



**FOLKETINGET
STATSREVISORERNE**



**FOLKETINGET
RIGSREVISIONEN**

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**Extract from Rigsrevisionen's report
submitted to the Public Accounts Committee**

Adjustments made to hospital construction projects

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the regions and the Ministry of Health's efforts to ensure that the regions plan and make adjustments to the hospital construction projects funded by the Kvalitetsfonden (the Quality Fund) in compliance with the purpose of the funding programme and the conditions of the government's commitment. In doing so, the ministry contributes to ensuring that the construction projects are planned within the budgetary framework and that the finished hospitals are modern, fully functional and designed to meet the capacity requirements of the future.

2. The regions are building 16 new hospitals that are pivotal to the establishment of a new hospital structure. All the hospitals are scheduled to be finished within the next five years. The government provides funding of approx. DKK 25 billion (2009 prices) for the construction through the Quality Fund. The regions' financial contribution brings the total investment pool to approx. DKK 42 billion (2009 prices).

The purpose of the individual grants provided through the Quality Fund is to set a fixed economic framework within which the regions are to build new modern and fully functional hospitals that meet the capacity requirements of the future. The regions must also meet certain requirements that are specific to the individual projects to qualify for funding, and they must work out a catalogue of potential savings that can be implemented, if the economy comes under pressure.

3. The regions are project owners and as such responsible for ensuring that the hospitals are built in accordance with the purpose of the funding programme and the conditions of the government's commitment. Since the government made the commitment, the regions have made various adjustments to the construction projects. The regions have the option to adjust the construction projects, and they may have many valid reasons to do so. The construction projects go on for many years, and a need to adjust the projects to keep within the budgetary framework or match developments in, for instance, demographics, disease patterns and new technology, may emerge. When the regions make adjustments to the construction projects or add new potential savings opportunities to the catalogues, it is essential that they consider the potential consequences of the adjustments for the future hospitals and make sure that the hospitals continue to meet the requirements of the funding programme and the government's commitment.

Potential savings and adjustments

In the savings catalogues, the regions present *potential savings* in the form of modifications that can be made to the hospital construction projects, if the economy comes under pressure.

Adjustments are changes that have been made to the construction projects.

4. The Ministry of Health is the grantor and is responsible for supervising the regions' hospital construction projects. The purpose of the ministry's supervision is to ensure that the government funds are used for the intended purposes and in accordance with the government's commitment. The focus of this study is the ministry's supervision of the adjustments made to the construction projects by the regions, i.e. whether savings catalogues and adjustments made are aligned with the purpose of the funding programme and the government's commitment.

5. The purpose of the study is to assess whether the regions as project owners and the Ministry of Health as supervisory authority ensure that adjustments made to the hospital construction projects are aligned with the purpose of the funding programme and the government's commitment. The report answers the following questions:

- Have the regions considered the potential consequences of adjustments made to the hospital construction projects, in a satisfactory manner?
- Has the Ministry of Health conducted its supervision of the adjustments made to the hospital construction projects by the regions, in a satisfactory manner?

Rigsrevisionen initiated the study in February 2019.



Main conclusion

Overall, the regions as project owners and the Ministry of Health as supervisory authority have not ensured, in a satisfactory manner, that adjustments made to the hospital construction projects are aligned with the purpose of the funding programme and the government's commitment. As a result, the adjustments may have inappropriate consequences, and over time rolling back adjustments already made to the construction projects, may become necessary.

On several occasions, the regions have not in a satisfactory manner considered the potential consequences for the finished hospitals of adjustments made to the hospital construction projects

The regions have not adequately considered the consequences of the potential savings included in 14 of 23 reviewed savings catalogues. Generally, consequences are not described in any detail in the catalogues, and that the regions have considered the consequences of potential savings in contexts other than the savings catalogue, is only documented in very few instances. The regions have failed to consider adequately the consequences of 10 out of 24 implemented adjustments selected by Rigsrevisionen. This is critical, when taking into consideration that the 24 adjustments concern issues such as the hospitals' supply chains, renovation projects and the number of beds, outpatient clinics and operating theatres.

The Ministry of Health has, on several occasions, failed to conduct its supervision of adjustments made to the hospital construction projects, in a satisfactory manner

The current framework set for the Ministry of Health's supervision does not ensure that the ministry receives adequate and consistent information about adjustments made to the hospital construction projects by the regions. In 12 of 23 cases reviewed by Rigsrevisionen, the ministry's supervision of the regions' savings catalogues was inadequate. In these cases, the ministry had failed to respond to the fact that the catalogues included potential savings like, for instance, omission to renovate sick rooms, or the procuring fewer CT-scanners than planned, that could be in conflict with the purpose of the funding programme and the government's commitment. The ministry has informed Rigsrevisionen that the regions have considerable leeway to select the solutions they deem most appropriate locally, and it is thus largely up to the regions to determine which potential savings they want to include in the catalogues. However, the ministry has also informed the Danish parliament that the ministry's supervision includes an assessment of whether the potential savings in the catalogues are acceptable and in alignment with the purpose of the funding programme and the government's commitment, which, in the opinion of Rigsrevisionen, is standard practice for providers of funding. It is not evident from half of the cases reviewed by Rigsrevisionen that the ministry has made this assessment.

The Ministry of Health's supervision of adjustments implemented by the regions is inadequate in seven out of 16 cases reviewed. For instance, the ministry has failed to assess whether the adjustments made affect the government's commitment or compliance with the economic framework set for the projects. In other of the reviewed cases, the ministry has based its supervision exclusively on the regions' own assessments of whether the adjustments made comply with the purpose of the funding programme and the government's commitment.

The Ministry of Health has informed Rigsrevisionen that the framework defined for the regions' reporting on savings catalogues and adjustments made will be expanded and clarified in a future updating of the ministry's accounting standards. The ministry also intends to expand and clarify its current internal procedures by adding more sample questions that can support the ministry in its supervision of adjustments made to the construction projects. Rigsrevisionen agrees that an adjustment of the framework and internal procedures is required to improve the quality of supervision.