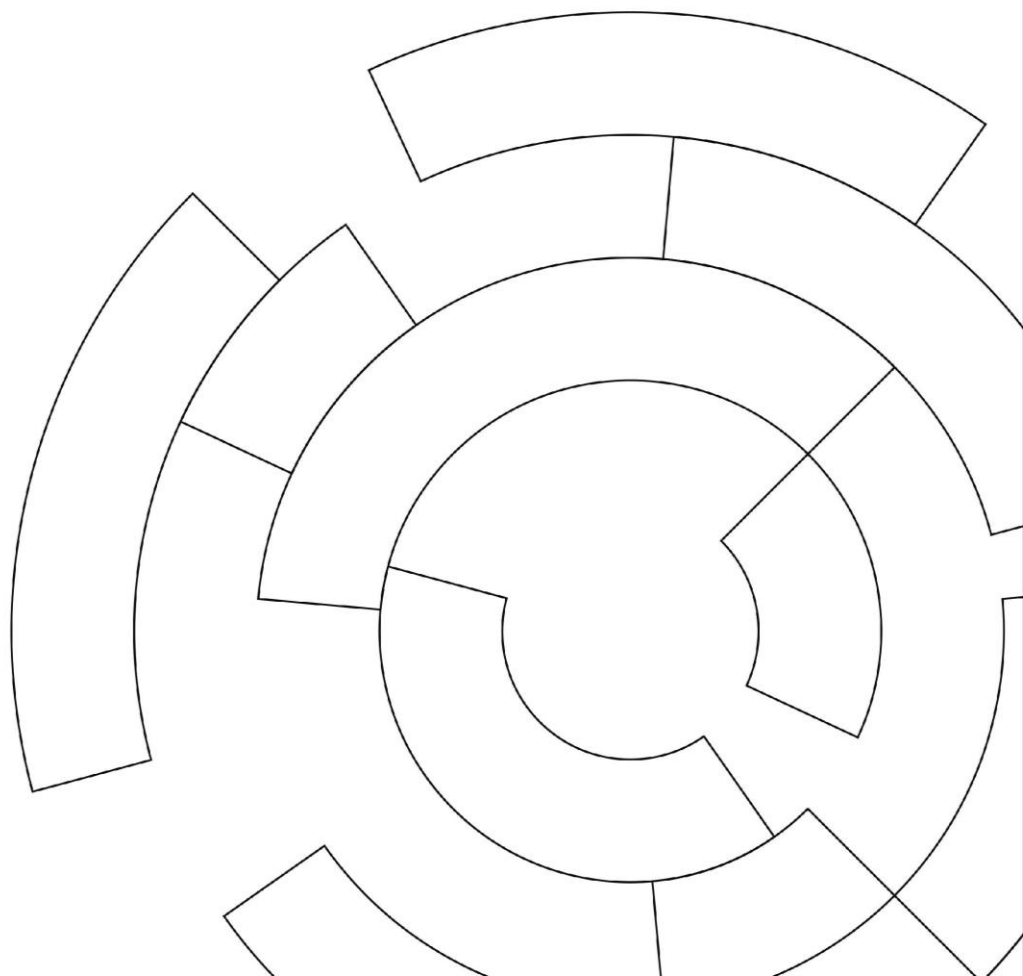


The 2018 Strategic Intelligence Assessment

Period: 2016 - 2017

Version v1



**NHS fraud.
Spot it. Report it.
Together we stop it.**

Version control

Version	Name	Date	Comment
1	Strategic Intelligence Assessment		Final Copy

Table of contents

Foreword by the Interim CEO Sue Frith	4
1. Executive summary	5
2. Introduction.....	6
3. Method.....	7
4. The economic cost of fraud	8
5. Context within the NHS	9
6. <u>Thematic Fraud Narratives</u>	10

Foreword by the Interim CEO Sue Frith



I am proud to introduce the NHS Counter Fraud Authority as a new, independent, intelligence-led special health authority dedicated to tackling fraud against the health service in England.

Our creation is good news for the taxpayer, for patients and for the honest majority working in and with the health service.

Our mission is to lead the fight against fraud, bribery and corruption affecting the NHS and wider health service, whilst protecting vital resources intended for patient care.

This year's 2017- 2018 Strategic Intelligence Assessment, covering 2016-2017 activity, estimates that the loss to the NHS through fraud, bribery and corruption was £1.29 billion.

It is assessed by the NHSCFA that this isn't a reflection of a surge in detected fraud but an increase in the accuracy of the intelligence picture, which is expected to become clearer and more precise over the coming years.

With our multi-faceted approach to solutions, whether it be through criminal prosecution, fraud prevention or awareness campaigns, we are determined to not only turn the tide against fraudsters but increase financial recovery in order to return as much money as possible back into the NHS.

It is clear the complexity and diversity of the systems within the NHS offer significant challenges in our fight against fraud. However, I truly believe that we can achieve the objectives set out before us.

Finally, I would like to personally thank all our highly motivated staff and stakeholders for supporting not only our launch but the continued fight against fraud, bribery and corruption within the NHS.

A handwritten signature in black ink, appearing to read 'Sue Frith'. The signature is written in a cursive, flowing style.

1. Executive summary

- 1.1 NHS Counter Fraud Authority (NHSCFA) assesses that during this reporting period fraud, bribery and corruption against the NHS costs the public purse over **£1.29 billion**. This figure is a sum of each thematic area, with an individual breakdown documented on **page 8**.
- 1.2 The estimated fraud loss has increased from £1.25 billion in 2015 - 2016 to **£1.29 billion** in 2016 - 2017.
- 1.3 For the purpose of this assessment the word 'fraud' is used to encompass fraud, bribery, corruption and other relevant unlawful activity.
- 1.4 Fraud is believed to be significantly underreported in all areas. An increase in awareness amongst NHS organisations of how fraud affects them will enable these organisations to effectively mitigate against the threat. There is a clear need for NHS organisations to tackle fraud if they are to be efficient and support the financial sustainability of the health service as a whole.
- 1.5 Allegations received by the NHSCFA total 4,602 for 2016 – 2017. When comparing the amount of allegations received against the estimated fraud loss or expenditure it is assessed that under-reporting exists in all thematic areas. However it is considered that under reporting is more prevalent within;
- Optical contractors
 - Dental contractors
 - Pharmaceutical contractors
 - General practice contractors
 - Procurement and commissioning
- 1.6 Under reporting can cause inaccurate assessment of the threats and vulnerabilities the NHS is exposed too. The NHSCFA would like to promote and encourage members of the public to report all suspicions of fraud, bribery and corruption affecting the NHS via <https://cfa.nhs.uk/> or alternatively via Crimestoppers confidential reporting line 0800 028 4060.

2. Introduction

- 2.1 Fraud against the NHS affects all those who work within it and all those who rely upon it. Fraud eats into valuable NHS resources, increases costs, reduces efficiency and undermines public confidence. Understanding the nature and scale of fraud in the NHS is critical to the development of strategies to tackle it.
- 2.2 This Strategic Intelligence Assessment covers 13 thematic areas:
- Help with health costs (patient fraud).
 - Payroll and identity fraud.
 - Optical contractor fraud.
 - Dental contractor fraud.
 - Community pharmaceutical contractor fraud.
 - General practice fraud.
 - Fraudulent access to NHS care in England.
 - European Health Insurance Card (EHIC) fraud.
 - NHS pension fraud.
 - National tariff and performance data manipulation.
 - Procurement and commissioning fraud.
 - NHS student bursary fraud.
 - Fraud against the NHS Resolution.
- 2.3 One of the primary aims of the Strategic Intelligence Assessment is to provide an overview of the current and emerging crime risks and issues impacting upon the NHS's ability to care for the nation's health.
- 2.4 This assessment does not include or review all the proactive work and interventions that are currently being conducted or implemented by the Department of Health and Social Care, NHS England and various Arm's Length Bodies.

3. Method

- 3.1 This Strategic Intelligence Assessment reflects what NHSCFA think is likely to be happening.
- 3.2 The method of analysis used during this reporting period is consistent with the analysis method utilised by NHS Protect previously.
- 3.3 Intelligence is not fact; it is based upon the processing of information and the inferences drawn from that. The intelligence reflected in this assessment is based on the collection, collation, analysis and evaluation of data from both primary and secondary sources. This includes information collected from those working locally in the NHS to tackle fraud and those outside the health service who also deal with crime.
- 3.4 While every effort is made to ensure the accuracy of the information contained in this report, the intelligence assessment is limited by the availability and quality of the information accessible by NHSCFA.
- 3.5 In order to reflect and describe the accuracy of any assessment, NHSCFA have adopted four levels of confidences;
- Almost Certain: >90%
 - Highly Likely: 75-85%
 - Probable: 55-75%
 - Realistic Probability: 25-50%
- 3.6 In using these confidence levels NHSCFA has taken into account, the source, the age and reliability of the material used and any extenuating factors when forming the assessment. The use of confidence levels is to provide a consistent approach when assessing information whilst trying to avoid any misinterpretation or misrepresentation of the intelligence.

4. The economic cost of fraud

- 4.1 NHSCFA estimates that the direct cost of fraud to the public purse was **£1.29 billion** for 2016 - 2017.
- 4.2 NHSCFA's knowledge and understanding of crime risks is not uniform. While we may have intelligence that crime is occurring in a particular area, the weight of information to support this view may be insufficient to establish this with high confidence. This variance in our understanding is expressed through levels of confidence in each estimate provided.
- 4.3 Table 1 highlights the associated estimated fraud losses and assessed levels of confidence for each thematic area.

Thematic area	Estimated loss to fraud (£ millions)					
	Confidence level	Almost certain	Highly likely	Probable	Realistic probability	Total
Help with health costs (patient fraud)		£35.3m		£50.3m	£256.1m	£341.7m
NHS staff frauds					£94.2m	£94.2m
Optical contractor fraud				£79m		£79m
Dental contractor fraud					£126.1m	£126.1m
Community pharmaceutical contractor fraud					£111m	£111m
General practice fraud					£88m	£88m
Fraudulent access to NHS care in England					£35m	£35m
European Health Insurance Card			£0.6m		£21.1m	£21.7m
NHS pensions				£2.2m		£2.2m
National tariff and performance data manipulation					£108m	£108m
Procurement and commissioning fraud					£266m	£266m
NHS student bursary scheme					£10.7m	£10.7m
Fraud against NHS Resolution administered funds					£12.3m	£12.3m
Total		£35.3m	£0.6m	£131.5	£1.12bn	£1.29bn

Table 1. Estimated fraud losses by thematic area and associated confidence levels for 2016 – 2017. Discrepancies in the total figure may occur due to rounding to one decimal point.

5. Context within the NHS

- 5.1 Fraud is estimated to cost the UK government £29 - £40 billion each year. This estimate includes both detected fraud and a much larger amount of fraud that goes either undetected or unmeasured. For the public sector to deliver true value for money, it is imperative to shine a light on fraud affecting it, thereby increasing our capability to prevent, detect and combat fraud.
- 5.2 Expenditure on health makes up approximately 8% of the UK GDP. The NHS in England, which receives much of this amount, is large and diverse. The NHS in England employs around 1.2 million people and is one of the world's largest workforces. Its budget for the delivery of healthcare in 2016 - 2017 stood at £120.5 billion. The sheer size of the NHS alone presents considerable opportunity for fraud.
- 5.3 Intelligence gathering within the context of the NHS faces three major challenges:
- Fraud is a hidden crime.
 - Collaboration, data sharing and proactive fraud detection.
 - Fraud is underreported.
- 5.4 During 2016 - 2017, NHSCFA received 4,602 fraud information reports. The NHS spends billions of pounds, employs large numbers of staff and commissions patient services widely. It also provides a high number of patient interactions and has numerous high and low value contractual relationships with a wide range of suppliers.

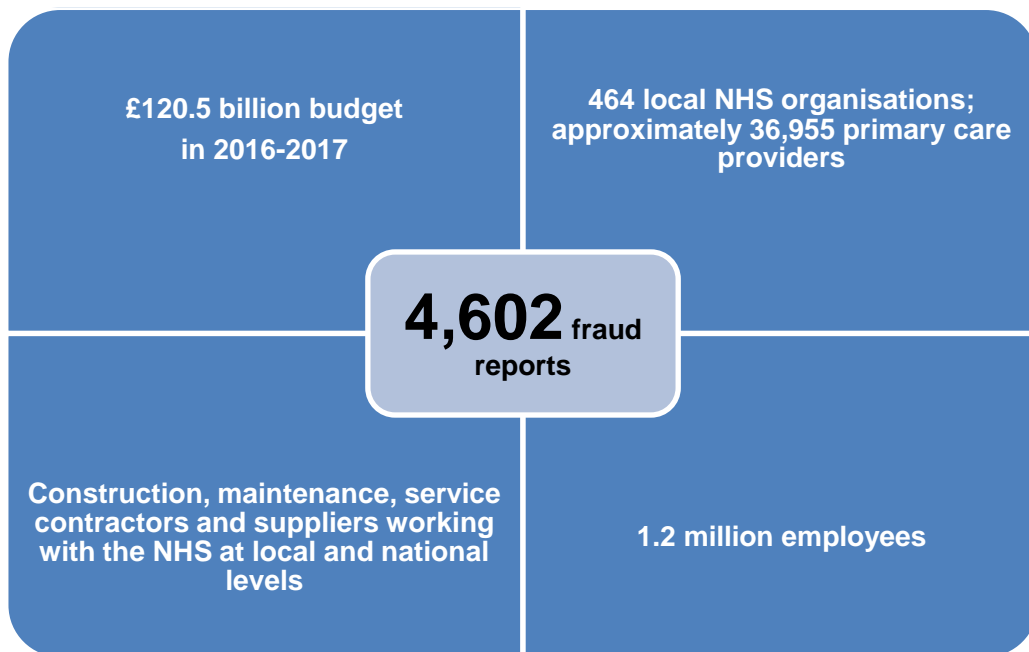


Figure 2. Number of fraud information reports in the context of the NHS. There are 464 local NHS organisations, 7,763 GP practices and approximately 11,700 community pharmacies, 9,113 dental practices providing NHS care and 7,250 opticians' premises

6. Thematic fraud narratives

6.1 Help with health costs (patient fraud)

Estimated Loss: £341.7 million

Confidence: £35.3 million (almost certain, >90%)

£50.3 million (probable, 55 – 75%)

£256.1 million (realistic probability, 25 - 50%)

- 6.1.1 Help with health costs relate to an individual who is not entitled to free NHS treatment, services or medication but is purporting to be exempt from paying for NHS services.
- 6.1.2 Patients claiming entitlement to NHS funded treatments or services, such as free or discounted prescriptions, dental treatments or optical services, when they are not eligible is a prevalent fraud risk affecting the NHS¹.
- 6.1.3 NHSCFA assesses the combined loss to the NHS through patient fraud to be approximately £341.7 million. Of this figure, NHSCFA has the highest confidence in £35.3 million, with further losses of £50.3 million as 'probable' and £256.1 million as a 'realistic probability'.
- 6.1.4 The NHS is exposed to patient fraud in three key areas:
- prescription charge evasion **£256.1 million**
 - estimated NHS expenditure of £8 billion

 - dental charge evasion **£50.3 million**
 - estimated NHS expenditure of £786 million

 - optical voucher abuse **£35.3 million**
 - estimated NHS expenditure £481 million
- 6.1.5 The NHS in England has financial recovery mechanisms in place to recover some of the losses from prescription and dental charge evasion. The Prescription Exemption Checking Service (PECS) and Dental Exemption Checking Service (DECS) are delivered by the NHSBSA, which assumed the responsibility in 2014.
- 6.1.6 The PECS process quotes a loss recovery of £15.4 million in 2016-2017, with 1 million penalty charge notices (PCN) issued. In the Dental arena, the loss recovery amounted to £7.7 million, with 385,770 PCNs issued².

¹ Where patients are able to claim entitlement to free or discounted NHS treatments or services, such as free or discounted prescriptions, free or discounted dental treatment, or free optical services, patients can claim entitlement for a variety of reasons, including age, receipt of benefits, and certain medical or maternity conditions. Patients should usually be asked for evidence of their entitlement at the point of service, as part of the practitioner's contractual obligations, but are under no obligation themselves to provide such evidence. In some categories (e.g. benefits) there is no suitable evidence available.

6.2 NHS staff frauds

Estimated Loss: £94.2 million

Confidence: Realistic Probability (25-50%)

- 6.2.1 NHS staff frauds primarily relate to NHS employees who fraudulently inflate or falsify their income, expenses or working hours for financial gain. Furthermore it describes identity fraud where the person is purported not to be the person they presented themselves to be, or misrepresented qualifications and experience.
- 6.2.2 Taking into account the estimated total net staffing costs for the NHS was £47.1 billion in 2016-2017, it is assessed that there is a realistic probability that the loss to payroll fraud within the NHS is £94.2 million.
- 6.2.3 Previous estimates for the loss to payroll and identity fraud were calculated using 0.2% figure published by the National Fraud Authority in 2013. Since 2013 NHSCFA has not assessed payroll fraud or identity fraud risks and in the absence of a full internal assessment, 0.2% will be used to measure fraud loss

Payroll fraud

- 6.2.4 Payroll fraud remains the most prevalent type of non-patient fraud reported to NHSCFA in the last calendar year.
- 6.2.5 Payroll fraud includes:
- Timesheet and overtime fraud
 - Employees working elsewhere whilst on sick leave or on NHS time
 - Expenses and allowances
- 6.2.6 Payroll fraud often occurs due to the lack of payment verification and inadequate managerial supervision. In the majority of cases it is reported to NHSCFA by unknown or anonymous NHS sources. However there is a number of finance or HR staff as well as clinical or nursing managers who have come forward and reported suspicions and/or allegations.

Identity fraud

- 6.2.7 It is considered highly likely that the majority of identity and right to work issues are currently not being identified and reported to NHSCFA. This view reflects various approximations as to the number of irregular migrants resident in the UK, the NHS' position as a major UK employer, and the known challenges of validating fraudulent or counterfeit documents.
- 6.2.8 NHSCFA judge that the payroll fraud risks are greater where temporary staff are employed via an agency; where on balance, it is considered that the standard of employment vetting undertaken by agencies is sometimes lower than that undertaken by NHS bodies directly.

6.3 Optical contractor fraud

Estimated Loss: £79 million

Confidence: Probable (55-75%)

- 6.3.1 Optical contractor fraud relates to inappropriate claiming and/or dispensing at the practice or the care provided in homes, nursing, residential or day care facilities.
- 6.3.2 During 2016 – 2017 NHSCFA received one allegation for every £19.6 million reimbursed through the GOS scheme³. When comparing the level of allegations received against the loss to fraud or expenditure associated to ophthalmic services, it is assessed that levels of reporting is low in comparison.
- 6.3.3 During 2016, NHSCFA undertook a loss analysis⁴ exercise focusing on NHS funded ophthalmic services in England throughout 2015 - 2016 which outlined an estimated loss of £79 million.
- 6.3.4 NHS Digital acquires its data via the Central Ophthalmic Payment System (COPS), however steps are being taken to transfer COPS to a new provider. Due to changes in the way data is currently being collected whilst the system is being transferred, data for 2016 – 2017 is not available to make an accurate assessment on the potential fraud loss.
- 6.3.5 Therefore NHSCFA have maintained the figure identified from the 2015 – 2016 loss analysis exercise. Although this falls outside the intelligence collection period, it has been further assessed that the landscape for ophthalmic services has not changed significantly over the twelve months in between.
- 6.3.6 Relying on the loss analysis published in 2016 it is assessed probable that the fraud loss against optical contractors is £79 million. It should be noted this figure represents the loss in 2015 – 2016, yet it would be reasonable to assess that without significant changes in the landscape, the fraud loss for 2016 – 2017 would follow a similar pattern.
- 6.3.7 Other findings from the loss analysis highlighted that the ophthalmic practitioner did not fully understand the patient's entitlement status and/or they were aware that the service will be funded by the NHS and it is the responsibility of the patient to ensure they are entitled to this NHS funded service.

³ Explanation of GOS Voucher scheme can be found at <https://www.nhs.uk/NHSEngland/Healthcosts/Pages/nhs-voucher-values.aspx>

⁴ Loss Analysis describes an exercise where NHSCFA validates the claims submitted by the contractors or by the patient / service user themselves. Once the exercise is completed, the returned data is analysed with a high level of confidence loss identified. Once the loss figure has been derived it is then extrapolated out against the specific expenditure to produce a national loss figure.

6.4 Dental contractor fraud

Estimated Loss: £126.1 million

Confidence: Realistic Probability (25-50%)

- 6.4.1 Dental contractor fraud relates to inappropriate claiming \ dispensing at the practice relating to services delivered as defined by the contractual agreements. Private work carried out and impact on the NHS
- 6.4.2 During 2016 – 2017 NHSCFA received one allegation for every 415,625 courses of treatment. It is assessed that due to amount of reports relating to Dental contractor fraud, this thematic area is under-reported making it difficult to provide an accurate assessment of the threats and vulnerabilities.
- 6.4.3 Approximately £2.8 billion was paid to 9,113 dental practices in 2016 - 2017. NHSCFA estimates that there is a realistic probability that the loss to the NHS through dental contract fraud is £126.1 million. This is an increase from the 2015 - 2016 estimation of £120.7 million.
- 6.4.4 An NHSCFA fraud loss exercise undertaken in 2009 - 2010 estimated that the NHS lost £120.7 million to dental contractor fraud. This was based on approximately one million inappropriate claims submitted to the NHS.
- 6.4.5 Since the 2009 – 2010 fraud loss exercise, the NHSBSA has continued with its programme of activity to maximise behaviour change amongst dentists; split courses of treatment have been the focus of this activity. Although the NHSBSA have noted a reduction in a specific type of inappropriate claim equivalent to £6.8 million during 2015 - 2016, no detailed analysis has been carried out to identify whether this a definitive change in fraudulent behaviour, or if the fraud has been displaced to other risk areas within dental services. This reduction has not therefore been factored into NHSCFA's estimate.
- 6.4.6 NHSCFA has a low confidence in the current quoted estimation of £126.1 million. Most of the limited reports to NHSCFA are based on dental contractor fraud but due to having to rely on 2009 - 2010 fraud rates, the estimation of £126.1 million remains a realistic probability.

6.5 Community Pharmaceutical contractor fraud

Estimated Loss: £111 million

Confidence: Realistic Probability (25-50%)

- 6.5.1 Community pharmaceutical contractor fraud describes inappropriate claims relating to dispensing and enhanced services offered at the premises. Inflation of fees, allowances and reimbursements claimed under the drug tariff and activities that contravene the terms of the contractual agreement.
- 6.5.2 Throughout 2016 – 2017 NHSCFA received one allegation per 90 community pharmacist. When taking into account the approximate expenditure within the pharmaceutical arena it is assessed that community pharmaceutical fraud is under-reported.
- 6.5.3 Pharmaceutical contractors receive approximately £11.1 billion a year from the NHS; £8.3 billion from payments for drugs and a further £2.8 billion from the annual funding settlement. NHSCFA have not conducted any loss analysis exercises on pharmaceutical contractors. However, other exercises across the public sector have identified a fraud rate in England of 1% - 3.5%.
- 6.5.4 If the higher estimate of 3.5% were to be applied to the budget available to pharmaceutical contractors, this would produce a value of approximately £388.5 million.
- 6.5.5 NHSCFA assess that there is a realistic probability that the estimated loss from pharmaceutical contractor fraud is approximately £111 million; however the stated estimate should be treated with low confidence.

6.6 General Practice fraud

Estimated Loss: £88 million

Confidence: Realistic Probability (25-50%)

- 6.6.1 General practice fraud describes the manipulation of income streams or activities that violate contractual terms perpetrated by either practitioners or staff members.
- 6.6.2 During 2016 – 2017 the NHSCFA received one allegation per 75 GP practices. If the level of reporting was indicative of the prevalence of fraud then each allegation received would financially equate to £8.8million each. NHSCFA is not seeing that value of fraud attached to the allegations so it is therefore further assessed that this area is under-reported.
- 6.6.3 Approximately £8.8 billion was paid to 7,763 general practice providers during the financial year 2016 - 2017. This includes:
- £5.9 billion to 5,301 providers with a General Medical Services (GMS) contract
 - £2.6 billion to 2,127 providers with a Personal Medical Services (PMS) contract
 - £268.6 million to 279 providers with an Alternative Provider Medical Services (APMS) contract.
- 6.6.4 NHSCFA has not reviewed in particular depth General practice fraud during this reporting period and is therefore reliant on historic loss analysis exercises conducted for other primary care areas to provide a fraud loss rate. The loss analysis identified fraud rates between 1% to 3.5% between various thematic areas.
- 6.6.5 Applying a 1% fraud rate to the general practice budget for 2016 - 2017, it is estimated that the loss to the NHS through fraud is approximately £88 million. However if we apply the 3.5% the estimated loss would be £264 million.
- 6.6.6 Confidence in this is low as a result of a poor intelligence picture and large disparity between the loss ranges. This estimate should therefore be treated with caution.
- 6.6.7 There have been no significant changes within the general practice environment in the last 12 months which could impact on the fraud rate; therefore NHSCFA's assessment of the risk has not changed.

6.7 Fraudulent access to NHS care in England

Estimated Loss: £35 million

Confidence: Realistic Probability (25-50%)

- 6.7.1 Fraudulent access to NHS care relates to inappropriate access to NHS secondary care by foreign nationals or British nationals permanently resident overseas when visiting the United Kingdom with the intention to avoid payment for services delivered.
- 6.7.2 Throughout 2016 – 2017 NHSCFA received seven allegations per 1,250⁵ health tourists.
- 6.7.3 NHSCFA assess that there is a realistic probability that £35 million could be lost to individuals travelling to England with the deliberate intention of obtaining free healthcare to which they are not entitled. This estimate does not cover the cost of overseas visitors⁶ to the NHS, rather just those with a deliberate intention to deceive.
- 6.7.4 Due to lack of intelligence on the subject NHSCFA have previously taken the conservative position that there is a realistic probability that 50% of those identified accessing the NHS would be actively trying to defraud the NHS by obtaining free health care they are not entitled to.
- 6.7.5 However, this estimate should be treated with caution, as there have been limited studies into the costs attributed to overseas visitors on the NHS. In 2015 the Department of Health and Social Care commissioned research which identified that the estimated overall cost for treating foreign nationals was £70 - £300 million.
- 6.7.6 There is an intrinsic difficulty in identifying those who aim to defraud the NHS; the current rules on overseas visitors' access to NHS secondary care are inconsistently applied across the NHS. It has been previously reported that the complexity of the current rules around eligibility undermines the ability and efficiency of hospitals to identify chargeable patients. Current primary care rules give GPs discretion on who they allow to register, in practice most patients are allowed to register.
- 6.7.8 Registering with a GP does not automatically grant a patient access to secondary care; however it can lead primary care services to struggle to distinguish between patients who should be charged for treatment and those who are exempt.
- 6.7.9 With events around Brexit and its impact on the perception of access to UK services from foreign nationals, it is unclear how fraudulent access to NHS care will be affected in the future.

⁵ Conservative estimate of 50,000 health tourists per annum based on the 2013 report 'Quantitative Assessment of Visitor and Migrant use of the NHS in England – Exploring the Data'.

⁶ Individuals not usually resident in the UK and not exempt from NHS charges

6.8 European Healthcare Insurance Card (EHIC)

Estimated Loss: £21.7 million

Confidence: £640,000 (highly likely, 75 – 85%)

£21.1 million (realistic probability, 25 – 50%)

- 6.8.1 European Healthcare Insurance Card relates to someone who is not entitled but has obtained or using an EHIC to access care within the NHS or in a member state.
- 6.8.2 During 2016 – 2017 NSHCFA received one allegation for every £140,000 lost to fraud or error during the application or claim stage of the process.
- 6.8.3 NHSCFA assess that the estimate threat of fraud and error from the misuse of EHIC⁷ in both the application process and claims process is approximately £21.7 million. This is further broken down to suggest that it is highly likely £640,000 is lost to fraud and error during the application stage whilst it is assessed a realistic probability that £21.1 million is lost via the EHIC payment stage.
- 6.8.4 The £640,000 estimated loss during the application stage is primarily attributed to the production and logistical costs of issuing EHIC's to individuals who are not entitled to receive one.
- 6.8.5 The remainder, £21.7 million is primarily attributed to individuals using fraudulently obtained EHIC or submitting false claims to access healthcare in European member states.
- 6.8.6 The Department of Health and Social Care, International Healthcare Team has legal responsibility for activities supporting cross border healthcare for UK residents in the EEA, Switzerland and British Overseas territories. This amounts to an annual budgetary commitment of over £630 million.
- 6.8.7 The UK EHIC service is part of their statutory responsibility pursuant to EU healthcare regulations and makes approximately £100 - £120 million per year in EHIC payments to other member states.
- 6.8.8 It should be noted that the impact of the United Kingdom's planned exit from the European Union has not been assessed with regards to the EHIC and any subsequent bi-lateral agreements.

⁷ People who are ordinarily resident in the UK are entitled to an EHIC card for use in Member States of the European Economic Area (EEA). UK EHIC cardholders have the right to access clinically necessary, state provided, medical treatment that cannot wait until a planned date of return during a visit to an EEA country or Switzerland. This can be at a reduced cost or sometimes free of charge.

6.9 NHS Pensions

Estimated Loss: £2.2 million

Confidence: Probable (55-75%)

- 6.9.1 NHS pensions relates to the fabrication or failure to notify pension administrators of material changes to their circumstances that would affect their eligibility for receiving NHS pension.
- 6.9.2 Throughout 2016 – 2017 NHSCFA received approximately 3 allegations for every £230,000 lost to fraud and error per annum.
- 6.9.3 The NHS Pension scheme is Europe's largest pension scheme paying out approximately £9.8 billion in 2016 - 2017 in pension payments, lump sum payments, widow and dependent payments, death gratuities, transfers out, and payments to other schemes and refunds. As of the 31st March 2017 the number of active members is 1,505,494 and growing. As with other public sector pensions the greatest risk of fraud associated with NHS Pensions is judged to be suppression of death fraud⁸.
- 6.9.4 In addition to the internal procedure of confirming entitlement with the recipient, the NHS Pension Scheme takes part in a bulk matching exercise with the NFI, co-ordinated by the Cabinet Office. Since 2015 the data matching exercise is conducted twice a year.
- 6.9.5 The National Fraud Initiative (NFI) has estimated the value of pension fraud, overpayment and error, nationally, at £85.1 million with approximately 98% of the cases being from public sector pension schemes. The NFI have assessed that frauds and overpayments most often occur when relatives fail to notify the pension scheme that the pension recipient has died.
- 6.9.6 NHSCFA assesses the loss due to fraud from the NHS Pension scheme is approximately £2.2 million of which is assessed to be probable due to previous data matching through the National Fraud Initiative.
- 6.9.7 Historically the NHS has recruited extensively from overseas. As the population ages, it is considered likely that more NHS pensions will be paid overseas. NHSCFA judges that the threat to pension fraud will increase as the number of pensions paid overseas increases.

⁸ Suppression of death fraud describes an instance where an individual associated to the deceased fails to notify or intentionally hides the death from the relevant body, thus allowing the continuation of pension payments.

6.10 National Tariff and performance data manipulation

Estimated Loss: £108 million

Confidence: Realistic Probability (25-50%)

- 6.10.1 Nation tariff and performance data manipulation of data and the payment by result (PbR) system to intentionally falsify performance in order to financially gain.
- 6.10.2 During 2016 – 2017 NHSCFA received one allegation for approximately every £3.78 million lost to fraud or error.

National Tariff

- 6.10.3 NHSCFA assess that there is a realistic possibility that approximately £108 million is lost to fraud through Payment by Results (PbR) manipulation.
- 6.10.4 The Payment by Results (PbR) reimbursement mechanism is used to fund acute, mental health and community services care.
- 6.10.5 It is estimated that £36 billion of secondary care funding is paid in this manner PbR. Based upon historic data it is estimated that 0.3% of PbR claims made to them are fraudulent. If this percentage is applied to PbR data in the NHS it can be estimated that £108 million may be lost to fraud per annum.
- 6.10.6 The current systems employed are set up in such a way that commissioners are dependent on data received from providers in order to monitor provisions, quality of services and, ultimately derive payment. This opens up a real potential for data manipulation for financial gain on the part of the providers.

Performance data manipulation

- 6.10.7 Besides falsifying or manipulating data to attract higher payments for treatments and services, there may also be incentives for providers to falsify performance data in order to avoid breach penalty fines for missed targets.
- 6.10.8 The Care Act 2014 has put in place a new criminal strict liability offence applicable to care providers who supply, publish or otherwise make available certain types of information that is false or misleading, where that information is required to comply with a statutory or other legal obligations.
- 6.10.9 The impact of this legislation upon current behaviours is unknown.

6.11 Procurement and commissioning fraud

Estimated Loss: £266 million

Confidence: Realistic Probability (25-50%)

- 6.11.1 Procurement and commissioning fraud relate to allegations of collusion, corruption and bribery within the pre-tender stages of the procurement and commissioning process. Furthermore it covers false, intentionally inflated or duplicate invoices within the post-tender stages of the procurement and commissioning stages.
- 6.11.2 During 2016 – 2017 NHSCFA received one report for approximately every £100 million spent within procurement and commissioning.
- 6.11.3 It is estimated that procurement spend across the NHS in England was approximately £17.9 billion. The amount of allegations received in relation to procurement is considerably low in comparison to the estimate loss to fraud.
- 6.11.4 NHSCFA assess that there is a realistic probability that the loss to fraud in the procurement and commissioning process to be approximately £266 million. This is broken down into two main categories;
- Non pay expenditure (£179 million)
 - Agency workers (£87 million)
- 6.11.5 In terms of pre-contract fraud, the NHSCFA understanding of the threat remains limited.
- 6.11.6 Where elements of fraud, bribery and corruption merge due to the absence of meaningful challenge, the damage caused can represent an uncompetitive market place, reputational harm and decrease value for money for the NHS in England.
- 6.11.7 In 2016 – 2017 the NHS spent approximately £3.7 billion on agency and temporary workers. The reduction in expenditure on agency staff has been attributed to the new financial control measures implemented in October 2015.
- 6.11.8 The NHS is reliant upon employment agencies and contractors to provide essential services and healthcare. Where these functions cannot be allowed to fail, there is a heightened risk of fraud.

6.12 NHS student bursary scheme

Estimated Loss: £10.7 million

Confidence: Realistic Probability (25-50%)

- 6.12.1 NHS student bursary scheme relates to falsified application or supplied false documents to support a Bursary application or other NHS funded training or financial support stream.
- 6.12.2 During 2016 – 2017 NHSCFA received one allegation for every £143,000 estimated to be lost to fraud.
- 6.12.3 The NHS student bursary⁹ is a form of financial support for students studying on an NHS funded course. NHSCFA assess there is a realistic possibility that the loss to fraud from the NHS student bursary scheme to be approximately £10.7 million.
- 6.12.4 NHSCFA last measured losses in specific elements of the NHS student bursary scheme in 2006 - 2007 and as such the assessment of loss should be created with caution.
- 6.12.5 The exercise from 2006 – 2007 identified four key areas of risk;
- Identity exploitation
 - Childcare allowance scheme
 - Personal eligibility fraud
 - Course attendance fraud – withdrawing from a course without notifying the NHSBSA
- 6.12.6 From August 2017 the NHS bursary scheme will be abolished and replaced with a more traditional student loan structure which will be solely administered by the NHSBSA. The Government's Healthcare Education Funding Reforms aims to enable universities to offer up to 10,000 extra training places and offer 25% more financial support through the new financial support structure.
- 6.12.7 However under the reforms there will still be three additional funding streams students could access;
- A non-repayable grant of £1,000 per year if they have child dependants.
 - Exceptional support of up to £3,000 per year in the case of severe hardship
 - Support for excess travel and dual accommodation expenses incurred by attending practice placements.
- 6.12.8 The impact of the reforms has not been assessed by the NHSCFA this reporting period.

⁹ The NHS Student Bursary scheme is administered on behalf of the Department of Health by NHS Student Bursaries, a division of the NHS Business Services Authority (NHSBSA). The management and allocation of funding, and the commissioning of NHS funded courses, is distributed through Local Education and Training Boards (LETBs). LETBs are overseen by Health Education England (HEE) in the planning and commissioning of healthcare training. HEE receives approximately £5bn of NHS funding to deliver its objectives.

6.13 Fraud against the NHS Resolution administered funds

Estimated Loss: £12.3 million

Confidence: Realistic Probability (25-50%)

- 6.13.1 Fraud against NHS Resolution (formerly NHS Litigation) relates to fraudulent accident / insurance claims under the Liabilities to Third Parties Scheme (LTPS) or through clinical negligence.
- 6.13.2 NHS Resolution estimates that there is a combined realistic probability of fraud losses for 2016 – 2017 at £12.3 million. The estimated loss is split into two risk areas:
- Fraud within the LTPS scheme of £1.5 million
 - Fraud within clinical negligence claims of £10.8 million
- 6.13.3 Insurance industry fraud risks are widely reported. These reports reflect opportunistic, planned and organised fraud. Fraudulent claims against NHS Resolution administered schemes broadly falls into two categories;
- Serious exaggeration of legitimate claims for damages (i.e. the claim does not reflect the harm actually suffered)
 - Falsification of the circumstances which led to a claim for damages being made (i.e. the incident did not occur as described).
- 6.13.4 NHS Resolution is most likely to see fraudulent claims relating to public liability and employer liability claims because they have wide ranging risks, i.e. fictitious incidents, exaggerated losses or personal injuries and/or non-disclosures or misrepresentation of material facts.
- 6.13.5 Matters relating to clinical negligence on the other hand is more commonly the subject of wide ranging review by numerous medical professionals prior to settlement. However, NHS Resolution is vulnerable to claims where medical professionals are dependent upon the Claimant's description. For example the levels of pain endured, which is subjective. A dishonest assessment about pain levels which restricts the Claimant's ability on a functional level, like chronic pain syndromes or nerve damage may lead to claims with significant damages pleaded.