Primary Health Organisation (PHO) Audit Protocol
Financial, claiming and referred services

Version 3.1

A PHO Agreement
Referenced Document

14 February 2013

This document is available on:

DHBSS website: http://www.dhbsharedservices.health.nz

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Audit Purpose

Introduction

1. The Primary Health Organisation Audit Protocol provides detailed information on the way in which audits under the PHO Agreement will be carried out. Approved Audit Protocols become referenced documents as per the process described in clause D.9.3 of the PHO Agreement.

2. All audits conducted under this Protocol shall be conducted in accordance with Part G and clause C3 of the Primary Health Organisation Service Agreement, Section 22G of the Health Act 1956, The Health Privacy Code 1994 and the Privacy Act 1993.

3. Audits conducted under this Protocol will deal with audits of financial claiming and funding practices and not quality and service delivery audits. The areas covered by this Protocol are:

    a. Population–based funding registers (including patient enrolment forms)
    b. General Medical Services for casual patients claims
    c. Financial aspects of claims relating to Immunisation services
    d. Financial aspects of claims relating to Prescribing
    e. Financial aspects of claims relating to Laboratory referrals
    f. Financial aspects of claims relating to services or obligations under the PHO Agreement
    g. Governance related issues

4. An audit will not be used to gather information for any purpose not authorised by the PHO Agreement.

5. Both DHBs and PHOs wish to minimise any duplication of audits.

    5.1. In scheduling PHO audits the DHB will take into account other audit activity the PHO has undertaken or is scheduled to perform and ensure that, as far as possible, duplication of audits will not occur. The PHO and the DHB will be responsible for notifying each other of relevant audit programmes involving the PHO.

    5.2. Where another financial audit has been completed in the previous 12 months the findings of that audit will be taken into consideration and may influence the extent of the audit as considered appropriate by the DHB.

Scope

6. This document covers the following activities:

    6.1. Informal Contact

    6.2. Audits (routine audits) which may be either:
    - Programmed audits - where the PHO has been selected as part of a regular audit programme as decided by the relevant DHB or its agent. It is intended that all PHOs will be audited over a period of time;
    - Issues based audits (also known as selected audits) - where the PHO or contracted health provider has been selected for audit for a particular reason i.e. unusual claiming patterns or other matters that need to be clarified.

    6.3. Investigations

Informal contact - practice visits and inquiries

7. Auditors may make informal inquiries or contact with contracted health providers, through their PHO, to discuss system issues or clarify some aspect of a claim or submission of patient registers for payment. From time-to-time face-to-face visits are helpful to talk through issues. Phone calls and face-to-face visits strive to be constructive and educative with the aim of correcting actual or potential system issues that could lead to inaccuracies and more serious outcomes. Such inquiries are *not an audit or investigation* under this Protocol. The fact that it is an informal contact or visit will be made clear to the PHO and/or provider

8. PHOs may decline the request to discuss the matter on the phone and may decline the request by the auditors to visit the PHO or provider.

9. Where it is agreed that contact is by personal visit this will be arranged for a time that is mutually acceptable.

The Audit Process

Audit Plan

(Refer to Audit Timetable – Appendix Two)

10. In line with clause G.5.2 of the PHO Agreement, the DHB (or their agents) will give written notice to the PHO of its intention to carry out a routine audit at least 30 working days prior to the commencement of the audit on site at the PHO and/or its contracted providers, or an earlier timeframe as agreed. The written notice to the PHO will include a summary of the audit plan.

11. An audit plan is an auditors' management document. Each audit plan will include:

    (a) the scope and issues to be examined during the audit;

    (b) dates for the completion of the draft and final reports and feedback periods;

    (c) contact details of the off- site supervisor/manager of audit team members

    (d) Any requirements regarding staff availability at the PHO or contracted provider's premises during the on-site audit.

12. The PHO and or the contracted service providers may be required to prepare and submit documentation to the auditors prior to the site-visit.

13. The PHO notifies the DHB of any reasonable concerns regarding the audit or auditor(s) within 10 working days of receiving notification of the audit. The PHO will submit the documentation required by the audit plan within 25 working days of receiving the written notice of audit.

On-Site Audit

14. Audits may involve auditors spending time at the administration base for the PHO and/or the contracted providers' site of service delivery.

Who will Conduct the Audits?

15. Audits will be conducted by authorised auditors who have appropriate skills and expertise.

16. Issues concerning the appointment and applicability of individual auditors will be managed as outlined in G.5.3 and G.5.4 of the PHO Agreement.

17 All auditors will have written identification and authorisation from the CEO of the relevant DHB authorising the holder to inspect, copy or take notes of records in accordance with Section 22G of the Health Act 1956. Such identification will be shown the Manager of the PHO and the relevant contracted health provider.

18. Where the purpose of viewing clinical records is to check on clinically-related matters, then an appropriately qualified healthcare practitioner will be used to view the records.

What Happens During an Audit?

19. At the prearranged time the auditors will visit the PHO or the contracted health provider (or both). This visit is referred to as the site-visit.

20. Identification and authorisation by letter from the CEO of the relevant DHB will be shown to the Manager of the PHO and the relevant contracted health provider authorising the holder to inspect, copy or take notes of records in accordance with Section 22G of the Health Act 1956.

21. The auditor may inspect and / or copy relevant records which may include, without limitation, the capitation register, enrolment forms, clinical records and appointment registers. The audit may also involve a survey of Service Users.

22. The auditors may also speak to various staff at the PHO or contracted health providers' services to discuss systems, practices and procedures.

23. The auditors will require access to any computerised Practice Management System or other computerised information system in order to examine records.

24. The PHO, contracted health provider or their representatives may be present during the audit.

25. Where the auditors require more than two hours of the contracted health provider's time, prior notice will be given advising a finite period which will not ordinarily exceed four hours. Where further time is required to complete the audit this will be agreed between the PHO and/or the contracted health provider and the auditors.

26. The process for routine audits of enrolment registers for enrolled patients and claims for GMS qualifying services is illustrated in Appendix One.

How will PHOs be Notified of the Results of an Audit?

27. Auditors will normally have ongoing communication with the PHO and the contracted health provider during and following an on-site audit.

28. Auditors will generally not discuss specific findings with the PHO or contracted health providers due to time constraints and other tasks requiring attention at the completion of an on-site audit. Assessment of records and any necessary follow-up with Service Users is often needed before such discussion can take place.

Audit Reports

(Refer to the Audit Timetable - Appendix Two)

29. Auditors will endeavour to provide a Draft Audit Report in writing to the PHO and its relevant subcontracted providers within 20 working days of audit. This draft report will also be provided in an electronic file format. If for some reason the Draft Audit Report cannot be completed within 20 working days of the audit PHOs will be given a progress update by that date.

30. The PHO and its relevant subcontracted providers will be given 20 working days to respond in writing to the Draft Audit Report. These comments will be included as an appendix to the Final Audit Report. Where, in the opinion of the audit team, the feedback substantiates changes to the Draft Audit Report the Final Audit Report will reflect these changes.

31. A Final Audit Report will be provided to the DHB, PHO and relevant subcontracted providers within 15 working days of receiving feedback from the PHO.

32. The Final Audit Report will provide recommendations and actions (where appropriate) to bridge the gap between the requirements of the PHO Agreement and the level of performance found in the audit.

    32.1 In respect of audits of the population-based funding registers and enrolment forms and of the General Medical Services for casual patients the draft and final audit reports may propose a range of recommendations from the auditors which will be based on the terms of the Agreement.

    32.2 Recommendations may include any corrective action required such as changes in processes, and/or repayment of funding claimed invalidly by a PHO or its contracted provider.

    32.3 The recommendations for repayment of funds may be based on an extrapolated figure calculated from the non-compliant claims identified on audit. Extrapolation is the process of extending the attributes of a sample of a population ever the entire population. A statistically robust methodology is used for extrapolation calculations (Refer to Appendix Three).

    32.4 Guidelines on the application of the extrapolation process are outlined in Appendix Four of this Referenced Document.

33. Audit recommendations to the PHO and/or DHB may also include:
    - advice to the auditee on correct compliance with the PHO Agreement
    - referral of the matter to an Advisory Committee or other complaints body
    - notification that the matter has been re-categorised as an investigation as a result of suspicions of fraud or serious non-compliance.

How will Confidentiality be Assured?

34. Confidentiality by all parties will be observed throughout the audit process.

35. Auditors shall seek to achieve their audit objectives by accessing records from the least sensitive source first.

36. The results of all audits will be confidential to the DHB, PHO, relevant contracted health providers and the auditors, and subject to the provisions of the Official Information Act. General assurance may be given to other PHOs who have been debited for Fee-for-Service deductions as a result of General Medical Services to casual users provided by the PHO being audited.

37. Provisions of the Privacy Act and Health Privacy Code will be strictly followed. All completed audit reports may be subject to discovery under the Official Information Act.

38. If an audit report is to be released (due to an Official Information Act request or other lawful purpose) the PHO will be informed before release and any patient identifiable information will be removed.

Cultural Sensitivity

39. Audits will be conducted in accordance with the cultural and relationship provisions set out in Parts C (Relationship and Service Delivery Principles) and G (Audit) of the Primary Health Organisation Agreement.

40. Qualified interpreters will be utilised, where required, if necessary to assist with understanding.

41. When a District Health Board (DHB) has a specific relationship with a Māori Co-Purchasing Organisation (MaPO) the agreed Treaty partnership protocol (as defined in an individual DHBs Māori Health Plan) will apply. In all audit situations appropriate cultural protocols will be exercised, whether or not a MaPO is in existence.

42. Where targeted services provided specifically to Māori are the subject of an audit, suitably qualified Māori must be included in the audit team.

Confirmation with Service Users

Surveys

43. Any audits initiated under this Protocol may involve surveying some Service Users to confirm:
    - enrolment details;
    - eligibility status;
    - that services have been provided in accordance with the PHO Agreement.

44. Where routine audits are carried out, the relevant contracted health provider will be notified that a survey is being conducted at least 3 working days prior to the survey being mailed, as it is known that some Service Users contact their health provider upon receipt of such surveys. The results of the survey will be conveyed to the PHO.

45. The auditors will consult with the PHO to reach agreement regarding: (a) the process to be used, and (b) the wording and format of the questionnaire before it is sent to contracted providers and their Service Users. Where agreement cannot be reached between the PHO and the auditors, the PHO or contracted health providers concerned may forward the matter to the CEO of the DHB. The development and undertaking of the survey process will be suspended until such time as a resolution is achieved. This process does not apply to investigations.

Service Users Visits

46. In following up any matters with Service Users or their carers every effort will be taken to ensure informed consent is obtained from the Service User and to otherwise comply with the Privacy Act 1993 and the Health Information Privacy Code 1994. In addition, the auditors will:
    - Show their identification and explain their role to all Service Users contacted. Auditors will handle all approaches to Service Users with the utmost care and sensitivity.
    - Explain the general process of the inquiries. Brochures are available for Service Users which explain the process.
    - Identify the auditors.
    - Clarify any patient rights issues.
    - Respect Service Users wishes at all times. If the Service User does not wish to co-operate or wishes to terminate the interview the Service User's wishes will be respected by the Auditors. Where a Service User is found to be unable to answer questions, enquiries will be made of a suitable carer or rest home management, as appropriate, and not the Service User directly. If a Service User is a young person then questions will be asked of the caregiver.
    - Endeavour to preserve the integrity of the PHO and/or contracted health provider.

Complaints Procedure

47. Where the PHO or contracted health provider undergoing an audit has complaints concerning an auditor having breached this Protocol and the difference cannot be resolved between the parties, the PHO or contracted health provider may forward the complaint for resolution to the CEO of the DHB. The audit will be suspended until such time as a resolution is achieved. The provision to suspend an audit shall not apply to an investigation.

48. The auditor may take copies of any records for the purposes of the Audit in accordance with Section 22G of the Health Act (or any succeeding legislative provision) where authorised to do so, and otherwise in accordance with the Privacy Act 1993 and the Health Information Privacy Code.

49 Non-clinical records required may be inspected and copied by any auditor.

50 Copying of Service Users clinical records will only be done where it is reasonably considered necessary and will be performed under the supervision of a registered health practitioner.

51. If a Service User's clinical records are copied, the auditor who is a health care professional will advise the Service User accordingly and will be responsible for the security and confidentiality of those records. Should records be required for use as evidence in any Advisory Committee or Court adequate provisions exist for the suppression of any sensitive information.

52. Where auditors require copies of a contracted provider's records, these will be made as outlined above and the original left for the contracted provider's continued use.

53. Computerised healthcare records for each Service User nominated may be viewed and copied by auditors pursuant to Section 22G Health Act 1956. This will be done on the same basis as handwritten records.

54. The actual cost of any photocopying undertaken at the practice or service will be reimbursed. Where there is no photocopier available, the auditor may remove the relevant records from the practice or service for the purposes of copying such records, and will return the records within 24 hours, or a timeframe agreed between the PHO and the auditor.

55. At the end of an audit or investigation copies of the patient records will be returned to the contracted provider or destroyed. This will be done after all parties have agreed that no further action is contemplated.

Investigation

56. In the case of known or suspected fraud, serious breach of or non-compliance with the PHO Agreement, an investigation may be undertaken. Such instances are expected to be a rare occurrence. Where fraud or serious non-compliance is identified, the matter may be referred to Court or other appropriate third party.

57. The PHO and/or the contracted health provider will be advised of the general issues of concern prior to an investigation, unless auditors believe, on reasonable grounds, that such advice may prejudice the investigation.

58. The PHO and/or contracted health provider will be advised when an audit becomes an investigation. This notification may be given orally on site or by letter or facsimile. An oral notification that an investigation has started will be confirmed in writing as soon as is practicable.

59. The procedures used in an investigation will follow normal investigation practices and strictly observe the principles of natural justice, and abide by the legal provisions of the statutes of New Zealand.

Advance Notice

60. Where an investigation is to be conducted, advance notice of visits may be reduced or not given at all (refer clause G5.2 of the PHO Agreement). No notice will be provided where auditors reasonably believe the investigation may be obstructed by providing such notice. Every effort will be made not to disrupt the normal operation of the healthcare practice. If the contracted provider so wishes he or she will be allowed 60 minutes to arrange for a representative to be present for the viewing (and/or copying) of records. If for practical reasons 60 minutes is insufficient time then the period may reasonably be extended. During this period the auditors may remain on the contracted provider's premises but will not commence the investigation.

Follow-up issues raised

61. Where an investigation is carried out, the PHO/contracted health provider will be informed of progress at regular intervals not less than monthly. This will continue until the matter is resolved, passed to another agency or put before the courts. Every reasonable effort will be made to expedite the investigation.

Appendix One

Figure 1: Audit Process

1	Auditors request authority to audit from the DHB.
2	Auditors notify the PHO and relevant subcontracted provider and confirm arrangements for visit.
3	<u>Audit of Enrolled Clients</u> Auditors conduct the audit, examining evidence of enrolment and evidence of a consultation: ▪ Is the enrolled and funded population validly enrolled, eligible and entitled to the funding claimed? <u>Audit on Non-Enrolled Clients</u> Auditors conduct the audit, examining evidence of GMS-qualifying services: ▪ Is there sufficient clinical evidence of a proper and necessary consultation?
4	The auditors prepare a Draft Audit Report presenting the audit findings.
5	The auditors issue the Draft Audit Report to the PHO and the relevant subcontracted providers.
6	The PHO and / or the subcontracted provider provide feedback on the Draft Audit Report findings.
7	The auditors issue a Final Audit Report to the PHO and the DHB.
8	The DHB considers what action it wishes to take in relation to the audit findings and the recommendations.
9	The DHB notifies the auditors and the PHO of the action it wishes to take.

Appendix Two

Routine Audit Timeline

Step Number	AUDIT EVENT	Completion date of audit process steps NB – in this column "Day" means "working or business day"	ACTION	REFERENCE CLAUSE FOR THIS STEP	
				In the Audit Protocol	In the PHO Agreement
1	Written Notice of the Audit received by PHO. This includes - • a summary of the Audit Plan • timeframes • any expectations regarding staff availability • any requirement to prepare and submit documentation prior to the site visit	At least 30 business days prior to audit date (**Day -30+)**	From Auditors • to PHO	10	G.5.2
2	The PHO notifies the DHB of any reasonable concerns regarding the audit or auditor(s)	Not greater than 10 business days from step 1 (**Day -20**)	From PHO • to DHB	13	G.5.4
3	The PHO submits documentation as per the Audit Plan.	Not greater than 5 days from the commencement of the audit (**Day -5**)	From PHO • to Auditors	13	
4	Actual audit and site visit(s) at the PHO and/or contracted providers commences	**Day 0**	Auditors	14-27	
5	Draft Audit Report provided to the PHO	Usually 20 working days after step 4 i.e. by **Day 0 +20** (The PHO is notified if there will be a delay)	From Auditors • to PHO	29	
6	Response from the PHO/contracted providers relating to any comments/additional information/inaccuracies/corrections required in the Draft Audit Report	Not greater than 20 working days after step 5 i.e. by **Day 0 +40**	From PHO • to Auditors	30	
7	Final Audit Report provided by Auditors	Not greater than 15 working days after step 6 i.e. by **Day 0+ 55**	From Auditors • to PHO • to DHB	31	

Appendix Three

Routine Audits - Explanation of the Extrapolation Process

The Extrapolation Process

1. This explanation covers the principles of extrapolation and may vary in its application depending on the nature of the audit.
2. The process of extrapolation involves extending the attributes of a sample of a population over the entire population. This enables a recovery to reflect the actual loss suffered by a DHB, as identified at audit.
3. This process has legislative support in the health sector (see Christchurch High Court case Ministry of Health & Others – v – Dalley).

   This extrapolation process has been approved by the Head of Department of Mathematics and Statistics, University of Canterbury, and President of the NZ Statistical Association.

Sample Size

4. A standard statistical tool for calculation of an optimal sample size given a known finite population is used to determine the audit sample size. The tool makes a calculation based on the size of the population, the required level of confidence and the required error rate. Therefore, a specific audit sample is calculated for every provider of every PHO.

   An example of a Sample Size Calculator, similar to that used by Audit & Compliance, is available for review at: http://www.surveysystem.com/sscalc.htm

Sample Selection

5. A random number is assigned to each register entry (funded only) for the quarter in question and is used to select a sample of the optimum sample size for each provider.

Extrapolation Calculation

6. The random sample size provides 95% confidence that the findings are accurate within a margin of error of plus or minus 5%.
7. A statistically robust methodology for extrapolation is used.
   a) Extrapolation is a simple calculation:

      ($value of invalid enrolments / sample size) * total population

   b) The calculation establishes the average value of funding paid per invalidly enrolled person and applies that value across the entire population for the quarter audited.

   c) The $value of invalid enrolments includes all fees for First Level Services, Very Low Cost Access, Services to children under 6 years, Health Promotion, Services to Improve Access, Care Plus and Management Fees.

Reporting

8. A Final Audit Report is issued to PHOs and DHBs. These reports present the final findings of an audit, the effect of the findings and, where applicable, the over- or under-funding paid to a PHO in relation to those findings, including the extrapolated amount.
9. Recommendations are made to DHBs in relation to contractual options available to the DHB, and actions to be taken by providers and PHOs to improve compliance with the requirements of the PHO Agreement.

Recovery

10. The DHB determines the final recovery, with the auditors providing the factual findings for the DHB to do so. The DHB is free to follow any audit recommendation, reject the recommendation, or even seek to make a larger recovery.

Appendix Four

National Guidelines on the Application of Extrapolation

A Introduction

These Guidelines on the application of extrapolation apply from **4 October 2012**.

B Extrapolation Process

Depending on the two scenarios that follow there will be a different financial penalty the DHB is entitled to apply:

1. The enrolment form is either unsigned or not found **AND** there is no record of a subsidised consultation within the last 3 years **[Category 1 patients]**

Remedy: The financial penalty for these cases found at audit is subject to the extrapolation process as outlined in Appendix 3 of this Protocol.

2. The enrolment form is either unsigned or not found **AND** there is evidence of at least one subsidised clinical service having been provided in the previous 3 years **[Category 2 Patients]**

Remedy: PHOs and practices are subject to the penalty below:

- The percentage of Category 2 invalid enrolments found in the practice audit sample over the quarter will be extrapolated across the practice's enrolled register for that period.
- The DHB is entitled to impose a combined financial penalty on the practice and PHO of $13 (GST exclusive) for each invalid enrolment. The maximum practice component of this penalty is $10 (GST exclusive). The total number of invalid enrolments will be determined through the extrapolation process as described in Appendix 3 of this Protocol. For the avoidance of doubt, for Category 2, there will be no financial deduction (and no extrapolation) of any of the funding streams available to the PHO under the PHO Services Agreement, including but not limited to First Level Services, Very Low Cost Access, Services to children under 6 years, Health Promotion, Services to Improve Access, Care Plus and Management Fees.
- The practice may be re-audited again after three months. If the level of invalid enrolments remains higher than 15% then the DHB will be entitled to impose a financial penalty of up to $25 per patient for the relevant quarter, to be allocated between the practice and the PHO.

NB A *subsidised consultation* is a consultation charged at the rates applicable at that practice for enrolled patients. The rate charged for casual patients is not considered a subsidised rate for this purpose.