutes a fraud and the impact for the NHS. For further definitions of each fraud theme please see the fraud reference guide link on the right

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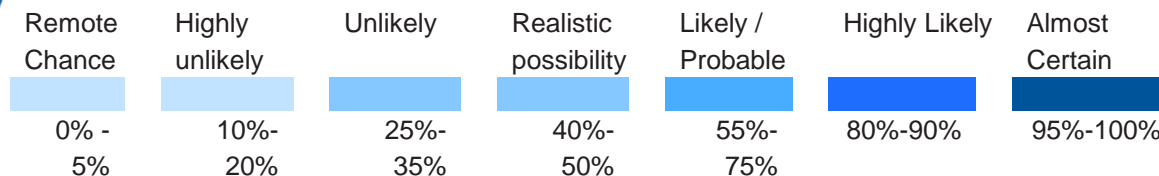
How do we calculate fraud vulnerability?

The NHS Counter Fraud Authority assesses how financially vulnerable the current 13 lead threat areas are to fraud. In order to achieve this the NHSCFA adopts a different approach depending on the nuances of the area. However broadly speaking the two main ways are;

- 1) Loss measurement exercise. These take the form of an in-depth analysis and measurement of a particular area to provide a statistically robust percentage of how much of the funding / reimbursement is vulnerable to fraud. Out of the two methods the NHS Counter Fraud Authority has the highest confidence in this method.
- 2) Comparative loss assessment – Where the NHSCFA has not directly measured an area, we are reliant on vulnerability percentages derived from partners or stakeholders to use. These may not be 100% comparable so therefore the NHS Counter Fraud Authority has the least confidence in them.

Within the strategic intelligence assessment a consistent language has been used across thematic areas when assessing the probability and uncertainty. The 'probability yardstick' defines the language applied to the range

In using the probability spectrum the NHSCFA has taken into account, the source, the age and reliability of the material used and any extenuating factors to form the assessment. No particular weighting is attached to specific factors but rather a holistic approach is taken when assigning the probability and uncertainty.



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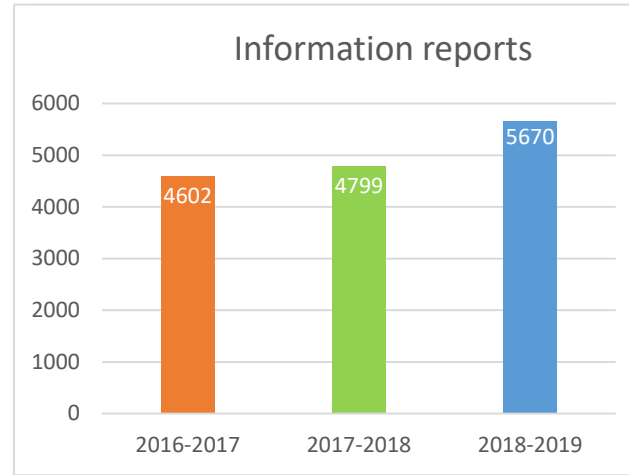
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What are we receiving?

Since the formation of the NHSFCA reporting has steadily increased.

Through collaborative knowledge and communication campaigns, referrals have increased by 18.15% since last year. An example is the increase in Procurement referrals, likely attributed to the release of quick guides on fraud such as mandate fraud.



In total 5,670 referrals were made to the NHSCFA with the highest reported incidents involving staff fraud (2,500). It is important to note that the NHS employs approximately 1.2 million members of staff, meaning that concerns have only been raised against a very small minority.



87.5% of all referrals relate to the top 4 areas with the remaining 12.5% relating to the other 9 areas. It is assessed that this is indicative of how transparent and visible suspicious activity is within the areas and not necessarily the scale of possible fraudulent activity.

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Procurement & Commissioning

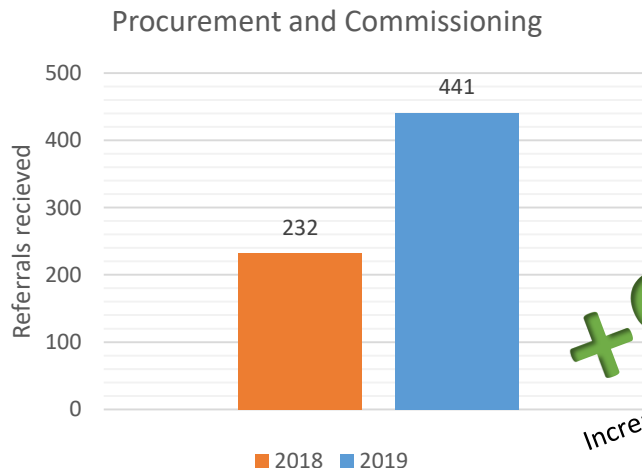
Procurement and commissioning is a very complex theme with many nuances. In order to assess the possible exposure to fraud vulnerabilities, this theme has two combined assessments.

£291.4m
From an approximate expenditure of £25.9 billion

An estimate of 1% is used as baseline in non-pay expenditure, based on public sector assessments such as the Ministry of Defence Police.

For agency expenditure, NHSCFA has previously identified through loss measurement that the likely rate of overcharging associated with employment agency staff invoicing is 4.7% of which the NHSCFA has taken the approach that 50% of overcharging may be fraudulent.

Financial fraud vulnerability: £291.4 million



+90%
Increase in referrals for this theme

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Help with health costs

The NHS is vulnerable to patient fraud in three key areas:

Prescription charge evasion has an estimated NHS expenditure of £7.8 billion. The NHSCFA measured prescription charge evasion in 2017. The individual fraud vulnerability rates were applied to each exemption category in order to assess the overall vulnerability.

Financial fraud vulnerability: £179.3 million

Dental charge evasion has an estimated NHS expenditure of £782 million. The NHSCFA measured dental charge evasion in 2018. The individual fraud vulnerability rates were applied to each exemption category in order to assess the overall vulnerability.

Financial fraud vulnerability: £41 million

Optical voucher abuse has an estimated NHS expenditure of £514 million. The NHSCFA measured optical voucher abuse in 2016. The individual fraud vulnerability rates were applied to each exemption category in order to assess the overall vulnerability.

Financial fraud vulnerability: £39.2 million

£259.5m
From an approximate expenditure of £9.09 billion

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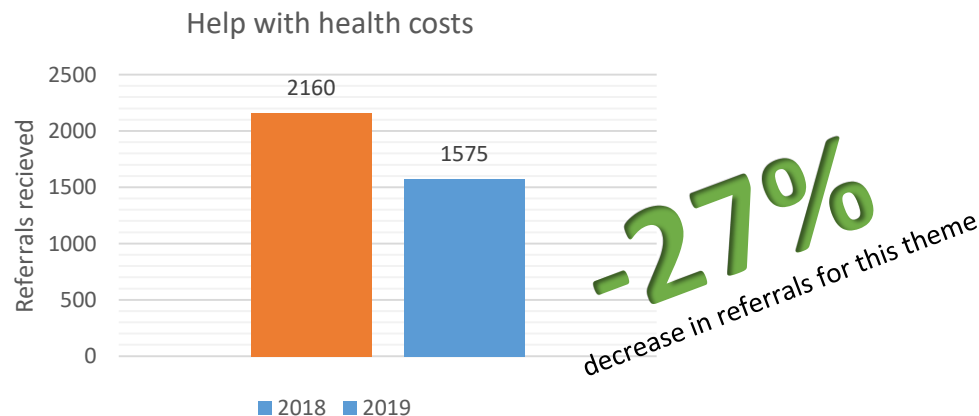
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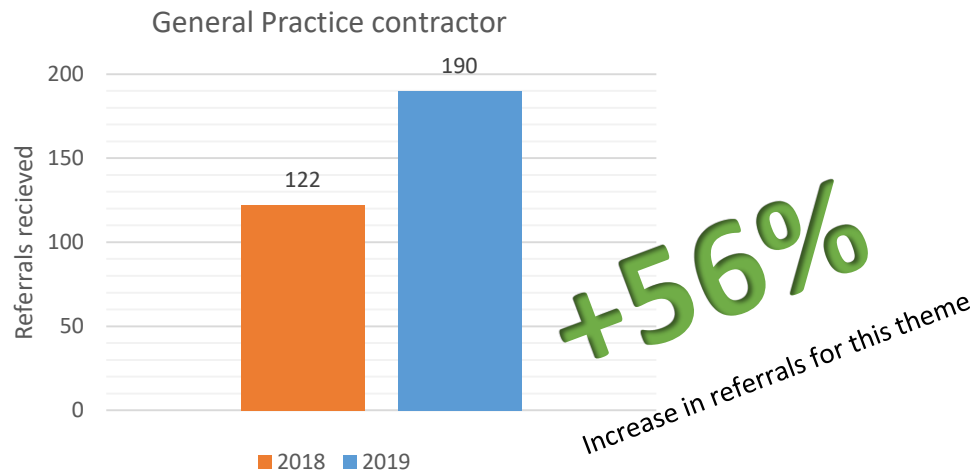
General practice contractor

This area has not been directly measured this reporting period and therefore relies on comparative primary care measurements from dental and optical services to provide an indication of the level of vulnerability. Recent loss measurement exercises for dental and optical have identified overall vulnerability percentages of between 1% and 3.5%. The 1% has been used to express the possible financial vulnerability.

£91m
From an approximate expenditure
of £9.05 billion

Based on the annual expenditure figure of £9.05 billion, it is estimated that a 1% vulnerability to the NHS through general practice fraud is approximately £91 million. This has increased from the estimated vulnerability of £88 million in 2017-18, which is due to the increase in the annual expenditure for this year.

Financial fraud vulnerability: £91 million



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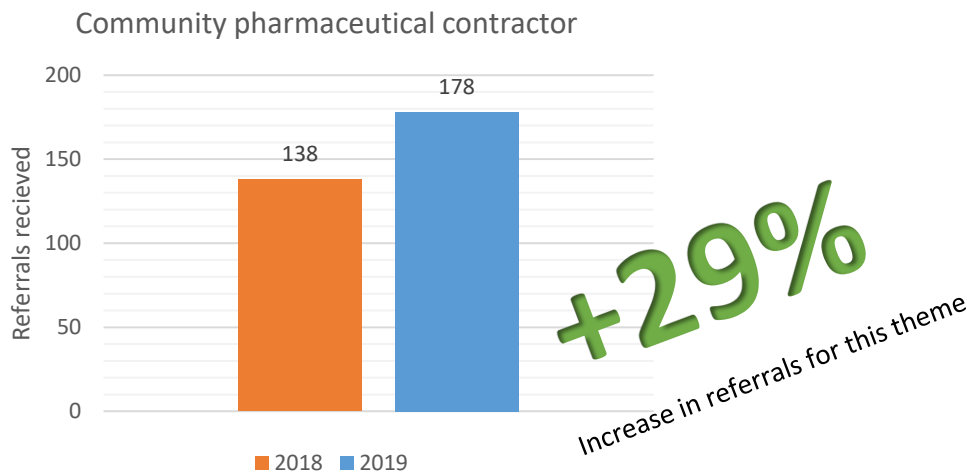
Community pharmaceutical contractor

This area has not been directly measured this reporting period and therefore relies on comparative primary care measurements from dental and optical services to provide an indication of the level of vulnerability. Recent loss measurement exercises for dental and optical have identified overall vulnerability percentages of between 1% and 3.5%. The 1% has been used to express the possible financial vulnerability.

£114m
From an approximate expenditure of £11.4 billion

The estimated £114 million vulnerability is higher than last year, due to an increase in the number of prescription items dispensed and subsequent increase payment for these items.

Financial fraud vulnerability: £114 million



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Payment by results (PbR) and National Tariff

NHS provider's received 60% of their total income from PbR payments.

£136m
From an approximate expenditure of £45.36 billion

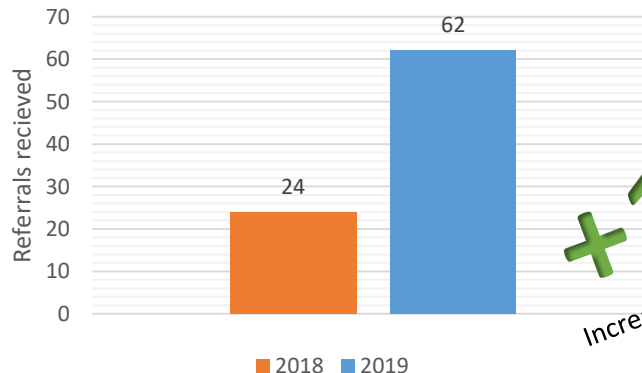
The allocation of funds to Clinical Commission Groups for 2018 - 19 was £75.6 billion. Therefore the approximate spend within this theme is assessed to be £45.36 billion.

This area has not been directly measured this reporting period and as such an estimate of 0.3% is used as the standard financial fraud vulnerability for PbR and National Tariff in England.

This is an increase of last year's assessment but this is directly attributed to an increase in budget rather than an increase in identified activity.

Financial fraud vulnerability: £136 million

Payment by results (PbR) and National Tariff



+158%
Increase in referrals for this theme

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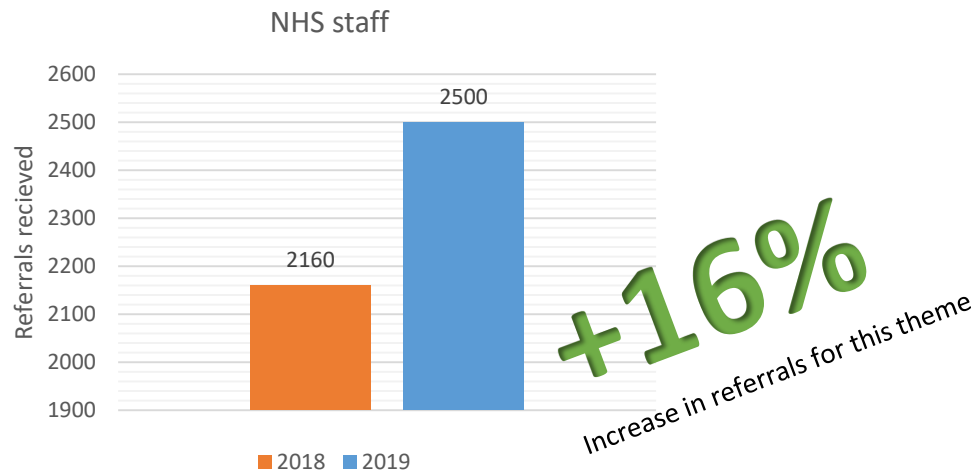
The NHS employs approximately 1.2 million staff with an approximate net staffing cost for 2018 – 2019 of £49.1 billion.

£98.2m
From an approximate expenditure of £49.1 billion

This area has not been directly measured this reporting period and therefore relies on the comparative National Fraud Authority's 2013 estimate of 0.2% of total payroll.

Based on the £49.1 billion expenditure, it is estimated that a 0.2% vulnerability to the NHS through staff fraud is approximately £98.2 million. This is an increase of £400,000 from 2017 – 2018 which can attributed to the increase in net payroll spend only.

Financial fraud vulnerability: £98.2 million

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Fraudulent access to the NHS from overseas visitors

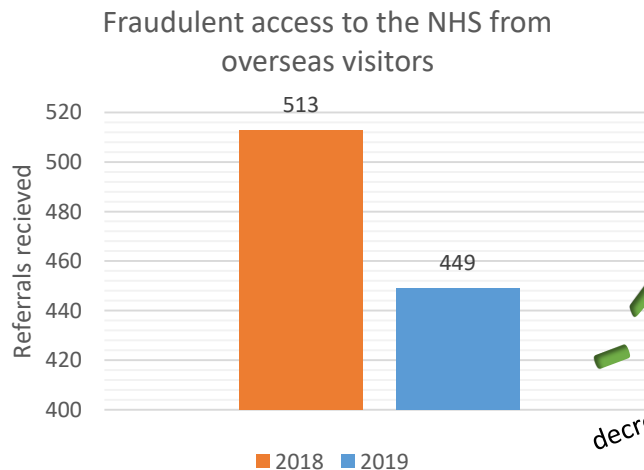
The NHSCFA cannot say to a degree of certainty the exact vulnerability percentage generated by overseas visitors.

As of January 2019 there was a change in the surcharge process which would most likely cause the collection of inaccurate data for the reporting period. Therefore, the figure for vulnerability remains at a static £35 million.

£35m
From an approximate expenditure of £2 billion

The £35 million flat rate figure has been incorporated based on a report commissioned by the Department of Health in 2015. This report estimated the loss to the NHS from the fraudulent access of overseas visitors to be in the region on £70m - £300m. The NHSCFA has previously taken the estimate of 50% of the lower figure.

Financial fraud vulnerability: £35 million



-12%
decrease in referrals for this theme

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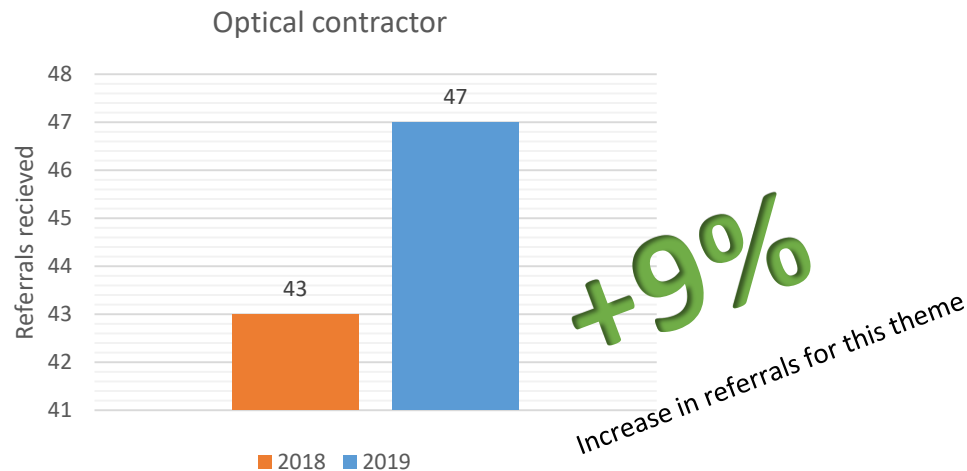
Optical contractor

The NHSCFA directly measured this area in 2015 – 2016. The vulnerability percentages identified during that exercise were applied to the current data regarding individual General Ophthalmic Services (GOS) submissions.

£82.9m
From an approximate expenditure of £513.9 million

The approximate expenditure for ophthalmic services was £513.9 million, resulting in an assessed vulnerability of £82.9 million. This is slightly higher than last year with the increase attributed to the increase in expenditure rather than an increase in activity.

Financial fraud vulnerability: £82.9 million



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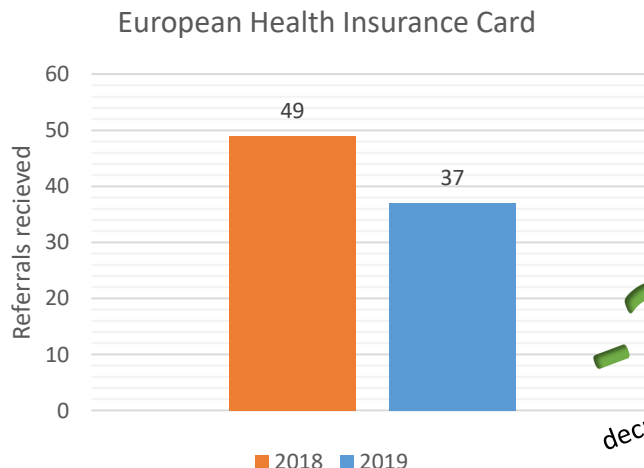
The Healthcare bill for 2017-2019 states that the estimated cost of reimbursing other member states for providing healthcare to UK citizens during 2016 - 2017 was £630 million.

£20.8m
From an approximate expenditure of £630 million

The estimated vulnerability to fraud for the NHS from fraudulent use of EHICs system is calculated at £20.8 million.

This is calculated by applying the estimated vulnerability of 3.2% from applications and claims to the £630 million cost of providing healthcare to UK citizens during 2016 – 2017, giving a total loss figure of £20.2 million. The NHSCFA has added the assessed loss of £640,000 attributed to fraudulent applications.

Financial fraud vulnerability: £20.8 million



-24%
decrease in referrals for this theme

Dental contractor

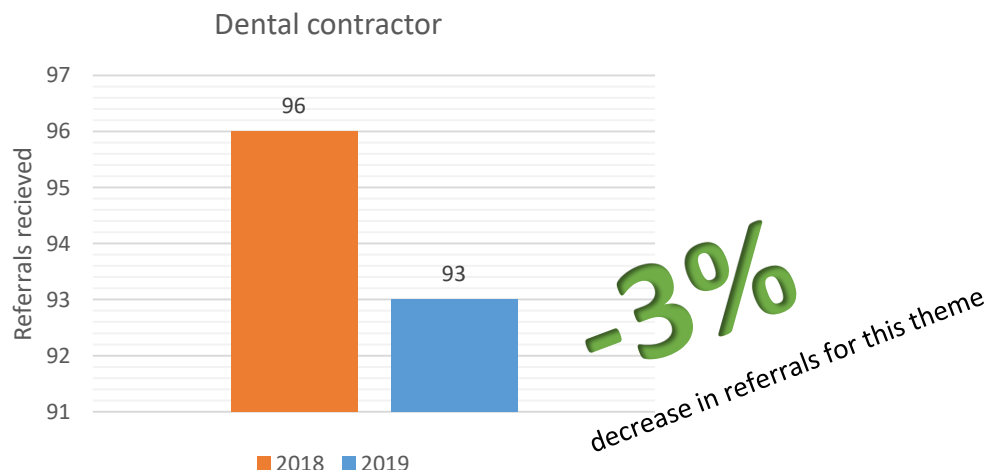
In England approximately £2.7 billion was allocated to Dental Service contracts provided by 8,581 dental practitioners for 2018-2019.

£65.9m
From an approximate expenditure of £2.7 billion

Based on the individual vulnerability rates per treatment band, the total amount of vulnerable Units of Dental Activity (UDA) can be calculated. Using the relevant data set the total vulnerability is calculated at £65.9 million.

This vulnerability has reduced by £27.6 million since the last reporting period. Due to the recent re-measurement and the numerous counter fraud initiatives implemented since the previous measurement in 2010.

Financial fraud vulnerability: £65.9 million



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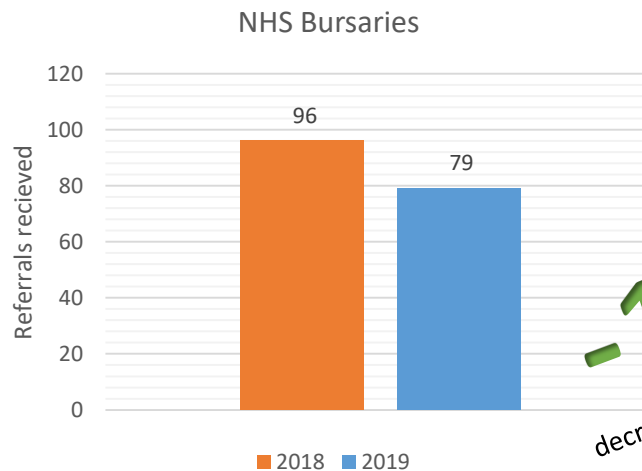
Expenditure on the NHS student bursary scheme in 2018-2019 was approximately £317.8 million. This is a 29% reduction on the previous year. Expenditure on childcare allowance alone was £16.6 million.

£8.5m
From an approximate expenditure of £317.8 million

The estimate of 2.7% is based on the overall fraud vulnerability rate identified as a result of the loss measurement exercise carried out in 2006-2007.

Applying the previously identified vulnerability of 2.7% to the expenditure estimates a financial vulnerability to fraud of £8.5 million which is lower than the previous year. This is most likely due to a decrease in the budget rather than a reduction in fraudulent activity.

Financial fraud vulnerability: £8.5 million



-18%
decrease in referrals for this theme

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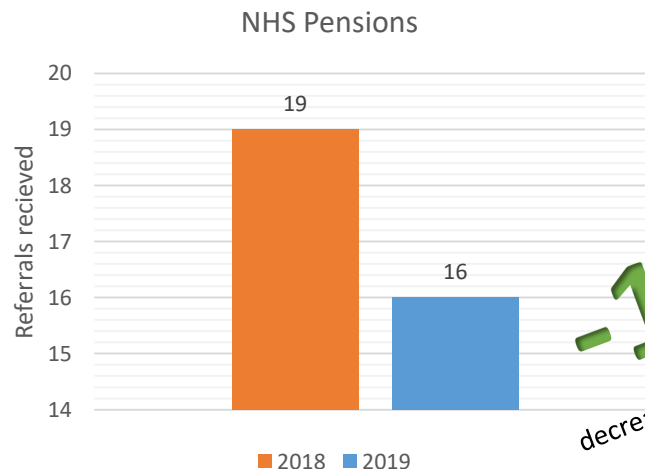
NHS Pensions

The NHS pension scheme is Europe's largest pension scheme, paying out approximately £11.0 billion in 2018-2019 in pension payments, lump sum payments, widow and dependent payments, death gratuities, transfers out, payments to other schemes and refunds.

£2.4m
From an approximate expenditure of £11.0 billion

As at 31 March 2019 the number of active members is 1,561,530, a slight decrease on the year before. Based on an overall fraud rate of 0.02% identified through the NFI, the estimated loss of £2.4 million is slightly higher than the previous year. This is most likely due to an increase in pension expenditure, rather than an increase in fraudulent activity.

Financial fraud vulnerability: £2.4 million



-16%
decrease in referrals for this theme

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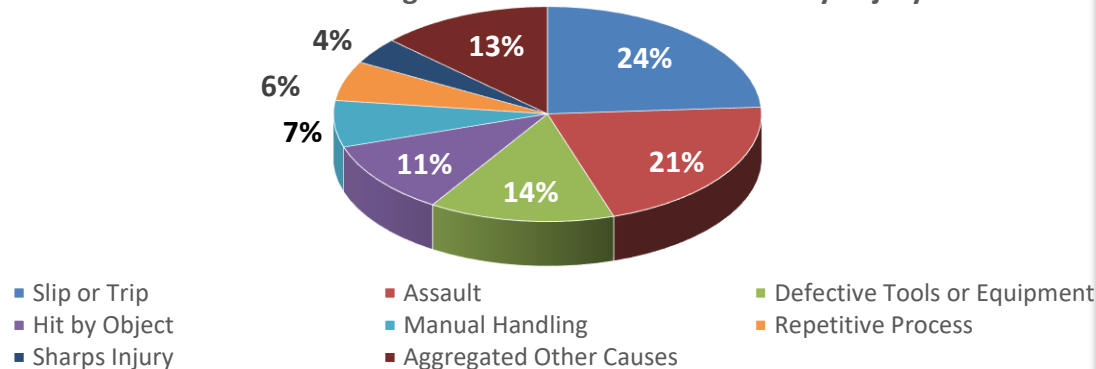
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Fraud against NHS Resolution

Fraudulent claims against NHS Resolution-administered schemes broadly falls into two categories: the serious exaggeration of legitimate claims for damages (i.e. the claim does not reflect the harm actually suffered) and the falsification of the circumstances which led to a claim for damages being made (i.e. the incident did not occur as described).

Claims under the Liabilities to Third Party Scheme (LTPS) where payments in damages totalled £35.2 million are likely to represent the most prevalent fraud risk encountered by NHS Resolution. The below graph demonstrates that the majority of LTPS cases under investigation for fraud in 2018-19 involved slips/trips.

LTPS claims investigated for fraud in 2018 - 2019 by injury cause



The risk of clinical negligence fraud is considered significantly less prevalent; however, the value of individual claims is usually much higher. The costs associated with these claims can amount to several millions of pounds over their lifetime.

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