Department of
Health, Social Services and Public Safety

An Roinn
Sláinte, Seirbhísí Sóisialta agus Sábháilteachta Poiblí

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Subject:

Verification of claims from Pharmaceutical Contractors

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For Action by:

- **HSS Board Chief Executives**
- **HSS Board Directors of Finance**
- **Chief Executive Central Services Agency**
- **Director of Finance Central Services Agency**
- **Chief Pharmaceutical Officer DHSSPS**
- **Chemist Contractors**

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For Information to:

- **Director of Primary Care DHSSPS**

Summary of Contents:

The purpose of this circular is to implement new arrangements for securing assurance on overall HSS Board expenditure on Pharmaceutical Services.

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GUIDANCE TO
HEALTH AND SOCIAL SERVICES BOARDS
AND THE CENTRAL SERVICES AGENCY

on the

VERIFICATION OF CLAIMS
FROM
PHARMACEUTICAL CONTRACTORS

GUIDANCE TO HEALTH AND SOCIAL SERVICES BOARDS AND THE CENTRAL SERVICES AGENCY ON THE VERIFICATION OF CLAIMS FROM PHARMACEUTICAL CONTRACTORS

Introduction

1 Verification of claims for Pharmaceutical Services has been undertaken for many years. The Central Services Agency currently carries out a comprehensive range of code checks, Drug and Appliance Tests and exemption checks. There is now a need to build on these arrangements and introduce a more systematic analysis of claims and inspection of records held by pharmaceutical contractors to gain verification of the validity of claims submitted.
Undertaking verification of claims does not imply lack of trust in pharmaceutical contractors but is a normal requirement to make available evidence of service provision to support financial reimbursement.

2 The new arrangements for verification should be implemented immediately and will apply to all pharmaceutical contractors supplying pharmaceutical services.

3 This guidance has been drawn up in consultation with Boards, the Central Services Agency (CSA), the Pharmaceutical Contractors Committee (PCC) and the Pharmaceutical Society of Northern Ireland (PSNI). There are references throughout to Boards/CSA. The guidance is phrased in this way in acknowledgement that the CSA processes payments to contractors on behalf of Boards, with whom practitioners are contracted. Boards, in implementing this guidance, should discuss with the PCC on local arrangements. Boards may forge close links with the PCC and may use those links to consider developments and disputes.

Background

4 All public bodies have a responsibility to ensure that there are effective systems of internal control in place in order that assets are safeguarded, transactions authorised and properly recorded and material errors or irregularities are either prevented or detected.

5 Following developments in the private sector regarding the proper governance of organisations, Accounting Officers of Central Government Departments (and Accountable Officers of their associated bodies) are obliged to make positive assurance statements regarding the operation of their organisation's internal control systems. These statements, which are personally signed off by Accounting/Accountable Officers, are subject to audit and must therefore be supported by evidence capable of independent substantiation.

6 The payment of independent contractors for the provision of Family Health Services (general medical, dental, pharmaceutical and ophthalmic services) poses particular problems for the Department, Boards and the Central Services Agency in complying with the accepted standards of control expected of public organisations in the procurement of goods and services. These are essentially associated with the volume of services provided which are subject to individual claims by large numbers of contractors. In such circumstances it is simply not possible to confirm, prior to payment, that services for which claims have been submitted have actually been provided and claims have been submitted correctly.

Risks / Opportunities to the Process of Verification

7 In the future two developments will change the way verification can occur.

a. Electronic Prescribing and Eligibility System (EPES). This will collect data at patient level and also store images of prescriptions, making recovery of the physical prescription unnecessary in many cases. The amount of data that will be available, and the ability to check against the prescription's image, will transform the verification process. EPES should be implemented 2007-2009

b. Review of Public Administration (RPA). Whilst the final design of the new structure is unknown, there is an opportunity to centralise the data and organisation of the verification process.

Reasons for Verification

8 It is important to identify the reasons for verification, which are:

i To gain verification that the claims being submitted are proper and in accordance with the Drug Tariff, Prescription Code Book and the Pharmaceutical Services Regulations (Northern Ireland) 1997;

ii To gain verification that the services and prescriptions ordered are delivered correctly.

iii To help decide whether fraudulent claims are being submitted.

9 The latter reason will apply normally only where there is evidence of unexpected or abnormal trends in claims by pharmaceutical contractors for which a full explanation is required, or where specific information warrants a detailed investigation.

10 Boards/CSA have a duty to make sure that the payments made are valid. It would clearly be inappropriate for payments to be made where there are doubts about the validity of claims. These doubts might arise out of the claims themselves or where Boards/CSA remain dissatisfied with the outcome of enquiries into previous claims.

Access to Records

11 There are several means of verification open to Boards/CSA that do not require access to records held by the contractor (and these are referred to in paragraph 14). However, it will be necessary for Board staff to access contractor records as part of the verification of claims. On occasion they will wish to check claims made against information that is only available from patients' medication records or from other material held by the contractor and relevant to the claim. In undertaking these checks, Boards will be confirming that pharmacy records support information that they already have.

12 Proper safeguards must be observed about confidentiality and Boards will wish to address these safeguards in the local protocols they establish. Boards/CSA should ensure that procedures are consistent with the guidance "The Protection

and Use of Patient and Client Information" (DHSS June 1999).

Roles of Boards, Auditors, the CSA and the Counter Fraud Unit

13 It is important that the respective roles of the main parties involved are understood clearly:

i **Boards** have the prime responsibility for the verification of claims and for ensuring that they have sufficient information to demonstrate their accountability for the use of public funds;

ii **Internal audit** is an independent appraisal service established by the Board for the review of the internal controls within the organisation. They should be consulted about the implementation of the verification process and be asked to make recommendations on the standards of internal control to be applied. However, they should not normally have an operational responsibility for the inspections themselves;

iii **External audit** is responsible for providing an opinion on whether the accounts present fairly the financial affairs and whether there are arrangements in place for the proper use of resources and safeguards against fraud and corruption;

iv The **Central Services Agency (CSA)** acts on behalf of the Boards in processing pharmaceutical payments claimed by pharmaceutical contractors. However, Boards have the prime responsibility for the verification process and it is for the Board to advise the CSA what management information is to be provided;

v The **Counter Fraud Unit** will undertake investigations into cases of potential or actual fraud involving contractors, either jointly with the Boards or on their behalf. The Unit will also be responsible for the detection and pursuit of fraudulent claims to exemption from and remission of FHS charges.

Pre-requisites for Introducing Verification Checks

14 As a minimum these include:

a) **Commitment from Boards/CSA** to implement the new procedures immediately. A key step in implementation will be consultation with the PCC;

b) **A revised management information system** which will enable the Boards/CSA to monitor the pattern of claims from pharmaceutical and contractors and with sufficient capacity to interpret the available data.

c) **Staff with the skills to interrogate and interpret the output from the management information system.** Because of the many differences between pharmaceutical contractors and their patient base, local factors need to be taken into account when interpreting the output. It follows that what is a reasonable level of activity in one place is not necessarily so in another. Any comparison between pharmaceutical contractors needs to take into account these local factors and it may be appropriate to seek the views of Board pharmacy staff when interpreting the data.

d) **A written protocol drawn and discussed with the PCC** on such issues of detail as how the verification will be carried out, what will be done, who will be involved and what reports will be produced.

Verification

15 Boards/CSA should ensure that their management information systems are producing details to identify the patterns and trends in claims from pharmaceutical contractors. The following performance indicators, produced regularly, may be useful for the purposes of measuring a pharmaceutical contractor's or establishment's claims against the locality or Northern Ireland average:

i Average item value
ii Percentage of paid prescription items
iii Percentage of paid items costing under the current prescription charge.
iv Stock prescriptions
v Expensive prescriptions
vi Number of items dispensed
vii CSA Code Check results
viii Point of Dispensing Check results
ix Drug and Appliance Test results
x Generic dispensing rate

16 The statistical information will be useful when undertaking factual enquiries within the Boards/CSA or with others, including patients and the pharmaceutical contractor, into the reasons for any unusual levels of claims. **There may be readily ascertainable explanations for changes in the level or pattern of claims**. This sort of information will influence the extent and nature of subsequent enquiries.

17 The information from the management information system should be used along with the accumulated knowledge of the Boards/CSA to help the Boards decide on the areas or contractors that require greater scrutiny.

18 Boards/CSA will have a range of actions available in deciding how to conduct the positive assurance checks. These include:

i Taking account of information already held within the Board/CSA;

ii Writing to patients seeking their confirmation of facts claimed by the pharmaceutical contractor. This needs to be handled sensitively and letters to patients should make it clear that the enquiry is a routine one and is not to be taken as implying concerns about the honesty of the pharmaceutical contractor.

iii Making a direct approach to the pharmacy to ask for its comments on the information generated by the management information system.

iv Carrying out a visit to the pharmacy to discuss its claims, inspect patient records and examine the supporting systems and procedures within the practice. The details need to be discussed and a written protocol drawn and discussed with the PCC before any visits begin.

v Carrying out checking clinics to inspect patients' medication, confirm relevant details about treatment provided and, where possible, gain confirmation of facts claimed by the pharmaceutical contractor.

vi Using simulated patients (ie, mystery shopper), requesting a pharmaceutical service.

NB i, iii, iv are used to verify the claim matches the service and prescription ordered; ii, v and vi are used to verify delivery of the service/ prescription ordered.

19 The purpose of these arrangements is to verify that the system for claiming fees is operating properly. One mechanism for achieving this is by carrying out checking clinics to inspect patients' medication and confirm relevant details about treatment provided and verify these against the claim. Another approach might be to visit the contractor to gain an understanding of how the pharmacy prepares claims, the information sources used and the records that are kept. A sample of claims paid should then be traced back to the underlying records to support the verification process. The decision about which approach is to be used and the sample size will be a matter for each Board to determine locally after discussions with their internal and external auditors. The use of standard programmes and documentation will help to make the process efficient and assist in assessing the quality of the work done.

20 The level of resources to be devoted to the monitoring and verification process needs careful consideration. The resources will include the cost of developing (or, if necessary, purchasing) the management information system, the costs of implementing the system and getting it to produce the necessary monitoring data, and the staff engaged on managing and undertaking the work. The number and mix of staff engaged on verification should be determined by the outcome of the assessment process outlined above. Board management will need to ensure that such staff are appropriately trained, work under clear lines of accountability and report their findings to the contractor and the Board.

Outcomes from the Verification Process

21 There will be several possible products:

i Confirmation of satisfactory practice and procedures;

ii Identification of unsatisfactory practice and procedures;

iii Identification of over-claims which should lead to repayment by the pharmacy, or under-claims which should led to amended claims being submitted for payment;

iv Suspicion of fraud (see 23 below);

Outputs from the Verification Process

22 Outputs should include:

i Information for the internal and external auditors to assist in their work;

ii Reports setting out the results of the verification processes.

iii Guidance, where necessary, on changes to improve the pharmacy's systems and administration.

iv A periodic summary report for the Chief Executive/General Manager or the Director of Finance of the Board stating whether the claims paid were valid and commenting on the pharmacy's claims systems.

Fraudulent Claims

23 Any indication of possible fraudulent claims must be investigated fully until the suspicions are either confirmed, or allayed. Checks and visits to investigate a possible fraud will be carried out in accordance with the Departmental Circular HSS (F) 38/2005 “Revised Fraud Reporting Arrangements” and the Board’s own Internal Fraud Response Plan. Each case will be different but experience has shown that the key to a successful investigation is a carefully thought out fraud response plan which covers arrangements for:

i Liaison with internal and external auditors, the Counter Fraud Unit, the Police and the Department;

ii Training for staff, in particular ensuring that investigating staff, where it is not the police, have adequate knowledge of the procedures for collecting evidence under the Police and Criminal Evidence (Northern Ireland) Order 1989;

iii Investigating the suspected fraud which will involve:

- Collaboration with the Counter Fraud Unit
- Contacting the internal/external auditor and police
- Assigning responsibility for investigation to a specific person
- Preparing a background and objectives statement
- Considering likely outcome with the police
- Agreeing terms of reference, scope, and key dates
- Identifying staff resources and responsibilities
- Estimating and monitoring costs of investigations

- Maintaining regular contact with senior managers and police
- Identifying lessons learned and action required;

iv Reporting fraud;

v Recovery of losses;

vi Procedures for preparing and preserving evidence and managing public relations; and

vii Prosecution and disciplinary action against the perpetrators.

24 It is important that these issues are discussed with all the interested parties so that a general consensus is reached on Boards' approach to fraud investigation. Making these arrangements should not be left until the Board is faced with investigating an actual case of fraud.

Action

25 Boards and the CSA are asked to implement immediately the new arrangements for verification for all pharmaceutical contractors. Boards, in implementing this guidance, should discuss with the PCC.

Frequency of Verification Checks

26 Every contractor will be monitored or subject to verification at least once every three years.