

OFFICE OF THE  
**Auditor General**  
of British Columbia

**Follow-up of  
2003/2004 Report 4:**

**Alternative Payments  
to Physicians: A Program in  
Need of Change**

*February 2006*





OFFICE OF THE  
**Auditor General**  
of British Columbia

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The Honourable Bill Barisoff  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
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Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2005/06 Report 7: Follow-up of 2003/2004 Report 4: Alternative Payments to Physicians: A Program in Need of Change.

*Wayne Strelhoff*

Wayne Strelhoff, FCA  
Auditor General

Victoria, British Columbia  
February 2006

copy: Mr. E. George MacMinn, Q.C.  
Clerk of the Legislative Assembly



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# Auditor General's Comments

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I am pleased to present in this report the results of my Office's follow-up work on the Alternative Payments Program report issued in November, 2003. We perform follow-up reviews to provide the Legislative Assembly and the public with an update on the progress made by management in implementing our recommendations and those made by the Select Standing Committee on Public Accounts. Our recommendations are designed to improve public sector performance, and are an important value-added component of our work.

We follow a process in our review that was agreed to with the Select Standing Committee on Public Accounts. As we complete a follow-up review, we provide a report to the Legislative Assembly, which is referred to the Select Standing Committee on Public Accounts (Appendix B).

Our approach to completing our follow-up reviews is to ask management of the organizations with responsibility for the matters examined to provide us with written representations describing action taken with respect to the recommendations. We then review these representations to determine if the information reported, including an assessment of the progress made in implementing the recommendations, was presented fairly in all significant respects (Appendix C). For this follow-up report, we concluded that it was.

In this report, we provide a summary of the original report, our overall conclusion, a summary of the overall status of recommendations and the ministry's response to our request for an accounting of progress. I am pleased that management has accepted our recommendations and has taken action to implement them. Adoption of a more strategic approach to better coordinate physician funding has led to significant progress in the management and accountability of the program. However, further work is still needed.

The ministry has acknowledged that the complexities of the health care system and the need to consider the requirements of stakeholder groups can affect the ministry's ability to implement desired change. Even in this difficult environment, the ministry has completed implementing many recommendations and has initiated action on all the rest. We will be following up on the outstanding recommendations in our second follow-up report next year. I encourage the Ministry of Health to continue with its efforts.

I wish to express my appreciation to the staff and senior management of the Ministry of Health for their cooperation in preparing the

# Auditor General's Comments

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follow-up report, providing the appropriate documentation and assisting my staff throughout the review process.



*Wayne Strelieff, FCA*  
*Auditor General*

*Victoria, British Columbia*  
*February 2006*



# Report on the Status of Recommendations

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Information as to the status of outstanding recommendations was provided to us by the Ministry of Health as of May, 2005. We have reviewed the representations provided by the Ministry of Health regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the progress report prepared by the Ministry of Health does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our November 2003 report.

The ministry also provided us with an updated status in September 2005. In this update, the ministry has identified expected completion dates for outstanding recommendations. This information, contained in the ministry's response, provides the reader with further guidance about the ministry's plans for completing implementation of the recommendations.

*Wayne Strelloff, FCA*  
*Auditor General*

*February 2006*



## Alternative Payments to Physicians: A Program in Need of Change

### Audit Purpose and scope

The purpose of this review was to assess the administrative effectiveness and accountability of the Alternative Payments Program (APP) in the Ministry of Health. As part of our review, we examined how the program operates, its role in achieving the ministry's vision and how it demonstrates its accountability for results to the ministry and the Legislature.

To determine the strengths and weaknesses of the program, we conducted interviews with ministry executive, program staff, health authority representatives, and other health system representatives. We completed an extensive literature review and cross-jurisdictional research to determine emerging trends and practices in other provinces. Our fieldwork was conducted from November 2002 to May 2003.

Our review was performed in accordance with assurance standards recommended by the Canadian Institute of Chartered Accountants. We included such tests and other procedures as we considered necessary.

We did not undertake a service delivery review as part of this report, for example, an assessment of the quality of the different types of physician services provided through APP. This approach would have broadened the scope of our work substantially and there was concern about the lack of information to be able to complete this type of review.

### Overall Conclusion

Overall, we concluded that the program is poorly managed and needs to become much more accountable. Our findings, conclusions and recommendations are organized into three groupings - strategic alignment, program operations, and results-focused performance.

#### *Strategic alignment*

APP lacks clear objectives and effective strategies to ensure the program is aligned with overall ministry direction.

APP does not have a well-understood and articulated strategic direction in terms of program objectives and supporting policies and procedures. As a result, APP

## Summary of 2003/2004: Report 4

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is often used as a fix-it mechanism to deal with ad hoc funding pressures. Such pressures often relate to demands by physician groups and health authorities for additional funding that is not contemplated within negotiated funding agreements.

### *Sound and efficient program operations*

APP has weak management support systems.

The support systems required for sound and efficient program management are lacking. This is particularly worrisome because weak systems have been known to exist for many years. Considerable attention is needed to build the support systems required to properly manage a \$300 million program. The systems relate to resource allocation, contract management, staffing and information technology.

### *Results-focused performance*

APP does not have reliable or relevant performance information.

At the program level, APP has not made progress on setting clear performance expectations or gathering information required to determine if the program is successful. Such information includes the extent to which the physician services paid for through this program are improving patient health outcomes in an efficient and effective manner.

# Summary of Status of Recommendations

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## A Review of Alternative Payments to Physicians: A Program in Need of Change

Original Issue Date: November 2003

Summary of Status at May 2005	OAG	Further Follow-up Required
Total Recommendations	24	0
Fully Implemented	2	0
Substantially Implemented	9	0
Partially Implemented	13	13
Alternative Action	0	0
No Action Intended	0	0



# Summary of Status of Implementation

## Summary of Status of Implementation by Recommendation

### A Review of Alternative Payments to Physicians: A Program in Need of Change

Auditor General's Recommendations	Implementation Status				
	Fully	Substan- tially	Partially	Alternative Action	No Action
Part I: Strategic Alignment: the program lacks clear objectives and effective strategies to ensure alignment with ministry direction					
1. We recommend the ministry develop clear and achievable program objectives for APP that align with the ministry's and government's overall direction.			✓		
2. We recommend the ministry conduct a business planning process in order to establish a well-defined approach for managing APP.			✓		
3. We recommend the ministry develop a comprehensive and publicly accessible policy and procedures manual to ensure consistency in program administration.			✓		
4. We recommend the ministry establish specific policies and procedures to deal with crises in a consistent manner, as part of a comprehensive policy and procedures manual.		✓			
5. We recommend the ministry implement changes linked to broader planning and evaluation processes for APP to reduce the ongoing impact from program instability.			✓		
6. We recommend the ministry improve the coordination and effectiveness of all its individual compensation programs by establishing an overarching physician compensation framework that outlines each program and illustrates program linkages.		✓			
Part II: Sound and efficient program operations: the program is undermined by weak management systems					
7. We recommend the ministry formalize a budgeting process that addresses the program's strategic goals and the continuing need for existing contracts.		✓			

# Summary of Status of Implementation

Auditor General's Recommendations	Implementation Status				
	Fully	Substan- tially	Partially	Alternative Action	No Action
8. We recommend the ministry develop detailed policies and guidelines to govern the calculation of transfers from the Available Amount to APP, to ensure consistency and transparency in decision-making.	✓				
9. We recommend the ministry conduct a thorough business analysis based on the future direction of APP before deciding what is required in terms of a staff complement.		✓			
10. We recommend the ministry improve how it communicates with health authorities to ensure both parties understand each other's expectations.		✓			
11. We recommend the ministry commit to creating greater stability in APP's leadership structure so that consistent, clear direction is provided.		✓			
12. We recommend the ministry establish clear policies and guidelines for the contract application approval process and clear criteria for the evaluation of new or expired contracts.			✓		
13. We recommend the ministry develop a process to ensure terms and conditions of the contracts with health authorities are consistent with the provincial Working Agreement and subsidiary agreements.	✓				
14. We recommend the ministry develop clear policies, guidelines and definitions for contract terms and conditions on services/deliverables, reporting requirements, use of surplus funds, consequences for non-compliance, and inspection of records.		✓			
15. We recommend the ministry establish formal policies and procedures to ensure services are rendered in accordance with the agreements and all payments have proper approval and are only made for services received.		✓			
16. We recommend the ministry establish clear criteria for monitoring and compliance activities and clear policies and guidelines for managing non-compliance.		✓			
17. We recommend the ministry establish an IT strategic plan aligned with APP objectives and identify and analyze alternative technology opportunities against operational requirements.			✓		



# Summary of Status of Implementation

Auditor General's Recommendations	Implementation Status				
	Fully	Substan- tially	Partially	Alternative Action	No Action
Part III: Results-focused program performance: the program is unable to demonstrate what it has achieved					
18. We recommend the ministry develop performance measures that focus APP towards results and ensure these measures contribute to those adopted for the ministry overall.			✓		
19. We recommend the ministry establish APP performance measures along a continuum (including patient health outcomes), using a process that is linked directly to the development of program objectives.			✓		
20. As part of the process of developing performance measures, the ministry should also establish targets which identify clear expectations of what is to be achieved by the program.			✓		
21. We recommend the ministry provide greater detail in its service plan and annual service plan report to identify the program and how it contributes to the overall direction of the health system and conduct regular performance and expenditure monitoring at the senior management level.			✓		
22. We recommend the ministry develop program-level reporting requirements and information systems based on the decision making needs, including those focused on outcomes that are expected to be achieved.			✓		
23. We recommend the ministry put in place ongoing program evaluation that demonstrates how APP adds value to the provincial health care system.			✓		
24. We recommend the ministry use the performance management framework that was jointly developed by the Deputy Ministers' Council and our Office to guide efforts in improving the accountability and management effectiveness of APP.			✓		



# Response from the Ministry of Health

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MINISTRY OF HEALTH

RESPONSE

TO

OFFICE OF THE AUDITOR GENERAL'S

PROGRESS REPORT

ON

RECOMMENDATIONS FOR ALTERNATIVE

PAYMENT PROGRAM

Prepared by: Physician Compensation Branch  
Medical and Pharmaceutical Services

Date: November 24, 2005  
December 20, 2005 (revised)



# Response from the Ministry of Health

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## 1. Introduction

The Ministry is committed to managing the public health system in a manner that supports and reinforces its achievement of its key objectives and ensures full public confidence. In keeping with such commitments, the Deputy Minister of Health approached the OAG in 2003 and asked for their assistance in conducting a review of the operation of the Alternative Payment Program (APP).

The OAG completed their review in November 2003 and made 24 specific recommendations grouped under three themes. These themes are:

- 1) Strategic Alignment – The need for clear and achievable objectives and strategies which are aligned with the Ministry's and the Government's overall direction;
- 2) Sound and Efficient Program Operations – The need for effective management systems; and
- 3) Results Focused Performance – The need to identify, monitor and evaluate the value of what is being achieved.

The Ministry found the recommendations of the OAG report helpful in confirming areas of concern and in identifying additional areas where the management of APP can be strengthened. In acting on the recommendations APP is taking both specific action with respect to each recommendation but is also intent on linking these actions to the broader and interdependent context of providing health services that best meet patient needs. The Ministry determined that simply addressing the 24 recommendations strictly focused on APP would be too narrow and insufficient to bring about the broader changes necessary to effectively and efficiently pursue its health care goals for British Columbians.

## 2. Three Improvement Themes in OAG Report & MOH Strategies

### *(1) Strategic Alignment – MoH Strategy*

APP funding provides an alternative funding mechanism to fee for service (FFS) where HAs determine there is an opportunity to improve quality of care and patient outcomes through an alternative funding mechanism or where FFS is not effective to generate a reasonable income for physicians providing critical services for patients:

One example is in rural communities like the Queen Charlotte Islands, where there is a small population base. Hence, there would not be sufficient billing

# Response from the Ministry of Health

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income for a physician to earn a living. Additionally, due to the distance and isolation of the Queen Charlotte Islands, an APP funded contract is necessary in order to obtain and retain physician services for that community.

The BC Cancer Agency (BCCA), provides a different example where the stability provided by APP funding, where high volume of services is not consistent with high quality patient care outcomes, has been an important reason for their ability to provide quality patient care as well as attract and retain a strong cadre of physicians with a high level of expertise in the diagnosis and treatment of a wide range of cancer conditions. This has contributed to the BCCA's ability to deliver the very best cancer treatment success rates in Canada and it ranks among the very best cancer treatment centres in North America.

APP is not a health care service delivery program but is one of a number of funding mechanisms that MoH and HAs use to secure the physician services required to implement and deliver health care programs to fulfill their health care goals. While APP funding is an important enabler for the HAs ability to plan, operate and evaluate a health care program, it is not the only one. Other sources of funding include: annual operating grants provided to HAs to deliver services; funding from the physician Medical On-Call Program; Rural Physician Compensation Programs; and Primary Care funding. In addition, planning and evaluating the effectiveness of APP within and linked to the context of other components necessary to deliver effective, quality health care services that meet patient needs is critical to ensuring APP is providing value for dollar investments toward improved patient care.

Since the OAGs report, the Ministry has strengthened the linkages and co-ordination between the funding mechanisms provided for physician services. It has also started the process to strengthen the linkages to the broader planning and evaluation framework to more effectively and efficiently position APP to pursue key health care program objectives for British Columbians. This approach keeps the focus on the end result – patient care and population needs based health care service delivery objectives and will ensure a stronger alignment with MoH Strategy. The Ministry believes this broader, more comprehensive approach will be a more effective application of the recommendations and underlying management principles of the OAG report.

## *APP and Physician Compensation*

With respect to improved coordination across different funding mechanisms for physician services the Ministry has placed all physician compensation activity under the oversight of a single department and strengthened provincial coordination across and between Health Authorities. The Ministry established a Physician Contract Administration Committee (PCAC) in 2004 to strengthen

# Response from the Ministry of Health

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the alignment between the Ministry's Service Plan and the negotiated terms and conditions of all physician contracts across the province. The committee is chaired by the Assistant Deputy Minister, Medical and Pharmaceutical Services (MPS), and has representation from all HAs, senior Ministry staff, and the Health Employers Association of British Columbia.

The PCAC committee provides an effective forum to identify emerging contract issues with physician groups and to develop coordinated plans for managing emerging issues and/or crisis in a consistent manner with both Ministry and HA health care delivery goals and strategies.

## *BC's Health System Planning Framework*

APP, as part of the Physician Compensation Department, will be working to ensure that it sets its objectives and is evaluated by its contribution to achieving key Ministry goals with respect to patient and population health services and outcomes.

The health care delivery system in British Columbia has been structured in alignment with both Government and Ministry goals and objectives. The development of the Ministry's Service Plan is the beginning of the consultative and collaborative process used to develop integrated plans to pursue the goals and objectives the Ministry believes will best meet the health care needs of British Columbians.

The Ministry's Service Plan sets out goals, objectives, key strategies and performance measures for a three-year period. The Ministry shares the Service Plan with the HAs and requests that they ensure these goals and objectives are reflected in their three-year service plans. Subsequently, the Ministry, in collaboration with HAs, transforms these key directions, priorities, objectives and strategies into formal Performance Agreements. As well, each HA's Chief Executive Officer's compensation depends upon the HA fulfilling these contractual performance commitments

Because a number of different services and funding sources must be coordinated and integrated to carry out health care service delivery programs in an effective and efficient manner, the Ministry does not develop separate strategic plans for each funding mechanism. The Performance Agreements focus on patient population targets aligned with Ministry key priorities and health care service delivery objectives, not on each of the funding components.

Individuals and their families are at the centre of British Columbia's support systems for health and wellness. In order to best meet the needs of the population, the Ministry of Health has adopted a planning approach that focuses on ensuring appropriate health services are available to individuals throughout each phase of life.

# Response from the Ministry of Health

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The British Columbia Health System Planning Framework (the “Framework” – see Figure 1) has been developed to guide all health service planning for the decade ahead. This Framework is based on the principle that health services must be planned, designed and delivered in a manner that best meets population and patient health needs.

The Framework reflects the vision that a contemporary, forward-thinking health system will support people to stay healthy (health promotion and disease prevention), get better from illness or injury (intermittent use of primary, community and hospital care), manage disease or disability (chronic care), and cope with end of life (hospice/palliative care).

In order to provide such a health system, health planners must:

- Analyze and forecast population health needs.
- Identify what kinds of health services are required to meet those population health needs.
- Develop appropriate and innovative service delivery models to create a responsive and integrated health services system.
- Determine the required infrastructure to enable service delivery (e.g. the financial, physical, technological and health human resources required).

This approach to health planning recognizes the evolving and changing nature of the health system. As the population changes, so too will the population’s health needs. Since meeting the population’s health needs is the paramount consideration in this model, it is incumbent upon health planners to be flexible and responsive in redesigning both health services and the ways they are delivered to ensure they meet the population’s evolving health needs. Continuing to deliver services in a status quo manner will not be effective.

The same principle applies to planning for health system infrastructure, whether it is facilities, equipment or human resources. As population needs evolve and services are delivered in a different manner, so too will the health system components be used in new ways to meet new demands. Facilities may be designed or used differently to deliver new types of services. Advances in medical technology and equipment may render some current techniques and equipment obsolete. New service demands may require new types of health providers, or new ways of employing health providers to meet the changing health needs of the population.

Physician compensation and HA funding requests for alternative funding mechanisms will be increasingly analyzed and developed in this planning context as the planning model is further elaborated and operationalized over the coming year. In pursuing this direction the Ministry is required to enter

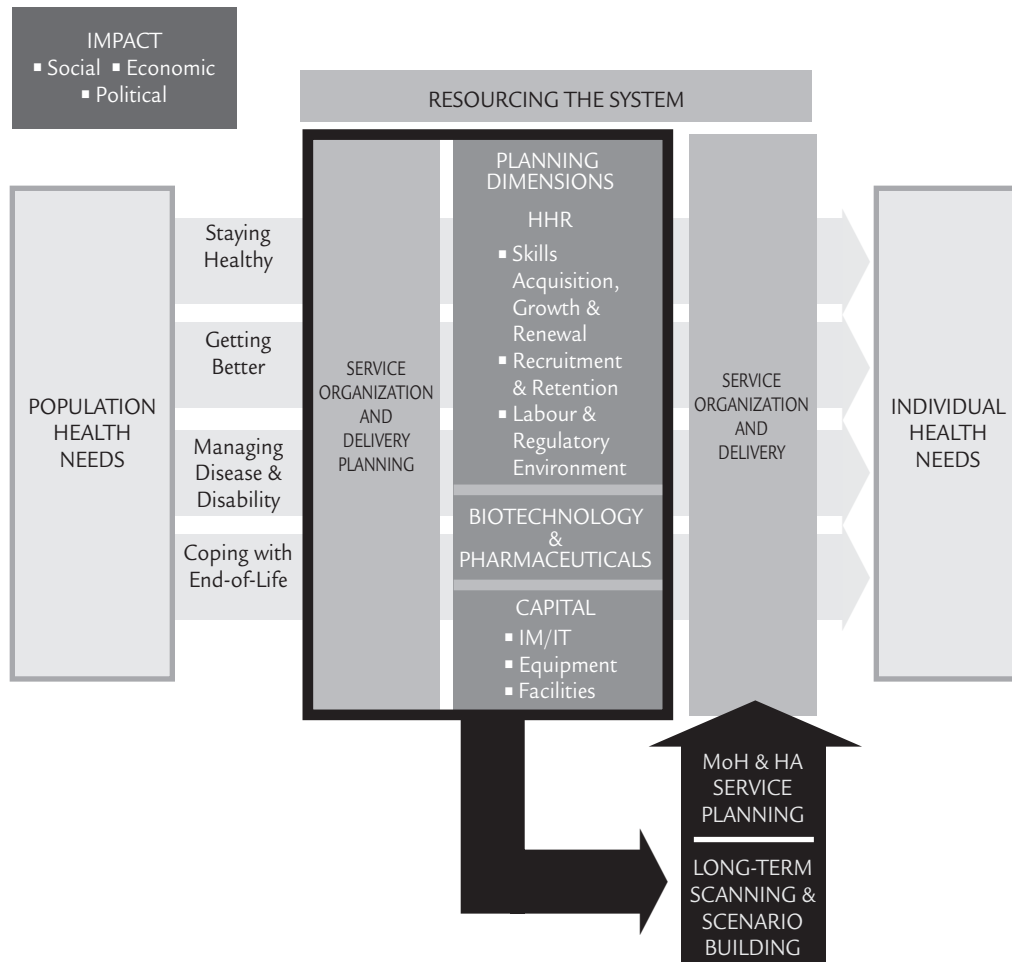


# Response from the Ministry of Health

into extended discussions, consultations and negotiations with HAs, physician groups, and the

British Columbia Medical Association (BCMA) to change how compensation decisions are made, strengthen performance measures/service targets, and change reporting requirements. These issues currently form part of our negotiations with the BCMA as we address changes to the Working Agreement and the renewal of the Master Agreement throughout 2006-2007.

**Figure 1**  
British Columbia's Health System Planning Framework



# Response from the Ministry of Health

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## **(2) *Sound and Efficient Program Operations – MoH Strategy***

The OAG has assessed the Ministry's progress in this section to be substantially complete

on 9 of 11 recommendations and no further follow up is necessary. The Ministry acknowledges OAG's recognition of the significant efforts and accomplishments Ministry staff has made to ensure the effective and efficient management and stewardship of the APP funding mechanism.

## **(3) *Results Focused Performance – MoH Strategy***

The Ministry concurs with the OAG's view that measuring and reporting performance is an essential element of effective management. This is consistent with the Ministry's continuous improvement objectives and with the Ministry's original request for the OAG to conduct this review. Further, the Ministry agrees performance measurements and targets need to focus on desired patient outcomes because what gets measured gets done. To effectively focus on patient outcomes, performance targets need to be established for the health care service programs, not on separate funding mechanisms. To this end, the Ministry has emphasized the establishment of performance measures and targets for the health care service programs designed, implemented and operated by HAs as identified in the formal Performance Agreements.

The Ministry also believes it is important to establish clear service levels and expected deliverables in APP funded contracts with HAs and in HA contracts with physician groups. Negotiating and recording service levels and expected deliverables within each of these contracts is essential for a number of reasons as it enables the Ministry to:

1. Clearly identify what it is getting for its expenditures;
2. Identify and compare productivity levels of different physician groups being funded;
3. Benchmark and compare service levels and productivity levels of contracted physician groups in British Columbia to other provinces; and
4. Negotiate reasonable changes in contract expectations and evaluate the merits of continuing APP funded contracts for specific physician services.

To this end, the Ministry is currently working with HAs to clarify and strengthen the service level expectations associated with APP funded contracts for physician services. The Ministry has established new benchmarks for service level expectations which are commensurate with the nationally, highly competitive compensation levels that have been negotiated by the BCMA for physicians working under APP-funded contracts.

# Response from the Ministry of Health

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## The 24 OAG Recommendations

The following summary outlines the original recommendation, the OAG assessment in May 2005 of progress, further work completed by the Ministry subsequent to the May assessment and current completion status, key areas of work undertaken and estimated completion dates where applicable.

### Part I: Strategic Alignment

#### *Recommendation # 1*

**“We recommend the Ministry develop clear and achievable program objectives for APP that align with the Ministry’s and government’s overall direction” (p. 25)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially implemented. Requires further follow up.

**MoH Comments:** The objective of APP funded contracts for physician services is to enable HAs to engage physician services in situations where the more common Fee-For-Service method of physician payment would not be successful in engaging, retaining or stabilizing these services. The more costly APP method for funding physician services is therefore only used where it would not otherwise be possible to deliver a health care service program.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish strategic planning framework to align and integrate the different funding mechanisms required for the effective development and implementation of health care service delivery programs.</li> <li>■ Update APP Funding application to require HAs to identify how the APP funding request will support achievement of MoH strategic goals and objectives</li> </ul>	September 2005	<ul style="list-style-type: none"> <li>■ Strategic framework is outlined in the updated MoH Service Plan 2005/06/07.</li> <li>■ ADM, Executive Director, Director and Physician Compensation team Employee Performance Development Plan’s developed within framework and linked to Division and Ministry objectives.</li> <li>■ Funding Application developed July 2005 and available on web site September 2005.</li> </ul>

# Response from the Ministry of Health

## Recommendation # 2

**“We recommend the ministry conduct a business planning process in order to establish a well-defined approach for managing APP.” (p. 28)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Further follow-up required.

**MoH Comments:** The Ministry will pursue its goals, objectives and strategies through the health care service delivery programs implemented and operated by health authorities. HAs develop funding requests and MoH assesses those requests within the strategic framework and processes that have been established to ensure the delivery of health care service programs.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Leverage existing performance management processes within MOH.</li> <li>■ Establish an annual process for identifying and prioritizing funding pressures.</li> <li>■ Leverage existing mechanisms through the Leadership Council and through the Physician Contract Administration Committee for prioritizing and allocating limited funding for APP contracts.</li> <li>■ Leverage development projects within MoH that build upon capacity and expertise in geographic/population based forecasting.</li> <li>■ Led development of a needs-based funding process for ER facilities province-wide.</li> </ul>	September 2006	<ul style="list-style-type: none"> <li>■ MPS Division has updated its Strategic Plan for 2005/06.</li> <li>■ With input from its HA service delivery partners MoH has established an annual process for identifying and prioritizing funding pressures. Most recently updated in June 2005.</li> <li>■ Leadership Council's allocation of limited funding for Emergency Room (ER) contracts in 2003/04 is an example of utilization of processes.</li> <li>■ Knowledge Management &amp; Technology Division is developing and intends to incorporate this tool into Ministry planning processes. Project application (paediatric services) Fall 2005 – Spring 2006.</li> <li>■ A more consistent and needs-based process for apportioning limited funding for ER services established via the ER Workload Model.</li> </ul>

# Response from the Ministry of Health

## Recommendation # 3

**“We recommend the Ministry develop a comprehensive and publicly accessible policy and procedures manual to ensure consistency in program administration”(p. 29)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** The Physician Compensation Branch of the Ministry has updated the APP policy manual, which is now publicly available on the Ministry’s web site. Physician Compensation is in the process of reviewing APP procedures. Expected completion date: Spring 2006.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Update APP policy manual.</li> <li>■ Update APP Procedures.</li> </ul>	Policy Manual: Sept 2005 APP Procedures Manual: Spring 2006	Physician Compensation is reviewing both policies and APP work procedures. Expected completion date: Spring 2006.

## Recommendation # 4

**“We recommend the Ministry establish specific policies and procedures to deal with crises in a consistent manner, as part of a comprehensive policy and procedures manual”(p. 31)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** As outlined in recommendation #3, the Physician Compensation Branch of the Ministry has updated the APP policy manual, and is in the process of updating its APP procedures.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Leverage existing processes such as the Leadership Council (established in 2002) to provide effective and coordinated leadership in the planning and management of emerging and urgent health care service delivery issues.</li> <li>■ Establish the Physician Contract Administration Committee (PCAC)</li> </ul>	December 2005	<ul style="list-style-type: none"> <li>■ In 2004 Physician Compensation established the Physician Compensation Administration Committee (PCAC). The PCAC was established to provide a coordinated approach to the identification and management of potential, emerging and urgent physician service contract issues. A Secretariat provides staff and the information analysis resources needed to support this Committee. Membership includes: Assistant Deputy Minister, MPS, and representative Vice Presidents of Medicine and Chief Financial Officers from each HA.</li> </ul>

# Response from the Ministry of Health

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## Recommendation # 5

**“We recommend the Ministry implement changes linked to broader planning and evaluation processes for APP to reduce the ongoing impact from program instability.” (p. 32)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** All divisions within MoH align their plans within the strategic framework provided by the Ministry Service Plan. Subsequent Performance Agreements negotiated with HAs by MoH – PMID Division for the development and delivery of health care service delivery plans within their regions are established within this strategic framework.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Strengthen integration and linkages within MoH.</li> <li>■ Ensure alignment with divisional goals and objectives.</li> <li>■ Contribute to development of divisional goals and objectives.</li> </ul>	Complete	<ul style="list-style-type: none"> <li>■ In 2004 MoH strengthened its integration of APP and other physician compensation funding mechanisms/ programs by consolidating the management of all physician compensation funding programs within a single new Physician Compensation Branch reporting to the Executive Director Physician Human Resources Management within MPS Division.</li> <li>■ In July 2005 the MPS Division updated its Mission, Key Objectives and Strategies document for 2005/06/07</li> <li>■ Physician Human Resources Management, including Ministry/ BCMA Negotiations and Physician Compensation units contributed to the development of objectives and strategies to support the achievement of MPS Division Objectives and Strategies.</li> </ul>

# Response from the Ministry of Health

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## Recommendation # 6

**“We recommend the Ministry improve the coordination and effectiveness of all its individual compensation programs by establishing an overarching physician compensation framework that outlines each program and illustrates program linkages.” (p. 34)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** MoH has consolidated the operations of all physician compensation funding programs and mechanisms directed by the Ministry within a single new Physician Compensation Branch reporting to the Executive Director, Physician Human Resources Management. MoH has also hired a new Director in 2004 to lead the new Physician Compensation Branch.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Develop an over arching framework for managing all funding mechanisms to engage physician services, including APP.</li> </ul>	February 2005	<ul style="list-style-type: none"> <li>■ Framework developed in February 2005 integrating APP, Medical On-Call Availability Program (MOCAP), Rural, and Academic compensation program management. Framework identifies:               <ul style="list-style-type: none"> <li>□ Purpose of each program;</li> <li>□ Circumstances under which each program is to be applied; and</li> <li>□ Cost of each program</li> </ul> </li> <li>■ The Physician Compensation framework was established to enable MoH staff to readily identify and manage gaps and overlaps between the different programs and funding mechanisms..</li> </ul>

# Response from the Ministry of Health

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## Part II:

Sound and efficient program operations: the program is undermined by weak management systems

### *Recommendation # 7*

**“We recommend the Ministry formalize a budgeting process that addresses the program’s strategic goals and the continuing need for existing contracts.”** (p. 36)

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** MoH’s Physician Compensation Branch has adopted a “continuous improvement” methodology to strengthen its effectiveness in the management and stewardship of all physician compensation programs.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Update processes, forms and instructions to HAs.</li> <li>■ Engage the services of a policies &amp; procedures writer to document APP work procedures.</li> <li>■ Continue to strengthen processes for monitoring and forecasting expenditures.</li> <li>■ Establish HA specific budgets for APP funded contracts based on utilization needs-based adjustments.</li> </ul>	<p>APP Procedures: December 2005</p>	<ul style="list-style-type: none"> <li>■ MoH has updated its process, forms and instructions to HAs on the Ministry’s budget process for APP funded physician contracts for fiscal 2005/06</li> <li>■ Physician Compensation is engaging the services of a policies &amp; procedures writer to document APP work procedures. Expected completion date: December 2005.</li> <li>■ MoH is continuing to strengthen its processes for monitoring and forecasting expenditures, in relation to approved budgets, as it provides funding for all physician compensation mechanisms.</li> </ul>



# Response from the Ministry of Health

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## *Recommendation #8*

**“We recommend the Ministry develop detailed policies and guidelines to govern the calculation of transfers from the Available Amount to APP, to ensure consistency and transparency in decision-making.” (p. 37)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Fully Implemented

**MoH Comments:** MoH has established clear procedures and a formal committee review process to ensure all transfers from the Available Amount to fund APP contracts are fully justified.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
■ Establish clear procedures and a formal committee review process to ensure all transfers from the Available Amount to fund APP contracts are fully justified.	Complete	Process was fully documented in 2004.

# Response from the Ministry of Health

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## Recommendation # 9

**“We recommend the Ministry conduct a thorough business analysis based on the future direction of APP before deciding what is required in terms of a staff complement.” (p. 38)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** In 2004 the Medical and Pharmaceutical Services Division conducted an assessment of staffing needs to establish a new Physician Compensation Branch reporting to the Executive Director, Physician Human Resources Management. In 2004 & 2005, MoH recruited additional management staff for the Physician Compensation Branch with established expertise in bi-lateral government project contract and funding management; evaluation of funding/investment options; and HA service delivery operations.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Undertake staffing assessment.</li> <li>■ Develop organization structure to fit outcome of assessment.</li> <li>■ Recruit for identified staffing needs.</li> <li>■ Prepare Change Management Framework.</li> </ul>	Mid 2005	<ul style="list-style-type: none"> <li>■ Physician Compensation prepared a Change Management framework to implement the changes recommended in the OAG report on APP; developed a staffing plan and has been recruiting to acquire the additional resources and expertise required to strengthen the effective management of Physician Compensation funding mechanisms.</li> <li>■ In July 2004, MPS recruited a new Director with demonstrated expertise in compensation management, contract management and partner operated program/budget management.</li> </ul>

# Response from the Ministry of Health

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## *Recommendation # 10 – Communication with HAs*

**“We recommend the Ministry improve how it communicates with HAs to ensure both parties understand each others’ expectations.” (p. 39)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** MoH has briefed OAG on the extent and frequency of communications with HAs. MoH explained that the frequent and ongoing communication with HAs does not necessarily result in agreement on health care service delivery issues.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish a number of formal and informal processes to facilitate frequent and ongoing communications with health authorities.</li> </ul>	<p>Completed Fall 2004</p>	<ul style="list-style-type: none"> <li>■ MoH established a number of formal and informal processes to facilitate frequent and ongoing communications with HAs. Formal mechanisms include:               <ul style="list-style-type: none"> <li>□ Leadership Council (2002);</li> <li>□ Physician Contract Administration Committee (Fall 2004).</li> <li>□ A Secretariat has been established (Summer 2005) to work on physician contract issues of common interest.</li> </ul> </li> </ul>

# Response from the Ministry of Health

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## *Recommendation # 11 - Stability in APP leadership team*

**“We recommend the Ministry commit to creating greater stability in APP’s leadership structure so that consistent, clear direction is provided.”**  
(p. 40)

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** The Medical and Pharmaceutical Services Division has consolidated the operations of all physician compensation funding programs and mechanisms directed by the Ministry within a single new Physician Compensation Branch reporting to the Executive Director, Physician Human Resources Management. MoH has also hired a new Director in 2004 to lead the new Physician Compensation Branch.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Realign program and recruit leadership</li> </ul>	Completed Summer 2004	<ul style="list-style-type: none"> <li>■ MoH recruited a new Director of Physician Compensation in July 2004, which has been endorsed by the ADM of MPS.</li> </ul>

## *Recommendation # 12 - Guidelines for contract proposals*

**“We recommend the Ministry establish clear policies and guidelines for the contract application approval process and clear criteria for the evaluation of new or expired contracts.”** (p. 42)

OAG ASSESSMENT OF COMPLETION (May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** Actions taken are consistent with APP funding application identified in Recommendation #1.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish formal guidelines for APP funded contract proposals.</li> <li>■ Update application template for APP funded contract proposals.</li> </ul>	September 2005	<ul style="list-style-type: none"> <li>■ MoH has established and updated formal guidelines for APP funded contract proposals.</li> <li>■ APP policies, guidelines and funding application process were posted on a publicly accessible web site September 2005.</li> </ul>

# Response from the Ministry of Health

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## Recommendation # 13

**“We recommend the Ministry develop a process to ensure terms and conditions for each contracts with health authorities are consistent with the provincial working Agreement and subsidiary agreements.” (p. 44)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Fully Implemented

**MoH Comments:** Recommendation has been fully addressed.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish clear directives to HAs concerning contract compliance with BCMA agreements.</li> <li>■ Establish the Physician Contract Administration Committee to ensure consistent and full compliance with BCMA agreements.</li> </ul>	Completed 2004	<ul style="list-style-type: none"> <li>■ MoH has established clear directives to HAs concerning contract compliance with BCMA agreements</li> <li>■ MoH established the Physician Contract Administration Committee in 2004 to ensure consistent and full compliance with BCMA agreements. Committee also handles other contract issues of common concern.</li> </ul>

## Recommendation # 14

**“We recommend the Ministry develop clear policies guidelines and definition for contract terms and conditions on services/deliverables, reporting requirements, use of surplus funds, consequences for non-compliance, and inspection of records.” (p. 45)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** MoH is working with HAs to clarify service level delivery expectations in their contracts with physicians. In 2005, MoH anticipates further clarifying service level expectations to ensure service levels provided by British Columbia physicians working under contracts are in line with national norms for their practice area.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Provide HAs with clear expectations of the services and reporting to be provided for APP contracts.</li> </ul>	2005	<ul style="list-style-type: none"> <li>■ MoH has provided health authorities with clear expectations of the services and reporting to be provided for APP contracts. Similarly, information on the use of surplus funds and the consequences of non-compliance has been provided to HAs.</li> </ul>

# Response from the Ministry of Health

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## *Recommendation #15*

**“We recommend the Ministry establish formal policies and procedures to ensure services are rendered in accordance with the agreements and all payments have proper approval and are only made for services received.”**  
(p. 46)

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** In 2003/04 MoH switched from an advance and reconciliation system for funding physician contracts to an invoice payment system based upon reported hours of service rendered to ensure that payments are made only for services contracted. The effectiveness of this new approach was demonstrated in June 2005 when a HA submitted approximately \$1.6 million in incorrectly coded invoices for payment. These were returned to the HA for correction, proper coding and re-submission where consistent with contracts.

Work being conducted on the policy and procedures will also contribute to this recommendation.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"><li>■ Assess contracts to ensure payments are made in accordance with services provided.</li><li>■ Develop and implement a periodic contract audit program as part of MoH's due diligence process for all physician compensation funding contracts.</li></ul>	2003/04	

# Response from the Ministry of Health

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## Recommendation # 16

**“We recommend the Ministry establish clear criteria for monitoring and compliance activities and clear policies and guidelines for managing non-compliance.” (p. 47)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Substantially Implemented. Further follow-up not required.

**MoH Comments:** The Ministry has established clear expectations of the services and reporting requirements to be fulfilled under APP contracts with health authorities. The APP contracts with HAs clearly identify the consequences of failure to comply with the contract and policies on the use of surplus funds and the consequences of non-compliance. Work being conducted on the policy and procedures will also contribute to this recommendation.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish a patient encounter-reporting requirement for physicians engaged through APP funded contracts.</li> <li>■ Update APP contract templates to strengthen its right to exercise audits.</li> </ul>	2004/05	<ul style="list-style-type: none"> <li>■ MoH has established a patient encounter-reporting requirement for physicians engaged through APP funded contracts.</li> <li>■ In 2005 MoH updated APP contract templates to strengthen its right to exercise audits of HA records as a tool to confirm the type, amount and quality of services contracted for were actually delivered. MoH intends to begin implementing selective audits as a due diligence tool in 2005.</li> </ul>

# Response from the Ministry of Health

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## *Recommendation # 17*

**“We recommend the Ministry establish an IT strategic plan aligned with APP objectives and identify and analyze alternative technology opportunities against operational requirements.” (p. 48)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** The Ministry’s Knowledge Management and Technology Division (KMT) is developing an overarching IT strategic plan for Physician Compensation. This plan will incorporate both internal and external information system improvement initiatives such as:

- Updating the MoH Physician funding contract administration system;
- Establishing the new Health Authority Physician Remuneration system (HAPR); and
- Establishing the new Physician Contract Administration Committee Secretariat system.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
■ Leverage, and collaborate with KMT in developing an overarching IT strategic plan for Physician Compensation.	Expected completion date: January 2006	



# Response from the Ministry of Health

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Part III:

Results-focused program performance: the program is unable to demonstrate what it has achieved

*Recommendation #18*

**“We recommend the Ministry develop performance measures that focus APP towards results and ensure these measures contribute to those adopted for the ministry overall.”** (p. 51)

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** As part of its continuous improvement philosophy MoH, through its Performance Management and Improvement Division (PMID), has and continues to strengthen the focus of its funding of health care service programs and the operation of those programs by its partner HAs on results measured in patient care/population service needs outcomes.

**At an APP contract level MoH developed and implemented a Provincial Workload/Funding Model, in collaboration with HAs and in consultation with the BCMA, to link the funding for physician services for emergency room (ER) facilities to the volume/acuity profiles of the patient population being served. The implementation of the APP – ER provincial funding model has resulted in a more results based process for allocating limited funding for emergency room (ER) facilities in hospitals across the province. It has also brought greater stability and reliability to the physician services needed to provide the required ER across the province.**

The MoH intends to continue to seek out opportunities to consult and negotiate with stakeholder groups to clarify and strengthen results focused performance measures both at a health care service delivery program level and at an APP contract level.

# Response from the Ministry of Health

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<p>Program Level:</p> <ul style="list-style-type: none"> <li>■ Ensure linkages to Performance Agreements negotiated by PMID.</li> <li>■ Ensure linkages to Divisional and Ministry Service Plans.</li> </ul> <p>APP Contract Level:</p> <ul style="list-style-type: none"> <li>■ Develop provincial APP contract funding models for applicable physician services.</li> <li>■ Update APP funding contracts for services throughout the province where the funding level is dependent upon the number of services being performed.</li> <li>■ Establish &amp; strengthen results focused contract performance measures for physician paediatric services at Children &amp; Women's Hospital.</li> </ul>	<p>Updated Annually</p>	<p>2003/04 – MoH developed and implemented a Provincial Workload/ Funding Model.</p> <p>2005 – MoH, in collaboration with HAs:</p> <ul style="list-style-type: none"> <li>■ Developed and introduced a new, provincial APP funding model for thoracic surgeon services, which is based upon the number of services being performed.</li> <li>■ Updated an APP funding contract for transplant services throughout the province where the funding level is dependent upon the number of services being performed.</li> </ul> <p>2005/06 – MoH has engaged a consulting firm to assist in establishing/ strengthening results focused performance measures for physician paediatric services at Children &amp; Women's Hospital.</p>

# Response from the Ministry of Health

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## Recommendation # 19

**“We recommend the Ministry establish APP performance measures along a continuum (Including patient health outcomes), using a process that is linked directly to the development of program objects.” (p. 55)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** The APP funding is only one of the enabling mechanisms needed by HAs to develop and implement health care service delivery programs to meet patient care/population needs.

APP-contracted funding for primary care, emergency rooms, thoracic surgery, specialized cancer and teaching/academic services contributes to, but is not the sole enabler for, health care service programs intended to deliver patient service outcomes: e.g. smoking rates; physical activity rates; chemotherapy and radiation therapy; hospital admissions from emergency departments and coordinated mental health treatment.

MoH believes that, through its Performance Agreements with HAs which focus performance measures on agreed upon health care service program priorities for meeting patient care and population service needs, the Ministry is setting performance measures at the patient level. By doing so, it is best able to meet its key objectives of:

- 1) Providing improved wellness for British Columbians;
- 2) High Quality patient care; and
- 3) A sustainable, affordable publicly funded health care system.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Establish a formal performance measurement/target negotiation and commitment process which links and focuses HA, health care service delivery programs on patient care and population needs priorities and service strategies agreed to by the Ministry.</li> <li>■ Continue to work with stakeholder groups to identify and act on opportunities to improve and strengthen patient care/ population needs based performance measures for health care programs operated by health authorities.</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>■ At a health care service delivery program level, MoH has through its PMID established a formal performance measurement / target negotiation and commitment process which links and focuses HA, health care service delivery programs on patient care and population needs priorities and service strategies agreed to by the Ministry.</li> <li>■ MoH continues to work with stakeholder groups to identify and act on opportunities to improve and strengthen patient care/population needs based performance measures for health care programs operated by HAs.</li> </ul>

# Response from the Ministry of Health

## Recommendation # 20

**“As part of the process of developing performance measures, the Ministry should also establish targets which identify clear expectations of what is to be achieved by the program.” (p. 57)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** The APP is more accurately and usefully viewed as one of a number of funding/enabling mechanisms necessary for HAs to develop, implement and operate health care service delivery programs to achieve patient care/population service delivery targets. Performance Agreements between the Ministry and HAs drive the amount and type of funding HAs negotiate with the Ministry, including APP funding.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<p>A. At Health Care Service Delivery Level:</p> <ul style="list-style-type: none"> <li>■ Continuously improve/strengthen/clarify performance expectations – both service levels and deliverables through annual MoH PMID/HA program funding renewal process.</li> </ul> <p>B. At an APP Contract Funding Level:</p> <ul style="list-style-type: none"> <li>■ Initiate discussions/negotiations with stakeholders to clarify general service level expectations under APP funded contracts.</li> </ul>	<p>N/A</p>	<ul style="list-style-type: none"> <li>■ At an APP contract level MoH (Physician Compensation) seeks to continuously improve / strengthen / clarify its performance expectations – both service levels and deliverables.</li> <li>■ In 2005 MoH has initiated discussions/negotiations with stakeholders (HAs; physician groups; BCMA) to clarify its general service level expectations under APP funded contracts. MoH is seeking to replace vague contract wording in physician contracts (a “minimum of 1680 hours”) with a clear statement of service level expectations, which are competitive with national norms for the profession.</li> </ul>

# Response from the Ministry of Health

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## *Recommendation # 21*

**“We recommend the Ministry provide greater detail in its service plan and annual service plan report to identify the program and how it contributes to the overall direction of the health system and conduct regular performance and expenditure monitoring at the senior management level.” (p. 58)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** Each year, as the Ministry completes another planning cycle, the Service Plan improves. Similarly for the Divisional MPS plan. The updated MPS Service Plan provides a more explicit description of how the Physician Compensation Branch (including the APP funding mechanism) expects to contribute to the Ministry’s overall Service Plan.

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Participate in the development of the MPS Divisional Service Plan.</li> <li>■ Provide input into specific objectives for APP and strategies to achieve these objectives.</li> </ul>	Completed July 2005	<ul style="list-style-type: none"> <li>■ The MPS Division of the Ministry has strengthened and updated its Divisional Service Plan in July 2005. The Physician Human Resources Planning Branch which includes the newly consolidated Physician Compensation Unit, contributed to the development of the updated Service Plan.</li> <li>■ Specific objectives for APP and strategies to achieve these objectives are laid out in the Divisional Service Plan.</li> </ul>

# Response from the Ministry of Health

## Recommendation #22

**“We recommend the Ministry develop program-level reporting requirements and information systems based on the decision making needs, including those focused on outcomes that are expected to be achieved.” (p. 61)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

MoH Comments: At an APP contract level, as part of its continuous improvement philosophy, MoH continues to strengthen its reporting requirements for physician services funded.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Introduce requirement for HAs to collect and submit Encounter Reporting for APP funding contracts.</li> <li>■ Work with HA partners to establish a new Health Authority Physician Remuneration database(HAPR) to identify all forms of physician compensation from all sources.</li> <li>■ Hire staff capable of assessing value for money.</li> <li>■ Undertake the establishment of benchmarking.</li> <li>■ Update APP contract management system.</li> </ul>	<p>Mid 2006</p>	<ul style="list-style-type: none"> <li>■ 2004/05 – Physician Compensation introduced a requirement for HAs to collect and submit Encounter Reporting. Encounter Reporting provides information on the patient, the date service was provided, the type of service provided, etc. This patient service information mirrors the Fee-For-Service billing codes and provides HAs and the Ministry with information on the nature of the service provided within the hours of service reported and invoiced by physicians.</li> <li>■ 2004/05 – MoH worked with HA partners to establish a new HAPR database to identify all forms of physician compensation from all sources (HAPR).</li> <li>■ Physician Compensation Branch hired (August 2005) a manager for the purpose of analyzing the encounter information being submitted to better assess the value of APP funded contracts for physician services.</li> <li>■ August 2005, the PCAC Secretariat implemented a new database with information on all physician contracts throughout the province. This is intended to facilitate benchmarking and value comparisons.</li> <li>■ KMT Division is currently reviewing the APP contract management and information system and proposing replacement options. An updated replacement system is anticipated to be in use by mid 2006 and will facilitate more effective analysis of APP funded contracts.</li> </ul>

# Response from the Ministry of Health

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## Recommendation #23

**“We recommend the Ministry put in place ongoing program evaluation that demonstrates how APP adds value to the provincial health care system.” (p. 62)**

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** As reflected in the MPS Divisional Plan, the Physician Compensation Branch strives to continuously improve as an enabling mechanism in the development and operations of health care programs focused on delivering high quality patient care.

MINISTRY'S ACTION PLAN	MINISTRY'S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Strengthen APP capacity to analyze and evaluate physician compensation funding contracts through a number of annual review processes and new initiatives.</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>■ MoH is strengthening its capacity to analyze and evaluate physician compensation funding contracts through a number of annual review processes and new initiatives, including:                             <ul style="list-style-type: none"> <li>■ Recruitment of a new Sr. Evaluation Manager &amp; additional analytical staff in 2005;</li> <li>■ Creation of a Staff Secretariat under PCAC to provide increased analytical &amp; evaluative support in 2005;</li> <li>■ Ongoing analysis of data submitted through encounter reporting;</li> <li>■ Annual review and negotiation of funding &amp; service expectations for each APP contract;</li> <li>■ Annual review and adjustment of ER funding contracts based upon services provided;</li> <li>■ Program review and audit of the MOCAP;</li> <li>■ Development of a national knowledge bank on physician compensation for comparative and benchmarking purposes.</li> </ul> </li> </ul>

# Response from the Ministry of Health

## Recommendation #24

“We recommend that Ministry use the performance management framework that was jointly developed by the Deputy Ministers’ Council and our Office to guide efforts in improving the accountability and management effectiveness of APP.” (p. 64)

OAG ASSESSMENT OF COMPLETION (as of May 2005): Partially Implemented. Requires further follow-up.

**MoH Comments:** The MoH is increasingly using a continuous improvement performance management framework to guide its work (Develop & Test; Implement; Operate, Monitor & Measure; Evaluate).

MINISTRY’S ACTION PLAN	MINISTRY’S COMPLETION DATE	STATUS
<ul style="list-style-type: none"> <li>■ Maintain utilization of a continuous improvement performance management framework.</li> <li>■ Strengthened effectiveness in planning, managing and evaluating APP funded contracts.</li> <li>■ Increase monitoring of contracts</li> <li>■ Ensure evaluation and feedback activity is supported through the encounter-reporting project.</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>■ During the last year, MoH strengthened its alignment between APP funding decisions, the Ministry’s Service Plan and MoH / HA Performance Agreements:</li> <li>■ More structured communication with HAs;</li> <li>■ Updated APP funding renewal plans requiring HAs to indicate how the requested APP funded services supports the Ministry’s Service Plan;</li> <li>■ Annual review and negotiation of contract service expectations;</li> <li>■ Establishment of the PCAC; and</li> <li>■ Physician Compensation’s increased participation in the development of the Ministry’s Service Plan and Health Authority Performance Agreements.</li> <li>■ Increased monitoring activity is occurring as encounter reporting comes on stream, and Physician Compensation staff gain more experience reviewing and analyzing this information.</li> </ul> <p>Evaluation and feedback activity is supported through the encounter-reporting project as reports will be shared with HAs, and the building of the knowledge bank on physician compensation issues which provides benchmarking and best practice information.</p>



# Appendix A

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## Appendix A

### Timetable of Reports Issued and Public Accounts Committee Meetings on Alternative Payments to Physicians: A Program in Need of Change

*November 2003* Office of the auditor General issued the *2003/2004 Report 4: Alternative Payments to Physicians: A Program in Need of Change*. The report contains 24 recommendations.

*February 2004* The Select Standing Committee on Public Accounts reviews the Auditor General's report.

*January 2005* The Select Standing Committee on Public Accounts reports the result of its review to the Legislative Assembly in its Report-Fifth Session 37th Parliament.

# Appendix B

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## Appendix B

### Select Standing Committee on Public Accounts – Legislative Assembly of British Columbia: Guide to the Follow-Up Process

#### *About the Committee*

The Select Standing Committee on Public Accounts is an all-party select standing committee of the Legislative Assembly. The committee is currently composed of 14 members, including a Chair and Deputy Chair. The committee is supported in its work by the Office of the Clerk of Committees, which provides procedural advice, and administrative and research support.

- The committee's Terms of Reference include, but are not limited to, the following powers:
- Consider all reports of the Auditor General which have been referred to the committee by the Legislative Assembly
- Sit during a period in which the House is adjourned or recessed
- Send for persons, papers and records
- Report to the House on its deliberations.

#### *Committee Meetings*

Dates of committee meetings are posted on the Legislative Assembly web site at [www.leg.bc.ca/cmt/](http://www.leg.bc.ca/cmt/). Committee proceedings are recorded and published in *Hansard*, which is available on the same web site. The Auditor General and the Comptroller General are officials of the committee, and are usually present at committee meetings. During meetings, representatives of the Auditor General's office make a presentation of their audit findings.

Representatives of audited organizations also attend as witnesses before the committee, and provide information to the committee regarding actions taken to address the Auditor General's recommendations. Following each presentation, committee members are provided with the opportunity to ask questions of witnesses. Members of the Legislative Assembly may examine, in the same manner, witnesses, with the approval of the committee.

After initial consideration of a report, the committee often wishes to follow-up the progress made in implementing the Auditor General's recommendations, or recommendations made by the committee to the House, and adopted by the

## Appendix B

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House. The procedures for follow-up reviews carried out by the Auditor General are outlined below.

### *The Follow-up Process*

1. About twelve months after an audited organization's appearance before the committee, representatives of the Auditor General's office will request representatives of the audited organization that a progress update be provided to the Office of the Auditor General within a period of time (usually one month).
2. Audited organizations must prepare a written response in the format noted below, and direct it to the Office of the Auditor General. In drafting the written response, organization representatives may wish to consult with the Office of the Comptroller General, and/or the Office of the Auditor General. As well, the Office of the Clerk of Committees would be pleased to answer any questions regarding the work of the committee, and committee procedure.
3. All written responses submitted by audited organizations are reviewed by the Office of the Auditor General to confirm the fairness of information about the progress made in implementing the recommendations contained in the Auditor General's report.
4. After completion of his review, the Auditor General issues a report to the Legislative Assembly, which includes the Auditor General's opinion on the status provided by the organization. The report is referred to the Select Standing Committee of Public Accounts.
5. Following review of the Auditor General's report, the committee may request that representatives of the audited organization appear before the committee to provide further information, or that further information be provided to the committee in written form.
6. The Office of the Comptroller General will arrange for witnesses to attend where the committee has asked for a presentation based on the written follow-up.

### *Format of Written Responses*

Written follow-up information prepared by audited organizations in response to a request from the Office of the Auditor General should include the following items:

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- Date of the written response.
- A brief introduction to and summary of the topic being considered, including a reference to the period during which the audit was conducted, date(s) the audit was considered by the Public Accounts Committee, and how many of the recommendations have been fully implemented, substantially implemented, partially implemented, alternative action taken and no action taken to date.
- A brief response to each recommendation made by the Auditor General and by the Public Accounts Committee (unless specifically advised to address only particular recommendations), including all actions taken to implement each recommendation.
- A work plan for implementation of the Auditor General's and the Public Accounts Committee's recommendations, including information on the means by which each recommendation will be implemented, time frames for implementation, identification of branches with primary responsibility for implementation, and procedures in place to monitor progress in implementing the recommendations.
- Any other information relevant to the Auditor General's or Public Accounts Committee's recommendations, including planned or current projects, studies, seminars, meetings, etc.
- Contact information for ministry/government organization representatives who have primary responsibility for responding to the Auditor General's and Public Accounts Committee's recommendations (name, title, branch, phone and fax numbers, e-mail address).
- The reports are to be signed by a senior official responsible for the area, normally a Deputy Minister, an Assistant Deputy Minister or Vice-President.
- Reports should be relatively brief (e.g. 5—10 pages), although attachments are acceptable. If guidance is needed in preparing the follow-up report, please contact any of the offices noted below.

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## *Contact Information:*

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## Appendix C

### Office of the Auditor General: Follow-up Objectives and Methodology

#### *Purpose of Following Up Audits*

The Office conducts follow-up reviews in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original work. Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance audits is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

#### *The Nature of Audit Follow-ups*

A follow-up of an audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses. While a follow-up of an audit focuses on progress made, it is not intended to assess whether or not the rate of progress has been satisfactory.

#### *The Nature of a Review*

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an

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inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term “high level of assurance” refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

### *Scope of Audit Follow-ups*

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit or study. Where management does not accept our original recommendations, this is reported in managements’ responses to the original audit reports. Since our reports are referred to the Legislative Assembly’s Select Standing Committee on Public Accounts, management’s concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we include them in a follow-up. We also include any other recommendations made directly by the committee.

### *Frequency of Reporting on Audit Follow-ups*

We follow the process agreed to between the Office of the Auditor General, the Office of the Controller General and the Public Accounts Committee (Appendix B).

### *Review Standards*

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

### *Methods of Obtaining Evidence*

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the entity. Consistent responses from different

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sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.



# Appendix D

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## Appendix D

### Office of the Auditor General: 2005/2006 Reports Issued to Date

#### *Report 1 – April 2005*

Follow-up of the Recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake; Performance Audit

#### *Report 2 – May 2005*

Joint Follow-up of 2001/2002: Report 1 Managing Interface Fire Risks and Firestorm 2003 Provincial Review

#### *Report 3 – June 2005*

Audit of the Government's Corporate Accounting System: Part 1

#### *Report 4 – July 2005*

Building Better Reports: Our Assessment of the 2003/04 Annual Service Plan Reports of Government

#### *Report 5 – July 2005*

Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos

#### *Report 6 – November 2005*

Monitoring the Government's Finances Province of British Columbia

#### *Report 7 – February 2006*

Follow-up of 2003/2004 Report 4: Alternative Payments to Physicians: A Program in Need of Change

This report and others are available on our website at <http://www.bcauditor.com>



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