

Final Audit Report

Audit of Dental Benefits

May 2009

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Executive Summary

The Non-Insured Health Benefits (NIHB) Program within the First Nations and Inuit Health Branch (FNIHB) provides approximately 800,000 registered First Nations and recognized Inuit, who are not otherwise insured, with a limited range of medically necessary health-related goods and services. For those registered, the NIHB Dental Program provides dental coverage and services provided by licensed dentists, dental specialists and denturists.

The objective of this audit was to assess *components* of the management control framework for the Non-Insured Health Benefits - Dental Program. The audit was conducted by the Audit and Accountability Bureau in accordance with the Government of Canada's *Policy on Internal Audit*.

The total cost for the NIHB's Dental Program was \$165.6 million in 2007-2008. This included: 2.4 million dental claims paid on a fee for service basis totalling \$138.3 million; \$12.9 million in contribution expenditures; \$8 million in contract dentist expenditures; and \$6.4 million covering dental supplies, equipment as well as expenditures related to automated claims payment. Given the tax dollars spent on dental services combined with the inherent risks of misuse or abuse of funds, the NIHB team at Health Canada has put in place controls to safeguard assets.

While the control framework used to manage the NIHB Dental Program has evolved over time, there remain areas where further improvements could be made to the key controls assessed in this audit.

The NIHB's dental program is governed by the *Dental Policy Framework* and supported by several other key documents written to facilitate the consistent and fair delivery of the dental program. While these key documents are periodically updated, the NIHB's dental staff would gain from receiving formal updated Procedures and User manuals.

Secondly, Health Canada dental staff currently have to work around some of the features of the Health Information and Claims Processing Services (HICPS) system to accommodate routine practices for processing dental claims. For example, some dental procedures require a "predetermination" prior to the work being completed, such as a crown, while other basic services, such as teeth cleaning, do not require prior approval. Some dental providers will submit both of these types of dental procedures on a single claim form. The dental officers in the Regions will process both procedures as predeterminations where only the crown should be predetermined. This can impact the frequency limits established for basic services if not caught by the regional dental officers. Another example relates to dental treatment plans that are approved after the dental service is delivered. There are instances (such as emergencies) when treatment

plans are received after the dental work is completed. Currently, the system captures the treatment plans as a predetermination and not as a “post approved” dental treatment plan.

Lastly, the methodology used by the contractor to identify dental providers for potential audit is, appropriately, supplemented by further testing and analysis by NIHB program staff however, the documentation supporting the provider profiles and documentation for selection of on-site audits is limited. For those on-site audits that were conducted by the contractor, the requirements of the *Administrative Procedures Manual* were not always followed.

Management has agreed, with an action plan, to the five recommendations which will serve to strengthen the management control framework for dental benefits.

Introduction

Background

The Non-Insured Health Benefits (NIHB) Program within the First Nations and Inuit Health Branch (FNIHB) provides approximately 800,000 registered First Nations and recognized Inuit with a limited range of medically necessary health-related goods and services when they are not otherwise insured. The NIHB Program does not have any specific legislative authority but falls under the 1979 Indian Health Policy, the 1997 NIHB Renewed Mandate, and the Appropriations Act for its annual funding allocation.

In Fiscal Year 2007-08, the NIHB Program spent the majority of the \$898.2 million on eligible claims for pharmaceutical, medical transportation, vision care, and dental benefits. Over the last decade, components of the NIHB program have been audited by Health Canada's Audit and Accountability Bureau as well as external audits completed by the Office of the Auditor General and Public Works and Government Services Canada. As a result of the audit activity and NIHB's commitment to strengthening the Dental Program the control framework has evolved over time.

The total cost for the NIHB's Dental Program was \$165.6 million in 2007-2008. This included: 2.4 million dental claims paid on a fee for service basis totalling \$138.3 million; \$12.9 million in contribution expenditures; \$8 million in contract dentist expenditures; and \$6.4 million covering dental supplies, equipment as well as expenditures related to automated claims payment. Given the tax dollars spent on dental services combined with the inherent risks of misuse or abuse of funds, the NIHB team at Health Canada has put in place controls to safeguard assets.

Dental Benefits at Health Canada

The NIHB Program funds claims for dental services provided by licensed dentists, dental specialists and denturists for eligible First Nations and recognized Inuit. Since 1990, Health Canada has engaged a contractor to process claims for dental services provided. The contractor uses the "Health Information and Claims Processing Services" (HICPS) system to process payments for dental benefits under the NIHB Program. In 2007-08, there were over 2.4 million dental claims paid on a fee for service basis, totalling \$138.3 million.

Over the years NIHB at Health Canada has put in place controls designed to prevent, minimize and detect errors, irregularities, misuse or abuse of program funds. (see text box). These controls, their governance and their integration with other program management functions, form the basis of the management control framework for the dental program.

Suite of Controls

- Contract governance/compliance
- Audits and reviews
- Program and system edits
- Client eligibility verification
- Provider eligibility verification
- Price verification
- System acceptance
- Client and service provider registration
- Eligibility verifications
- Authorizations
- Approvals
- Next Day Claim Verifications
- Payment Verification Process
- Client Confirmation
- Provider Profiling and Provider Audits

The NIHB – control framework for the dental program includes a number of controls and automated systems that aim to ensure client and provider eligibility, compliance of claims submitted with applicable program policies and benefit rules. It also includes system change controls, pre-payment verification controls and post payment controls.

Some of these controls are administered under contracted claims processing services. As a result, a number of controls are in place to check contractor compliance with the terms of the contract and applicable administrative procedures.

Objective

The objective of this audit was to assess *components* of the management control framework for the Non-Insured Health Benefits - Dental Program.

Scope and Approach

The audit was undertaken by the Audit and Accountability Bureau as per the Health Canada Risk-Based Audit Plan for 2008-2009 which was approved by the Departmental Audit Committee on April 3, 2008. The audit was conducted in accordance with the Government of Canada's *Policy on Internal Audit*.

The scope of the audit was limited to an examination of the NIHB Dental Benefits Program for the period June 2006 to July 2007. Specifically, the audit examined compliance with the predetermination process, system edits, claim verification, client confirmation, provider profiles and provider audits which are some of the key controls in place to determine eligibility of claims submitted by service providers.

Audit criteria are grounded in both the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and from the CoCo model as developed by the Canadian Institute of Chartered Accountants.

Methodology included interviews with program officials; literature review on the NIHB program, document review and a sample of dental claims were selected using the Data Interchange Application (IDEA).

The work was carried out at Headquarters in the National Capital Region and documentation, including a sample of dental claims, was retrieved from all regions.

There were two components of the control framework that were not further audited. First was the integrity of the data in the HICPS system. This subject was recently examined in a separate audit completed by the Audit and Accountability Bureau in September 2008 entitled *Data Integrity Phase II* which concluded that there were no major problems with the accuracy and completeness of data in the system. However, there were four recommendations to further strengthen the system. Secondly, contract governance was excluded as it was examined in a follow-up audit entitled, *Administration of Health Canada's Contract with First Canadian Health* completed by the Audit and Accountability Bureau in April 2005.

Findings, Recommendations and Management Responses

Compliance with Procedures

Audit Criteria

Dental program staff should follow the procedure manual for predeterminations and predeterminations should be applied consistently in all regional offices.

Predetermined Treatment

The predetermination program was introduced as an important mechanism in reducing risks related to dental benefits. Some dental services must be pre-approved before treatment is provided. The pre-approval process is known as “predetermination” and consists of a review of the client’s condition to determine if the proposed dental services meet the established guidelines, policies and criteria under the NIHB Dental Program.

Benefits items for which a predetermination is required are not to be paid by the Claims Processor unless prior-approval has been obtained from a designated NIHB authorizing officer. These items are classified as “Schedule B” benefit items.

The audit examined various documents that provide appropriate guidance and instruction relating to carrying out the predeterminations. As well, the audit examined the extent to which regional staff involved in the predetermination process had followed the procedures as outlined in these documents.

While there are processes and information in place such as a Dental Policy Framework, Dental Provider Information Kit, newsletters and bulletins, key documents such as the

NIHB User Manual and the Dental Desktop Procedure Manual were marked “draft” dating back to 2002 and 2005 respectively.

Manuals like these are essential to providing consistent guidance to the regions in using the system which is central to predetermination process.

Recommendation 1

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch ensure that staff, who are involved in the predetermination process receive current Procedures and User Manuals with respect to using the Health Information and Claims Processing Services (HICPS) system.

Management Response

FNIHB agrees with the need to provide clear predetermination procedures and an up-to-date system user manual. The manuals were marked “draft” to reflect the fact that the content was being regularly updated.

A Dental Operations Manual, that consolidates existing procedures and guidance, is being finalized and will be kept evergreen as a successor to the Dental Desktop Procedure Manual. The HICPS User Manual will continue to be regularly updated and systematically communicated to the users as has been the case in the past. The word “draft” will be replaced with a reference to the date of the revision.

Adjudication Procedures

The Dental Program has a team of regional staff across Canada who adjudicate on claims submitted by dental providers. In some instances dental providers will submit a single claim to the NIHB Regional Offices for two different types of procedures such as a crown (Schedule B) and teeth cleaning (Schedule A). As such, procedures not requiring predetermination are being submitted by dental providers with procedures that do require predetermination on a single form.

NIHB Regional Offices are accepting and adjudicating these predeterminations, resulting in cases where Schedule A procedures, the teeth cleaning, are then assigned a “Predetermination Number”.

In practice, a predetermination of a Schedule A procedure is required only under exceptional circumstances, such as when a client has exhausted the maximum number of benefit claims for a particular benefit item. If a claim for reimbursement is submitted to the claims processor for a Schedule A procedure that has been assigned a Predetermination Number, it is then the Health Canada analyst’s responsibility to verify if the frequency limits of the Schedule A procedures have been reached.

If the analyst does not thoroughly review or does not have the time to complete this process, it is possible for dental service providers to submit claims for reimbursement for client benefits beyond the maximum frequency of benefits allowed within the Schedule A program.

Recommendation 2

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch enhance the Health Information and Claims Processing Services (HICPS) system to ensure that the eligibility frequency limits are completely recorded.

Management Response

FNIHB agrees with the recommendation and have added a system enhancement as part of the renewal of the Health Information and Claim Processing Services contract.

Audit Criteria

All schedule B dental procedures should be predetermined prior to providing service.

Data Capture on Post-Approvals

As previously mentioned, most dental treatments can be divided between basic services (Schedule A) or predetermined dental treatments (Schedule B). However, post approvals may be considered under specific circumstances such as certain basic emergency services. When dental services normally requiring predetermination are rendered in emergency or under specific situations, providers must complete a claim form clearly indicating the special circumstances.

In a sample of transactions for 93 benefit claims that required predetermination of treatment the analysis showed that 34 of the 93 (approximately 37 percent) transactions were actually approved after treatment had taken place.

The HICPS system is not designed to capture information related to post-approvals but rather only predetermination requests. To compensate for the gap in the system to capture post-approvals, an NIHB authorizing officer who wants to approve a request for payment after dental services have been provided must create a backdated predetermination request in the HICPS.

Interviews with Health Canada dental staff noted that post-approval claims are reviewed by the Regional Office against the same policies, guidelines and criteria that would be applied in a predetermination.

Recommendation 3

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch review and update the Health Information and Claims Processing Services (HICPS) System to reflect the operational demands of the NIHB Program.

Management Response

FNIHB agrees with the recommendation and has built functionality to track post-approvals in the new HICPS system.

Eligibility of Claims

Audit Criteria

Next Day Claim Verifications are conducted on a sample based on risk assessment and Client Confirmation letters are sent out to beneficiaries of dental services.

Next Day Claim Verification Program

The Next Day Claim Verification (NDCV) Program is a first line of defence to detect inappropriate billings *before* claims are paid, and to identify candidates for on-site audits. It is a pre-payment control mechanism administered by the claims processing contractor and was designed using a risk-based management approach.

This program consists of the contractor reviewing a sample of claims the day after they are received. The sample reviewed is identified via a series of tests designed to concentrate on potentially higher risk claims. Service providers are requested to submit a copy of official documentation to support their claim.

When the contractor detects questionable billing practices the claim is verified. In 2006-2007 NIHB reported that a sample of 12,348 dental claims were verified under NDCV Program resulting in the reversal of 3,490 claims and a savings of \$317,000 to the program for inappropriate claims that were rejected.

In addition to the claim being verified providers are also referred to the On-Site Audit Program as required by the *Administrative Procedures Manual*. However, the mechanism for tracking referred cases for subsequent audit is incomplete. Health Canada indicates that irregularities are reported to them through the NIHB Audit Director. While there is a “log system” that documents irregularities no formal mechanism was found that demonstrated that this information was brought forward for audit or was being monitored.

Client Confirmation Program

Health Canada’s contractor also manages the Client Confirmation Program which is designed to ensure that paid services were received by NIHB clients (i.e. did the dental work occur) and that any required signatures on claim submissions are valid. Each client confirmation confirms services paid to the provider for the preceding month based on date of service and settled date. The client confirmation letter is a post payment verification mechanism.

At the time of the audit, the Client Confirmation Program consisted of a quarterly mail out to a randomly selected sample of NIHB dental clients. In 2006-2007, NIHB reported that 2000 client confirmation letters were sent along with business reply envelopes for client responses.

The client confirmation process also offers indicators for Provider Audits. Any irregularities identified by NIHB clients are further investigated. Unresolved issues or adverse billing patterns identified in the program are reviewed and considered for on-site audit.

Although the Client Confirmation Program is required to forward referrals to the On-site Audit program, as with the Next Day Claim Verification Program no mechanism was found that demonstrated that this information was brought forward for audit.

Recommendation 4

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch ensure that there is a more effective process in place for referring cases of questionable billing practices for review and follow-up for both next day claim verifications and client confirmation letters.

Management Response

FNIHB agrees that a formal mechanism to demonstrate that this information is brought forward for on-site audit consideration will further strengthen the provider audit program.

Provider Profiling and Onsite Audit

Audit Criteria

Provider profiling and on-site audits are based on risk.

Provider Profiling

Through the same contractor, the Provider Profiling Program reviews the billings of all providers against selected criteria. Secondly, the contractor determines appropriate follow-up action if concerns are identified.

Based on automated procedures and claims history experience providers are regularly and systematically reviewed through a series of weighted tests designed to assess billing patterns.

Information from the profiling exercise is one piece of information used to determine which dentists or practitioners may be subject to an on-site audit. Approximately 50 percent of the claim sample is selected on a random basis and 50 percent is targeted based

on risk profiling. The selection for audit is directed by Health Canada through a committee involving the regions and the contractor.

The audit examined the contractor's profiling methodology and results for determining potential audits. When initially developed the main focus of provider profiling process was on financial risk and materiality. Consequently, the methodology used by the contractor is weighted to favour both high dollar amounts and numbers of claims. Since this one methodology skews the results towards providers that claim large amounts and have high volume, NIHB carries out additional analysis of the areas of risk to the program. In addition to the testing they are using analytical processing software to select dental practitioners for on-site audits. For example, they are piloting the use of the *Powerplay* tool to deepen NIHB's understanding of trends and practices at the provider level. In addition NIHB is currently exploring ways to refine the profiling test criteria to ensure that the profiling process captures other elements of risk such as anomalous billing practices.

While NIHB - audit staff conduct this additional analysis and testing, there was a lack of documentation on the testing process.

On-Site Audits

The objectives of on-site audits are to validate active provider licensure, detect billing irregularities, confirm paid services are received by clients and ensure appropriate documentation is available to support claims and meet the terms and conditions of the NIHB Dental Program. In 2006-2007 NIHB reported that 31 dental provider audits were completed by the contractor.

The *Administrative Procedures Manual* (APM) outlines the procedures for carrying out on-site audits of dental practitioners. As mentioned, it specifies that these audits must verify the validity of licences to practice, include procedures for detecting billing irregularities, confirming that a paid service has been rendered, and that practitioners have the documentation to support their claims for payment.

A file review revealed that the contractor did not follow all the audit procedures set out in the APM. Specifically, it did not routinely obtain confirmation letters for claims for laboratory services as stipulated in the procedures manual. Similarly, the contractor had not been obtaining copies of dentists' appointment books to confirm that clients had actually come for treatment and to determine whether clients had been booked for the appropriate time required to complete that treatment. The contractor stated that it had stopped complying with this requirement about two years earlier as neither procedure was particularly useful or necessary. Since the audit, discussions are ongoing between NIHB and the contractor to update the manual.

Recommendation 5

It is recommended that the Assistant Deputy Minister of the First Nations and Inuit Health Branch ensure that the audit procedures in place have relevance and that the Administrative Procedures Manual be updated accordingly.

Management Response

FNIHB agrees with the need to ensure provider audit practices are fully consistent with approved procedures manuals.

FNIHB recognizes that changes have been made over time in the procedures followed by auditors under the direction of NIHB without being fully documented in the Administrative Procedures Manual. This will be corrected.

Conclusion

The control framework used to manage the Non-Insured Health Benefits Dental Program has evolved over time. However there remain areas where improvements could be made to further strengthen the controls examined in this audit.

The NIHB – Dental Program is delivered across Canada which makes it important that headquarters continue to update and share key procedure and system user manuals. These manuals are required to deliver the program (region-to-region) in a fair and consistent manner.

The “work arounds” in the HICPS system to accommodate routine practices, once addressed, will enhance the performance information related to predeterminations and post-approvals. Currently the predetermination information may include some basic services data and information related to post-approvals. Once this information is captured and tracked separately in the system it will better reflect the operational activities of the Dental Program. The system enhancements proposed by NIHB - Dental Program will address this issue.

The NIHB - Dental Program audit strategy combines pre-payment mechanisms and post payment mechanisms that, if better linked, would enhance the audit function. Currently, the Next Day Claim Verification, Client Confirmation, Provider Profiling could better supplement the On-Site Audit Program. Lastly, documented on-site audit practices more closely aligned with the *Administrative Procedures Manual* will serve to strengthen this important Dental Program activity.

Appendix

Appendix A: Audit Criteria

Lines of Enquiry	Audit Criteria
Compliance with Procedures Manual with regards to pre-determination.	<ul style="list-style-type: none">• Regional Dentist Officer and staff follow the procedure manual regarding pre-determination.• Pre-determination is being applied consistently in all regional offices.• All schedule B dental procedures are predetermined prior to the providing of the service.
Eligibility of claims submitted by services providers	<ul style="list-style-type: none">• Samples are done using a valid statistical methodology based on total population and desired level of confidence.• Next Day Claim Verifications are conducted on a sample based on a risk assessment.• Client confirmation letters are sent out to a sample of beneficiaries of dental services.• Provider profiles are conducted on a sample based on a risk assessment.• On-site audits are conducted with service providers and represent a selection based on a risk assessment.• Evidence is gathered to ensure only eligible services are being reimbursed.