10 Audit

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10.1 Audit Policies

[June 1, 2015: Updated to reflect the requirements of the Provider Regulation]

[December, 2017: Updated to reflect audit process updates.]

General Policy Description

Audits are performed to ensure providers—and claims for drugs, medical supplies, and services paid by PharmaCare to a provider—are in compliance with the terms of relevant Acts, regulations, bylaws, policies and procedures.

Policy Details

Application of Policy

- This policy applies to all providers enrolled in PharmaCare by way of:
  - PharmaCare Enrolment Agreement,
  - Pharmacy Participation Agreement,
  - British Columbia PharmaCare Non-Pharmaceutical Supplier Participation Agreement,
  - British Columbia PharmaCare Pharmacy Participation Agreement for the Provision of PharmaCare Services to Long Term Care Facilities,
  - Methadone Maintenance Payment Program Addendum to Pharmacy Participation Agreement, and
  - Pharmaceutical Services Act and regulations.

Issues Subject to Audit

- The Pharmaceutical Services Act and Provider Regulation establishes the following with regard to audit:
  - The minister may appoint inspectors to conduct audits and inspections for the following purposes:
    - to determine compliance with the Pharmaceutical Services Act,
    - to fulfill a prescribed purpose.
  - The following matters may be the subject of an audit or inspection:
    - a claim,
    - the billing and business practices of a person referred to above,
    - prescribed matters.
  - An inspector may audit or inspect in respect of:
    - a provider, a manufacturer, a supplier, a franchisor or an alternate payee,
    - a former provider, manufacturer, supplier, franchisor or alternate payee,
    - a person who is prohibited from providing or receiving incentives under the Act
    - a person who was formerly a person who is prohibited from providing or receiving incentives under the Act.
**Claims Subject to Audit**

- All PharmaCare claims are subject to audit to confirm compliance with the provisions of the following:
  - the Pharmaceutical Service Act;
  - the Health Professions Act;
  - the Pharmacy Operations and Drug Scheduling Act;
  - a prescribed enactment of British Columbia or Canada; or
  - the regulations made, or a limiting condition imposed, under any of the above Acts

*Note: the above list includes College of Pharmacists of BC bylaws, PharmaCare policies and procedures, and policy and procedural updates communicated in PharmaCare Newsletters which the above Acts, enactments, regulations or limiting conditions require providers to follow.*

**Audit Inspectors**

- Audits are performed by PharmaCare Audit, Audit and Investigations Branch, Financial and Corporate Services Division, Ministry of Health.
- PharmaCare auditors are appointed as inspectors by the Minister of Health pursuant to the Pharmaceutical Services Act for the purposes of conducting audits.

**Audit Access**

- Under the Pharmaceutical Services Act, a person who is subject to an audit **must** do all of the following on the request of the audit team:
  - produce or provide electronic access to, and permit inspection of, the records requested by the audit team;
  - supply copies of or extracts from the records;
  - answer all questions of the audit team respecting any matter relating to the records or to the audit generally.

- If records that are required are not located on the premises, the person who has possession of those records must produce and permit inspection of those records if requested by the audit team.

- If the audit team is not provided with sufficient information to conduct the audit, an adverse inference may be drawn. The result may be a denial of claims for which the audit team has not been provided sufficient information.

- In addition, knowingly providing false or misleading information to the audit team, or willfully interfering or obstructing the audit team constitutes an offence under the PSA. A person who commits such an offence is liable on conviction to a fine up to $200,000 or to imprisonment for a term up to six months, or to both.

- PharmaCare Auditors will complete a *Temporary Removal of Documents* form with the manager of the provider site being audited when records are removed.
In the event that PharmaCare Auditors remove any records from a provider site or the location where the records are kept, the records will be returned within 20 business days, except for prescription records, which will be returned within 5 business days.

**Provider Recordkeeping Requirements**

- Providers must abide by the record-keeping requirements as specified in the Pharmaceutical Services Act and Regulations, including **Section 12, 13 and 14 of the Provider Regulation**.
- For the purposes of calculating non-compliant claims amounts, information a provider obtains from a prescriber/other provider after an onsite audit cannot be used to support a disallowed prescription claim.

**Recovery of Non-entitled Amounts**

- The Pharmaceutical Services Act establishes the following with regard to recoveries:
  - An amount is a non-entitled amount if the amount is paid by the minister to a provider or an alternate payee, or a former provider or alternate payee, who, under the Pharmaceutical Services Act, is not entitled to the amount, including any amount paid
    - for a drug, device, substance or related service provided to a person who was not a beneficiary, at the time of the claim
    - for a drug, device, substance or related service that was not a benefit,
  - in respect of a claim for payment
    - for a benefit that was not provided, or
    - that is not supported by the records kept or produced under this Act,
  - after relying on a representation of fact that was untrue,
  - by mistake, or
  - if, in providing the benefit or making the claim, the person acts contrary to:
    - the Pharmaceutical Service Act
    - the Health Professions Act
    - the Pharmacy Operations and Drug Scheduling Act
    - a prescribed enactment of British Columbia or Canada;
    - the regulations made, or a limiting condition imposed, under any of the above Acts.
  
  Note: The above list includes the College of Pharmacists of BC bylaws, PharmaCare policies and procedures, and policy and procedural updates communicated in PharmaCare Newsletters, which the above Acts, enactments, regulations or limiting conditions require providers to follow.

- Without limiting any action the minister could take under section 46 [enforcement orders] of the Pharmaceutical Services Act, if the minister determines that a non-entitled amount was paid to a provider, the minister may require the provider to
  - repay the non-entitled amount,
  - pay a prescribed surcharge, and
• pay interest on the amounts owing due to non-entitled amounts or prescribed surcharges.
• The total amount that a person is liable to pay under the section above is a debt due to the government and may be
  • deducted from any subsequent payment that may be made to the person under this Act, including under an agreement made under this Act, or
  • recovered in a court of competent jurisdiction.
• Where any amount is found to be owing by the Provider to the Province, the Province may require and the Provider shall repay, no later than thirty (30) days from the receipt of the demand, the amount owing.
• Without limiting other remedies available to the Province at law, if the Provider fails to make any repayment required under the section above, the amount owing may be deducted from any money owing by the Province to the Provider. The Province will collect the recovery by set-off (i.e. by deducting the recovery amount from a current or future payment) 30 days from the receipt of the amount owing.
• Once a recovery amount is 30 days overdue it becomes subject to interest pursuant to the Financial Administration Act, Section 20: Interest on Overdue Accounts.

Selection for Audit

• Selection of a provider for audit may be made by statistical analysis and comparison of claims data, random selection, direct selection, or other means.
• The method of selection will be identified in the Audit Reports.

Audit Notification

• Providers are informed by formal notice of an audit, including a letter—by fax, hand delivery or courier—confirming the auditors as duly authorized inspectors pursuant to the Pharmaceutical Services Act.

Audit Sampling

• An inspector when conducting an audit, may determine the results of an audit under the Pharmaceutical Services Act, in accordance with Ministerial Order number M066 dated March 11, 2015, including:
  • Utilizing “Probability Proportionate to Size Sampling” (also known as “Monetary Unit Sampling” or “Dollar Unit Sampling”) to select samples of claims for audit testing.
  • Selecting samples of claims using recognized statistical sampling software and/or related methodologies to select the sample on a systematic basis where the probability of selection is proportional to the size of the claim.
  • Where the inspector determines it to be appropriate, stratifying the Population into sub-populations (known as "strata") where 100 percent of the claims in the stratum, or a sample of claims in the stratum, may be selected and examined.
  • Selecting samples of claims with the objective of generating an estimate of the overpayment amount with a 90 percent confidence level.
• Preparing an estimate of overpayments in the population by calculating the average exception rate of all claims in the sample and extrapolating by applying the exception rate to the dollar value of the pharmacy's claims population. If the population is examined in two or more strata, separate exception rates are calculated from each stratum's sample and applied to each stratum's sub-population.

**Draft Audit Report**

• The PharmaCare Audit inspectors prepare a Draft Audit Report for all audits they perform.

• The Draft Audit Report identifies the:
  • preliminary results of the audit and the methodologies used to determine the results.
  • total of the claim amounts submitted by the pharmacy during the Audit Period for claims that were not in compliance with the Pharmaceutical Services Act and the methodology used to calculate this amount.

• Providers have 30 days to respond to Draft Audit Reports by providing any further records, information or documentation that can confirm the audited claims were in compliance with the Pharmaceutical Services Act.

• Provider responses to Draft Audit Reports are reviewed by the PharmaCare Audit inspectors and are considered prior to preparing the Audit Report.

**Audit Report**

• The results of the audit set out in the Audit Report are provided to the person subject to the Audit.

• In the event of a recovery of non-entitled amounts, the covering letter of the Audit Report outlines the repayment options.

• Repayment is pursued in the manner established in the Pharmaceutical Services Act.

• Results of audits may be referred to the College of Pharmacists of BC or other regulatory bodies, if appropriate.

**Confirmation Letter Program**

• The Confirmation Letter Program is used to randomly or selectively confirm PharmaCare claims information with patients or physicians.

**Random Confirmation Letters**

• PharmaCare Audit mails a confirmation letter to a random sample of patients selected from a random sample of pharmacies.

• The letter requests confirmation that the patient has received the medications or services that PharmaCare claims data identifies as having been dispensed to the patient in the previous months (refer to the sample confirmation letter below).

• Results from returned confirmation letters are compiled and anomalies reported by patients (e.g., medications a patient indicates were not received) are investigated.
**Select Confirmation Letters**

- Select confirmation letters may be used to support provider audits at the discretion of PharmaCare Audit.

- Letters may be mailed to physicians or patients to verify PharmaCare claims information.

- Results from returned confirmation letters are compiled and included in the audit file.

**Tools and Resources**

- **Pharmaceutical Services Act**

- **Provider Regulation**

- **Pharmacy Operations and Drug Scheduling Act**

- **Pharmacy Operations and Drug Scheduling Act Bylaws**