

Chapter 13

Health—Detecting Inappropriate Physician Payments

1.0 MAIN POINTS

Each year, the Ministry of Health pays over \$500 million to about 1,850 physicians under a fee-for-service arrangement. The Ministry directly compensates physicians at agreed-upon rates for specific services provided to residents with valid health coverage. On average, 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 2021, the Ministry had made some progress in developing an IT system that will help identify inappropriate physician payments. It expects the new IT system to be operational in late 2022.

Without the new IT system, the Ministry has yet to complete a comprehensive risk-based strategy to detect inappropriate physician billings for insured services before processing payments. Also, it has not yet assessed options to conduct more investigations into physicians' billing practices. The Ministry expects the development of the new IT system to help improve its investigations of inappropriate physician billings.

Strong processes to detect inappropriate physician payments will help ensure taxpayers only pay for eligible services.

2.0 INTRODUCTION

This chapter describes our second 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.¹ We made four recommendations. By December 2019, the Ministry implemented two of the four recommendations.²

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).

¹ *2017 Report – Volume 1*, Chapter 6, pp. 65-80.

² *2020 Report – Volume 1*, Chapter 17, pp. 215-220.



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, 2021, and the Ministry of Health's actions up to that date.

3.1 Risk-Based Strategy Expected with New IT System

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 formally established a risk-based strategy to detect inappropriate physician billings before making payments. It expects to do so in conjunction with the development of a new IT system for processing physician billings.

During our 2020 follow-up audit, we found the Ministry identified some general risk areas related to inappropriate physician billings (e.g., need for more education to those submitting billings, limited capabilities of the current IT system), but had not completed detailed work to develop a risk-based strategy.

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 and requires labour-intensive assessment processes to confirm the validity of billings in every two-week payment cycle.

Since 2020, the Ministry focused its efforts on acquiring a new IT system that should enable the Ministry to more efficiently assess significant amounts of data to identify suspicious activity associated with physician billings. In winter 2020, the Ministry posted a tender for development of a new IT system and, in June 2021, signed a 12-year agreement with a software vendor for development and maintenance of the new IT system. The Ministry expects the IT system to be operational in late 2022.

Management indicated the Ministry plans to develop a more robust set of rules within the new IT system to detect inappropriate or incorrect billings before processing payments to physicians. This will support a detailed, risk-based strategy to detect inappropriate physician billings for insured services, before making payments.

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

3.2 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

The Ministry of Health has not yet assessed options to conduct more investigations into physician billing practices. However, it expects the new IT system for processing physician billings to help improve its investigation of inappropriate billings.

Since our 2020 follow-up audit, the Ministry did not identify any additional options to conduct more investigations into physician billing practices.

The Ministry anticipates its new IT system to enable more data analysis to further identify inappropriate billings. Management told us they plan to use this analysis to create additional IT system controls to stop these billings before payment occurs and to assess where more investigations are needed.

Under the current IT system, the Ministry continues to run routine data analytics on physician payments. These analytics identify when a physician billed for services and/or received payments outside of the normal practice pattern for 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 whether inappropriate billings and payments occurred.

When the Ministry determines that a physician billed inappropriately, the Ministry recovers these payments. The Ministry also refers cases to the Joint Medical Professional Review Committee (further discussed below) for further investigation when the individual physician's pattern of billing departs from the physician's peer group.

As a result of Ministry-led investigations, the Ministry recovered payments made to physicians for inappropriate billings of insured services as summarized in **Figure 1**. The decreased amount of recoveries in 2020–21 is a result of multiple factors, such as fewer medical services provided during the COVID-19 pandemic (e.g., less surgeries) and approximately 800 fee-for-service physicians opted to provide services under a temporary pandemic contract instead of billing the Ministry directly for each service provided.

Figure 1—Summary of Billing Payment Recoveries from 2017–2021

| Fiscal Year | Recovered |
|-------------|------------|
| 2020–21 | \$ 161,241 |
| 2019–20 | \$ 425,883 |
| 2018–19 | \$ 458,103 |
| 2017–18 | \$ 222,383 |

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



The Joint Medical Professional Review Committee continues to have the authority to investigate physician-billing practices, and to determine and order recovery payments for inappropriate billings under the fee-for-service arrangement with physicians.³ The Ministry identifies physicians as having potentially inappropriate billings and then refers them to the Review Committee. At December 2021, the Ministry referred six physicians to the Review Committee as having potentially inappropriate billings in 2021–22, with another nine referrals still pending the Committee's review.

We found Joint Medical Professional Review Committee activities did not change from those used during the 2017 audit. As shown in **Figure 2**, the Review Committee 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 about 30 ongoing cases. The small number of investigations the Review Committee completes each year as compared to the larger number of instances of potentially inappropriate billings suggests the current process is insufficient in the timely recovery of overpayments.

Figure 2—Number of Meetings Held and Investigations Completed by the Review Committee

| Fiscal Year | Meetings Held | Investigations Completed |
|-------------|---------------|--------------------------|
| 2020–21 | 9 | 7 |
| 2019–20 | 9 | 8 |
| 2018–19 | 9 | 7 |
| 2017–18 | 8 | 6 |

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

Figure 3 shows total amounts the Review Committee ordered physicians to repay in the past four 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% of the total fee-for-service payments for this period.⁴

Figure 3—Amount of Recovery Ordered by the Review Committee

| Fiscal Year | Number of Physicians | Ordered Recovery Amount |
|-------------|----------------------|-------------------------|
| 2020–21 | 7 | \$ 2,035,232 |
| 2019–20 | 8 | \$ 1,783,770 |
| 2018–19 | 7 | \$ 1,598,881 |
| 2017–18 | 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.

³ *The Saskatchewan Medical Care Insurance Act* gives the Joint Medical Professional Review Committee the authority to investigate physician-billing practices. The Review Committee is comprised of six members: the Saskatchewan Medical Association, the College of Physicians and Surgeons, and the Ministry of Health; each appoint two members.

⁴ In 2020–21, the Review Committee ordered recovery of \$2.04 million compared to greater than \$500 million paid annually under the fee-for-service arrangement.