

FINANCE REPORT



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Director of Finance:

Introduction

The hospital encountered one of its most challenging years in 2012, incurring significant reductions in its allocation from the HSE, an increase in activity volumes driving marginal cost increases and a decline in its private income sources.

These factors culminated in an increase in pay and non-pay, a decrease in income, together with the decreased funding allocation, resulted in a deficit for 2012 at €22.629m.

Financial Outcome

At the end of 2012 the hospital had a cumulative deficit of €24.198m compared to a deficit of €1.569m at the end of 2011.

Gross expenditure in the year increased by €11.602m (+4.6%). This increase was largely attributable to:

- Pay cost increases €2.942m
- Pension and Lump Sums increases €2.144m
- Non-Pay increases €4.943m

Income for the year declined by €1.573m (2.5%) resulting in an overall increase in net expenditure of €13.142m.

Funding

The hospital receives separate allocations from HSE in respect of revenue and capital expenditure.

The revenue allocation for 2012 was €236.089m, which was down by €14.510m (6%) from 2011. The 2011 capital allocation, at €2.164m, was up by €0.908m (72%).

Revenue Funding

The main reductions in the 2012 revenue allocation were:

- General allocation cut €5.405m
- Staff retirements cut €4.385m
- Increased Private Income charges €1.222m
- Legislation to charge all Private Patients €5.526m

All of the above reductions, with the exception of the increase in private income charges, were not matched with respective cost reductions and/or

additional income. The staff retirements reduction was fundamentally overstated. The general allocation reductions were an amalgam of nine separate general reductions, none of which had any basis in achievability, nor calculated accuracy. The legislation change to compel private health insurers to cover all private patients in a public hospital bed, irrespective of whether it is a designated private bed, or a public bed, was never legislated for in 2012.

Capital Funding

Capital funding continued to be at historically low levels, notwithstanding the many significant infrastructural, equipment and minor works submissions, and needs of Beaumont Hospital, during the year. The impact of the national fiscal challenges has, no doubt, reduced the availability of funding for capital projects.

The most significant capital projects in 2012 were:

- Epilepsy Monitoring Unit €0.835m
- ICT Development/Replacement Program €0.428m
- Minor Capital Infrastructure €0.380m
- Clinical Care Programs €0.150m
- Acute Psychiatric Unit €0.071m

Service Developments

A number of important clinical developments were progressed or completed in 2012, including:

- NCCP funding for development of cancer services
- Start-up funding for colorectal screening
- Care Program funding for:
 - Acute Medicine Program
 - Critical Care Program
 - Emergency Medicine Program
 - Epilepsy Care Program

Income and Expenditure Account

Pay Costs

Pay Costs (including superannuation) increased by €5.086m (2.3%) reflecting an increase in clinical pay cohorts (consultants, NCHDs and nursing) and an increase in pensions and lump sums. Administration, allied health professionals and maintenance/technical pay levels decreased in 2012.

The principal causal factors behind the increases in pay were:

- Consultant Locum Pay €0.767m
- NCHD Overtime €0.456m
- Nursing Overtime €0.598m
- Nursing Agency €0.389m
- HCA Agency €1.203m

The breakdown of the increase in pensions and lump sums is shown below.

Table 1	
Increase in Pension and Lump Sum Costs	
Description	€m
Increase in pensions paid and contribution refunds	1.230
Increase in Lump Sums	0.922
Total increase in pensions and lump sums	2.152

Non-Pay Costs

Non-pay expenditure increased by €4.943m (5.1%). 65% of all non-pay categories were below the previous year levels; however, the overall increase was largely due to increased direct patient care non pay costs, due to the increased patient activity volumes.

The majority of the increase in non-pay costs is shown in Table 2 below.

Table 2	
Increase in Non-Pay Costs	
Description	€m
Drugs & Medicines	3.154
Medical & Surgical Supplies	1.549
Laboratory Reagent Costs	0.342
Medical Equipment Purchases	0.322
Total increase in non-pay costs	5.367

Direct patient care costs increased by €4.560m (8.7%), support costs increased by €0.345m (1.2%) and financial and administrative costs were up by €0.038m (0.2%). As a result, the proportion of non-pay spending going to direct patient care rose from 54.7% to 56.5%.

The main pressure in non-pay costs related to increased treatment (anti-neoplastic drugs) costs for cancer patients, with medical oncology/haematology patient volume increases; this resulted in €1.448m increases in related drug costs.

Income

Income decreased by €1.573m (2.5%).

The main factors in this outcome were:

- Private bed income declined by €2.744m (10%) as a result of declining private patient volumes attending the hospital, and reciprocal lower private bed utilisation rates.
- Statutory inpatient charges declined by €0.354m (11%)
- Superannuation deductions fell by €0.410m (5%) in line with the reduction in pay costs.
- Recoverable costs reduced by €4.415m (37.9%) due to a reduced quantum of rechargeable consultant salaries to other hospitals, from shared posts
- Car parking income fell by €0.16m as a result of reduced payments by the car park operator into the sinking fund

Taxation

The hospital had a taxation credit in 2011 of €0.313m, which relates to the reversal of a previous over-accrual for the resolution of tax due on the multi-storey car park, described below. There was no equivalent amount in 2012.

Multi-Storey Car Park

The taxation credit relates to income of the multi-storey car park which was received through The Beaumont Hospital Car Park Company Limited in the years 1999-2003. (See Annual Report 2004). The hospital had been providing for corporation tax, interest and penalties, for the contingent liability, in its accounts over the preceding years.

The directors considered and were advised that the rents were held in trust for Beaumont Hospital Board and were collected by the company as its agent. However, the Revenue Commissioners contested this view and had initially raised assessments of €1.200m which the hospital appealed.

Whilst engaging with the Appeals Commissioner in January 2012, an opportunity for a negotiated settlement presented, and both parties agreed a full and final settlement on February 16, 2012, of this matter at €1.35m. Thus, the taxation credit represents the reversal of the surplus provision set aside heretofore in the accounts above the €1.35m full and final settlement.

Voluntary Declaration

The Revenue Commissioners informed the hospital in August 2010 that exemption from corporation tax on the profits of the hospital shop and restaurant had been refused in 1989. The hospital management had no record of this decision and at all times assumed that the shop and restaurant operations were exempt from tax in line with the Revenue Statement of Practice. Following discussions between Revenue and the hospital's tax advisers, Revenue agreed to accept a voluntary declaration from the hospital covering all tax headings. The hospital had fully provided €0.310m in the respect of the total liability for taxes, interest and penalties under all tax headings in previous year's accounts. The amounts were settled in April 2012.

Liquidity

The hospital had a net cash outflow of €16.305m in 2012. The main components were:

Inflows

- HSE capital grants received - +€3.056m.

Outflows

- An increase in the operating deficit – (€22.629m)
- Capital expenditure payments – (€1.724m)
- Changes in Net Debt – (€7.359m)

There was a significant decrease in HSE and non-HSE debtors in the year of €19,260m. There was also a decrease in creditors of €5.397m.

During 2012 the hospital increased its dependence on overdraft funding by €8.905m to €19.973m. This level represented the maximum overdraft limit set by HSE.

The provisions of the Prompt Payments Act 1997 apply to the payment practices of the hospital. Under Section 12 of the Act the hospital issues a Prompt Payments of Account Statement to the Minister for Enterprise Trade and Employment.

Balance Sheet

Capital employed at the end of 2012 was €105.534m (2011: €130.934m). This comprised fixed assets at net book value, €127.749m, current assets, €36.557m, current liabilities, €58.0m and long-term liabilities, €0.772m.

The majority of the cash balances shown in the balance sheet represent the balance on the multi-storey car park sinking fund account. Under the multi-storey car park agreement, these funds are not available for use by the hospital until 2013 and may then be used only to exercise the hospital's option to acquire title to the multi-storey car park.

Significant Issues

Funding for equipment replacement and building maintenance continues to be a significant problem. The lack of an equipment programme gives rise to replacement cycles for plant and equipment that are unrealistically long and ultimately unsustainable.

Finance Developments

The most important development priorities for the Finance function are:

- Operation of effective cost, revenue and cash management controls: In the context of continually reducing allocations this is the overriding priority and will remain so for the foreseeable future.
- Support for Clinical Directorates: The Finance function has supported the roll-out of the directorate structure and will continue to refine and expand its services particularly in the areas of cross-charging and devolved budgetary control.
- Costing: The Finance function delivered patient level costing in 2012. The data sources continue to be improved and the hospital is now capable of delivering business value from the system. The hospital's capability in patient level costing will be particularly important in the context of the planned move away from block funding for hospitals, and the shift to money-follows-the patient funding, which is due to commence in 2014.
- Debtors and Debt Collection: Beaumont has been implementing an electronic claims processing solution, Claimsure, in 2012, which went "live" in January 2013. It is anticipated this electronic solution will ultimately reduce debtor days, and release important working capital.

REVENUE INCOME & EXPENDITURE ACCOUNT

YEAR ENDED 31ST DECEMBER 2012

	Notes	2012 €'000	2011 €'000
STAFF COSTS			
Salaries	1	208,087	205,145
Superannuation	1	15,547	13,403
NON-PAY EXPENDITURE			
Direct Patient Care	2	57,189	52,629
Support Services	2	28,812	28,467
Financial and Administrative Costs	2	15,133	15,095
Expenditure for the year		324,768	314,739
Income for year	3	61,027	62,600
Net expenditure for the year		263,741	252,139
Taxation		-	(313)
Allocation for the year		236,089	250,599
Fair Deal Funding		5,023	-
DEFICIT / (SURPLUS) FOR THE YEAR		22,629	1,227
Cumulative Revenue Deficit / (Surplus) from previous year		1,569	342
CUMULATIVE REVENUE DEFICIT / (SURPLUS) AT END OF YEAR		24,198	1,569

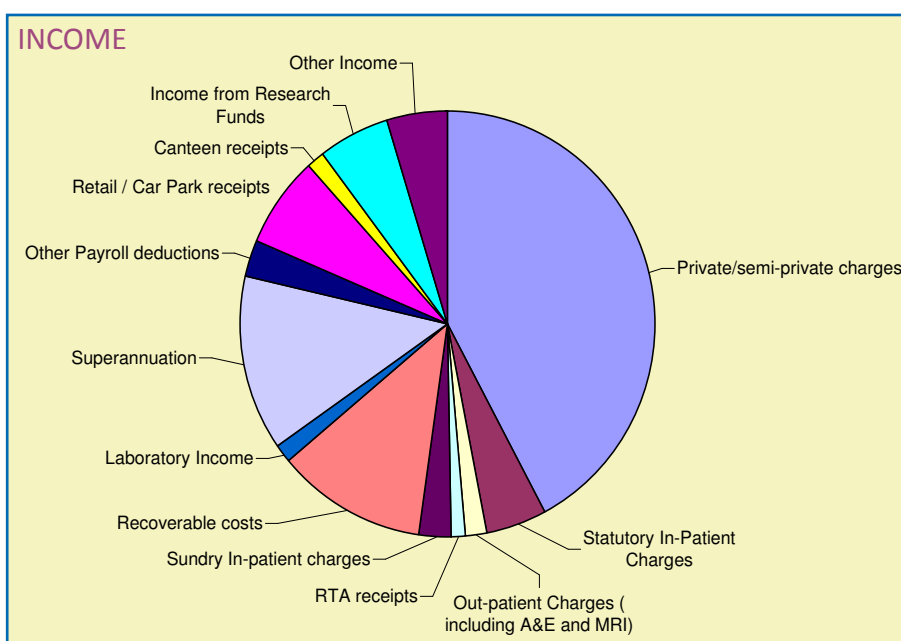
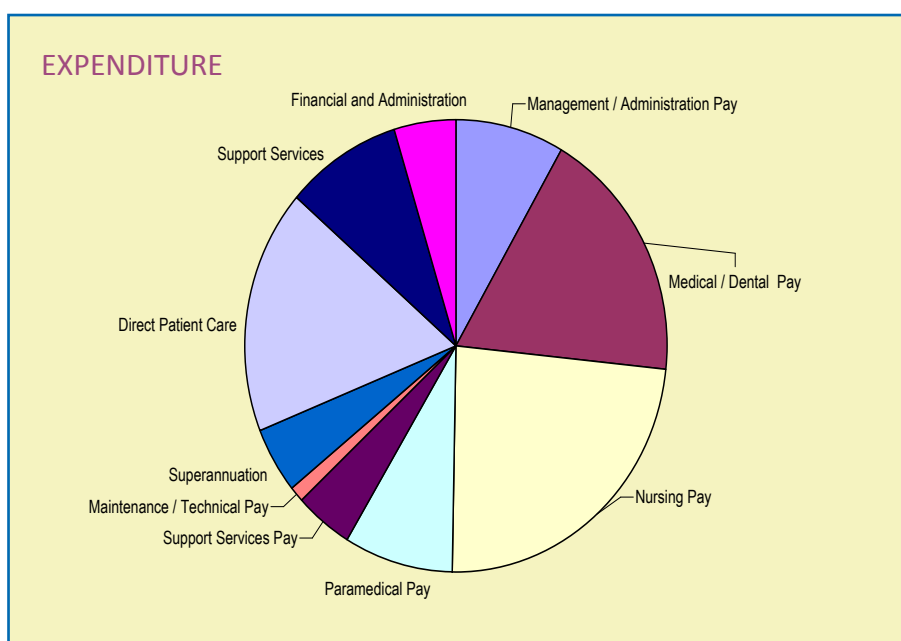
BALANCE SHEET

AT 31ST DECEMBER 2012

	Notes	2012		2011	
		€'000	€'000	€'000	€'000
FIXED ASSETS	4		127,749		130,896
CURRENT ASSETS					
Debtors		27,506		47,658	
Stocks		8,002		8,057	
Bank/Cash Balance		1,049	36,557	8,449	64,164
CURRENT LIABILITIES					
Creditors		38,024		41,680	
Bank Overdraft / Loan		19,973		11,068	
Finance Leases					
Taxation		3	58,000	1,660	54,408
NET CURRENT ASSETS / (LIABILITIES)			-21,443		9,756
LONG TERM LIABILITIES					
Financing Obligations		772		9,718	
Finance Leases			772		9,718
NET ASSETS			105,534		130,934
FINANCED BY:					
Non-Capital Income & Expenditure Account (Deficit) / Surplus			(24,198)		(1,569)
Capital Income & Expenditure Account (Deficit) / Surplus			1,983		1,607
Capitalisation Account			127,749		130,896
			105,534		130,934

2012 EXPENDITURE	%	€'000
Management / Administration Pay	8%	27,006
Medical / Dental Pay	18%	59,696
Nursing Pay	24%	76,355
Paramedical Pay	8%	27,224
Support Services Pay	5%	14,792
Maintenance / Technical Pay	1%	3,014
Superannuation	5%	15,547
Direct Patient Care	18%	57,189
Support Services	9%	28,812
Financial and Administration	5%	15,133
Totals	100%	324,768

2012 INCOME	%	€'000
Private/semi-private charges	42%	25,779
Statutory In-Patient Charges	5%	2,901
Out-patient Charges (including A&E and MRI)	1%	903
RTA receipts	1%	807
Sundry In-patient charges	2%	1,449
Recoverable costs	12%	7,136
Laboratory Income	1%	895
Superannuation	13%	8,187
Other Payroll deductions	3%	1,603
Retail / Car Park receipts	7%	4,280
Canteen receipts	1%	838
Income from Research Funds	5%	3,337
Other Income	5%	2,912
Totals	100%	61,027



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST
DECEMBER 2012

1 STAFF COSTS	<u>2012</u>	<u>2011</u>
	€'000	€'000
Management Administration	27,006	27,107
Medical / dental	59,696	58,140
Nursing	76,355	74,230
Paramedical	27,224	27,565
Support Services	14,792	14,630
Maintenance / Technical	3,014	3,473
	208,087	205,145
Superannuation		
Pensions and refunds	11,539	10,266
Gratuities and lump sums	4,008	3,137
	15,547	13,403
Total	223,634	218,548

2 NON-PAY EXPENDITURE	<u>2012</u>	<u>2011</u>
	€'000	€'000
Direct Patient Care		
Drugs and medicine	23,047	19,901
Blood and blood products	4,540	4,914
Medical and surgical supplies	26,693	25,279
Medical equipment	2,909	2,535
Supplies & contract med. equipment		
Total	57,189	52,629
Support Services		
X-ray/imaging :	4,837	4,897
Laboratory	7,943	7,419
Catering	2,015	1,991
Heat, power, light	3,030	2,484
Cleaning and washing	5,986	6,116
Furniture, crockery, hardware	511	444
Bedding and clothing	325	422
Maintenance - Buildings	3,239	3,617
Patient Transport	752	874
Travel and Subsistence	174	203
	28,812	28,467
Financial and Administrative		
Bank loan Repayment		231
Bank interest and charges	145	210
Insurance & claims	1,022	911
Audit	56	54
Legal	358	242
Office expenses (rent/rates/postage/t	2,800	2,925
Office Equipment	197	245
Computer	2,763	2,834
Professional services	512	710
Bad Debts	598	570
Shop/Restaurant Purchases	2,022	2,121
Miscellaneous	1,323	1,416
Expenditure from Research Funds	3,337	2,626
	15,133	15,095
Total	101,134	96,191

3 INCOME	2012	2011		
	€'000	€'000		
Private/semi-private charges	25,779	28,523	-2,744	-10%
Statutory In-Patient Charges	2,901	3,255	-354	-11%
Out-patient Charges (including A&E and MRI)	903	1,062	-159	-15%
RTA receipts	807	1,021	-214	-21%
Sundry In-patient charges	1,449	775	674	87%
Recoverable costs	7,136	7,224	-88	-1%
Laboratory Income	895	932	-37	-4%
Superannuation	8,187	8,597	-410	-5%
Other Payroll deductions	1,603	1,560	43	3%
Retail / Car Park receipts	4,280	4,644	-364	-8%
Canteen receipts	838	995	-157	-16%
Income from Research Funds	3,337	2,626	711	27%
Other Income	2,912	1,386	1,526	110%
Total income	61,027	62,600	-1,573	-3%

4 FIXED ASSETS	Work - in -					
	Land €'000	Buildings €'000	Progress €'000	Equipment €'000	Vehicles €'000	Total €'000
Cost						
Balance at 1 January 2012	215	165,884	408	56,492	67	223,066
Transfers from Work in Progress	-	-	-	-	-	-
Additions	-	382	411	1,330	-	2,123
Revaluations	-	-	-	-	-	-
Disposals	-	-	-	(16)	-	(16)
Balance at 31 December 2012	215	166,266	819	57,806	67	225,173
Depreciation						
Accumulated depreciation at 1 January 2012	-	43,009	-	49,094	67	92,170
Depreciation Charge	-	3,021	-	2,249	-	5,270
Depreciation on Disposals	-	-	-	(16)	-	(16)
Accumulated depreciation at 31 December 2012	-	46,030	-	51,327	67	97,424
Net book amount at 31st December 2012	215	120,236	819	6,479	-	127,749
Net book amount at 31 December 2011	215	122,875	408	7,398	-	130,896

Notes

1. The Multi- Storey Car Park on which the Hospital holds a call option maturing in 2013 has been included in Buildings at the option value, €8.888,165. No depreciation has been provided on this asset. A corresponding long-term liability has been included in the Balance Sheet.

3. Additions were funded from the following sources:

	Work - in -				
	Buildings €'000	Progress €'000	Equipment €'000	Vehicles €'000	Total 2012 €'000
Capital Grants	323	411	1,073	-	1,807
Revenue Grants	59	-	257	-	316
	382	411	1,330	-	2,123