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**ANNUAL REPORT**  
**and**  
**FINANCIAL STATEMENTS**  
**for**  
**PERIOD ENDED 31/12/2016**



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## **1 INTRODUCTION**

Medco Registration Solutions is a not for profit company limited by guarantee which was incorporated on 14<sup>th</sup> November 2014.

The company was formed at the request of the Ministry of Justice (“MoJ”) 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 brought under the Pre-Action Protocol for Low Value Personal Injury Claims in Road Traffic Accidents. 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 MoJ it takes no part in the policy making or civil procedure rule making processes.

The Board comprises an independent chair and non-executive directors appointed by the founding members. Each founding member is a professional representative body (see section 5).

## **2 EXECUTIVE CHAIR’S REPORT**

### **Appointment**

At the end of 2016 Lorraine Rogerson retired having served for two years as the independent chair of MedCo. During that time Lorraine steered MedCo through its planning stages and the subsequent implementation of the Government’s policy in April 2015.

Post implementation it soon became clear that additional resources were necessary to enable MedCo to achieve its aims. I was appointed as General Manager on 1<sup>st</sup> December 2015.

I was subsequently appointed as the new independent chair on 1<sup>st</sup> January 2017 upon Lorraine’s retirement.

### **Government Policy**

Medco has always, and will continue, to work closely with the MoJ and all stakeholders to ensure that any relevant future policy, together with any necessary transitional arrangements, are implemented.

Because of behaviours by users of the MedCo system, mainly identified as attempts to circumvent the principles of the random selection process for the provision of medical reports, the MoJ commenced a review of its policy in March 2016. MedCo welcomed the review because of the difficulty it had experienced in interpreting and applying the original qualifying criteria (“QC”) for Medical Reporting Organisations (“MROs”).

Due to the Government’s timetable for implementation of its policy on whiplash reform MROs self-certified their compliance with the original qualifying criteria. Hence, a programme of auditing those organisations only commenced post-implementation. During those audits it soon became clear that the existing QC needed to be reviewed for a number of reasons. One of the main issues was that, in MedCo’s opinion, there was nothing preventing the multiple registration of “shell companies” which gave certain MROs an unfair market advantage. By October 2016 MedCo had identified 134 registered MROs which appeared to be shell companies of existing operational MROs.

Consequently, in October 2016 the MoJ published revised the qualifying criteria and MedCo took immediate steps to suspend those MROs which had been identified as shells.

### Resources

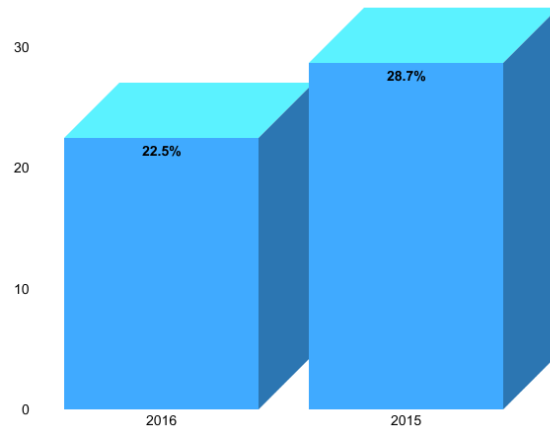
As I indicated in the previous year’s annual report, an increase in staffing resources was a priority and I am pleased to say that was achieved. The staffing resources, whose time is allocated to MedCo work on a 100% basis, now include a Head of Operations, who manages a team that deals with the day to day operational requirements as well as managing the various committees, and other administration staff. The company also has a team of auditors who are supervised by our management services company’s Audit Manager.

MIB MSL continues to be our management services provider. This arrangement has proved to be pivotal in the continuing success of, and improvements to, the company’s operations. In addition to providing conscientious, enthusiastic and dedicated staff for the sole use of MedCo, MIB MSL is also able to provide additional staff resourcing, of equally high standard, as and when required on a “time and materials” basis.

At the beginning of May 2016 MedCo changed its secretariat services provider and transferred the responsibility for that work to MIB MSL who now provides full secretariat services to the MedCo Board and all its committees.

## Information Technology

Expenditure on IT continues to be a major item of expenditure for MedCo.



IT expenditure as a %age of Turnover

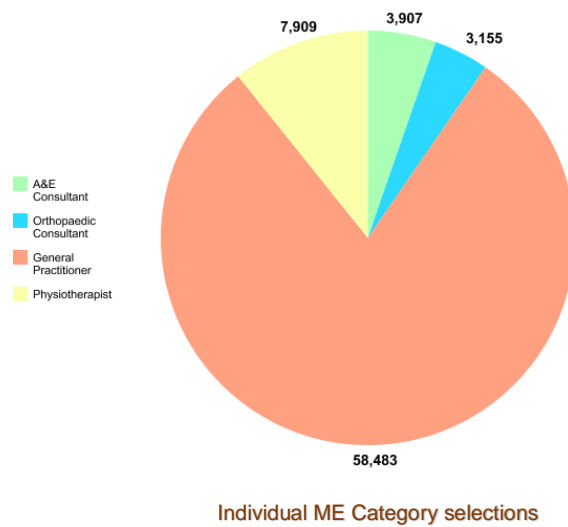
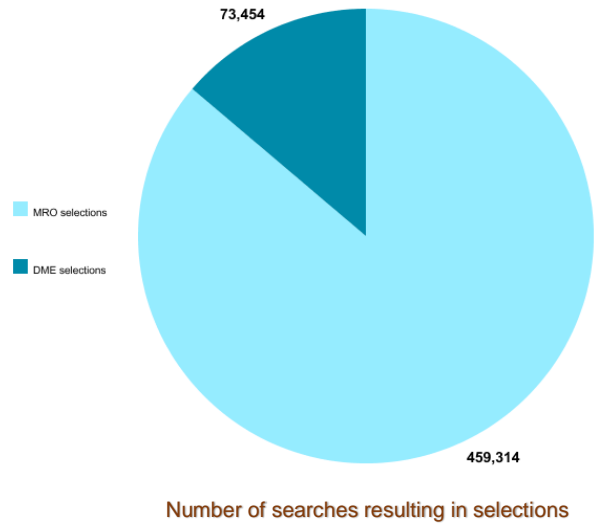
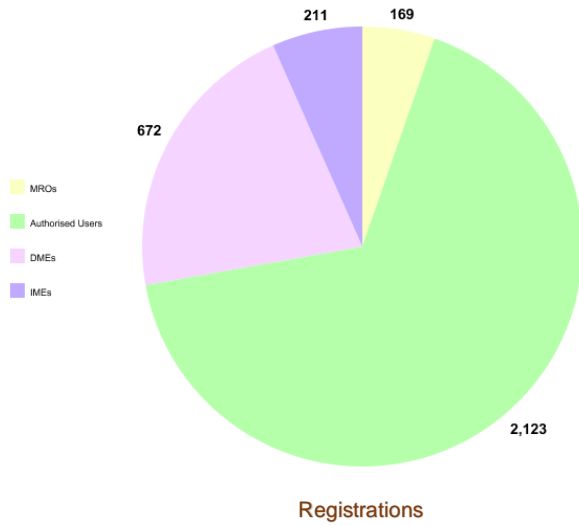
Having built the system “from scratch” in 2015, MedCo has continued its programme to improve functionality. Major deliverables during 2016 included: -

- Account renewal functionality
- Look up Expert
- MedCo case verification
- Bulletin Board
- Maintain email content
- Facility to switch between IME/DME
- Expert accreditation interface and functionality

By end of December MedCo had also agreed the requirements for the annual acceptance for User agreements and confirmation of financial links, and defined the system vulnerability changes that were required.

MedCo has appointed an IT sub group to provide expert input and advice with a view to ensuring improvements to the functionality are implemented on a priority basis and at “best value.

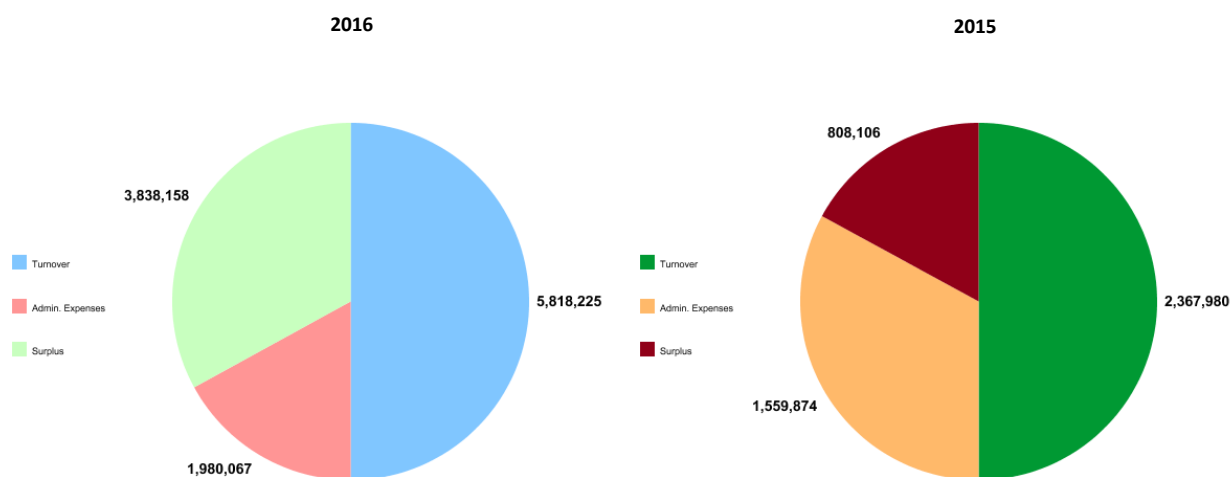
Operational Statistics for period ended 31<sup>st</sup> December 2016



## Financial

The audited accounts for the period ended 31<sup>st</sup> December 2016 show an operating surplus of £3,838,158

The annual turnover for the period was £5,818,225 and expenses were £1,980,067.



For further information, see the financial statements at section 4 of this report.

Registration fees are the sole source of income and these are recognised in the accounts 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 were therefore treated as deferred income in 2015. The same principle was applied in 2016.

As MedCo is a “not for profit” company the Board decided that the operating surplus from 2015 would be applied to future annual registration fees for MROs. This resulted in the Board deciding to abate the MRO registration fees for 2017 – 2018 by 23% to reflect the 2015 operating surplus.

A “no refund” policy is operated by MedCo and this is stipulated in the agreements which all users sign. Consequently, on the advice of Auditors, retained earnings as at 31<sup>st</sup> December 2016 was increased by £1,075,367 as a result of the early recognition of income from MROs that paid their annual fees but were subsequently suspended.

The Board will continue to consider any operating surplus when setting future annual registration fees. However, fees must be set to provide sufficient income to fund the organisation’s activities. The proposed personal injury reforms, the risk of litigation due to the application and interpretation



of the revised QC and other, as yet unknown, factors will impact any decision on setting the registration fees effective from April 2018.

### 3 COMMITTEE CHAIR REPORTS

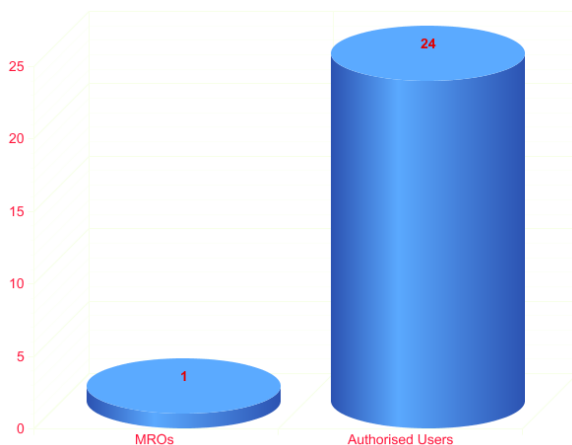
#### i. Audit

The audit committee monitors the behaviours of all users of the MedCo system and recommends sanctions where appropriate.

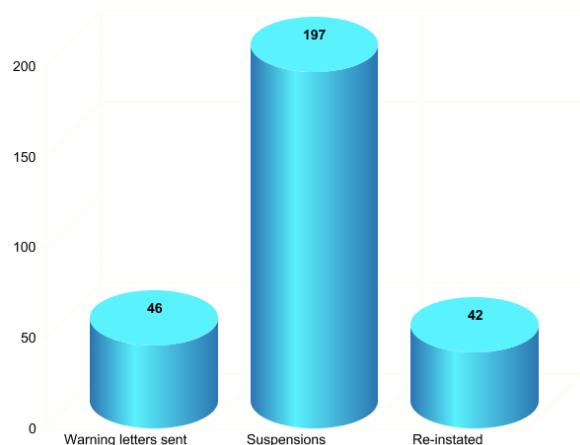
Throughout 2016 disproportionate resources had to be allocated to policing the behaviours of solicitors and MROs as evidence obtained through complaints and MedCo's own data continued to indicate potential breaches of user agreements, the ethics policy and failures to comply with the existing qualifying criteria for MROs.

Due to the difficulty experienced by MROs and MedCo in interpreting and applying the existing QC, enforcement action against MROs was suspended pending publication of the revised QC by the MoJ. Consequently, the limited audit resources available to MedCo at that stage concentrated on new MRO applications, investigating attempts to manipulate the system by authorised users and complaints about medical experts.

#### Audit Data



Formal Audits Undertaken



Enforcement action taken against medical experts, MROs and solicitors

Search v selection activity of authorised users was monitored throughout the year to identify manipulation of the system, resulting in Warnings and suspensions. This along with guidance and support in system usage helped reduce %age of searches without selection from approximately 25% to 6%.

The revised QC was published in on 25th October 2106 and MedCo implemented the new search offer on 8<sup>th</sup> November. In interpreting and applying the revised QC as published by the MoJ 134 identified 'shell' companies were suspended from the MedCo system.

The Board agreed to implement an audit plan for 2017 with the intention of auditing all MROs against the revised QC by the end of that year.

In December MedCo published an MRO audit guide.

## **Nigel Teasdale – Audit Chair**

### **ii Operations**

The Operations committee monitors systems data, behaviours generally and oversees complaints received about users. It is the most active of all MedCo committees and usually discusses issues on a weekly basis by telephone conference call. It continues to act as a triage for issues which are identified as potential breaches of the relevant MedCo agreement etc. Most referrals to the Committee are as a result of complaints from users or issues identified during analysis of data (e.g. continuing attempts to circumvent the random selection process by authorised users).

The majority of issues involve complaints about poor quality of reports, failure to respond to requests for addendum reports/further comments, excessive numbers of examinations undertaken in a relatively short amount of time and requests by solicitors to change prognosis periods.

Where appropriate the Committee will either make recommendations to the Board to instigate enforcement action or refer the matter for consideration by another committee.

In 2016 the Committee was able to concentrate on feedback received about the quality of medical reports as a result of the mandatory requirement for all medical experts to be have successfully passed the MedCo's accreditation course.

The Committee continued to liaise with the Solicitors Regulation Authority, General Medical Council and the Insurance Fraud Bureau. The relationships with these organisations are seen as a crucial element of the Committee's work.

### Jackie Proctor - Operations Chair

#### iii Accreditation/Education and Training

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

A communications programme was adopted to ensure that medical experts were aware of the necessity to pass their accreditation training by the 1<sup>st</sup> June 2016 in order to remain operational and included in searches.

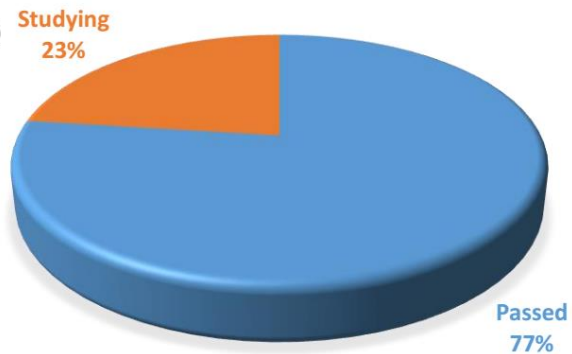
Arrangements were made with third party suppliers to take over the management and website hosting of the accreditation scheme.

As at the end of December 2016 the number of medical experts who had successfully passed the online accreditation course was 1043.

#### Accreditation Data

Registered users: 1349

1043 certificates issued (77% of registered users)



As at 31<sup>st</sup> December 2016

Future activity on training and educational developments will be taken forward by a newly formed Education and Training Committee and during 2017 MedCo will be undertaking a full review of the education and training programme for implementation in 2019.

#### **David Bott - Education and Training Chair**

#### **iv Expert Audit and Peer Review**

The EAPR group monitors the behaviour of medical experts, as opposed to other “users” of MedCo. They focus on ensuring experts provide high quality independent reports and on their behaviours.

As outlined in the Annual Report for 2015, the collecting and reviewing of report data is a cornerstone in MedCo’s commitment to improve the quality of reports and address inappropriate expert behaviours.

During 2016 activity for the EAPR subgroup increased and steady progress was made, focusing on the upload of data by medical experts. Minimum standards for data upload from reports by DMEs and MROs were implemented and enforced.

During 2017 the EAPR committee will focus on report content data on and will work closely with the Education and Training Committee to clarify minimum standards in terms of report content, appropriate examination and, by extension, a reasonable average time such an assessment is likely to require

The year saw very disappointing levels of data uploads by medical experts and, where necessary, appropriate action was taken to improve data uploads to acceptable levels. Warning letters were sent and, where necessary, enforcement action taken. This resulted in medical experts being suspended from the system and only being re-instated upon outstanding data being uploaded.

A Medical Advisory Board (“MAB”) has now been formed and currently has 3 members, all of whom are recognised for their longstanding expertise and impartiality in the assessment of Whiplash type injuries. This group will receive referrals from EAPR as and when data, or reports from other MedCo subgroups, or MedCo users, suggest that the opinion(s) being expressed by an expert warrant independent review.

#### **Simon Margolis - EAPR Chair**

## 4 FINANCIAL STATEMENTS

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### STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE PERIOD ENDED 31 DECEMBER 2016

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|   | <b>2016</b>        | 2015        |
|---|--------------------|-------------|
|   | £                  | £           |
| Turnover  | <b>5,818,225</b>   | 2,367,980   |
| Administrative expenses                           | <b>(1,980,067)</b> | (1,559,874) |
|   | <hr/>              | <hr/>       |
| <b>Operating surplus</b>                          | <b>3,838,158</b>   | 808,106     |
| Taxation  | -                  | -           |
|   | <hr/>              | <hr/>       |
| <b>Surplus after tax</b>                          | <b>3,838,158</b>   | 808,106     |
|   | <hr/> <hr/>        | <hr/> <hr/> |
| Retained earnings at beginning of year            | <b>808,106</b>     | -           |
|   | <hr/>              | <hr/>       |
|   | <b>808,106</b>     | -           |
|   | <hr/>              | <hr/>       |
| Surplus for the period                            | <b>3,838,158</b>   | 808,106     |
|   | <hr/>              | <hr/>       |
| <b>Retained earnings at the end of the period</b> | <b>4,646,264</b>   | 808,106     |
|   | <hr/> <hr/>        | <hr/> <hr/> |

See filed audited accounts for further information and notes

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**BALANCE SHEET AS AT 31 DECEMBER 2016**

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|  | 2016<br>£                          | 2015<br>£                 |
|--|------------------------------------|---------------------------|
| <b>Fixed Assets</b>                            |                                    |                           |
| Intangible assets                              | 782,506                            | -                         |
| Tangible assets                                | <u>1,423</u>                       | <u>1,423</u>              |
|  | <b>783,929</b>                     | 783,929                   |
| <br><b>Current assets</b>                      |                                    |                           |
| Debtors: amounts falling due within one year   | 336,543                            | 2,943,486                 |
| Cash at bank and in hand                       | <u>5,280,906</u>                   | <u>-</u>                  |
|  | <b>5,617,449</b>                   | 2,943,486                 |
| Creditors: amounts falling due within one year | <u>(1,755,114)</u>                 | <u>(2,137,692)</u>        |
| <b>Net current assets</b>                      | <u><b>3,862,335</b></u>            | <u>805,794</u>            |
| <b>Total assets less current liabilities</b>   | <b>4,646,264</b>                   | 808,106                   |
| <br><b>Net assets</b>                          | <br><u><u><b>4,646,264</b></u></u> | <br><u><u>808,106</u></u> |
| <br><b>Capital and reserves</b>                |                                    |                           |
| Retained earnings                              | <u>4,646,264</u>                   | <u>808,106</u>            |
|  | <u><u><b>4,646,264</b></u></u>     | <u><u>808,106</u></u>     |

See filed audited accounts for further information and notes

## **5 LIST OF 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”)<sup>77</sup>

The Chartered Society of Physiotherapy (“CSP”)



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

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