

Medicare Compliance Audits

Audit Report No.26 2013–14

Integrity of Medicare Customer Data

Audit Report No.27 2013–14

Opening Statement by Auditor-General

JCPAA Review 17 July 2014

1. Chair, Members of the Committee, thank you for the opportunity to attend your inquiry into two recent audit reports concerning the Department of Human Services' administration of the Medicare program:
 - a. ANAO Report No.26 2013-14 *Medicare Compliance Audits*; and
 - b. ANAO Report No.27 2013-14 *Integrity of Medicare Customer Data*.
2. While these audits differed in their focus, each examined key aspects of the control framework applied by the department that supports the integrity and effective administration of the Medicare program.
3. Report No.26 focussed on compliance activity, a 'downstream' element of the control framework; while Report No.27 considered 'upstream' controls, intended to maintain the quality of enrolment data and customer records.

Medicare Compliance Audits

4. As part of its broader Medicare Compliance Program, Human Services uses compliance audits to verify services provided by health professionals, where a risk has identified that Medicare payments and benefits may have been claimed incorrectly.

5. ANAO Report 26 concluded that overall, the effectiveness of Human Services' management of Medicare compliance audits had been mixed. The department's administration of Medicare compliance audits and its implementation of the 2008-09 Budget measure—the *Increased Medicare Compliance Audits initiative*—demonstrated a range of shortcomings that detracted from the department's performance in delivering these aspects of its broader Compliance Program.
6. Historically, Human Services did not conduct any routine, preliminary analysis of emerging Medicare risks; as a result, a large number of newly identified risks were not examined to inform the priorities within its Compliance Program.
7. Human Service's achievement against key performance targets was also limited. The department only met its key performance indicator—2500 completed Medicare audit and review cases per year—once in 2011-12. Then, in 2012-13, the department changed the activities included in its reporting against the target, including (less onerous) 'targeted feedback letters' as well as compliance activities directed towards members of the public.
8. Further, the department's management of a new Budget measure—the *Increased Medicare Compliance Audits initiative*—did not realise the planned \$147.2 million in savings. Between 2008-09 and 2012-13, available data indicates that Human Services raised only \$49.2 million in debts and recovered \$18.9 million from Medicare compliance audits, representing a \$128.3 million (87 per cent) shortfall in expected savings—in other words, this Budget measure, represented a net cost to government, rather than delivering the anticipated savings.

9. The ANAO made two recommendations to improve the department's management of its Medicare Compliance Program. The department agreed to these recommendations.

Integrity of Medicare Customer Data

10. In administering Medicare, Human Services collects personal information from customers at the time of their enrolment and amends this information to reflect changes in their circumstances. The main repository for this data is the Medicare customer record database, the Consumer Directory.
11. ANAO Report 27 concluded that Human Services' framework for the management of Medicare customer data, including procedures and input controls for the entry of new enrolment information and changes to customer information, has not been fully effective in maintaining the integrity of data in the Consumer Directory (the Medicare customer record database).
12. The ANAO's analysis of the department's 29.3 million Medicare Customer records identified:
 - At least 18 000 possible duplicate enrolments—an ongoing data integrity issue in the Medicare database as duplicate enrolments were also identified in the ANAO's 2004-05 performance audit on *Integrity of Medicare Enrolment Data*;
 - Active records for customers without an entitlement as well as inactive records and some with unusual activity; and

- Records which had customer information inconsistently, inaccurately and incompletely recorded.
13. In addition, the department advised the ANAO of instances where the records of two different customers are combined (intertwined records'). These "intertwined records' give rise to privacy and clinical safety risks because if one of the affected customers requested a Personally Controlled Electronic Healthcare Record, the record would contain both customers' health information and consequently, could not be relied on by a healthcare provider.
 14. The ANAO made five recommendations aimed at enhancing the management and integrity of Medicare customer data, which the department has also agreed to.
 15. The audit teams and I would be happy to answer any questions the Committee may have.