

Health Insurance Fund

Audit Specification

Background

The Health Insurance Fund (HIF) provides financial benefits for medical and pharmaceutical services supplied by approved health professionals to people insured under the Health Insurance (Jersey) Law 1967.

The HIF receives allocations from Social Security Class 1 and Class 2 contributions, as specified under Article 30 of the Social Security (Jersey) Law 1974. The Minister for Social Security has responsibility for the control and management of the HIF.

When it was set up in the 1960s the HIF was intended to establish a system of insurance in relation to medical, dental, ophthalmic and other health services and pharmaceutical supplies. At the time, the Law was developed to provide a medical benefit in respect of a face to face consultation with a general practitioner and a pharmaceutical benefit in respect of an approved medicine prescribed by a general practitioner (GP) or a dentist. The Minister maintains a list of prescribed items which can be prescribed and dispensed under the Law. Up to 2008 the Law also provided for additional subsidies in respect of agreed low income patient groups. While the Law refers to a system of insurance, the operation of the Law bears little resemblance to a normal insurance model.

Changes to the structure of the Law were enacted in the 2010s to provide for a local system of governance for general practitioners and to allow contracts to be entered into by the Minister with appropriate healthcare professionals for the provision of agreed healthcare services and for the purchase of vaccines. The Law provides the governance structure for the performers' list of GPs practising in Jersey, as required by the UK General Medical Council. This list falls under the political responsibility of the Minister for Health and Social Services.

Separately a pathology benefit was established to support the cost of blood and clinical chemistry tests. This benefit is currently paid directly to Health and Care Jersey (HCJ) in respect of services provided by the HCJ Pathology Department. More recently the ability to prescribe medicines has been extended to additional health professional groups.

Contracts and services currently provided by the Minister for Social Security fall into a number of categories:

- procurement of vaccine (for example, flu vaccine)
- defined and specific commissioned services (for example, flu vaccination)
- reduction of patient fees (for example, Health Access Scheme)
- contracts to support quality standards (for example, Quality Improvement Frameworks); and
- contracts to support modernisation of primary care (for example, Allied Health Care Professional Activity fee).

The Fund

The performance of the HIF and the balance of the fund at 31 December from 2020 to 2024 is shown in Exhibit 1.

Exhibit 1: Performance of the HIF

£000s	2024	2023	2022	2021	2020
Social Security contributions	50,754	51,595	41,111	35,686	34,527
Investment income	5,362	4,847	(3,178)	5,506	5,836
Social benefit payments	(52,434)	(45,046)	(34,615)	(37,473)	(30,429)
Other operating expenses	(4,779)	(4,351)	(4,116)	(3,368)	(4,122)
Impairments	(132)	59	(41)	(55)	(249)
Net Revenue (Expenditure)/ Income	(1,229)	7,104	(839)	296	(5,563)
Fund balance at 31 December	110,571	111,800	104,696	96,072	107,898

Source: States of Jersey Group Accounts 2020 to 2024

The UK Government Actuary's Department (GAD) undertook reviews of two Jersey social security funds - the Social Security Fund (SSF) and the Health Insurance Fund (HIF) - as at 31 December 2021. Results were presented to States Members in June 2023 ([States Assembly | R-97-2023](#)).

The report noted that the HIF is projected to decline over the 20 year projection period, in current earnings terms, and be exhausted by around 2037-2041. The report noted that current contribution rates are lower than projected HIF expenditure year to year. The fund's projected decline factors in expected increases in pharmaceutical costs and growing demand for healthcare associated with an ageing population.

The HCJ Annual Plan 2025 sets out an ambition for 2025 to amend the law to provide that the Minister for Health and Social Services is responsible for the Government's annual health and care services budget (which mainly funds Government services) and the HIF (which mainly funds prescriptions and GP services).

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law 2005
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives of this audit

The audit will consider the operation of the HIF in terms of:

- oversight and governance
- funding and investment strategy, including managing charges
- social security contributions from individuals and employers
- internal controls, including, in the context of the HIF benefits and funding:
 - managing potential conflicts of interest
 - avoiding fraudulent activity
 - ensuring checks on compliance with HIF rules; and
 - appropriate coverage of all relevant providers of primary care; and
- monitoring and reporting performance, including adherence to any funding conditions.

Scope

The audit will extend to:

- those departments within Government involved with managing the HIF, namely
 - Treasury and Exchequer (T&E)
 - Health and Care Jersey (HCJ); and
 - Employment, Social Security and Housing (ESSH); and
- external stakeholders, in particular the Primary Care Body.

The audit will not evaluate the quality of health care services being funded by the HIF.

I am planning to undertake a separate audit of the Government's programme of work looking at long-term sustainable healthcare funding.

Audit approach

This audit will use a:

- result-oriented approach (have the States met their objectives with the HIF?); and
- system-oriented approach (are robust systems / processes in place to properly manage the HIF?).

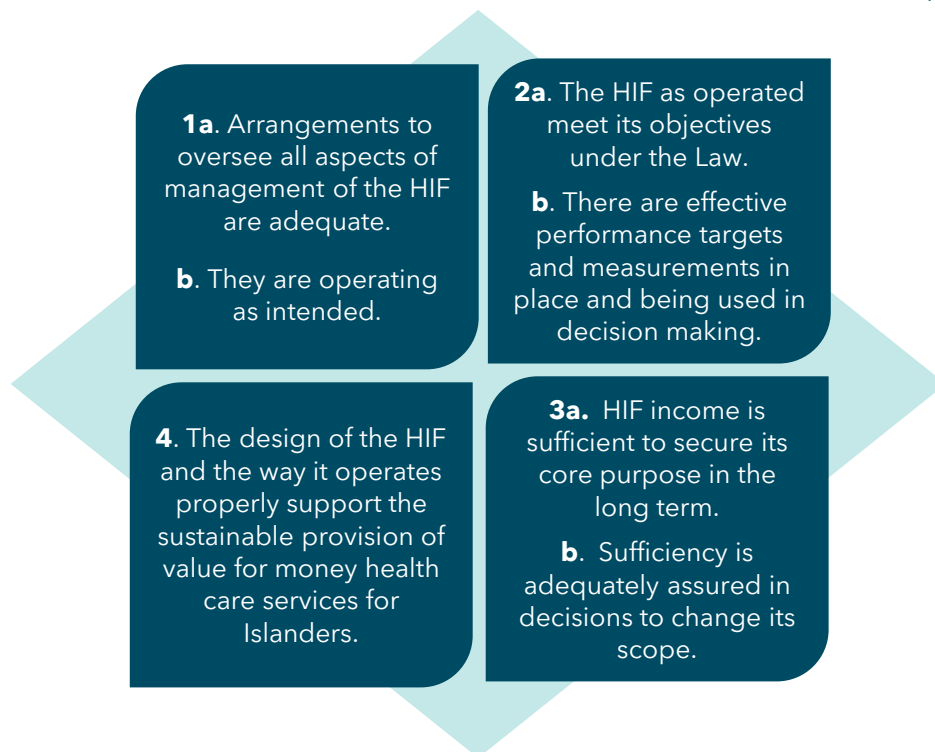
The audit will commence with an initial documentation request. The findings of the document review will be followed by interviews with key officers and other stakeholders.

The audit will commence in September 2025. The detailed work will be undertaken by an affiliate engaged by the C&AG.

Audit criteria

Audit criteria are set out in Exhibit 2.

Exhibit 2: Criteria for the C&AG's audit of the Health Insurance Fund (HIF)



Source: Jersey Audit Office



JERSEY AUDIT OFFICE

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