

## Chapter 12

# Health—Detecting Inappropriate Physician Payments

### 1.0 MAIN POINTS

At March 2024, the Ministry of Health made good progress in addressing the two outstanding recommendations we first made in 2017 about detecting inappropriate physician payments.

The Ministry pays over \$560 million to almost 1,900 physicians under a fee-for-service arrangement each year.<sup>1</sup> Physicians may submit bills for incorrect amounts because of misunderstandings, mistakes, or, on occasion, deliberate actions.<sup>2</sup>

The Ministry implemented a new physician claims IT system in February 2024.

This new claims IT system will improve processing for physician billing because it will reduce the amount of labour-intensive manual assessments previously done by Ministry staff. It will also notify physicians immediately if their billing submissions are rejected or accepted thereby reducing overpayments. Edit checks will continue to be added to the new claims IT system as the Ministry identifies new risks in relation to inappropriate physician billings.

Having a risk-based strategy supported by an adaptable IT system allows the Ministry to detect inappropriate physician billings before payment, reducing the amount of effort needed to assess and collect inappropriate payments back from overpaid physicians.

The new claims IT system can also enhance the Ministry's reporting and data analysis allowing the Ministry to undertake further investigations (audits) of physician claims after payments. However, at March 2024, the Ministry had not revised its audit/investigation capacity or design. It also had yet to fully implement the data analytics available in the new claims IT system. Doing so will allow the Ministry to appropriately direct its efforts to investigate inappropriate physician billing practices, and potentially identify and recover more inappropriate billings.

### 2.0 INTRODUCTION

The Ministry of Health directly compensates fee-for-service physicians at agreed-upon rates for specific services provided to residents with valid health coverage. The Ministry cannot practically confirm the validity of all billings before paying physicians. As such, the Ministry must have effective processes to detect inappropriate payments to physicians.

<sup>1</sup> Ministry of Health, Medical Services Branch, *Annual Statistical Report for 2022–23*, p. 7.

<sup>2</sup> The Ministry of Health refers inappropriate billings to the Joint Medical Professional Review Committee (JMPPRC). In 2023–24 JMPPRC ordered seven physicians to repay roughly \$1.3 million (2022–23: 12 physicians ordered to repay about \$2.6 million).



## 2.1 Focus of Follow-Up Audit

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

In 2017, we assessed the Ministry of Health's processes to detect inappropriate fee-for-service payments to physicians. We concluded that the Ministry had, except for the recommendation areas, effective processes to detect inappropriate fee-for-service payments to physicians.<sup>3</sup> We made four recommendations. By December 2021, the Ministry implemented two of the four recommendations.<sup>4</sup>

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 carry out our follow-up audit, we discussed actions taken with key Ministry personnel. We examined the Ministry's new physician claims IT system and reviewed relevant documentation on the actions taken to address our recommendations.

## 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 March 31, 2024, and the Ministry of Health's actions up to that date.

### 3.1 Risk-Based Strategy Developed

***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**—Implemented

In October 2022, the Ministry of Health developed a Comprehensive Risk-Based Strategy to identify, respond, and monitor risks of inappropriate physician billings. The Ministry's responses to identified risks will allow it to better detect inappropriate physician billings for insured services before making payments.

The Comprehensive Risk-Based Strategy plans to identify risks using two approaches:

- Top-Down Risk Identification – Ministry leadership will identify areas of risk that may result in inappropriate physician claims being paid by the Ministry. Responses will mainly focus on emerging technology and/or new processes.

<sup>3</sup> 2017 Report – Volume 1, Chapter 6, pp. 65–80.

<sup>4</sup> 2020 Report – Volume 1, Chapter 17, pp. 215–219 and 2022 Report – Volume 1, Chapter 13, pp. 165–168.

- **Bottom-Up Risk Identification** – Inputs from all levels of Ministry staff will identify operational risks. Staff involved with the day-to-day operations will assess the appropriateness of physician billing claims rejected by the claims IT system. As a result, they can identify trends and weaknesses in the claims and IT system that may result in payments for inappropriate physician billings.

Once the Ministry identifies a risk, its Strategy expects it to respond to the risk by either accepting the risk, transferring the risk (i.e., shift to a third-party), reducing the risk, or avoiding the risk. By February 2024, we found the Ministry identified 11 key risk areas related to inappropriate physician billings and outlined mitigation strategies to reduce these risks.

One of the major mitigation strategies was the Ministry implementing its new physician claims IT system in February 2024. The new system can create new rules to reject inappropriate physician billing claims. We found, at present, the new claims IT system consists of various edit checks including checking the validity of patients' health services' numbers on physician bills, validating physician billing numbers, and confirming billings submitted align with eligible services and rates agreed to in a payment schedule.

The Strategy also identified the need to enhance the Ministry's audit/investigation function and methods as another focus area of mitigation (see **Section 3.2** for further details on status of implementation).

Having a comprehensive risk-based strategy and framework to continually identify and respond to risks associated with inappropriate physician billings will improve the Ministry's ability to identify points of weakness within its physician billing claims process. This should also minimize the Ministry's cost of claims processing and reduce the amount of effort needed to assess and collect inappropriate payments back from overpaid physicians.

### 3.2 Increased Investigations Not Yet in Place

***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 had not yet assessed and implemented new options to conduct more investigations (audits) into physician billing practices. However, it expects the new physician claims IT system to help improve investigations of inappropriate billing through enhanced reporting and data analysis.

We found the physician claims IT system implemented in 2024 improved data collection enabling better data analysis to further identify inappropriate billings.

The previous, simplistic IT system required a significant amount of manual intervention by Ministry staff. With the new, more advanced system having improved business rules and edit checks, Ministry management expect physician claims analysts to spend less time



adjudicating claims and more time performing investigations. At March 31, 2024, the Ministry employed eight claims analysts.

We found the Ministry had organizational plans in place to enhance its investigation and audit capacity of physician billing claims using its claims analysts and an audit function.

As of March 31, 2024, the Ministry had not yet revised its audit/investigation capacity or design. As a result, with the new claims IT system still in its infancy, the Ministry had not yet performed additional investigations because significant amounts of data were not yet available for analysis. Therefore, the Ministry's process to audit/investigate physician claims remained unchanged from our previous audit follow-up. The Ministry led four audits in 2023–24.

Enhancing the ways the Ministry conducts investigations (audits) into physician billing practices may identify and recover more inappropriate billings, as well as reinforce with physicians the importance of appropriate fee-for-service billing practices or identify areas where the Ministry needs to offer further education and support.

