

Strategic Intelligence Assessment 2021

Covering 2019-2020



Contents

| | |
|---|----|
| Foreword | 4 |
| Executive summary | 6 |
| The impact of COVID-19 | 7 |
| Introduction | 8 |
| Annual reporting trends | 10 |
| Procurement and Commissioning | 13 |
| Help with health costs (patient fraud) | 14 |
| General Practice (GP) contractor | 15 |
| Pharmaceutical contractors | 17 |
| National Tariff and Payment by Results (PbR) | 18 |
| NHS staff | 19 |
| Fraudulent access to the NHS from overseas visitors | 20 |
| Optical contractors | 21 |
| Reciprocal healthcare | 22 |
| Dental contractor | 23 |
| NHS bursaries | 24 |
| NHS Pensions | 25 |
| Fraud against NHS Resolution | 26 |

Foreword

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

In March 2021, the NHSCFA launched its second three-year strategy to tackle fraud in the NHS. This renewal of the organisation follows a successful three years since our establishment in November 2017. For this year’s assessment of the threats, vulnerabilities and enablers (TVE) that the NHS faces we have produced three documents that focus more clearly on the issues that are prevalent in each of these areas. This allows the NHSCFA and our stakeholders to focus resources more effectively and efficiently over the coming three years. Each document concentrates on the TVEs within the thirteen thematic areas of fraud assessed as the highest risk to the NHS.

This year’s Strategic Intelligence Assessment covers the activity that occurred within 2019-20. It is estimated that the vulnerability to fraud, bribery and corruption leads to an estimated loss of £1.14 billion.

The estimated loss is a reduction of £70 million from 2020, a further improvement on last year’s successful saving.

Our ability to consider data across the NHS has improved markedly from previous years which has informed the development of these products. Work continues to forge greater partnerships to improve this capacity yet further. The products that form this SIA are compiled through the analysis of data published in the public eye as well as data collected internally. To further mitigate the fraudulent threats to the NHS all departments ought to embrace collaboration with the NHSCFA, this would further our understanding of threats against the NHS for the next SIA.

The NHS as a whole is a very large and complex organisation; it has varying systems and processes across the service. This can pose as a challenge for the NHSCFA because we are only a small component in a very large machine. Nevertheless, we are making a considerable impact on fraudsters and will continue to work diligently to ensure funds are put back into patient care.

Finally, I would like to personally thank all our staff and stakeholders for supporting the

critical work of the NHSCFA in our second year. We are a team here at the NHSCFA and any success is a success shared. I look forward to continuing our successful mission in the fight against fraud, bribery and corruption within the NHS for 2021.

Sue Frith
Chief Executive Officer



2. Executive Summary

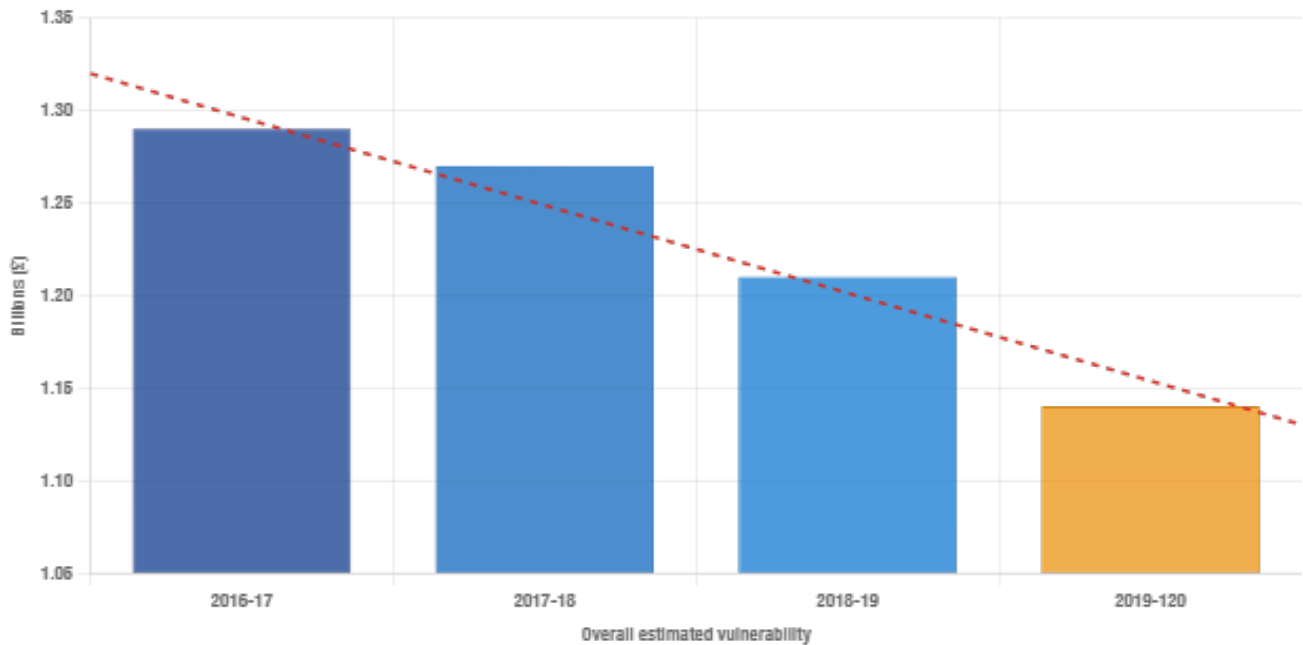
The NHS Counter Fraud Authority assess that the NHS is vulnerable to fraud, bribery and corruption to an estimated £1.14 billion.

The fraud vulnerability has been decreasing year upon year since the formation of the NHSCFA as a result of a proactive and collaborative approach from all stakeholders within the health group; working collectively to identify vulnerabilities and mitigate any risk posed.

It is important to note that 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; more capable to direct resources to mitigate against potential vulnerabilities.

Four-year vulnerability estimate (£ billion)

Change in the overall estimated loss to fraud from 2016-17 to 2019-20



3. The impact of COVID-19

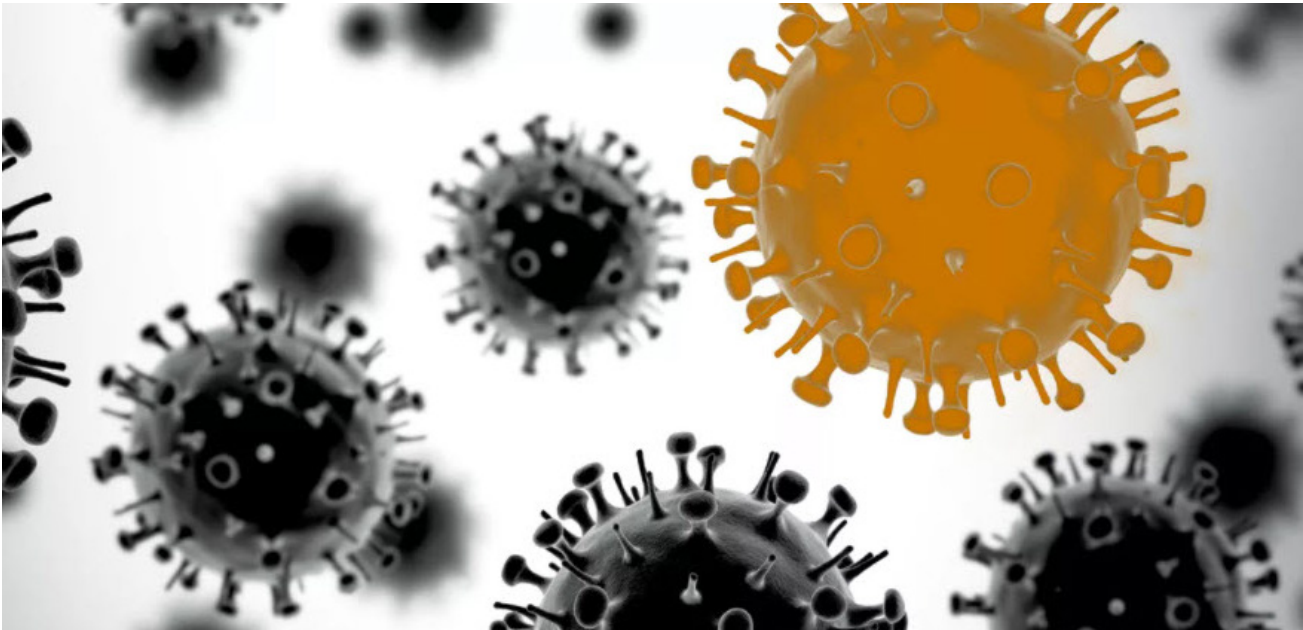
On March 11th 2020 The World Health Organisation classed COVID-19 as a pandemic. Since then the UK has gone through various stages of response to ease the pressure on the NHS and ensure that as many lives as possible could be saved.

One of the responses was the release of emergency funds to several public sector organisations, especially the NHS. The aim of the emergency funds was to ensure that the right equipment could be procured, and services maintained to cope with the increase in demand on the NHS. With this additionally funding, new fraud threats and vulnerabilities emerged.

COVID-19 has impacted on the total reporting levels the NHSCFA has received, the accuracy of activity data and resources to combat fraud during the pandemic. Due to the wide reaching impact of COVID-19 across the NHS the activity data across multiple thematic areas were not available at the time of the analysis.

It is important to note that this unusual data, as a result of the pandemic, could impact on the estimation of fraud vulnerability in this year's assessment due to the vast change and adaptations the NHS has experienced during this period.

Since the beginning of the pandemic, NHSCFA have responded by adapting their own approach in tackling fraud alongside the changing landscape. For example, the monthly production of COVID-19 threat assessments, adaptation to fraud reference guides and proactively collaborating with stakeholders to complete essential post-assurance work.



4. Introduction

The NHSCFA completes its yearly strategic intelligence assessment in order to provide an estimate of fraud losses, to identify potential threats, vulnerabilities and enablers and measure the risk of fraud to the NHS alongside the NHSCFA's ability as an organisation to mitigate this risk.

By identifying possible fraud, the NHSCFA; alongside stakeholders and other organisations, hopes to proactively reduce and stop public funds landing in the hands of criminals. It is important to note that when discussing threat groups such as patients or NHS staff, the NHSCFA are only talking about the small minority that are exploiting vulnerabilities and enablers for their own personal gain. The NHSCFA feels it is important to bring these to the forefront as the small minority of individuals are causing public distrust and damaging the reputation of an otherwise exemplary 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; reporting 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.

5. How do we calculate fraud vulnerability?

NHSCFA assesses how financially vulnerable the current thirteen lead thematic 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 NHSCFA 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 NHSCFA 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

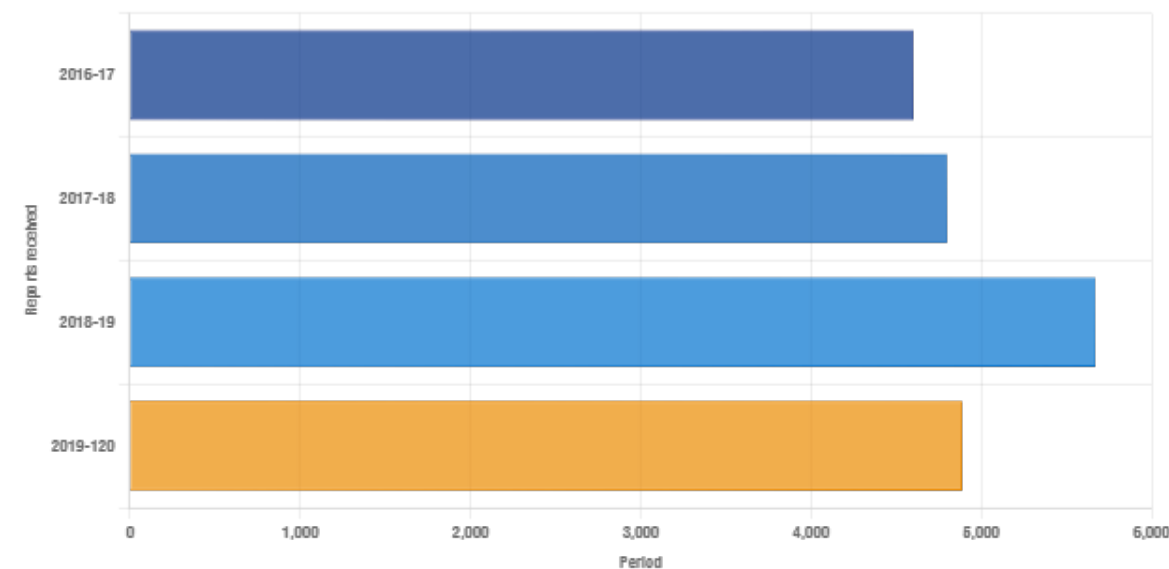
In using the probability spectrum the NHSCFA has taken into account, the source, the age and reliability of the material used and any extenuating factors to form the assessment. No particular weighting is attached to specific factors but rather a holistic approach is taken when assigning the probability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

| Percentage range | | Likelihood of occurrence |
|------------------|--|--------------------------|
| 0% - 5% | | Remote chance |
| 10% - 20% | | Highly unlikely |
| 25% - 35% | | Unlikley |
| 40% - 50% | | Realistic possibility |
| 55% - 75% | | Likely/ probable |
| 80% - 90% | | Highly likely |
| 95% - 100% | | Almost certain |

6. Annual Reporting Trends

Although reporting is down compared to last year, it is important to note that the NHSCFA overall has seen steadily increasing levels of reporting since its formation.

The fall in reporting for 2019-20 correlates directly with the emergence of COVID-19 and its effect on the NHS and its services.



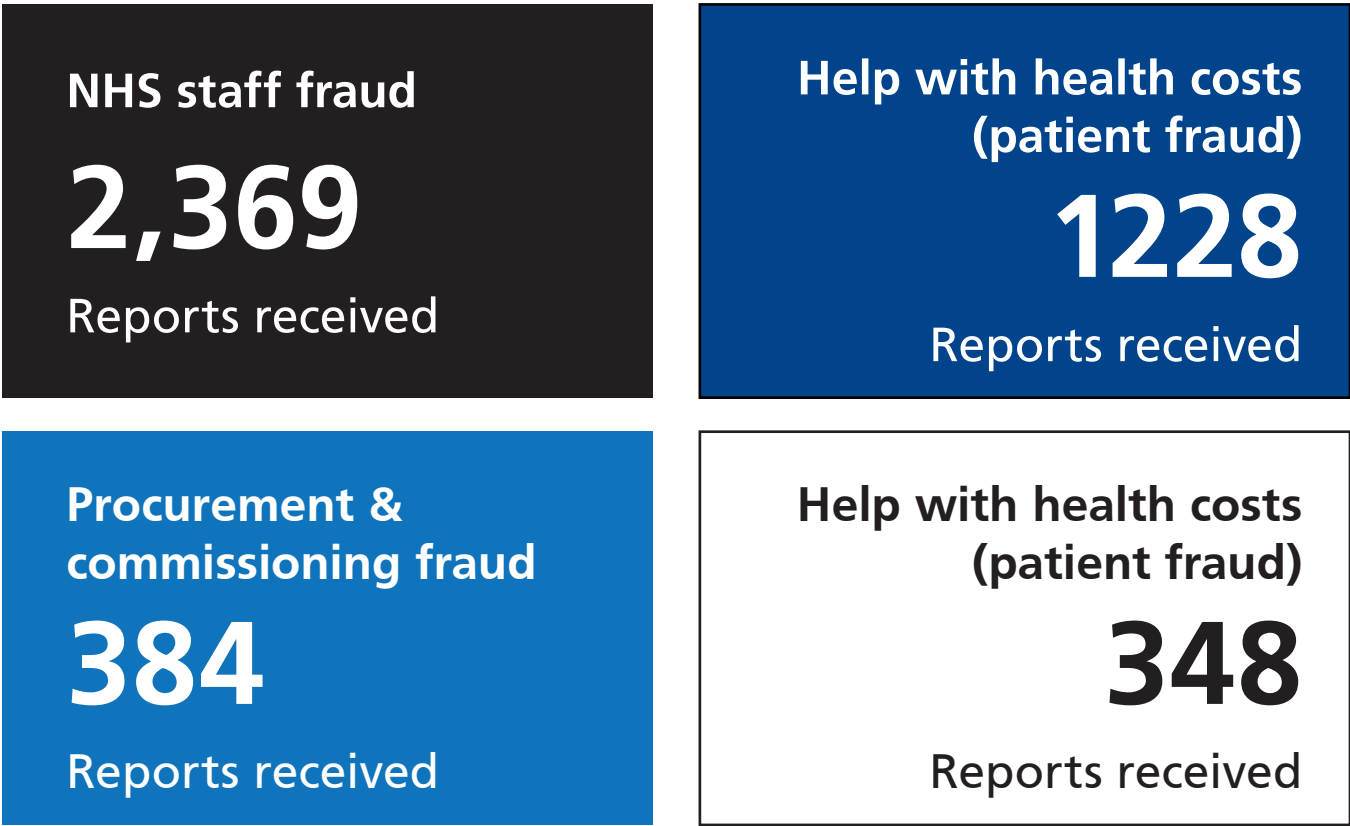
Compared to 2018-19, the NHSCFA received 784 less reports.

Since March 2020 reporting started to decline, although the decline was slightly off-set by the emergence of referrals relating to COVID-19, it was still lower month on month compared to the same time last year.

Referrals regarding NHS staff and Help with health costs (Patient fraud) saw the largest reduction in reporting, decreasing by 5.3% and 22.0% respectively. This could have been impacted by government COVID-19 prevention strategies such as self isolation, lockdown and the avoidance of hospitals.

Top 4 reported areas

Top four thematic areas by number of referrals received in 2019-20



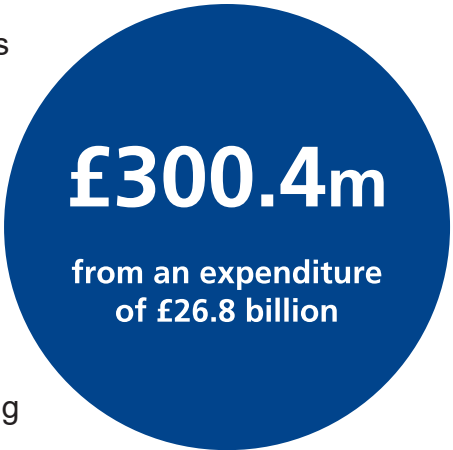
In total 4,886 reports were received. 88.6% of all referrals relate to the top 4 thematic areas, with the remaining 11.4% relating to the other 9 thematic areas.

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.

7. Procurement & Commissioning

In order to assess the potential exposure to fraud vulnerabilities in this area, two combined assessments are used. As per last year's assessment, an estimate of 1% is used as baseline in non-pay procurement expenditure, based on public sector assessments such as the Ministry of Defence and Police.

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

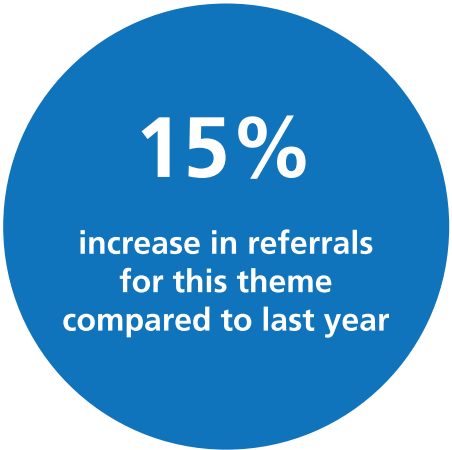
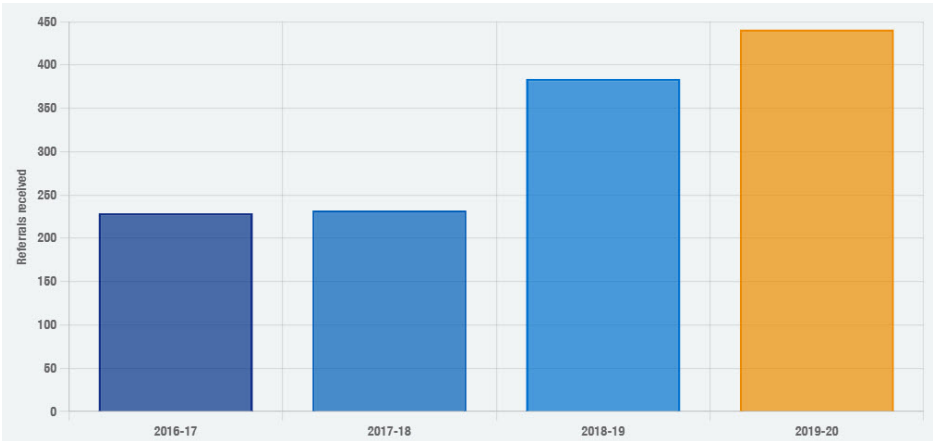


Financial fraud vulnerability: £ 300.4 million

This is made up of approximately £244 million in non-pay procurement and £56.4 million on agency workers.

Information reports received for procurement and commissioning

Change in the number of fraud referrals (allegations) received in relation to procurement and commissioning from 2016-17 to 2019-20.



8. Help with health costs (patient fraud)

Total annual expenditure for this area has increased by approximately £800 million compared to 2018-19, totalling £9.9 billion.

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

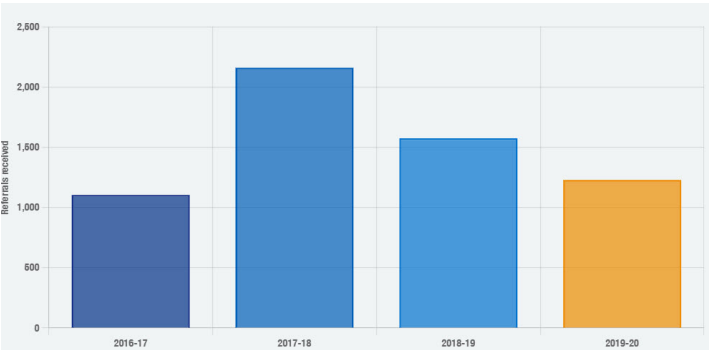
- **Prescription charge evasion;** with an estimated NHS expenditure of £8.6 billion. Financial fraud vulnerability: **£193 million**
- **Dental charge evasion;** with an estimated NHS expenditure of £815 million. Financial fraud vulnerability: **£33.8 million**
- **Optical voucher abuse;** with an estimated NHS expenditure of £528 million. Financial fraud vulnerability: **£40.9 million**

(The individual fraud vulnerability rates were applied to each exemption category in order to assess the overall vulnerability)

NHSBSA data is demonstrating positive results for this area, in that mis-claimed treatment/ prescriptions appear less prevalent; becoming more of a consistent trend. An increase in views for NHSBSA's exemption checker since 2019 and positive campaigns encouraging personal responsibility with exemption entitlement, like the 'check before you tick', also appears to be having an impact.

Information reports received for patient fraud

Change in the number of fraud referrals (allegations) received in relation to patient fraud from 2016-17 to 2019-20.



9. General Practice (GP) contractor

The GP contractor area has not been subject to a loss measurement exercise this financial year and relies on historic loss measurement reporting and comparative analysis to dental and optical contractor fraud.

Recent loss measurement exercises for dental and optical have identified overall vulnerability percentages of between 1% and 3.5%.

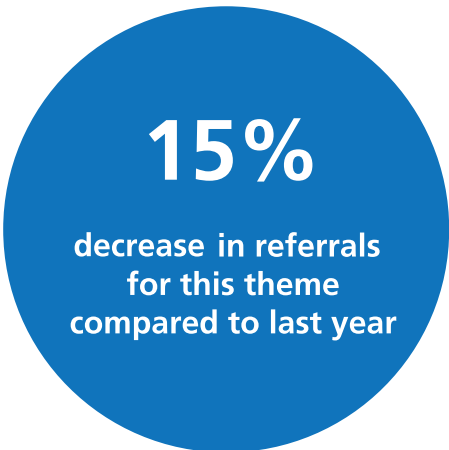
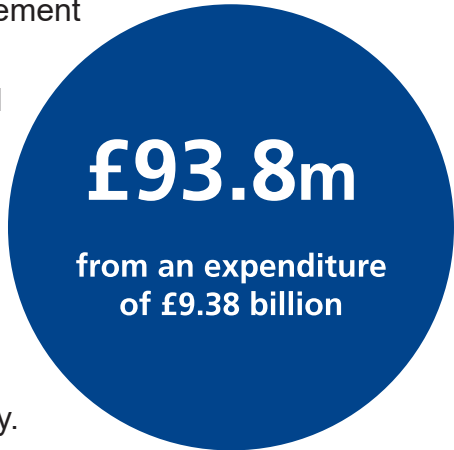
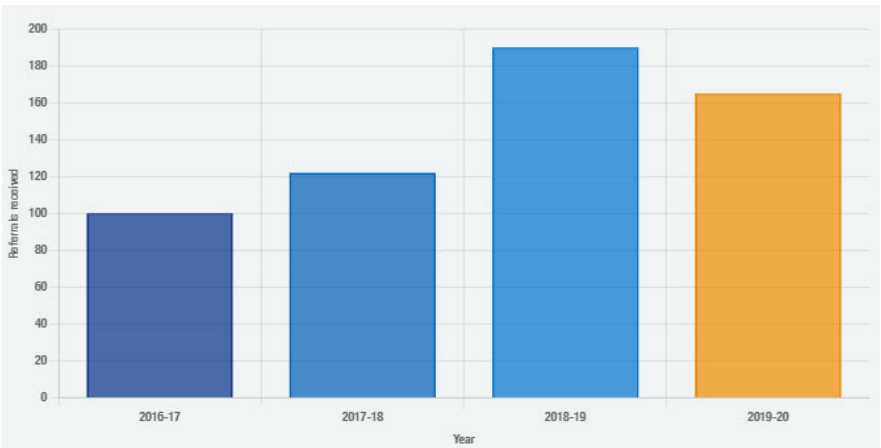
1% has been used to express the possible financial vulnerability.

Financial fraud vulnerability: £93.8 million

It is assessed that this increase; compared to last years assessment, is likely a result of increased funding to General Practice contracts and as it is estimated that the fraud loss will increase in-line with increased funding.

Information reports received for General Practice (GP) contractors

Change in the number of fraud referrals (allegations) received in relation to General Practice (GP) contractors from 2016-17 to 2019-20.





10. Pharmaceutical contractors

This area has not been subject to a loss measurement exercise this financial year and relies on historic loss measurement reporting and comparative analysis to dental and optical contractor fraud.

Recent loss measurement exercises for dental and optical have identified overall vulnerability percentages of between 1% and 3.5%.

1% has been used to express the possible financial vulnerability.

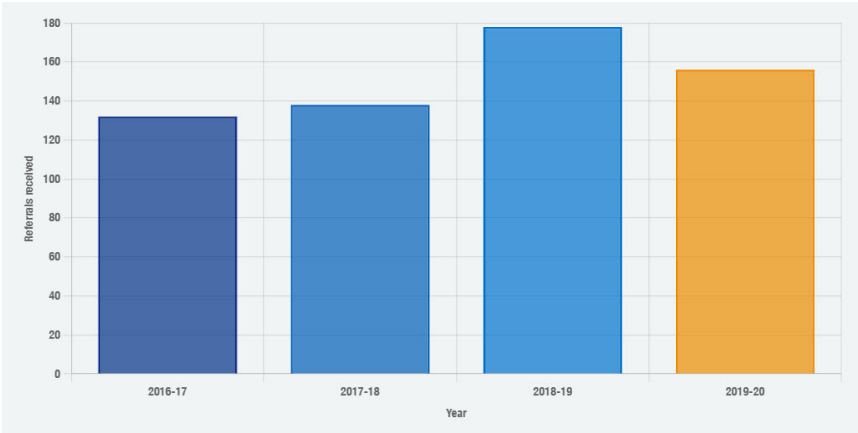
£117m
from an expenditure
of £11.7 billion

Financial fraud vulnerability: £117 million.

NHSBSA provider assurance work in this area continues with post payment verification (PPV) and it is highly likely that such activity is changing the behaviour of how some pharmaceutical contractors make NHS claims for services provided, and positively impacting on potential loss in this area.

Information reports received for Pharmaceutical contractors

Change in the number of fraud referrals (allegations) received in relation to Pharmaceutical contractors from 2016-17 to 2019-20.



12%
decrease in referrals
for this theme compared
to last year

11. National Tariff and Payment by Results (PbR)

Funding allocated by Clinical Commissioning Groups for PbR is estimated to be around £53.5 billion for 2019-20; however, due to COVID-19, the PbR process was suspended for four months in 2020 and moved to a block contract.

Calculations will be based on the spend for eight months of the year instead of the full year. Though the 4 months are calculated on previous PbR spend, block funding cannot be encompassed in the total or fraudulent figures as it was not received directly through PbR.

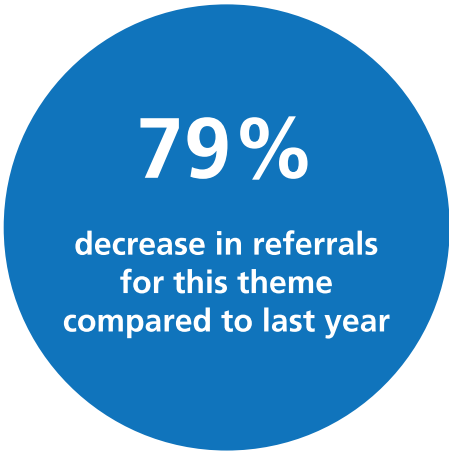
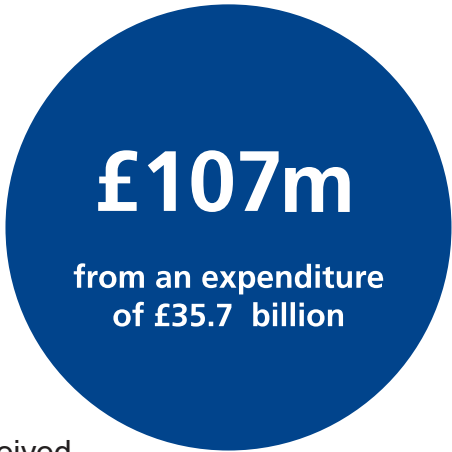
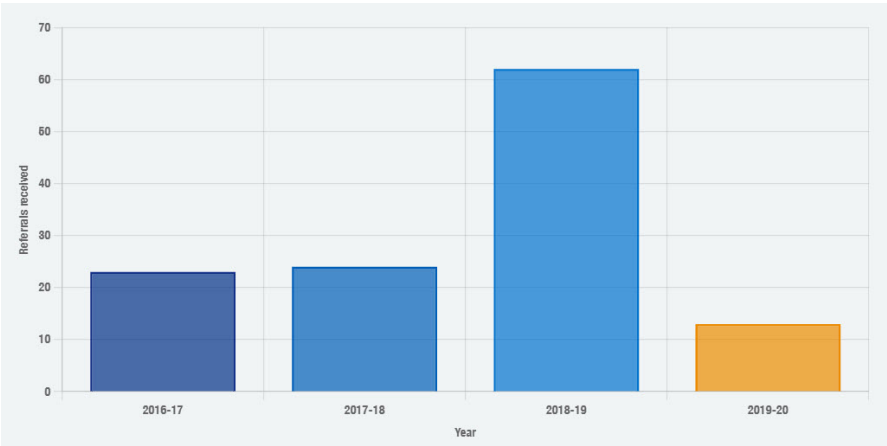
0.3% is estimated to be the standard percentage used to determine the rate of fraud for this area in England.

Financial fraud vulnerability: £107 million.

As a result of moving to a block contract for four months due to COVID-19, £29 million less was potentially lost than in the previous year.

Information reports received for National Tariff and Payment by Results

Change in the number of fraud referrals (allegations) received in relation to National Tariff and Payment by Results from 2016-17 to 2019-20.



12. NHS staff

1.32 million people are employed by the NHS in England, with an approximate staffing cost of £59.5 billion for 2019-20.

Because this area has not been directly measured this reporting period, NHSCFA apply a previously identified 0.2% estimated loss to fraud for this area.

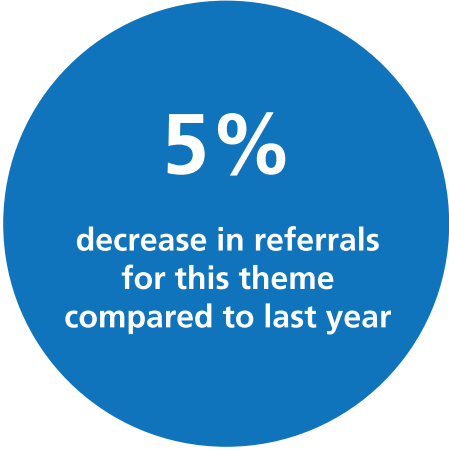
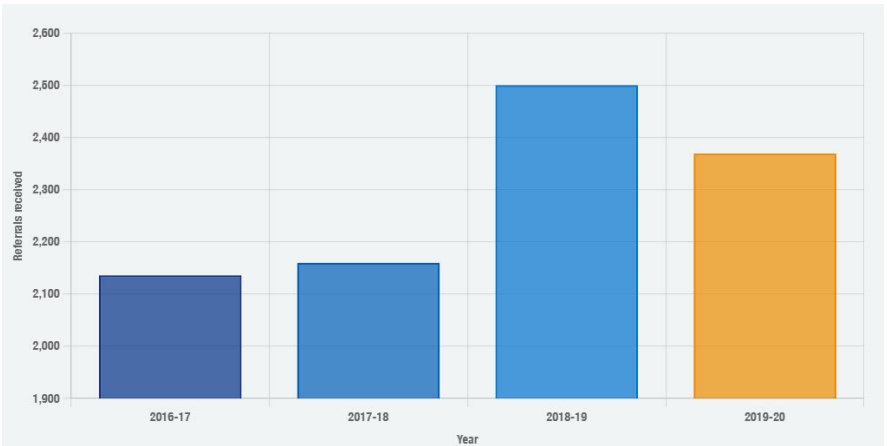
NHSCFA have applied the 0.2% estimated loss to non-basic pay expenditure and sickness absence pay between April 2019 and March 2020, in this instance.

Financial fraud vulnerability: £26.07 million.

The effects of COVID-19 may have had an impact on this area due to an increase in resources being made available to tackle the pandemic. For example, there has been a 6.3% increase in staff across the NHS between June 2019 – June 2020.

Information reports received for NHS staff

Change in the number of fraud referrals (allegations) received in relation to NHS staff from 2016-17 to 2019-20.



13. Fraudulent access to the NHS from overseas visitors

It was estimated that the cost to the NHS in this area was approximately £2 billion.

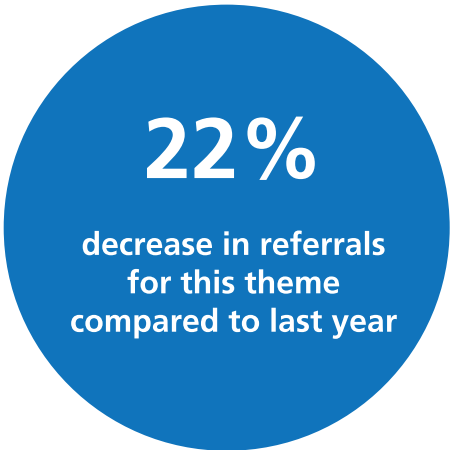
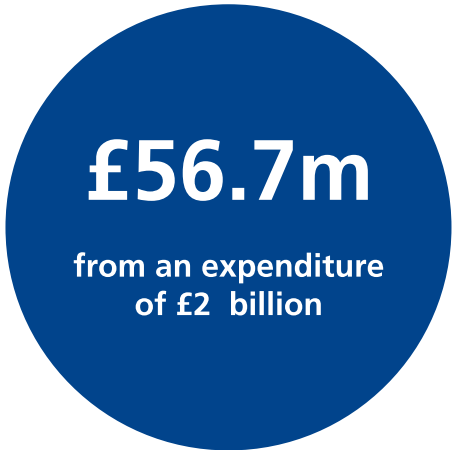
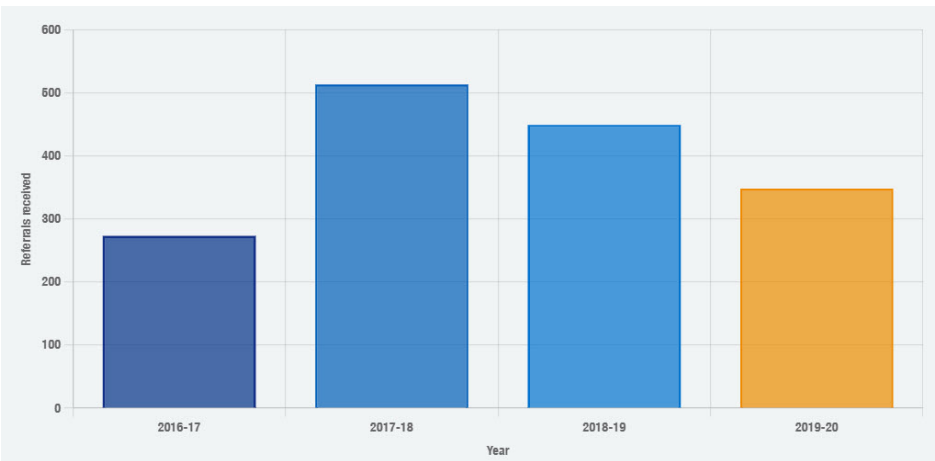
It is assessed that between 0.02% and 0.06% of tourists entering the UK were predicted to be visiting with the intention of acquiring healthcare without charge or which they were not entitled to. Therefore, the NHSCFA assesses the potential fraud vulnerability rate as 0.04%.

Financial fraud vulnerability: £56.7 million.

Due to COVID-19, changes in NHS regulations in relation to charging overseas patients for care meant that no charge can be made to overseas visitors for the diagnosis or treatment of COVID-19, up until a negative test. However, with varying travel restrictions and the introduction of patient locator forms, it is less likely that fraudulent access to NHS care from overseas visitors could occur.

Information reports received for Fraudulent access to the NHS from overseas visitors

Change in the number of fraud referrals (allegations) received in relation to Fraudulent access to the NHS from overseas visitors from 2016-17 to 2019-20.



14. Optical contractors

Based on the number of General Ophthalmic Services (GOS) optical vouchers, processed in each service area, it is estimated that £527.9 million was spent in this area by around 14,280 optical practitioners.

The NHSCFA directly measured this area in 2015-16 and identified individual potential loss rate per GOS service area. This was then applied to the most recent activity data, published by NHS Digital.

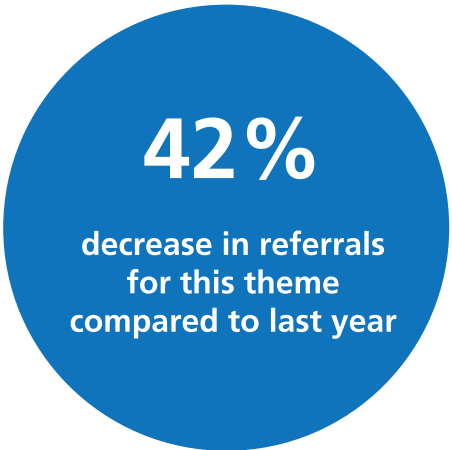
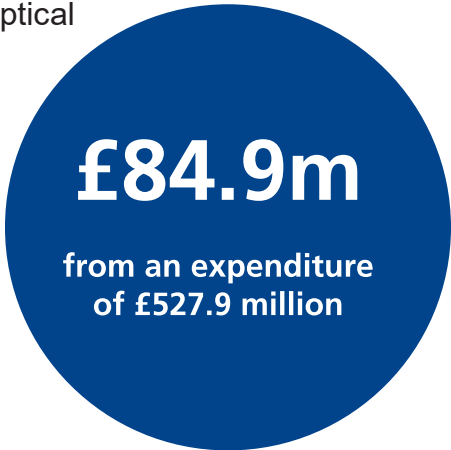
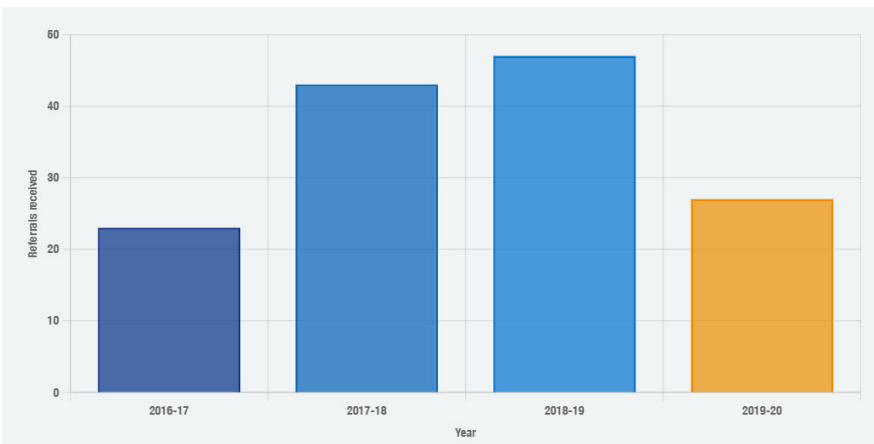
Financial fraud vulnerability: £84.9 million.

This is a slight increase on the previous year. This is most likely due to increases in expenditure for this area and GOS services rather than an increase in fraudulent behaviour.

Over the past few years, NHSCFA stakeholders, like the NHSBSA and NHS England have completed extensive provider assurance work in this area, further mitigating potential fraud vulnerability and providing a more transparent landscape.

Information reports received for optical contractors

Change in the number of fraud referrals (allegations) received in relation to optical contractors.



15. Reciprocal healthcare

It is estimated that the NHS spent £72.5 million treating individuals with EHIC cards issued abroad between 2018-19. The NHS should then be reimbursed for this by EEA countries. It is also assessed that EHIC applications cost the NHSBSA £7.8 million in 2019, giving a combined total expenditure of £80.3 million.

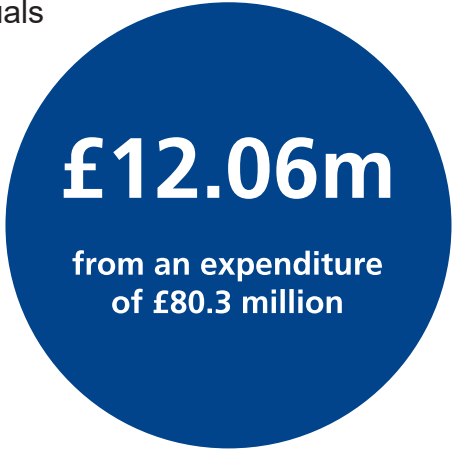
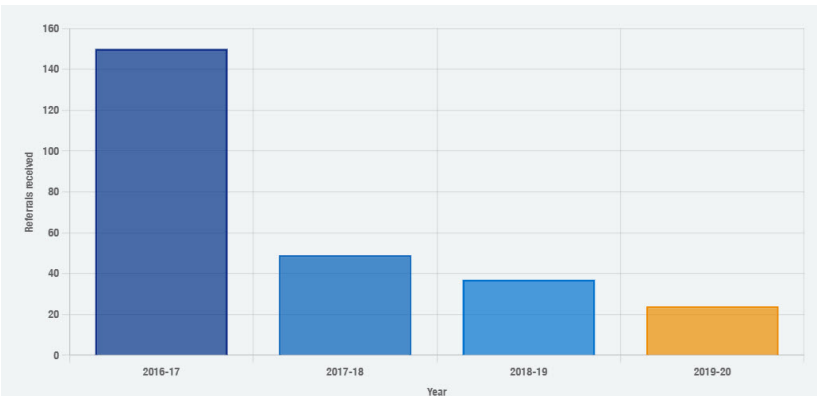
0.87% represents the average of claims reimbursed for inappropriate use of the EHIC. 1.64% represents the average percentage of claims paid for the inappropriate use of the EHIC. These are calculated separately the inappropriate claims are separated by claims reimbursed to other states and claims requested by the state.

Financial fraud vulnerability: £12.06 million.

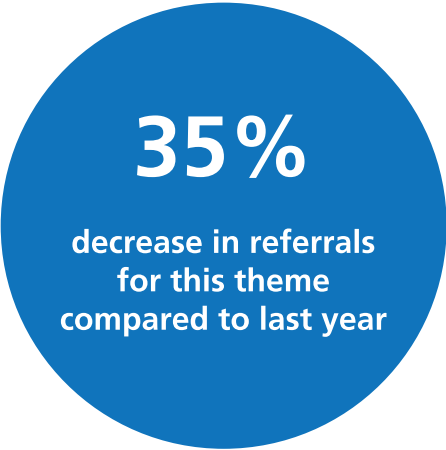
The effects of COVID-19 could impact on this area’s fraud vulnerability assessment due to restrictions imposed on countries for travel. It would not be possible to determine the cost of EHIC use or fraud during this time and therefore this assessment reflects the potential cost the NHS is vulnerable to losing. COVID-19’s impact is further indicated by the 35% reduction in referrals for this area.

Information reports received for reciprocal healthcare

Change in the number of fraud referrals (allegations) received in relation to reciprocal healthcare from 2016-17 to 2019-20.



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16. Dental contractor

Approximately £2.887 billion was allocated to Dental Service contracts in 2019-20, provided by 8,880 dental contracts and a reported 24,684 dentists.

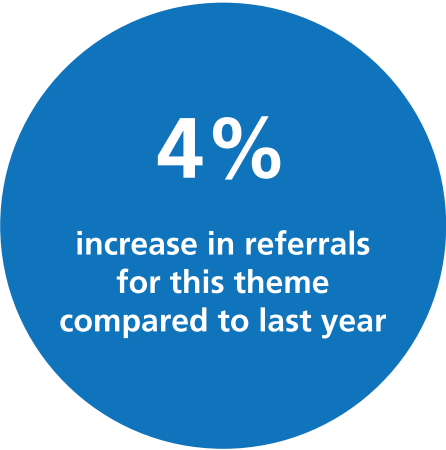
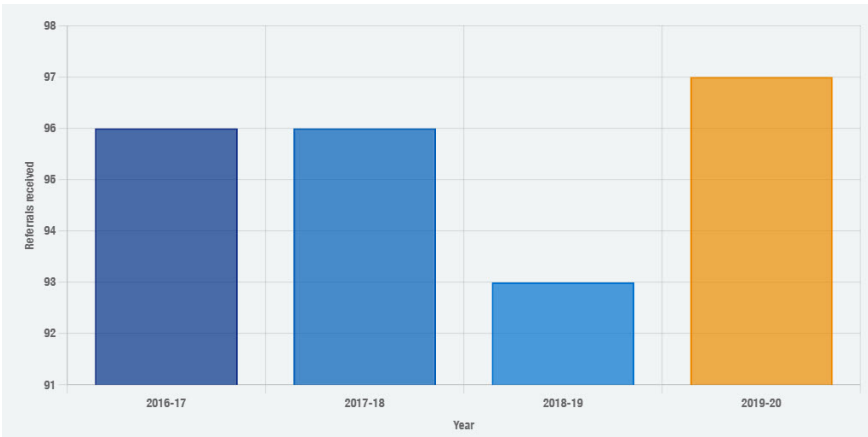
As identified in the loss measurement exercise carried out by NHSCFA in 2017-18, individual loss rates are estimated and calculated per dental treatment band. From this, the total amount of lost Units of Dental Activity (UDAs) can be calculated, and cross-referenced with contracted UDAs to obtain a vulnerability rate of 2.4%. Using the relevant datasets, total vulnerability in the area can then be calculated.

Financial fraud vulnerability: £61.3 million.

UDAs are performed through-out the financial year but the COVID-19 pandemic has had a significant impact on delivery due to the closure of dental practices from 25th March 2020 until 8th June 2020 when only urgent treatment was provided, this could explain the decrease in the fraud vulnerability rate compared to 2018-19.

Information reports received for dental contractors

Change in the number of fraud referrals (allegations) received in relation to dental contractors from 2016-17 to 2019-20.



17. NHS bursaries

Expenditure for this area has continued to decrease since NHS Bursary reforms in 2017, and as such, total expenditure for the area was approximately £199.7 million.

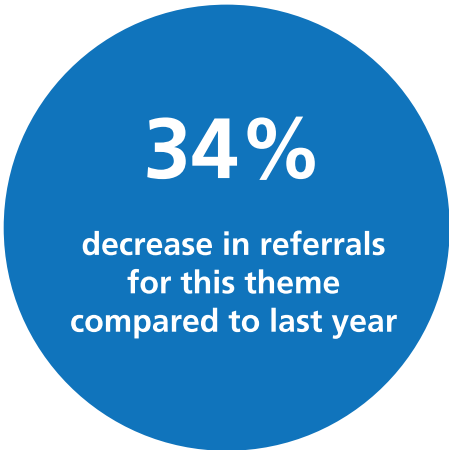
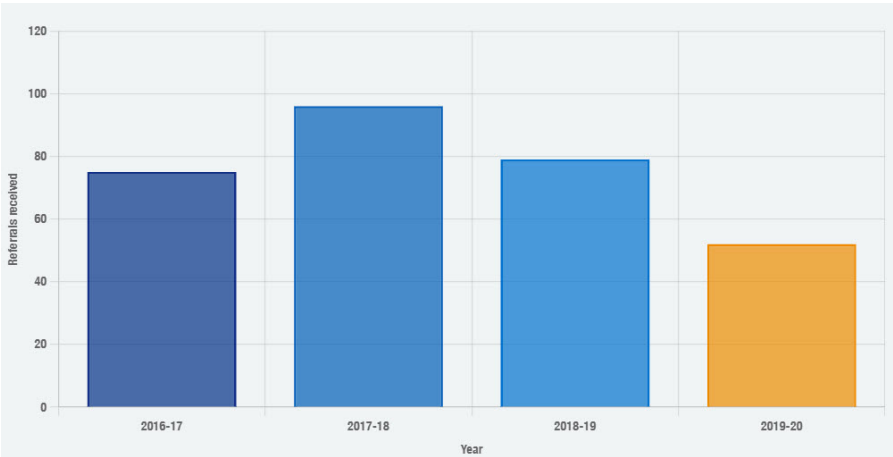
In 2017, more responsibility was handed to Student Finance to fund NHS courses, rather than the NHS directly. This means expenditure will continue to decrease until existing students funded through the NHS graduate.

NHSCFA last measured losses in specific areas of the NHS student bursary scheme in 2006-07; the exercise revealed a combined loss to fraud of 2.7%. NHSCFA is working closely with NHSBSA Student Services to further analyse this area and mitigate potential fraud vulnerability.

Financial fraud vulnerability: £5.4 million.

Information reports received for NHS bursaries

Change in the number of fraud referrals (allegations) received in relation to NHS bursaries from 2016-17 to 2019-20.



18. NHS Pensions

Figures from 2018-19 were extrapolated to estimate total expenditure for the scheme as NHS Pension Scheme Annual Accounts for 2019-20 were not yet published at the time of writing as a result of the COVID-19 pandemic.

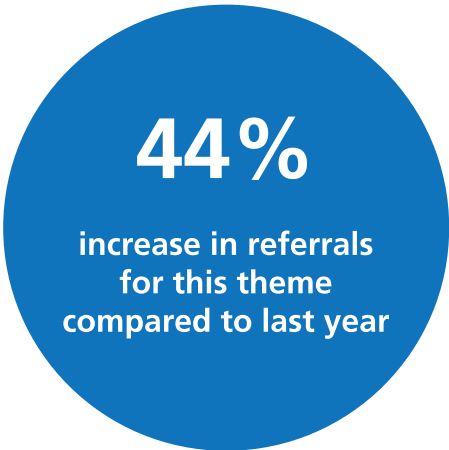
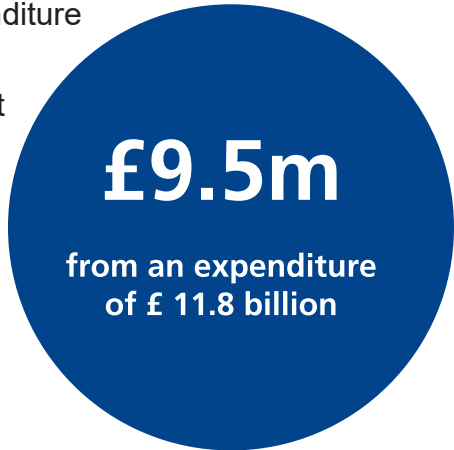
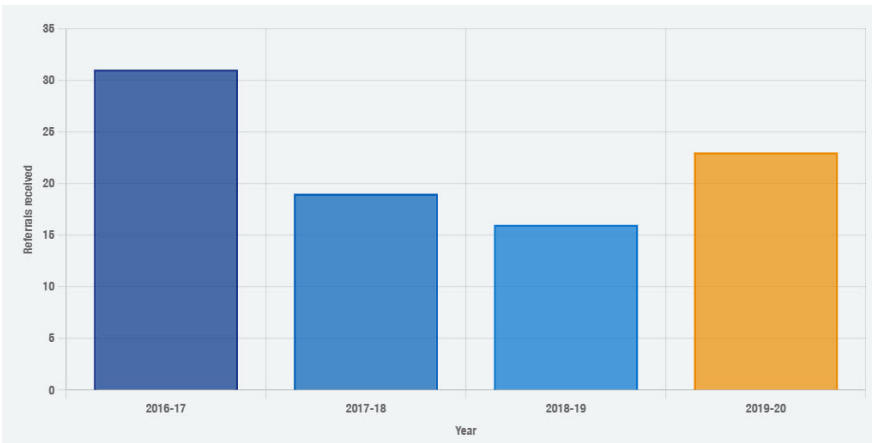
Pension payments to retired employees and dependants (net of recoveries of overpayments) was estimated to be around £9.3 billion for 2019-20 and commutations and lump sum benefits on retirement were estimated at £2.5 billion.

As a result of further collaborative work in this area by NHSCFA and its stakeholders, it was assessed that fraud vulnerability rate for this area was 0.08%.

Financial fraud vulnerability: £9.5 million.

Information reports received for NHS pensions

Change in the number of fraud referrals (allegations) received in relation to NHS pensions from 2016-17 to 2019-20



19. Fraud against NHS Resolution

NHS Resolution maintain overview of their own localised risks, threats, vulnerabilities and enablers.

Fraudulent claims against NHS Resolution administered schemes broadly fall 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 Parties Scheme (LTPS) where payments in compensation to claimants totalled £28.5 million in 2019-20 are likely to represent the most prevalent fraud risk encountered by NHS Resolution.

In 2019-20 new LTPS claims rose slightly from 3,585 received in 2018/19 to 3,744 an increase of 159 (4.4%).

The majority of LTPS claims under investigation for fraud are below the value of £50,000. NHS Resolution expenditure for all claims amount to approximately £2.44bn for 2019-20.

Liability to Third Parties Scheme

Types of claims against the Liability to Third Parties Scheme that were investigated for fraud in 2019-20 (as a percentage of the total)

