

Program risk management

Managing risk to Medicare

Professional Services Review Scheme

Established under the *Health Insurance Act 1973*, the Professional Services Review Scheme (PSR) came into effect on 1 July 1994 and applies to health professionals who render or initiate services under Medicare or who prescribe under the PBS. These professionals include general practitioners, optometrists, dentists, podiatrists, chiropractors, physiotherapists and practice proprietors.

The PSR scheme provides a system of peer review to determine whether a practitioner is inappropriately rendering or initiating services under Medicare, or whether they are inappropriately prescribing under the PBS.

The Director of PSR is an independent statutory officer appointed, subject to Australian Medical Association agreement,

by the Federal Minister for Health and Ageing.

The HIC can request the Director of PSR to review the provision of services by practitioners to determine whether they have engaged in inappropriate practice.

Inappropriate practice means providing services that a committee of the practitioner's peers would reasonably consider unacceptable to the general body of their profession.

The HIC identifies practitioners whose statistics with respect to the rendering or initiating

of services appear abnormal when compared with those of their peers. The HIC's State Case Management Committee (SCMC) will then review the patterns of practice of these practitioners identified and decide if any of those practitioners should be contacted for further information.

Professional Services Review Process Enhancement Project

In 2004–05 we implemented revised processes in our consideration of matters under the Professional Services Review Scheme. Practitioners contacted are provided with

PSR interviews for the year ending 30 June 2005

PSR Interviews	Total
First stage general practitioner activity completed	286
First stage specialist activity completed	21
First stage optometrist activity completed	8
Second stage general practitioner activity completed	51
Second stage specialist activity completed	3
Second stage optometrist activity completed	1
No. of First Stage Reviews completed to CMC	392

information on their rendering and initiation of services and are offered the opportunity to respond in writing to the SCMC. If SCMC concerns remain, the practitioner is advised that the matter will be reviewed at a later stage. If after this later review concerns still remain, an adviser from the HIC may have an interview with the practitioner for further information and discussion. The interview provides the opportunity for the practitioner to discuss particular issues with the adviser and explain possible reasons for the matter of practice.

Following the interview, the matter is reconsidered by the SCMC. In the majority of cases no further action is required.

The SCMC may also invite the Medical Director to participate in a review. If further action is considered, the practitioner will be given the opportunity to make a submission to the Medical Director. This will be done prior to any decision being made by the HIC to request the Director of PSR

to review the provision of services by the practitioner.

The HIC, in full consultation with the medical profession and the Director of PSR, reviewed and enhanced its internal PSR processes during 2003–04. The revised processes were implemented from June 2004. The consequences of this were additional steps in the process aimed at providing greater procedural fairness to practitioners. There is also even greater transparency with online access to information about the HIC's PSR process for all practitioners.

The transition to these new processes has resulted in some practitioners who would otherwise have been ready for referral to the Director of PSR, being subject to additional procedural steps by the HIC. This has meant a reduction in the number of requests from HIC to the Director PSR, but no reduction in the number of practitioners who are subject to HIC intervention as part of the

PSR Scheme process. For the year July 2004 to June 2005 nearly 500 practitioners were contacted as part of the HIC activities in the PSR Scheme.

During the year ending 30 June 2005, the HIC requested the Director of PSR to review the services of nine practitioners.

If a review is requested, the Director of Professional Services Review may decide to:

- dismiss the request
- revoke or suspend the authority to prescribe items under the PBS
- set up a committee, comprising the practitioner's peers, to determine whether the practitioner has engaged in inappropriate practice

or

- enter into an agreement with the practitioner to:
 - be reprimanded and/or counselled
 - repay Medicare benefits
 - undertake a period of disqualification from Medicare.

During the year ending 30 June 2005, \$1.2 million was repaid by 44 practitioners pursuant to agreements and final determinations made under the PSR Scheme.

Compliance audits

The HIC monitors payments on claims paid for Medicare through a program of audits. We recover benefits where inappropriate payment has been made. During 2004–05 we conducted four audit programs, which are detailed below.

Post-payment audits

We conduct an annual program of post-payment audits to monitor and evaluate compliance with legislation in the claiming and payment of claims by the HIC. To support the post-payment audit process for Medicare, targeted and random compliance audits are conducted throughout the year.

Targeted audits

Targeted audits are in-depth reviews designed to confirm compliance with applicable

legislation and the Medicare Benefits Schedule. They complement other HIC activities used to address risks to, or abuse of, Medicare. The program of targeted audits is also used to assess the systems which underpin the programs.

The HIC continually conducts targeted audits during each year. The audit results are reported in the year in which they are completed.

Medicare targeted audits undertaken during the year involved 136 medical practitioners and 5,569 services. Various levels of largely administrative non-compliance were found and the total amount of identified recoveries from improper payment of claims was approximately \$695,974.

State and National Office audit officers conduct the audits, supported by medical advisers within the HIC. National consistency is achieved through regular conferences between national and state audit staff and a common methodology.

Random audits

Random compliance audits are a post-payment review process used by the HIC to quantify formal compliance within the Medicare program. Assessing compliance involves verifying all aspects of the claimed service with documents and parties relevant to the transaction, including patients, medical practitioners and the HIC processing staff.

A secondary objective is to gather information on processing and data capture errors within legally compliant Medicare claims and payments.

Random compliance audits conducted in 2004–05 assessed the level of substantial compliance in benefit payments to be in excess of 99 per cent. This means that in more than 99% of payment cases the recipient met legislated eligibility criteria.

In addition to checking a recipient's eligibility to receive a Medicare payment, the audit also measured compliance with administrative requirements. Administrative non-compliance

was found in about 10 per cent of claims and payments. In these instances the recipient met legislated eligibility criteria but claim details were incomplete or missing. Examples of these technical errors included dates not being advised and tick boxes not being checked. Providers were advised of their errors and counselled where appropriate.

National Medicare compliance projects

Claiming patterns of providers have been examined using data analysis techniques, including data mining, resulting in a number of highly targeted national interventions. The areas that were reviewed by the HIC in 2004–05 include:

- orthopaedics
- ophthalmology
- colorectal surgery.

A total of 325 providers were reviewed, resulting in recoveries of \$269,333.

Medicare participation review committees

Practitioners convicted of relevant offences against

Medicare are referred to a Medicare participation review committee (MPRC) for review of their entitlement to be involved in the Medicare scheme. An MPRC also determines whether a person or party—including, where relevant, a body corporate—has breached an approved pathology practitioner or approved pathology authority undertaking, or has engaged in a prohibited diagnostic imaging practice.

Practitioners with two final determinations of inappropriate practice under the Professional Services Review Scheme also come before an MPRC.

The MPRC is administratively supported by the HIC but

is an independent statutory body whose chairperson is appointed by the Minister for Health and Ageing.

An MPRC determination can result in five years total disqualification from professional participation in Medicare and further action by state and territory registration bodies. During the year ending 30 June 2005, nine cases were referred to MPRCs and determinations were made. There is a time lag between referral and determination and, as a consequence, matters may span more than one financial year.

Cases referred to the Medicare Participation Review Committee for the year ending 30 June 2005

Type of practitioner	No.	Reason
Medical	4	Convicted of relevant Medicare offences
Specialists	2	Convicted of relevant Medicare offences
Optometrists	1	Convicted of relevant Medicare offences
Diagnostic imaging	2	Possible prohibited diagnostic imaging practices

Risk identification through data mining

The HIC analyses Medicare transaction data to identify possibly non-compliant providers. These applications are able to identify patterns in vast amounts of data. They are an integral part of the HIC's strategic risk analysis framework, which comprises a range of review and targeted activities. Areas of the Medicare Benefits Schedule that are under periodical review are:

- general practice

- psychiatry
- ophthalmology
- plastic and reconstructive surgery
- diagnostic imaging
- gynaecology
- optometry
- orthopaedics
- colorectal surgery
- oral and maxillofacial surgery
- anaesthetics
- neurosurgery
- urology.

Determinations by the Medicare Participation Review Committee for the year ending 30 June 2005

Type or determination	No.
Partial disqualification from Medicare and a reprimand	2
Full disqualification from Medicare	2
No action	1

Savings achieved by the HIC

	Target savings	Actual savings
2003–04	\$192.1 million	\$195 million
2004–05	\$215.8 million	\$215.8 million

Managing risk to the Pharmaceutical Benefits Scheme

In the 2002 Budget, the Australian Government announced a series of measures aimed at ensuring sustainability of the Pharmaceutical Benefits Scheme (PBS). Amongst these were six measures: *Improving the Use of Cholesterol Lowering Medicines on the PBS, Better Enforcement of PBS Restrictions, Enhanced Authority, Prescription Shopping Project, Reduction in PBS Risk and Improved Data Analysis and Compliance Activities* that HIC was asked to implement. These measures delivered savings in the order of \$750 million over a four-year program from 2002–03.

Restricted PBS medicines

Improving the use of cholesterol-lowering medicines on the PBS has been a key area of focus. We have implemented compliance activities aimed at assisting doctors to better understand and comply with requirements of the PBS Schedule when prescribing restricted medicines. Other medicines of focus include proton pump inhibitors, lipid lowering agents, Cox-2 inhibitors, selective serotonin re-uptake inhibitors and anti-asthma drugs.

Educational activities included:

- further development of the HIC–Monash University PBS education module at www.pharmacy.vic.edu.au, to provide pharmacists with the opportunity to better understand the PBS
- provision of in-practice education to 330 doctors across 10 divisions of general practice to prevent prescribing on the PBS outside the restriction criteria
- online provision of education about the PBS via the PriMeD website www.PriMeD.com.au.

The HIC–PriMeD PBS education website is the first online learning platform designed specifically for doctors who want to enhance their understanding of the PBS at a convenient time, pace and place

- 2,415 general practitioners were provided written information to enhance awareness of, and compliance with, PBS restrictions.

Prescribing software was enhanced to highlight PBS restrictions and facilitate the generation of non-PBS prescriptions.

All registered pharmacies were provided information on how to recognise non-PBS prescriptions.

Authority required medicines

The HIC reviews and, as necessary, revises the wording of authority medication restrictions to more accurately reflect the intent of the listing restriction. The process is conducted in conjunction with the Pharmaceutical Benefits Advisory Committee.

In 2004–05, we continued to develop and enhance existing up-front systems and processes supporting the approvals process for prescribing authority medicines as outlined in the Schedule or Pharmaceutical Benefits.

Urologists were provided information to enhance compliance with PBS restrictions for GnRH agonists via the Urological Society of Australia.

Prescription Shopping Project

The *Prescription Shopping Project* aims to identify patients obtaining PBS medicines in excess of medical need and reduce the number of PBS medicines obtained by patients in excess of medical need.

In January 2005, we implemented the Prescription Shopping Information Service. The objective of the service is to protect the PBS from improper use by patients and assist doctors in their clinical decision making.

In the first five months of operation, 9,946 doctors have

registered to access the service and there have been 7,934 enquiries made to the service.

During 2004–05 the HIC held face-to-face meetings with doctors and sent 9,832 letters to doctors. A total of 5,155 members of the public who were suspected of obtaining PBS medicines in excess of medical need were subject to these interventions.

Targeted risk management activities

The HIC identifies and targets pharmacies and individuals suspected of fraudulent or inappropriate behaviour with respect to the PBS.

During 2004–05, we:

- sent PBS information to nearly 26,000 PBS safety net users to deliver messages to use medicines wisely and not obtain medicines earlier than necessary
- sent letters to 5,000 pharmacies to remind them of the need to comply with Regulation 25 of the National Health (Pharmaceutical Benefits) Regulations 1960,

which sets out requirements for early supply of PBS medicines

- reviewed 458 pharmacies, and counselled 162 pharmacies for irregularities in their claiming process since 2002–03. During the review, we also referred 10 pharmacies with suspected fraudulent claiming for further investigation
- The random compliance audit program audited approximately 5,000 PBS medicine supply events nationally. The audit found that 98 per cent of the sampled events were supplied, claimed and paid correctly.

Overseas drug diversion project

The HIC aims to reduce the illegal export of PBS-subsidised medicine by educating or targeting people who may be involved in such activity.

We also provide a telephone information service, the Travelling with PBS Medicine Enquiry Line (previously known as the Overseas Drug Diversion Inquiry Line), with the toll-free number 1800 020 613.

During 2004–05 the number of enquiries to the line by increased 45.6 per cent.

Monthly average number of calls to the Travelling with PBS Medicine enquiry line, 2000–01 to 2004–05

Financial year	Calls	
	Yearly number	Monthly average
2000–01	2,145	179
2001–02	2,203	200
2002–03	2,494	208
2003–04	6,153	521
2004–05	9,107	759

Suspension or revocation of a pharmacist's approval to supply

Following a charge or conviction of an offence related to the supply of pharmaceutical benefits, section 133 of the *National Health Act 1953* allows the Federal Minister for Health and Ageing to revoke an approval of a pharmacist or for the Secretary to the Department of Health and Ageing to suspend an approval of a pharmacist to supply pharmaceutical benefits.

During the year ending 30 June 2005, action under section 133 of the National Health Act was considered in respect of approvals involving four pharmacists. As a result of this action the approvals of three pharmacists were suspended. A decision not to suspend the approval was made in relation to the other pharmacist.

Managing risk to other health payments and activities

Practice Incentives Program

A comprehensive review of general practices enrolled in the

Practice Incentives Program (PIP) was undertaken in 2004–05 in line with the Strategic Partnership Agreement between the HIC and DoHA.

There were 218 practices audited nationally, including rural and metropolitan practices in each state, which represents 4.7 per cent of total PIP practices. Of these, 25 practices did not meet the program's eligibility criteria, mainly in the area of after-hours. The total quarterly payments for the reviewed practices were \$ 3.5 million. The non-compliant value of \$67,922 comprised 2.15 per cent of this total. In some instances recovery of payments was undertaken.

In addition the HIC examined 105 practices for two components of the PIP. Fifty-two practices receiving practice nurse and allied health professional payments were reviewed, as well as 53 practices receiving procedural payments. The total quarterly payments reviewed for procedural payments were \$213,500. Of this amount, payments to six practices totalling \$6,250

(2.9 per cent) were found to be non-compliant. The total quarterly payments reviewed for practice nurse and allied health professional payments were \$251,074. The non-compliant value of \$5,056 for two practices comprised 2 per cent of this total. Results have been reported to DoHA.

30% Rebate on Private Health Insurance

Private health funds provide the HIC with an annual audit certificate on the operation of the 30% rebate. The HIC checks claims made at Medicare offices to ensure no premium reduction has been applied to a policy.

Audits at 12 health fund entities that participate in the 30% Rebate on Private Health Insurance premium reduction scheme were carried out during 2004–05.

The audits also established the extent to which claims for payment made by health funds are accurately calculated and made in respect of persons who are valid participants in the scheme. The low level of

incorrect claims of less than 0.5 per cent of total outlays has continued this year.

Results are reported to individual health funds at the completion of each audit. Where necessary, recommendations designed to strengthen and correct aspects concerning data completeness or evidence of participant validity have been made and implemented by the health funds concerned.

Managing medical indemnity risk

The Incurred But Not Reported (IBNR Scheme) was introduced in 2003 by the Australian Government to support participating medical defence organisations (MDOs) by covering future claims where liability for an incident, or series of incidents, had been incurred but not reported.

Following the initial implementation of the scheme,

a review was undertaken in 2004–05. The review examined the extent to which HIC processing and the participating MDO met the requirements contained in Part 2 of the Medical Indemnity Act 2002.

As part of this review, 86 claims were reviewed both at the HIC and at the participating MDO. Three claims (3.5 per cent of claims reviewed) were found to be non-compliant. The findings will be reported to the MDO and appropriate recovery action instigated.