

## Chapter 17

# Health—Detecting Inappropriate Physician Payments

### 1.0 MAIN POINTS

Each year, the Ministry of Health pays over \$500 million to about 1,800 physicians under a fee-for-service arrangement.<sup>1</sup> The Ministry directly compensates physicians at agreed-upon rates for specific services provided to residents with valid health coverage. Physicians submit approximately 364,000 billing claims every two weeks. The Ministry cannot practically confirm the validity of all billings before paying physicians. As such, the Ministry must have effective processes to detect inappropriate physician payments.

By December 2019, the Ministry made some progress on two of the four outstanding recommendations we made in 2017 and implemented the remaining two.

Based on a 2019 cost-benefit analysis, the Ministry has been approved to purchase a new IT system that will better identify inappropriate physician billings and payments. It expects to operationalize the system in 2022.

The Ministry also identified new risks related to inappropriate physician billings. It has yet to complete a comprehensive risk-based strategy to detect inappropriate physician billings for insured services before the payment is made for the service.

The Ministry created a new set of criteria, consistent with best practices of other provinces, to refer physician billings to the Joint Professional Medical Review Committee (JMPRC). The new criteria aims to select the most complex and high-risk cases for the JMPRC to review.

The Ministry identified options to increase the number of investigations into physician billing practices, but has not completed a formal assessment on which options to choose or reject.

Strong processes to detect inappropriate physician payments will help ensure taxpayers only pay for insured services delivered and medically required.

### 2.0 INTRODUCTION

This chapter describes our first follow-up of management's actions on the recommendations we made in 2017.

In 2017, we assessed the Ministry of Health's processes to detect inappropriate fee-for-service payments to physicians. Our *2017 Report – Volume 1*, Chapter 6 concluded that the Ministry had, except for the recommendation areas, effective processes to detect inappropriate fee-for-service payments to physicians.<sup>2</sup> We made four recommendations.

<sup>1</sup> Under the fee-for-service arrangement, the Ministry directly compensates a physician at a pre-set rate for each specific insured service provided to a Saskatchewan resident.

<sup>2</sup> Our public reports can be found at [auditor.sk.ca/publications/public-reports](http://auditor.sk.ca/publications/public-reports).



To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Ministry's progress toward meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

To perform this follow-up audit, we discussed actions taken with management and reviewed the relevant documentation on the actions taken toward our recommendations (e.g., identified risks of inappropriate physician billings for insured services).

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at December 31, 2019, and the Ministry of Health's actions up to that date.

### 3.1 Cost-Benefit Analysis Completed

***We recommended the Ministry of Health conduct a cost-benefit analysis of IT systems that would better identify inappropriate physician billings for insured services before making payments.*** (2017 Report – Volume 1, p. 76, Recommendation 2; Public Accounts Committee agreement June 12, 2018)

**Status**—Implemented

Since our 2017 audit, the Ministry of Health completed a cost benefit analysis and proposed new IT system alternatives to support identifying inappropriate physician billings for insured services before making payments.

The Ministry's analysis included concerns with the existing IT system, an assessment of business needs, and a gap analysis. The analysis was accepted. As of March 2020, the Ministry has posted a Negotiated Request for Proposal to have a new IT claims processing system built and implemented by 2022.

Newer IT systems are capable of data mining and other large-scale data analysis techniques. With a more sophisticated IT system, the Ministry should be able to better identify inappropriate billings, and adjust amounts before paying physicians.

### 3.2 Risk-Based Strategy Still Needed

***We recommended the Ministry of Health use a comprehensive risk-based strategy to detect inappropriate physician billings for insured services before making payments.*** (2017 Report – Volume 1, p. 76, Recommendation 1; Public Accounts Committee agreement June 12, 2018)

**Status**—Partially Implemented

The Ministry of Health has not completed a risk-based strategy to detect inappropriate physician billings before making payments.

The Ministry has identified some general risk areas (e.g., need for more education to those submitting billings, limited capabilities of the current IT system), but has not completed detailed work to develop a risk-based strategy.<sup>3</sup> Until this strategy is complete, the Ministry does not have a sufficient supporting rationale for how alternatives will increase investigations, how much inappropriate payment detection may occur, and if the cost of the alternative is warranted.

The Ministry's pre-verification process to check the validity of fee-for-service billings remains simplistic. It continues to require manual intervention. The Ministry's claims processing IT system is rules-based using edit checks. It results in labour-intensive assessment processes to check the validity of billings in every two-week payment cycle.

Since our 2017 audit, the Ministry has identified new risks related to inappropriate payments and has implemented additional edit checks/review points that alert staff to investigate certain physician billings in its pre-verification process.

Use of a new risk-based IT system would allow the Ministry to assess significant amounts of data to identify suspicious activity quickly and with less manual intervention.

Having a comprehensive risk-based strategy to detect inappropriate physician billings before payment would minimize the costs of service to government and reduce the amount of effort needed to assess and collect inappropriate payments back from physicians.

### 3.3 Criteria for Referral to JMPRC Completed and Used

***We recommended the Ministry of Health develop criteria to determine which physicians to refer to the Joint Medical Professional Review Committee for investigation of appropriateness of billing for insured services.*** (2017 Report – Volume 1, p. 77, Recommendation 3; Public Accounts Committee agreement June 12, 2018)

**Status**—Implemented

In November 2019, the Ministry of Health revised the criteria to determine which potential physician over-billing cases to refer to the Joint Medical Professional Review Committee (JMPRC). The revised criteria considers the individual physician's pattern of billing that depart from the physician's peer group.

JMPRC has the authority to investigate physician-billing practices, and determine and order recovery amounts to be paid for inappropriate billings under the fee-for-service arrangement with physicians.<sup>4</sup>

Our research found the new criteria is in line with best practices of other provinces.

During 2018-19, the Ministry referred nine cases to the JMPRC. For the three cases we tested, the Ministry used its new criteria, and appropriately evaluated the cases referred.

<sup>3</sup> The Ministry has recently implemented some additional online education tools for physician billings and has clarified billing criteria in the fee-for-service arrangement.

<sup>4</sup> *The Saskatchewan Medical Care Insurance Act* gives the Joint Medical Professional Review Committee the authority to investigate physician-billing practices.



Having defined criteria promotes consistent assessment of physician billings. Using the new criteria and referring cases increases the likelihood that the JMPRC focuses their efforts on more complex, higher risk cases. Using criteria increases the likelihood the Ministry is investigating and referring physicians with the highest risk of inappropriate billing.

### 3.4 Assessment of Options to Increase Investigations Still Required

***We recommended the Ministry of Health assess options to conduct more investigations into physician billing practices that it suspects of having inappropriately billed the Government.*** (2017 Report – Volume 1, p. 79, Recommendation 4; Public Accounts Committee agreement June 12, 2018)

**Status**—Partially Implemented

As part of the Ministry of Health's work to identify general risk areas, as noted in **Section 3.2**, the Ministry has identified several options to increase the number of investigations into physician billing practices. As of December 2019, it has implemented some of them, and is assessing the viability of others. It recognizes a new IT system is needed to proceed with some of the options.

The Ministry filled the Audit Officer position in 2017. This position continues to conduct and refine post-payment investigations of certain routine physician billing codes. The Audit Officer keeps a log of the work (e.g., looking for high volumes of transactions in certain service codes) to aid in the routine audits, but has not formally assessed the potential value of using new analytics.

In addition, the Audit Officer has created and is running routine data analytics on physician payments. These analytics identify when a physician has billed for services and/or received payments that are outside of the normal pattern of practice of the physician's peer group (i.e., specialty area). If billings or payments fall outside of normal practice, the Ministry may investigate further, and request the physician provide documentation to support their billings, to determine if there were inappropriate billings and payments.

As a result of these investigations, the Ministry has recovered payments made to physicians for inappropriate billings of insured services as summarized in **Figure 1**. The recoveries have increased since 2017.

**Figure 1—Summary of Ministry Audit Recoveries**

Fiscal Year	Recovery
2019-20	\$ 425,883
2018-19	\$ 458,103
2017-18	\$ 222,383

Source: Adapted from information provided by the Ministry of Health.

We found the JMPRC operated in a similar fashion to the 2017 audit. As shown in **Figure 2**, the JMPRC continues to meet eight or nine times a year to conduct committee business, including completing one new investigation at each meeting and reviewing updates on 25-30 ongoing cases.

**Figure 2—Number of Meetings Held and Investigations Completed by the JPMRC**

Fiscal Year	Number of Meetings	Completed Investigations
2019-2020	9	8
2018-2019	9	7
2017-2018	8	6

Source: Adapted from information provided by the Ministry of Health.

**Figure 3** shows the total amount that the JMPRC ordered physicians to repay in the past three years. While these amounts are higher than what we found during our 2017 audit (\$1.2 million for 2016-17), the amount of annual recoveries ordered is less than 1 percent of the total fee-for-service payments for the same period.<sup>5</sup>

**Figure 3—Amount of Recovery Ordered by the JMPRC**

Fiscal Year	Number of Physicians with Recoveries Ordered	Amount of Recovery Ordered
2019-2020	8	\$ 1,783,770
2018-2019	7	\$ 1,598,881
2017-2018	6	\$ 1,789,853

Source: Adapted from information provided by the Ministry of Health.

By having more ways to conduct investigations into physician billing practices, the Ministry may identify and recover more inappropriate billings. In addition, this would reinforce with physicians the importance of having appropriate fee-for-service billing practices.

<sup>5</sup> \$1.78 million recovery ordered compared to \$500+ million paid annually under the fee-for-service arrangement.