Veterans Affairs Canada
Anciens Combattants Canada

September 2014

AUDIT OF PROGRAM OF CHOICE 12 - RELATED HEALTH SERVICES

Audit and Evaluation Division

Canada

Acknowledgements

The audit team would like to gratefully acknowledge Veterans Affairs staff in the Vancouver, Mississauga, St. John's and Halifax area offices; the Vancouver, St. John's and Montreal Treatment Authorization Centers; the Service Delivery and Program Management Division and the Finance Division, and staff at the health claims processing contractor. Their contributions were essential to the completion of this audit.

Table of Contents

EXECUTIVE SUMMARY

The Veterans Affairs Canada Health Care Benefits Program provides eligible Veterans and other qualified individuals with benefits and services, such as medical, surgical and dental care, prosthetic devices and home adaptations, through 14 Programs of Choice. Under the *Veterans Health Care Regulations* and *Canadian Forces Members and Veterans Re-establishment and Compensation Act,* eligible Veterans and other qualified individuals have access to benefits and services, such as medical, surgical and dental care, prosthetic devices and home adaptations. Related Health Services are services provided by health care professionals other than physicians, dentists and nurses. Examples of these types of services include occupational therapy, physiotherapy, massage therapy, chiropractic, acupuncture, speech language pathology and psychological counseling.

The objective of this audit was to assess Veterans Affairs Canada's management control framework, and compliance with applicable policies and processes, and to identify any potential opportunities to improve efficiency of decision making for Related Health Services. The scope covered transactions processed from April 1, 2012 to March 31, 2013.

The audit team observed that the relevant policies and procedures were generally clear and up-to-date with only a few areas noted requiring further action. It was also noted that key monitoring activities such as quality assurance, performance measurement and post payment verification were in development. File review results identified a moderate degree of compliance with key requirements and that staff carry out their duties efficiently and exercise appropriate judgment to process requests as quickly as possible. Overall, the audit team determined the results to be "*Generally Acceptable".*

Chief Audit Executive's Signature

_____ _____

Kim Andrews Date
Acting Chief Audit Executive

1.0 BACKGROUND

The Veterans Affairs Canada (VAC) Health Care Benefits Program provides eligible Veterans and other qualified individuals with benefits and services, such as medical, surgical and dental care, prosthetic devices and home adaptations, through 14 Programs of Choice (POC). Related Health Services includes services provided by health care professionals other than physicians, dentists and nurses. Examples of related health services include occupational therapy, physiotherapy, massage therapy, chiropractic, acupuncture, speech language pathology and psychological counseling. These services are provided to eligible Veterans[1] and other qualified individuals under the following two legislative authorities:

- *Veterans Health Care Regulations* allows eligible Veterans to receive funding for treatment benefits for various reasons such as with respect to a pensioned condition. As illustrated in Table 1, during 2012-13, 30,583 Veterans accessed Related Health Services for a total cost of $32 million.

- *Canadian Forces Members and Veterans Re-establishment and Compensation Act* allows eligible Veterans to receive funding for medical and psycho-social rehabilitation services focused on rehabilitation and re-integration to civilian life. As illustrated in Table 1, during 2012-13, 1,772 Veterans accessed these Related Health Services for a total cost of $4.7 million.

Table 1- Veterans and Expenditures (2012-13)

Treatment Benefits (VHCR)	**All Programs of Choice (POC)**	**Related Health Services - POC 12**
Number of Veterans	125,647	30,583
Total expenditures (in millions)	$244	$32
Rehabilitation Services (CFMVRC)	**All Programs of Choice (POC)**	**Related Health Services - POC 12**
Number of Veterans	2,221	1,772
Total expenditures (in millions)	$6.3	$4.7

Source: Analysis of Federal Health Claims Processing System data and Veterans Affairs Canada Facts and Figures Book September 2013

The Service Delivery and Program Management Division, within Head Office, is responsible for the overall management and oversight of Related Health Services. Analysts in the Treatment Authorization Centres (TAC) are responsible for approving treatment benefits under the VHCR and Case Managers in Area Offices (AO) are responsible for approving rehabilitation services, including related health services under

[1] In this report, unless otherwise specified, the term “Veteran” includes all eligible Veterans, as well as CAF members, spouses and survivors.

the CFMVRC. VAC has a health claims processing contract for actioning requests for payments to health care service providers and reimbursements to program recipients for eligible benefits and services. The Federal Health Claims Processing System (FHCPS) contract with a third party by VAC was initiated to manage health claims processing and related services on its behalf. The contract provides a highly customized suite of applications specifically designed to administer their respective health care programs, health services, health care provider relations, management information, provider audits and program reporting.

Policies and directives for all POCs are further clarified in the benefit grids. The benefit grids describe the benefits and services which are available to eligible Veterans and prescribe the dollar maximums, frequencies, etc. The grids allow the expeditious processing of claims and establish controls and reasonable limits around related health services expenditures.

2.0 ABOUT THE AUDIT

2.1 Audit Scope and Objectives

The scope of this audit covered all relevant processes and expenditures from April 1, 2012 to March 31, 2013. The objectives of this audit were:

- To assess compliance with applicable policies and processes;
- To assess the adequacy of the management control framework; and
- To determine timeliness of decisions.

The audit criteria are provided in Appendix A.

2.2 Methodology

This audit was conducted in conformance with the Internal Audit standards as outlined by the Institute for Internal Auditors, and is aligned with the Internal Audit Policy for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program. Table 2 outlines the audit methodologies used.

Table 2 - Audit Methodologies

Methodology	Summary
Interviews	Conducted with staff at Head Office, four Area Offices, and three Treatment Authorization Centres and staff at the health claims processing contractor to gain an understanding of and to assess the delivery of the Program including the authorization and payment processes. Information collected also supported the assessment of governance and internal controls for Related Health Services – POC 12.

Direct Observation	Observed processes with Analysts in a Treatment Authorization Centre to obtain an understanding of Related Health Services – POC 12 processing using VAC's Client Service Delivery Network (CSDN) and the FHCPS.
Documentation Review	Verified that policies and procedures were current and aligned with regulations.
File Review	Assessed compliance with applicable policies and procedures, as well as assessed the time taken to make decisions. Selected a random sample of 100 payment transactions from a population of 405,396 payment transactions between April 1, 2012, and March 31, 2013. The sample was selected based on highest risk, as determined by materiality of transactions and complexity of the approval and service delivery processes.

3.0 AUDIT RESULTS

3.1 Policies and Procedures

In general, policies and procedures were up-to-date and accessible online. Also, staff reported that they had received sufficient training. However, the audit team did note three recommendations.

The first recommendation relates to clarifying roles and responsibilities when treatment benefits eligibility and rehabilitation services eligibility overlap. Overlap occurs when an eligible Related Health Service - POC 12 benefit is approved and funded under the *Veterans Health Care Regulations*, yet also an appropriate intervention consistent with the goals of the Veteran's rehabilitation plan. In these cases, there should be further direction to field staff to identify the appropriate delegated decision maker, which would reduce confusion and ensure coding consistency.

The second recommendation is with regard to Related Health Services - POC 12 treatments provided to Veterans in their home (in-home services). Currently, the policy indicates that payment for in-home treatment by providers can be approved by VAC and that the applicable fees for in-home treatment benefits are to be paid in accordance with Section 5 of the VHCRs. During interviews, some staff indicated that the current business processes does not describe what would be considered an appropriate fee for in-home services. Furthermore, the lack of specific benefit codes for in-home services limits the Department's ability to monitor the frequency and expenditures related to in-home treatment. Consequently, the audit team was also unable to identify in-home treatment transactions during the file review and thus could not quantify the frequency or expenditures for in-home services.

The third recommendation relates to the inconsistent processing of Multi-Disciplinary Clinic (MDCs) transactions. MDC decisions tend to have a higher dollar value as they are a related health service plan incorporating multiple treatments. In September 2013,

a new business process for treatment at MDCs was distributed. This business process specified that Hospital Services - POC 5 benefit codes are to be used for MDC services. During interviews, staff noted that many providers offering MDC services were not registered under POC 5 but instead were registered under POC 12. As a result, some staff were coding MDC services under a "miscellaneous benefit code", while others were coding each individual service separately. Without proper coding, the Department is not able to adequately monitor the use of these services.

Recommendation 1

It is recommended that the Director General, Service Delivery and Program Management Division, updates the business processes to clarify the responsibilities of staff when treatment benefits eligibility and rehabilitation services eligibility overlap. (Essential)

Management Response

Management agrees with this recommendation. Work is currently underway to update processes and guidelines by November 2014 to clarify the responsibilities of staff when treatment benefits and rehabilitation services overlap.

Recommendation 2

It is recommended that the Director General, Service Delivery and Program Management Division, develops a business process relating to the provision of services at the Veteran's home. (Essential)

Management Response

Management agrees with this recommendation. Work is currently underway to develop clear guidelines and processes by October 2014 to facilitate the provision of services at the Veteran's home.

Recommendation 3

It is recommended that the Director General, Service Delivery and Program Management Division, enforces the business process for services received at Multi-Disciplinary Clinics. (Essential)

Management Response

Management agrees with this recommendation. Work is underway to ensure that the business process for multi-disciplinary clinics is enforced for all clinics of this type by July 2015 by communicating with and re-registering clinics as their current authorizations expire.

3.2 Monitoring

As part of the assessment of the management control framework, the audit team assessed key monitoring activities consisting of: quality assurance, performance measurement and account verification. A recently completed audit of POC 13 - Special Equipment (March 2014) assessed these activities and identified a recommendation to improve each one. The audit team confirmed that the observations are identical for this audit and that the recommendations presented in the audit of POC 13 - Special Equipment will address any gaps. Below is a summary of the observations presented in the audit of POC 13 - Special Equipment.

Quality Assurance is a continuous process to monitor the quality, consistency and timeliness of activities completed within the Department. During the audit of POC 13 – Special Equipment, some Client Service Team Managers indicated that they were performing these reviews, but there was no evidence to support that this was actually occurring. In response to the audit of POC 13 - Special Equipment recommendations, a national quality assurance process was established following the completion of fieldwork for this audit; therefore, the audit team was not able to assess the results or the effectiveness of the new process.

Performance measurement is the process of collecting, analyzing and reporting data in order to monitor the efficiency and effectiveness of a program or activity. This information can then be used to improve the delivery of a program. The audit team noted a Performance Measurement Plan existed for the Health Care Benefits Program. However, it did not have specific indicators for Related Health Services - POC 12 to measure performance. Additionally, this information was not being shared with senior management to support informed decision-making. In response to the audit of POC 13 - Special Equipment, specific indicators for all POCs have been developed and results are now shared with senior management.

As per the Treasury Board Directive on Account Verification, an account verification process ensures sound stewardship of public money. As part of an account verification process, transactions are reviewed for accuracy to confirm that the payment is not a duplicate, that all charges are payable and that the amount has been calculated correctly. For low risk transactions, reviewing a sample of transactions post payment is acceptable. Finance Division within VAC has determined that Related Health Services - POC 12 transactions are low risk and at the completion of fieldwork the Division was in the process of implementing a new process to analyze large volumes of low risk transactions to identify potentially problematic transactions for review.

3.3 Compliance

Table 3 presents a summary of file review results for the 100 sample payment transactions that were tested.

Table 3 - Compliance with Key Business Processes	
Key Requirements Tested	**Percentage**
Files reviewed were within limits outlined in the Benefit Grid or rationale provided when exceeding rates	99%
Services added to Veteran's case plan (rehabilitation)	92%
Provider signature on claim form	95%
Veteran decision letter and/or provider authorization letter was retained on file	66%
Veteran's signature acknowledging receipt of services	63%

Source: Analysis from files reviewed by the audit team

The purpose of a provider signature is to demonstrate that the submitted claim is true and accurate to the best of their knowledge. Furthermore, it confirms the provider accepts all of the terms and conditions set forth in the Benefit Provisions and Payment Guidelines for Health Services. File review results identified that 95% (95/100) of provider claim forms contained the provider signature.

A Veteran's signature is considered a key control to confirm that services were received by the Veteran from the provider. The Benefit Provisions and Payment Guidelines for Health Services indicate that the provider claim form must be signed by the Veteran. File review results identified that only 63% of files contained a copy of the Veteran's signature acknowledging receipt of Related Health Services - POC 12. Although the result is lower than expected, some controls did exist to reduce the risk of paying for services not provided. One control is the preauthorization of services and benefits by VAC staff. A second control is a dedicated investigative unit, operated by the contractor as part of the FHCPS contract, which regularly conducts various audit activities to ensure that health care providers are complying with the requirements. Both of these controls were operating as intended and minimized the risk. Going forward, the Department agrees that confirmation of receipt of services continues to be necessary as required under the Treasury Board's Directive on Account Verification.

Clear communication of decisions is important to ensure that Veterans understand the rationale for the decision and, if applicable, their appeal rights. Also, letters to providers advise of details of the decision for service and can assist them when completing the claim form to request payment. Letters to both Veterans and providers form part of the supporting documentation of the decision for services. The Department utilizes letter templates to support consistent communication with Veterans and providers. The file

review identified that 66% of files contained a Veteran and/or provider letter. The lack of supporting letter documentation could be addressed by the establishment of a national quality assurance process.

Recommendation 4

It is recommended that the Director General, Service Delivery and Program Management Division explores options to confirm receipt of services and obtain provider attestation. (Essential)

Management Response

Management agrees with this recommendation. Work is underway to explore options for the modernization of provider attestation and Veteran confirmation of services received. Options will be identified by April 2015.

3.4 Timeframes

Related Health Services - POC 12 rehabilitation decisions covered by the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* are delegated to Case Managers in VAC Area Offices. The 2013 Audit of Delegated Decision Making examined timeframes for Related Health Services - POC 12 rehabilitation decisions by Case Managers. It was determined that decisions were generally made in a timely manner and no opportunities were identified to improve the efficiency of the decision-making process. Once a decision is made by the Case Manager, a CSDN work item is sent to the TAC to request an authorization for the service. Analysis of file review results noted that work items were created and sent to the TAC within one to two days of updating the Veteran's case plan.

Related Health Services - POC 12 treatment decisions covered by the *Veterans Health Care Regulations* are delegated to analysts in the TAC. Providers call the TAC to request an authorization for a service on behalf of a Veteran. The audit team observed that TAC Analyst decisions and authorizations were actioned immediately upon request from the provider.

Additionally, the audit team examined the time from when a Related Health Services - POC 12 claim for payment was received at the health claims processing centre to the time payment was approved for the provider. File review results confirmed that transactions were paid within 30 days, with the majority paid within 10 days.

3.5 Audit Opinion

The audit team observed that the relevant policies and procedures were generally clear and up-to-date with only a few areas noted requiring further action. It was also noted that key monitoring activities such as quality assurance, performance measurement and post payment verification were in development. File review results identified a moderate degree of compliance with key requirements and that staff carry out their duties efficiently and exercise appropriate judgement to process requests as quickly as possible. Overall, the audit team determined the results to be "*Generally Acceptable".*

APPENDIX A - AUDIT CRITERIA

Objective	Criteria*
To assess the adequacy of the management control framework	Authority is formally delegated. (R1)
	There is appropriate segregation of duties.
	Policies and authorities are established and communicated. (R2, R3)
	The organization provides employees with the necessary training, tools, resources and information to support the discharge of their responsibilities.
To assess compliance with applicable policies and processes	Transactions are coded and recorded accurately and in a timely manner to support accurate and timely information processing.
	Records and information are maintained in accordance with laws and regulations. (R4)
	Compliance with financial management laws, policies and authorities is monitored regularly.
To determine timeliness of decisions and identify any potential opportunities to improve efficiency	Management has identified appropriate performance measures linked to planned results.
	Management monitors actual performance against planned results and adjusts course as needed.

* Audit recommendations have been developed to address the gaps identified by the audit team. All other audit criteria were determined to be fully met or partially met with only minor deficiencies.

`

Appendix B – RISK RANKING OF RECOMMENDATIONS AND AUDIT OPINON

The following definitions are used to classify the ranking of recommendations and the audit opinion presented in this report.

Audit Recommendations

Critical	Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.
Essential	Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk.

Audit Opinion

Well Controlled	Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.
Generally Acceptable	Identified weaknesses, when taken individually or together, are not significant or are compensated by mechanisms in place. The control objectives or sound management of the audited activity are not compromised.
Requires Improvement	Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.
Unsatisfactory	The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.