

**For Discussion
on 10 December 2007**

Legislative Council Panel on Health Services

**Review of Hospital Authority's
Private Patient Revenue Management System**

PURPOSE

This paper briefs Members on the findings of an internal review of the Hospital Authority (HA) on its private patient revenue management system.

BACKGROUND

2. At the Panel meeting held on 2 April 2007, Members were briefed on the private patient services provided at public hospitals and the relevant fee sharing arrangements. Members noted that the HA would conduct an internal review on its private patient revenue management system and the HA has undertaken to report to the Panel on the findings of the review.

3. In March 2007, an Internal Taskforce (Taskforce)¹ was set up to review the control and monitoring measures in place in HA's private patient revenue management system, as well as the fee sharing arrangements with the University of Hong Kong (HKU) and the Chinese University of Hong Kong (CUHK). To ensure that adequate internal control are in place in the private patient revenue management system, the Taskforce decided to engage an external auditor to perform an independent audit on the effectiveness of the internal control measures. The Taskforce submitted its review report, together with the executive summary of the review report prepared by the external auditor, to the HA Board in July 2007.

4. The review report was endorsed by the HA Board and subsequently released to the public (at www.ha.org.hk). The conclusion of the review report and the recommendations for improvements are set out in the following paragraphs.

¹ The Taskforce was chaired by the Director (Finance) of the HA. Members of the Taskforce include Cluster Chief Executive of Hong Kong West Cluster and New Territories East Cluster, as well as the Financial Controller of the HA.

FINDINGS OF THE TASKFORCE

5. The Taskforce has come up with the following major findings after the review -

- (a) while the private patient billing systems were in the past largely manual and as a result contained inherent weakness, improvements have been made in recent years, most notably with the implementation of the Privately Financed Medical Services System (PFMS) in December 2005. The PFMS has automated the manual procedures in calculating private patient charges and enhanced both efficiency and accuracy in the billing of private patient services. The PFMS is also linked to the Patient Billing and Revenue Collection system (PBRC), HA's central billing system, to enable timely issuance of bills by PBRC;
- (b) the existing private patient revenue management system complies with HA's financial regulations and policies. Sufficient controls are in place to reasonably ensure that revenues are recorded properly and possible fraud are prevented effectively;
- (c) the HA will pilot a new patient billing system to replace the PBRC in the 4th quarter of 2008. The new billing system could further integrate the different billing and clinical systems of the HA (e.g. systems capturing record of itemized services such as laboratory tests, X-ray examinations, etc) that are not linked to the PBRC at present. The new billing system will therefore be able to enhance the overall management and control of billing and revenue of the HA, including that for the private patient services.

FINDINGS OF THE EXTERNAL AUDIT

6. The external auditor largely agrees with the conclusion of the Taskforce. The auditor indicates that a reasonable number and type of key controls have been embedded within the existing system. For example, the record of itemized services provided to the private patients are verified and checked by different staff (e.g. the attending doctors, nurses, ward clerks and shroff's office, etc) in processing the bills. Sample checking of the private patients' bills against patients' clinical record are also being conducted by hospitals. The external audit has not identified any significant internal control

weakness in the current system specifically and solely related to the part of revenue of the HA (i.e. excluding the part of revenue payable to the relevant universities).

7. Nevertheless, to further improve the internal controls in the interim before the replacement of the PBRC with a new system that will automate and integrate the billing and medical recording functions, the external auditor has made a number of recommendations. Details of the recommendations and the follow-up actions by the HA are set out below.

<p align="center">Major recommendations made by the external auditor</p>	<p align="center">Follow-up action by the HA</p>
<p>Fee waiver guidelines: There should be clear documentation of the guidelines setting out the criteria for granting fee waiver by teaching staff of the university.</p>	<p>HA has followed up with HKU on the documentation of guidelines and criteria for the granting of fee waiver. HKU is currently reviewing their guidelines and criteria for granting fee waiver.</p>
<p>Information for verification: A summary of the fees waived by the teaching staff (with breakdown by items) should be provided to the relevant universities for regular verification and reconciliation.</p>	<p>HA has followed up with the relevant universities and provided data on the amount of fees waived, the number of waivers and the service items involved to the universities for regular checking.</p>
<p>Sample checking: The HA should conduct sample checking of medical records against the billing records of private patients to ensure that all private services are properly recorded and billed according to the prevailing fees and charges.</p>	<p>Sample checking in relation to private patient bills has been implemented in Queen Mary Hospital, Queen Elizabeth Hospital and Prince of Wales Hospital. Similar measure will be extended to other hospitals where applicable.</p>
<p>Timeliness of billing: The clinical systems should be automatically interfaced with the billing system in the long term, so to expedite the overall billing processes for private services.</p>	<p>A new patient billing system will be developed and one of the key features to be piloted in the 4th quarter of 2008 is the further integration of different clinical systems with the billing system. The new system should improve the efficiency of preparation of bills and enhance the internal control function.</p>

Major recommendations made by the external auditor	Follow-up action by the HA
Fee sharing arrangements: The HA should consider the need for a revised and more current version of the revenue sharing arrangement and review the variations in practice between different hospitals.	HA will work with the two universities on the review.

8. The HA will continue to follow up on the improvement measures and closely monitor the operation and control of the private patient revenue management system.

ADVICE SOUGHT

9. Members are invited to note the content of this paper.

Food and Health Bureau
Hospital Authority
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