



Extract from the report to the
Public Accounts Committee on
hospital construction projects

December
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I. Introduction and conclusion

1. The report is about the work done by the Ministry of Health and Prevention (before October 2011 known as the Ministry of the Interior and Health and in this report referred to as the Ministry of Health) and the regions¹ in preparation for the hospital construction projects funded through Kvalitetsfonden (the Quality Fund). These construction projects represent the largest capital investment ever made in Denmark. Investments total DKK 42.7 billion of which 60 per cent is financed through the Quality Fund, and the remaining 40 per cent by the regions. The objective of the construction projects is to increase the quality and productivity of the Danish hospital sector.

2. In 2007, the government set up a panel of experts who assessed the regions' applications for grants and made preliminary commitments to fund 16 projects. Subsequently, the Ministry of Health committed to funding more projects through the Quality Fund. Rigsrevisionen's examination includes the four projects that were first finally approved: the New University Hospital in Aarhus (NUH), the Regional Hospital in Viborg, Kolding Hospital and Slagelse Hospital.

3. The regions are the builders and they have adopted five key principles for the management of the construction projects. The principles cover political management, development of a management manual, building organisation, risk management and independent controlling.

4. The examination was launched in February 2011 at the request of the Public Accounts Committee. The scope of the examination was determined in a memorandum to the Public Accounts Committee of 13 September 2010 concerning the planning of a major examination of the regions' hospital construction projects.

5. The objective of the examination is to assess the preparations made by the Ministry of Health and the regions in respect to the construction projects. The report answers the following questions:

- Has the Ministry of Health implemented the procedure for commitment of funds to the construction of hospitals in a satisfactory manner, and has the Ministry of Health organised the supervision of the construction projects in a satisfactory manner?
- Have the regions planned the construction of the new hospitals in a satisfactory manner, and have the regions organised management of the construction projects in a satisfactory manner?

Kvalitetsfonden (the Quality Fund) was established in connection with the government's Quality Reform from 2007. Of the total funds, DKK 25.5 billion is earmarked for government co-financing of the investment in a new hospital structure.

The panel of experts assesses concrete hospital projects and recommends to the government the projects that should be funded through the Quality Fund.

A preliminary commitment of funding determines the scope of the investment. Subsequently the regions must specify the project within this framework and apply for **final commitment**. The final commitment of funds includes approval of the project plan on certain conditions.

¹⁾ Denmark is divided into five regions: Capital Region of Denmark, Region Zealand, Region of Southern Denmark, Central Denmark Region and North Denmark Region.

MAIN CONCLUSION

The government-funded hospital construction projects represent one of the largest capital investments ever made in Denmark. The investment encompasses several large and complex construction projects that will be started over a short span of years. The projects will merge several hospital functions into fewer units. The objective is to establish the physical framework for an efficient, high-quality hospital sector.

The Ministry of Health is responsible for approving and supervising the construction projects. The regions are the builders and responsible for planning and managing the construction projects within the budgets.

The work done by the Ministry of Health and the regions in preparation for the construction projects has not been entirely satisfactory. This applies in particular to the largest project: The New University Hospital in Aarhus (NUH).

The Ministry of Health committed to funding the NUH before basic prerequisites for the construction project had been clarified, and the ministry and Central Denmark Region still disagree on the conditions of the commitment. This increases the uncertainty attached to the project.

There is considerable risk that the Central Denmark Region will not be able to complete the construction of the NUH within the budget. According to an estimate prepared by the region, its plans for the construction work require additional financing worth DKK 1,215 million, which must be found outside the approved budget.

Rigsrevisionen notes that construction projects of such scale and complexity involve risks. It is therefore essential that the Ministry of Health specifies and meets its responsibilities as manager of the grants and supervisor to ensure that the construction projects are implemented within the total budget framework. The regions should throughout the construction process be focused on risk management and ensuring robust and competent building organisations in order to achieve the objectives set for the construction projects within the budget framework.

The main conclusion is based on the following audit findings:

Has the Ministry of Health implemented the procedure for commitment of funds to the construction of hospitals in a satisfactory manner, and as the Ministry of Health organised the supervision of the construction projects in a satisfactory manner?

The Ministry of Health has not implemented the procedure for commitment of funds in a satisfactory manner. The ministry committed funds to the largest construction project – the NHU – without ensuring that the Central Denmark Region would be able to complete the project within the budget. The fact that the ministry committed to funding the building of the new hospital before the basic prerequisites for the construction were clarified increases the uncertainty attached to the project, as does the fact that the ministry and Central Denmark Region still disagree on the conditions of the commitment.

Moreover, the Ministry of Health has not ensured that the regions, in compliance with the terms of funding, make adequate provisions for IT and apparatus within the budget framework, which is essential for achievement of the objectives set for the construction projects.

The Ministry of Health has organised the supervision of the hospital construction projects in a satisfactory manner. The administrative guidelines developed by the ministry provide an excellent basis for the supervision. The ministry is currently specifying how it will perform its supervision. The ministry should update the administrative guidelines when this work is completed and before grants are paid to the regions.

The Ministry of Health has set targets for efficiency gains, but has also concluded that it is not possible to set specific quality targets for the hospital construction projects. The “Agreement on the regions’ economy in 2012” therefore stipulates that concrete targets for quality gains in relation to the construction projects should not be determined centrally.

Have the regions planned the construction of the hospitals in a satisfactory manner, and have the regions organised management of the projects in a satisfactory manner?

The regions’ construction plans for three of the four construction projects that were the first to be approved, generally meet the requirements. As regards the fourth project, the NUH, the Central Denmark Region has estimated that financing worth DKK 1,215 million must be found outside the approved budget. This approach is not in compliance with the terms of funding.

The regions have not in all instances organised management of the construction projects in a satisfactory manner. The regions have adopted five joint key principles for managing large hospital construction projects which are excellent markers to steer by. The regions are currently specifying and implementing the principles, but the focus on risk management and establishment of building organisations should be increased in more of the four projects, that were the first to be finally approved, to ensure that the regions keep within the approved budgets.

Rigsrevisionen recommends that the regions, starting in the early stages of the projects, carry out systematic analyses of progress made in respect to streamlining the operations of the new hospitals.