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ANNUAL REPORT
and
FINANCIAL STATEMENTS
for
PERIOD ENDED 31/12/2015

MedCo - A Company Limited by Guarantee - Registered in England and Wales at the address below - No 09295557

Linford Wood House, 6-12 Capital Drive, Milton Keynes MK14 6XT.

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A Founding Members

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1 INTRODUCTION

MedCo Registration Solutions is a not for profit company limited by guarantee which was incorporated on 14th November 2014. The company was formed to introduce a new system to implement the Government's policy on the accreditation of medical experts, and the sourcing of medical reports, in soft tissue injury claims brought under the Pre-Action Protocol for Low Value Personal Injury Claims in Road Traffic Accidents.

The Board comprises an independent chair and non-executive directors appointed by the founding members. Each founding member is a professional representative body (see appendix A).

2 CHAIR'S REPORT

I was elected as Chair of the MedCo Board in January 2015. The role of the independent chair is to manage Board meetings.

MedCo was formed to develop, operate and maintain an electronic system to facilitate the allocation of medical experts and medical reporting organisations (MROs) to provide a first medical report in low value soft tissue injury road traffic accident claims. It was also tasked with developing and maintaining a system for accrediting medical experts who are requested to provide such reports.

MedCo implements Government policy and whilst it liaises with the Ministry of Justice it takes no part in the policy making or civil procedure rule making processes. (See appendix B for further information).

Whilst the Governance structure of MedCo had been finalised, actual company governance procedures, director's non statutory duties and responsibilities and management processes were, understandably, a very low priority.

The company had no direct employees. Its functions were supported by external suppliers.

It soon became clear that overseeing communications and the day to day functions of the company required additional resourcing and on 1st December 2015 a General Manager was appointed.

The main aims of this new role are to:

- ensure the system works more effectively, within the policy constraints provided by government, so that unacceptable behaviours are eradicated as soon as possible;

- manage communications;
- liaison with stakeholders and MedCo sub committees.

The financial year ended with uncertainty about what impact any new Government policy would have on MedCo. MedCo does not comment on Government policy. However, it does work closely with the Ministry of Justice and is consulted, and advises, on the impact that any policy change may have on the operation of the MedCo system.

The main concern at this stage is the impact on MedCo that any proposed reforms to the current personal injury claims process may have. Only first reports in respect of soft tissue injuries (i.e. 'whiplash') sustained in road traffic accidents are currently within scope. The Government is proposing to remove the right to claim general damages in such claims and increase the personal injury small claims limit. This could have a major impact on MedCo, especially as general damages in the majority of whiplash claims are less than £5000.

MedCo will continue to work closely with the Ministry of Justice and all stakeholders to ensure that any relevant future policy, together with any necessary transitional arrangements, are implemented.

Lorraine Rogerson

Chair

3 GENERAL MANAGER'S REPORT

Appointment

I was appointed on 1st December 2015 but prior to that I was the Law Society's appointed Board member and chair of the IT committee. I therefore understood what challenges were ahead for me.

I know that the system is not perfect and it has its critics but we are gradually making improvements and one of my main aims is to ensure that modifications and changes are prioritised and implemented with minimum inconvenience and impact.

Resources

One barrier to the success of the whole operation is the lack of designated resources. The MedCo Board consists of non-executive directors who, devote significant time to their MedCo duties. In

fact, they have all gone beyond the bounds of their non-executive roles in order to further the objectives of MedCo and taken on duties which would be more appropriate for executive directors.

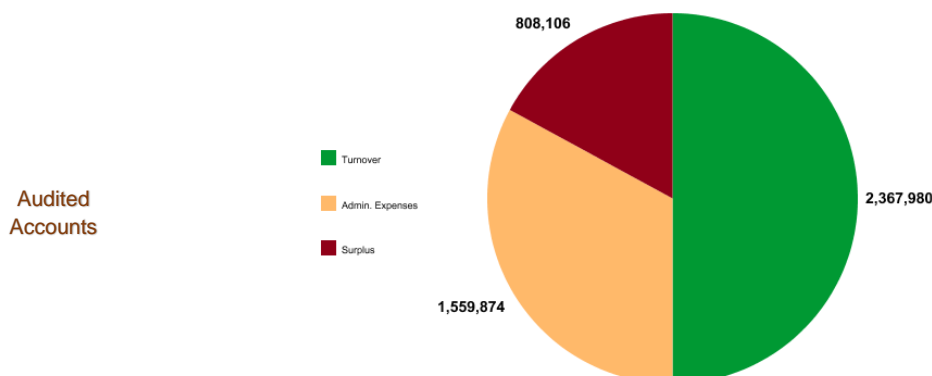
MedCo has no direct employees and its administrative, management and IT functions are contracted out to third party suppliers. This has worked well so far but it places too much reliance on Board members being involved in every stage of the process and this can sometimes cause delays. During 2016 I will be looking at possible alternatives with the potential to introduce changes to increase resources specifically dedicated to MedCo work. This should also remove the burden of much of the work from Board members so that they can concentrate on governance, strategy and finance etc.

Accounts

The audited accounts for the period ended 31st December 2015 show an operating surplus of £808,106. The Board has decided that any operating surplus will be retained and taken into account when reviewing annual registration fees in the future. However, this decision may need to be reviewed due to the proposed personal injury reforms and the current political environment.

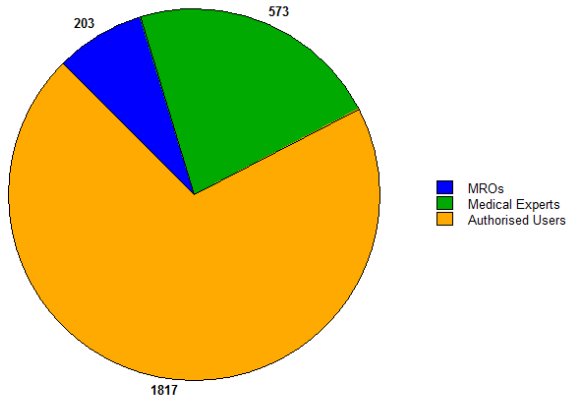
The registration fees paid are recognised as income over a full 12 month period from the date when the payment became due. The amounts invoiced but not yet recognised as income are therefore treated as deferred income. For example, while fees are charged for a 12 month period and as income is calculated by apportioning that fee evenly over the 12 months to which it relates, if a high volume national MRO joined on 15th June the income apportioned for June would be $15/365 \times £75,000$.

The annual turnover for the period was £2,367,980 and expenses were £1,559,874.

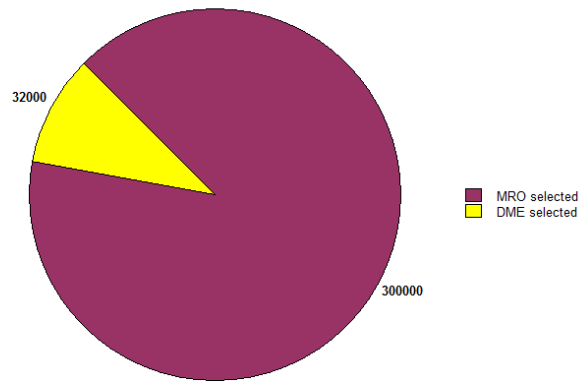


For further information, see the financial statements at section 5 of this report.

Operational Statistics for period ended 31st December 2015

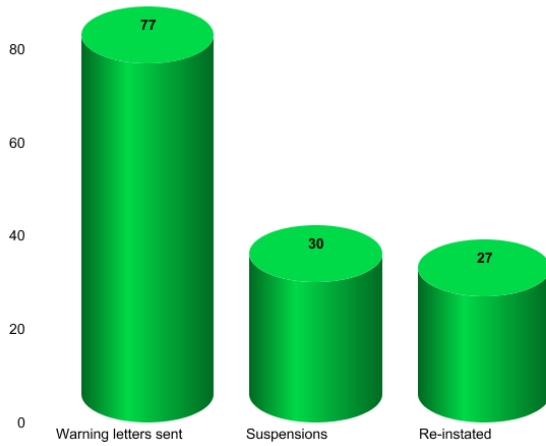


Registrations

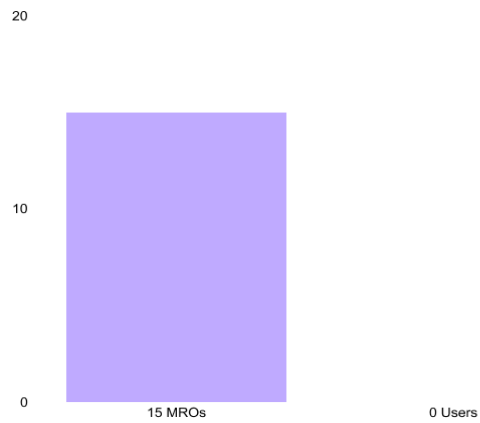


Number of searches resulting in selections

* The above selection figures are approximate



Enforcement action taken against medical experts, MROs and solicitors



Formal Audits Undertaken

Audits

Further audits of MROs and Users will continue so as to identify those whose practices may be in breach of the MedCo User Agreement and appropriate enforcement action.

Multiple MRO Registrations

The MedCo Board had increasing concerns about the multiple registration of MROs (i.e. shell companies) in order to increase market share because of the random selection process. Working with the Ministry of Justice proposals were made to strengthen the qualifying criteria with a view to preventing what is widely considered by many other users to be an abuse of the system. During

2016 further consideration will be given to this issue which the Board anticipates will result in all shell companies being removed from the system.

At the time of preparing this report (July 2016) there continues to be applications to register more shell companies. This is despite a warning in May 2016 by MedCo that in the event of removal from the system there will be no refund of the registration fees.

Martin Heskins
General Manager

4 SUB COMMITTEES CHAIRS' REPORTS

i. Audit

The aim of the audit committee is to review and challenge where appropriate, the behaviours of the Users of the MedCo system. When breaches of the Agreements are identified, the Committee has to decide on the level of sanction appropriate.

Initially steps were taken to set up the Committee, review and introduce Compliance policies and ensure that a proper process was implemented for auditing and sanctions.

When MedCo went live, the MOJ took the decision to proceed on the basis of self-certification and a large part of the work of the committee during 2015/6 has been in auditing the high volume national MRO's to assess their self-certification against the Qualifying criteria set by the MOJ. We have also considered further applications to high volume national status as and when they have arisen.

Additionally, we have considered attempts by Users to manipulate the system including altering the IT system to produce more than one search result, and repeat searches. As a result, a number of Users have been warned or suspended due to breaches of the User agreement.

Work continues to monitor the behaviours of the users of the system and take action where appropriate to maintain the policy intentions of the MOJ.

Nigel Teasdale
Chair – Audit Committee

ii Accreditation

The Accreditation sub group was established to develop and implement criteria for the accreditation of medical experts commissioned to write reports under MedCo.

Drawing from a group of academic, medical, defendant and legal representatives a comprehensive curriculum was developed covering five core areas of knowledge including professional obligations, medical history, clinical examination, legal reporting and the broader legal context around whiplash claims.

Additionally, the group set out minimum requirement recommendations for experts whereby they must be registered with MedCo, hold valid registration of appropriate professional body (GMC/HPC) and have declared all financial links.

The group made recommendations regarding the implementation of accreditation including the use of legal experts to create a specific module on legal context.

Following the implementation of Accreditation on 1st June 2016 the work of the Accreditation group will be concluded. Future activity on training and educational developments will be taken forward by a newly formed Education and Training Committee.

Daniella Jenkins

MedCo Director

iii Expert and Peer Review Group

The EAPR group has been tasked with the setting up of the systems and processes which will look at the behaviour of experts, as opposed to other 'users' of MedCo. In particular, the objectives are focused on ensuring all experts prepare high quality independent reports that demonstrate a good understanding and application of the knowledge gained by completing their accreditation. This group's work is of paramount importance in addressing the core policy objectives that precipitated the formation of MedCo, namely to identify and address behaviours that might create the perception that experts or their reports are not of the quality or independence expected. The group's main objective is to improve confidence in medical reporting for all stakeholders by identifying and challenging behaviours that have the potential to bring the wider expert community in to disrepute.

The core EAPR sub group will be the 'gatekeeper' to a medical advisory committee or 'MAC' (made up of appropriately qualified, respected and independent individuals) to which cases will be escalated if it is felt that any expert's quality or behaviour is a cause for concern. Clearly, in order

for such a process to be robust, transparent and able to withstand scrutiny there will be clear guidelines as to what might precipitate referral of an expert for review. There will also be an appropriate appeals process and consideration will be given to any DPA issues when it comes to reviewing individual experts' reports.

The EAPR will rely on two sources when assessing experts' reports. The first of these will be analysis of the data which has to be mandatorily uploaded from all reports. The second will be any referrals from the Operational subgroup should it receive complaints about a specific expert. To this end it is clear that the uploading of data will be of paramount importance. Currently this is not occurring 100% of the time and significant focus in the short term will be placed on achieving this goal. Failure to comply will be deemed a breach of MedCo rules and will lead to sanctions for experts, or MROs, if reports have been commissioned by that route.

Simon Margolis

Chair – EAPR Committee

iv Information Technology

The date for implementation of the new process for obtaining medical reports in soft tissue injury RTA claims was 6th April 2015, the 'go live' date, in accordance with the Government's published policy.

The IT platform was 'built from scratch' and within a very short timescale due to the necessity to implement the new process by the 'go live' date. As a result, the IT platform only provided limited functionality and there was no opportunity to operate a pre-implementation pilot with users.

Consequently, it was necessary to adapt and modify the IT systems on a regular basis to improve the functionality and that process is still ongoing. The expenditure on IT is therefore a significant proportion of MedCo's operating budget. It is anticipated that this expenditure will reduce during 2016 and 2017.

The IT group has overseen the work in this process. During 2016 the group will be appointing a 'technical sub group' to provide expert input and advice with a view to ensuring that any continuing improvements to the functionality are implemented on a priority basis and at 'best value'.

Martin Heskins

Chair - IT Committee (April - November 2015)

v Operations

The Operational group was set up shortly after MedCo went live to deal with a number of issues that required decision making. The committee has representatives from MASS, APIL, ABI, a Tier 2 MRO and our communications supplier, Peak Marketing and Communications.

The group meets weekly by way of conference call and reviews the feedback forms, search data and anything else relevant to MedCo's operation that doesn't fall within the remit of the other sub-groups.

Hundreds of issues have been considered to date. The committee acts as a triage for incoming feedback and analysis. Where the group deems appropriate we respond to the query or issue any sanction as appropriate. If the feedback or issue warrants further investigation it is passed to one of MedCo's other sub-groups. If the issue is serious in nature or the group cannot agree on a proposed action it is referred to the Board for a final decision.

Issues encountered to date include poor quality reports, experts being asked to change prognosis periods, undeclared financial links, medicals being performed without actually seeing the patient and many complaints of a general nature.

The group also receives reports of numerous issues which relate to agreed commercial terms between the parties; MedCo is unable to become involved in such disputes.

Next year will see more focus on incoming data and trends. We should also receive feedback on the quality of medical experts now they have gone through our accreditation programme.

Jackie Proctor

Chair – Operations Committee

5 FINANCIAL STATEMENTS

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE PERIOD ENDED 31 DECEMBER 2015

	2015
	£
Turnover	2,367,980
Administrative expenses	(1,559,874)
Operating surplus	808,106
Taxation	-
Surplus after tax and total comprehensive income for the period	808,106
Surplus for the period	808,106
Retained earnings at the end of the period	808,106

FOUNDING MEMBERS

The Association of Personal Injury Lawyers ('APIL')

The Association of British Insurers ('ABI')

The Association of Medical Reporting Organisations ('AMRO')

The British Medical Association ('BMA')

The Forum of Insurance Lawyers ('FOIL')

The Motor Accident Solicitors Society ('MASS')

The Motor Insurers Bureau ('MIB')

The Law Society ('TLS')

The Chartered Society of Physiotherapy ('CSP')

GOVERNMENT POLICY AND MEDCO GOVERNANCE AUDIT TRAIL

<u>DATE</u>	<u>DOCUMENT/AUTHORITY</u>
June 2012	MoJ paper (identified problems and gave statistics)
Dec 2012	“Reducing the number and costs of whiplash claims” (consultation)
July 2013	Transport Select Committee inquiry into whiplash and costs of motor insurance
Oct 2013	MoJ response to December 2012 consultation
2 May 2014	Lord Faulks letter to stakeholders
4 Aug 2014	Lord Faulks letter
2 Sep 2014	“Independence in medical reporting and expert accreditation” (consultation)
14 Nov 2014	MedCo incorporated (Company number – 09295557)
2 Dec 2014	MoJ response to September consultation
2 Dec 2014	Secretary of State “letter of entrustment” to MedCo
2 March 2015	MoJ decision on proposed “results offer and qualifying criteria”
6 Apr 2015	78 th CPR update (CPR [Amendment No. 8] Rules – 2014 SI No.3299) implementation
July 2015	MoJ Call for evidence



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