

# Chapter 2

## Department of Health – Medicare Cards

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# Department of Health - Medicare Cards

Report of the Auditor General – Volume I, Chapter 2 – June 2019

One-Page Chapter Summary

## Why Is This Important?

- Medicare costs over \$650 million per year, nearly 25% of all healthcare spending in New Brunswick.
- Ineligible use of Medicare cards can be costly to New Brunswick taxpayers.
- Two private companies, contracted by the Department of Health, possess sensitive personal information on virtually every New Brunswicker.

## Overall Conclusions

- While the Department of Health has processes and controls in place to ensure only eligible residents are issued a Medicare card, procedures to identify cardholders who subsequently become ineligible (for example upon leaving the Province) are insufficient. Therefore, these individuals may continue to hold and potentially use a New Brunswick Medicare card.
- Steps could be taken to enhance the security features of Medicare cards (E.g.: Photo identification).
- Privacy breaches are occurring due to changes to the Medicare card renewal policy.

## What We Found

### **Risks linked to outsourced and automatic Medicare card renewal process**

- 2014 automatic renewal process weakened controls over Medicare cards
- Cost savings from the automatic renewal process could not be verified
- Medicare contracted card production and delivery to Medavie, who then subcontracted this work to another company
  - As a result, two private companies possess confidential card holder information
- Mailing addresses are not verified before sending out cards, leading to nearly 5,800 cards returned as undeliverable since 2015
- Error by subcontractor resulted in privacy breach in 2016
- Over 150 privacy breaches since 2017
- Contracts with third party service providers have no performance targets and need enhancement

### **Continued eligibility not well monitored**

- In 2016, there were 10,700 more active Medicare cards than residents in New Brunswick
- Medicare does not have sufficient procedures to identify ineligible cardholders (e.g. moved out of Province) and cancel their card on a timely basis
  - Ineligible cardholders can inappropriately incur costs for NB taxpayers while residing in another province

### **Inefficiencies in Medicare system**

- Lack of photo identification is a key security weakness
- Many manual procedures and separate spreadsheets maintained by Medicare staff
- Coordination of reciprocal billing with Quebec is inefficient and needs improvement

## Key Findings and Observations Table

### Department of Health - Medicare Cards

| Paragraph | Key Findings and Observations   |
|-----------|---|
|           | <b>Initial Application Process</b>  |
| 2.35      | <i>Initial application process is adequate</i>  |
| 2.36      | <i>Medicare card application process could be improved (e.g. online application)</i>                                    |
| 2.39      | <i>Insufficient monitoring for continued eligibility for NB Medicare cards</i>  |
| 2.40      | <i>Insufficient procedures to identify and cancel ineligible card holders</i>   |
| 2.41      | <i>10,700 more Medicare cards than residents in 2016</i>  |
| 2.42      | <i>Excess cards represent a risk of ineligible payment</i>  |
|           | <b>Security and Privacy of Information</b>  |
| 2.47      | <i>Security and privacy of information risks exist</i>  |
| 2.48      | <i>Privacy breaches occurred in the past</i>  |
| 2.49      | <i>Automatic renewal process weakened controls over Medicare cards</i>  |
| 2.51      | <i>Mailing addresses not verified before cards are sent out</i>   |
| 2.52      | <i>In New Brunswick most card holders are never again evaluated for eligibility, once initially approved</i>            |
| 2.53      | <i>5,800 automatic renewal cards returned as undeliverable between 2015-2019</i>  |
| 2.55      | <i>No evidence to support anticipated cost savings from automatic renewal process</i>                                   |
| 2.56      | <i>Additional financial and security risks created by automatic renewal process</i>                                     |
| 2.61      | <i>Risks associated with contracting out service to Medavie Blue Cross</i>  |
| 2.63      | <i>Error by subcontractor resulted in privacy breach in 2016</i>  |
| 2.65      | <i>No independent assurance on third party controls</i>   |
| 2.68      | <i>Risks associated with Medicare card usage</i>  |
| 2.71      | <i>Lack of photo identification is a key security weakness</i>  |
| 2.73      | <i>There is no direct Medicare tip line through which people can report the inappropriate use of NB Medicare cards.</i> |

Key Findings and Observations Table (Continued)

| Paragraph | Key Findings and Observations   |
|-----------|---|
|           | <b>Medicare System Risks</b>  |
| 2.79      | <i>Manual procedures and use of spreadsheets are indicators that Medicare registration system may need updating</i>   |
| 2.80      | <i>No electronic transfer between SNB over-the-counter services and Medicare is leading to inefficiency</i>   |
|           | <b>Other Observations</b>   |
| 2.84      | <i>Coordination of reciprocal billing for insured health services between New Brunswick and the Province of Quebec is inefficient and needs improvement</i> |
| 2.85      | <i>Quebec doctors bill NB Medicare directly resulting in high administrative burden for NB</i>  |
| 2.89      | <i>Contracts with third party service providers need enhancement</i>  |
| 2.92      | <i>Current Medicare staffing levels may not allow needed improvements to be made while maintaining ongoing operations at an acceptable level</i>            |

Exhibit 2.1 – Example of New Brunswick Medicare Card



Source: Department of Health

## Recommendations and Responses

| Recommendation   | Department's response  | Target date for implementation   |
|--|--|--|
| <p><b>2.37 We recommend Medicare develop an online application process similar to other provinces to allow individuals to apply directly to Medicare for a Medicare card.</b></p>  | <p><i>The Department agrees with this recommendation. As this requires operational changes, IT enhancements and related funding an analysis will be completed and project consideration will be given according to priorities as part of the budget process.</i></p> | <p><i>To be determined based on priorities and the budget cycle.</i></p> |
| <p><b>2.38 We recommend Medicare work with the Government of Canada to expedite the receipt of documentation required to process applications for a Medicare card for new immigrants residing in New Brunswick.</b></p>  | <p><i>The Department agrees with this recommendation. Attempts in the past have not been successful but the Department will attempt to address this issue with the Government of Canada.</i></p>   | <p><i>December 3, 2019</i></p>   |
| <p><b>2.45 We recommend Medicare analyze whether it would achieve a positive payback by investing additional resources in identifying individuals with a NB Medicare card who have become ineligible. If Medicare determines there are benefits to doing more in this area, it should enhance its processes for monitoring the continued eligibility of cardholders.</b></p> | <p><i>The Department will complete an analysis of potential mechanisms and payback.</i></p>  | <p><i>June 2020</i></p>  |

*Recommendations and Responses (continued)*

| <b>Recommendation</b>   | <b>Department's response</b>  | <b>Target date for implementation</b>   |
|---|---|---|
| <b>2.58</b> We recommend Medicare determine if the anticipated cost savings from moving to an automatic Medicare card renewal process were achieved, and whether those cost savings are sufficient to offset the additional risk associated with adopting that process. | <i>The Department agrees with this recommendation</i>   | <i>January 2020</i>   |
| <b>2.59</b> We further recommend if the savings achieved by the change were not sufficient to offset the additional risks it has taken on, Medicare reverse the automatic renewal process.  | <i>The Department agrees with this recommendation.</i>  | <i>Timing would be based upon operational and contractual implications which will be determined as part of 2.58 considerations.</i> |
| <b>2.60</b> Regardless of the renewal process it employs, we recommend Medicare develop procedures to verify mailing addresses before sending out renewal documents in the future.  | <i>The Department agrees with the spirit of the recommendation. An analysis will be completed to determine how best this would be achieved.</i> | <i>January 2020</i>   |
| <b>2.66</b> We recommend Medicare evaluate associated risks as well the necessity of having two private organizations contracted to produce and distribute Medicare Cards instead of one.   | <i>The Department agrees with this recommendation.</i>  | <i>June 2020, to align with procurement of a new contract.</i>  |

*Recommendations and Responses (continued)*

| <b>Recommendation</b>  | <b>Department's response</b>  | <b>Target date for implementation</b>                               |
|--|---|---|
| <b>2.67 We recommend Medicare obtain a CSAE 3416 report on controls annually from Medavie/CPI in connection with the card production and distribution services provided by the two third party providers.</b>  | <i>The Department agrees with this recommendation.</i>  | <i>By June 2020, upon signing of a new contract.</i>                |
| <b>2.75 We recommend Medicare, as a minimum, add photo identification to NB Medicare cards to enhance card security.</b>   | <i>The Department agrees with the intent of the recommendation. A cost-benefit analysis will be undertaken with consideration given to other government initiatives such as digit ID.</i> | <i>Decision regarding timing by June 2020.</i>                      |
| <b>2.76 We recommend Medicare provide information on its website as to the circumstances in which the public should report suspected cases of inappropriate use of Medicare cards, and how that reporting should be done. Fully addressing this area would likely require Medicare to develop and promote a direct tip line.</b> | <i>The Department agrees with this recommendation.</i>  | <i>June 2020.</i>   |
| <b>2.77 We further recommend Medicare assign responsibility for following up on any tips received.</b>   | <i>The Department agrees with this recommendation subject to a cost-benefit analysis.</i>   | <i>June 2020 subject to the results of a cost-benefit analysis.</i> |

*Recommendations and Responses (continued)*

| <b>Recommendation</b>   | <b>Department's response</b>  | <b>Target date for implementation</b>  |
|---|---|--|
| <b>2.82 We recommend that Medicare upgrade their registration system to reduce the number of manual procedures required to administer the registration process.</b>   | <i>The Department agrees with the intent of this recommendation. As the recommendation has implications relative to IT, operational and budget requirements, the system will require a comprehensive review, needs assessment, and costing.</i>   | <i>Timing will be determined by the outcome of the review, specifically costing and privatization along with other departmental initiatives.</i> |
| <b>2.88 We recommend Medicare negotiate a reciprocal billing arrangement with the Province of Quebec, based upon the arrangements now in place between New Brunswick and other provinces.</b>                           | <i>The Department agrees with this recommendation in principle. However, the Province of Quebec operates under their own parameters in regards to their out-of-province billings. The Department will review and consider the potential of this and approach the Province of Quebec if it is deemed to be a net benefit to New Brunswick to negotiate a reciprocal arrangement.</i> | <i>To be determined. More analysis is required to determine the value and potential of a negotiated agreement.</i>                               |
| <b>2.91 We recommend Medicare's contracts with Service New Brunswick and Medavie Blue Cross be amended to include performance metrics and related reporting requirements.</b>   | <i>The Department agrees with the recommendation. The parties will be approached and performance metrics determined.</i>  | <i>June 2020</i>   |
| <b>2.96 We recommend that Medicare prepare a staffing plan to help it develop the capacity to implement necessary changes to the Medicare card program while maintaining current operations at an acceptable level.</b> | <i>The Department agrees. A project plan will be developed and resources allocated.</i>   | <i>June 2020</i>   |

*Recommendations and Responses (continued)*

| Recommendation   | Department's response   | Target date for implementation |
|--|---|--------------------------------|
| <p><b>2.99 We recommend Medicare:</b></p> <ul style="list-style-type: none"> <li>• <b>develop key performance indicators to allow assessment of Medicare performance;</b></li> <li>• <b>set performance targets and measure actual results against those targets; and</b></li> <li>• <b>publicly report the results on an annual basis.</b></li> </ul> | <p><i>The Department agrees with this recommendation.</i></p> | <p><i>June 2020</i></p>        |

## **Audit Introduction**

**2.1** Access to health care is an essential service for residents of New Brunswick. Showing a valid Medicare card allows eligible New Brunswickers to obtain insured health services from doctors. It also allows them access to hospital services. Since these insured health services are paid for by New Brunswick taxpayers, it is critical that government controls access to Medicare cards and their use. Further, Medicare is obligated by provincial privacy legislation to ensure personal information collected to determine eligibility for a Medicare card is only used as intended, and kept secure and confidential.

### ***Why we chose this topic***

**2.2** We chose to audit the administration of New Brunswick Medicare cards by the Department of Health – Medicare Branch for several reasons:

- Health care represents one of government’s most significant programs. It accounted for approximately \$2.7 billion of approximately \$9.4 billion in total annual government spending in 2017/2018. Further, Medicare costs associated with payments to doctors made up nearly 25% of overall healthcare spending, at \$653 million. Hospital services through the Regional Health Authorities cost \$1.57 billion, or an additional 59% of overall healthcare spending. In total, the two programs accessed using provincial Medicare cards represented 84% of total Department of Health expenditures for 2017/18;
- There are significant risks associated with weak controls over Medicare cards and related personal information. These include the risk of government paying for ineligible claims, and the risk of security breaches over personal information that could lead to financial and/or reputational damage for the Department and government.
- Medicare cards, or their equivalent, have been reviewed by other Auditor General offices in Canada and various other countries. These reviews have noted significant deficiencies in the administration of the cards, and in relation to card security features.

- Audit Objective**
- 2.3** The objective of this audit was to determine if the Department of Health has processes and controls to ensure:
- Only eligible residents are issued a Medicare Card; and
  - The security and privacy of cardholder’s information is protected.
- Audit Scope**
- 2.4** This audit focused on the Medicare card eligibility process. Security and privacy of cardholder information was also examined. We also examined how cardholder information is shared with third parties, such as Medavie Blue Cross and Service New Brunswick.
- 2.5** Our audit was conducted at the Department of Health – Medicare Branch, and covered the fiscal years 2016/17 and 2017/18. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded this audit period.
- Audit Approach**
- 2.6** Our audit work included documentation review, document and data analysis, and interviews. Observations, findings and conclusions were formed based on:
- examination of legislation, policy, reports and other documentation relevant to our work;
  - interviews with senior executives and personnel at the Department of Health;
  - interviews with relevant individuals and organizations external to Medicare;
  - analysis of data extracted from the Medicare registration database and sample testing of registration files as applicable to our work;
  - comparison with processes in other Canadian jurisdictions.
- 2.7** Our audit was performed in accordance with Canadian Standard for Assurance Engagements (CSAE) 3001 established by the Chartered Professional Accountants of Canada, and accordingly, we carried out such tests and other procedures as we considered necessary in the circumstances. Other information about the audit can be found in Appendix II.

**Conclusions**

**2.8** We concluded:

- While the Department of Health has processes and controls in place to ensure only eligible residents are issued a Medicare card, procedures to identify cardholders who subsequently become ineligible (for example upon leaving the Province) are insufficient. Therefore, these individuals may continue to hold and potentially use a New Brunswick Medicare card; and
- A number of steps could be taken to enhance the security features of Medicare cards. Further, we found that privacy breaches occurred in the past and continue to occur due to changes to the Medicare card automatic renewal policy adopted by the Department in 2014.

**Background Information**

**2.9** Medicare costs represent a significant proportion of the total expenditures of the Department of Health. Exhibit 2.2 shows a four-year comparison of those expenditures.

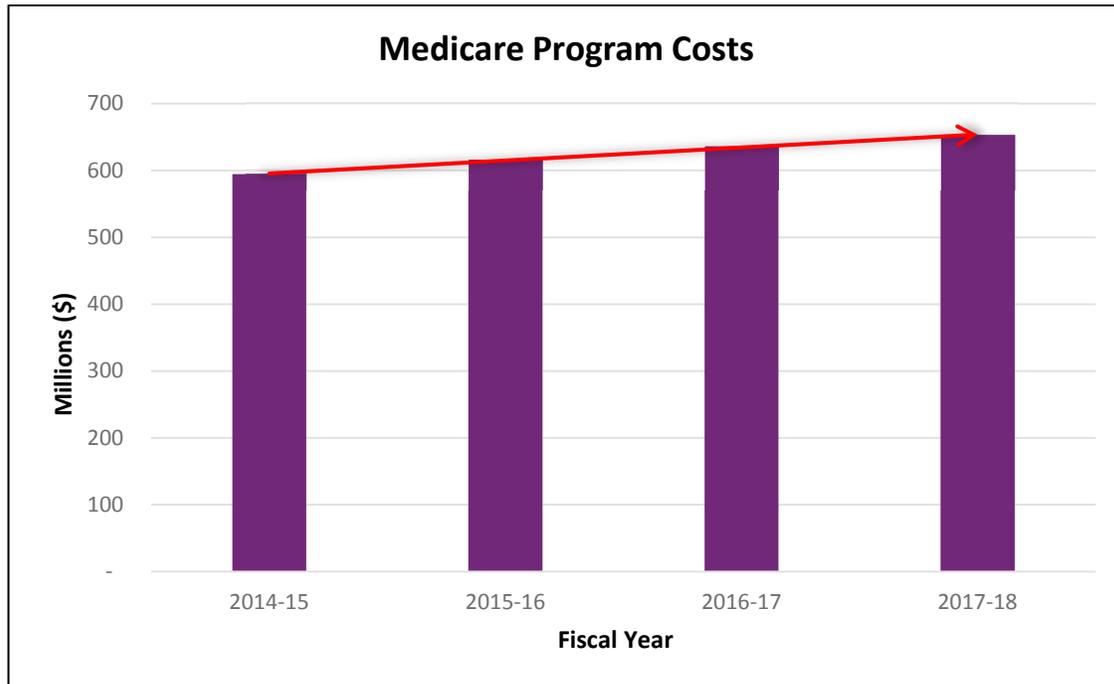
*Exhibit 2.2 – Department of Health Expenditures by Year*

| <b>Department of Health Expenditures (Billions \$)</b> |                    |                |                |                |                                    |
|--|--------------------|----------------|----------------|----------------|------------------------------------|
| <b>Programs</b>  | <b>Fiscal Year</b> |                |                |                | <b>Cost Increase Since 2014-15</b> |
|  | <b>2014-15</b>     | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |                                    |
| Medicare   | 0.59               | 0.62           | 0.64           | 0.65           | 10%                                |
| Other *  | 1.96               | 2.00           | 1.97           | 2.02           | 4%                                 |
| <b>Grand Total</b>                                     | <b>\$2.55</b>      | <b>\$2.62</b>  | <b>\$2.61</b>  | <b>\$2.67</b>  | 5%                                 |

*Source: created by AGNB based on information provided by Department of Health*

*\*Includes Regional Health Authorities, Drug Programs, and Corporate and Other Health Services.*

Exhibit 2.3 - Medicare program costs



Source: created by AGNB based on information provided by Department of Health

**2.10** As shown in Exhibit 2.3 Medicare costs have risen ten percent in the last four years.

**2.11** Given the total of \$652.8 million in Medicare costs, and the average of 765,000 Medicare cards outstanding during the year, the Province paid an average of \$850 in insured health costs to doctors for every NB Medicare card outstanding in fiscal 2017/18. It also paid roughly \$2,050 per card for hospital services during that year.

**2.12** Medicare also indicated that approximately 660,000 of the 765,000 outstanding cards were used during 2017/18.<sup>1</sup>

<sup>1</sup> Note that the reported number of cards used does not include any cardholders whose only interaction with doctors during the year occurred on a sessional basis (i.e. services received from a salaried doctor rather than one billing Medicare under the traditional fee-for-service model.)

**Key legislation**

**2.13** Legislation that significantly impacts on the administration of Medicare cards by the Department includes:

- *The Medical Services Payment Act and Regulation;*
- *The Personal Health Information Privacy and Access Act (PHIPAA);*
- *The Canada Health Act (federal); and*
- *The Canada Citizenship and Immigration Act (federal).*

There are also interprovincial agreements in place between Canadian provinces to ensure people continue to have access to insured health services while moving from one province to another.

**Responsible Department**

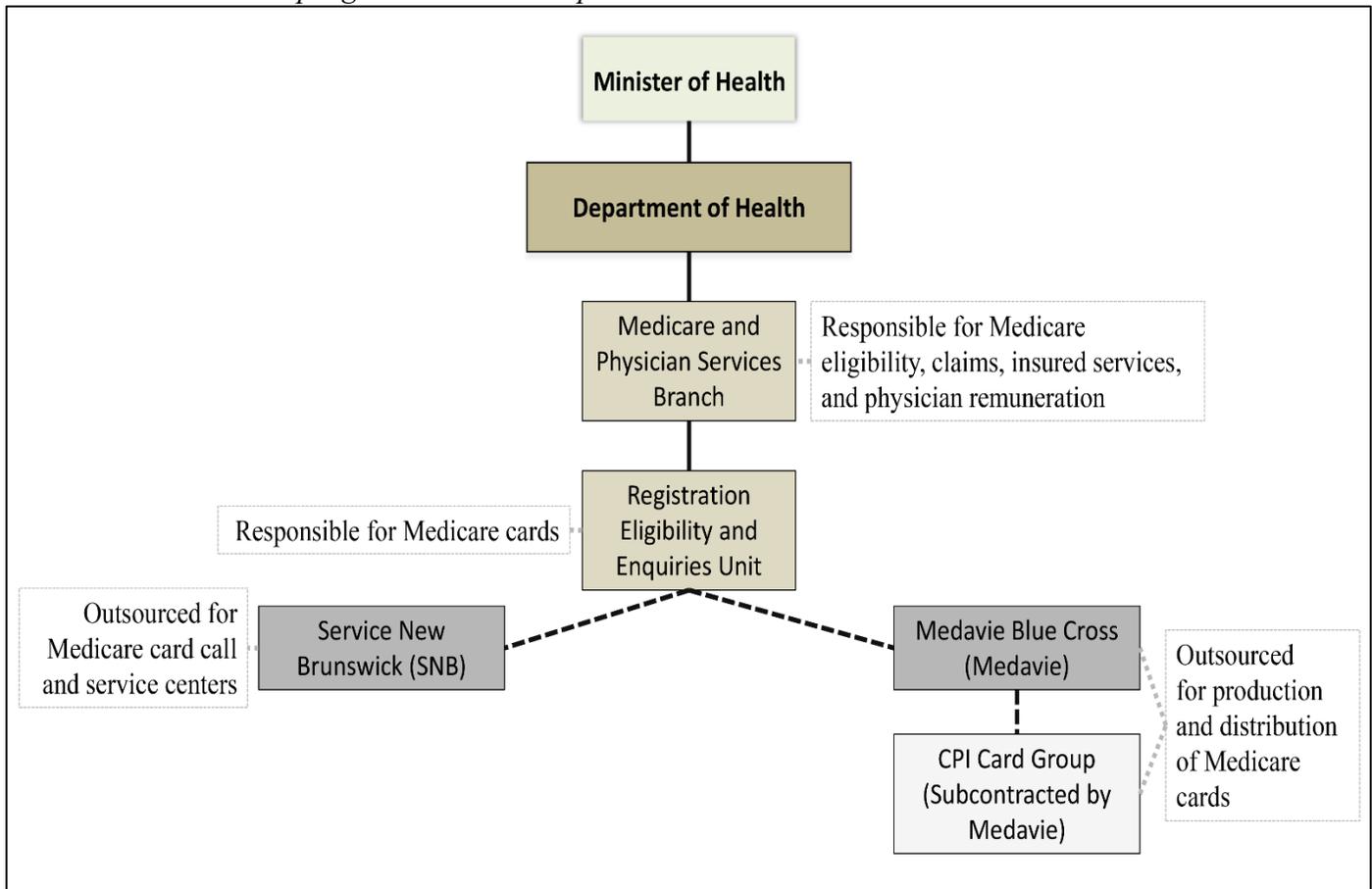
**2.14** According to the 2017/18 annual report of the Department of Health, the Medicare and Physician Services Branch within the Department of Health (i.e. Medicare) is responsible for planning, developing, implementing and overseeing activities related to Medicare eligibility and claims, Medicare insured services and physician remuneration.

**2.15** With regards to providing service to provincial residents, departmental responsibilities include:

1. Administering provincial Medicare cards;
2. Ensuring that personal information obtained by Medicare is kept secure; and
3. Coordinating with other Canadian jurisdictions to ensure that Medicare coverage is as seamless as possible.

Specific responsibility for Medicare cards has been assigned to the Registration Eligibility and Enquiries Unit within the Medicare branch.

Exhibit 2.4 – Medicare program roles and responsibilities



Source: created by AGNB based on information provided by Department of Health

**Other involved organizations**

**2.16** Medicare also has service level agreements with Service New Brunswick (SNB) and Medavie Blue Cross (Medavie) to handle important roles and responsibilities in ensuring that eligible New Brunswick residents have up-to-date Medicare cards, and therefore access to insured healthcare services. As shown in Exhibit 2.4, the Registration Eligibility and Enquiries Unit is responsible for overseeing the contracted roles and responsibilities of these two organizations.

**2.17** Pursuant to a service agreement signed in 2016, SNB assists in program delivery by operating:

- A call center for cardholder inquiries; and
- Service centers where an individual can obtain services, such as applying for a Medicare card or submitting a change of address form.

SNB handles 4,000 to 7,000 transactions per month for Medicare.

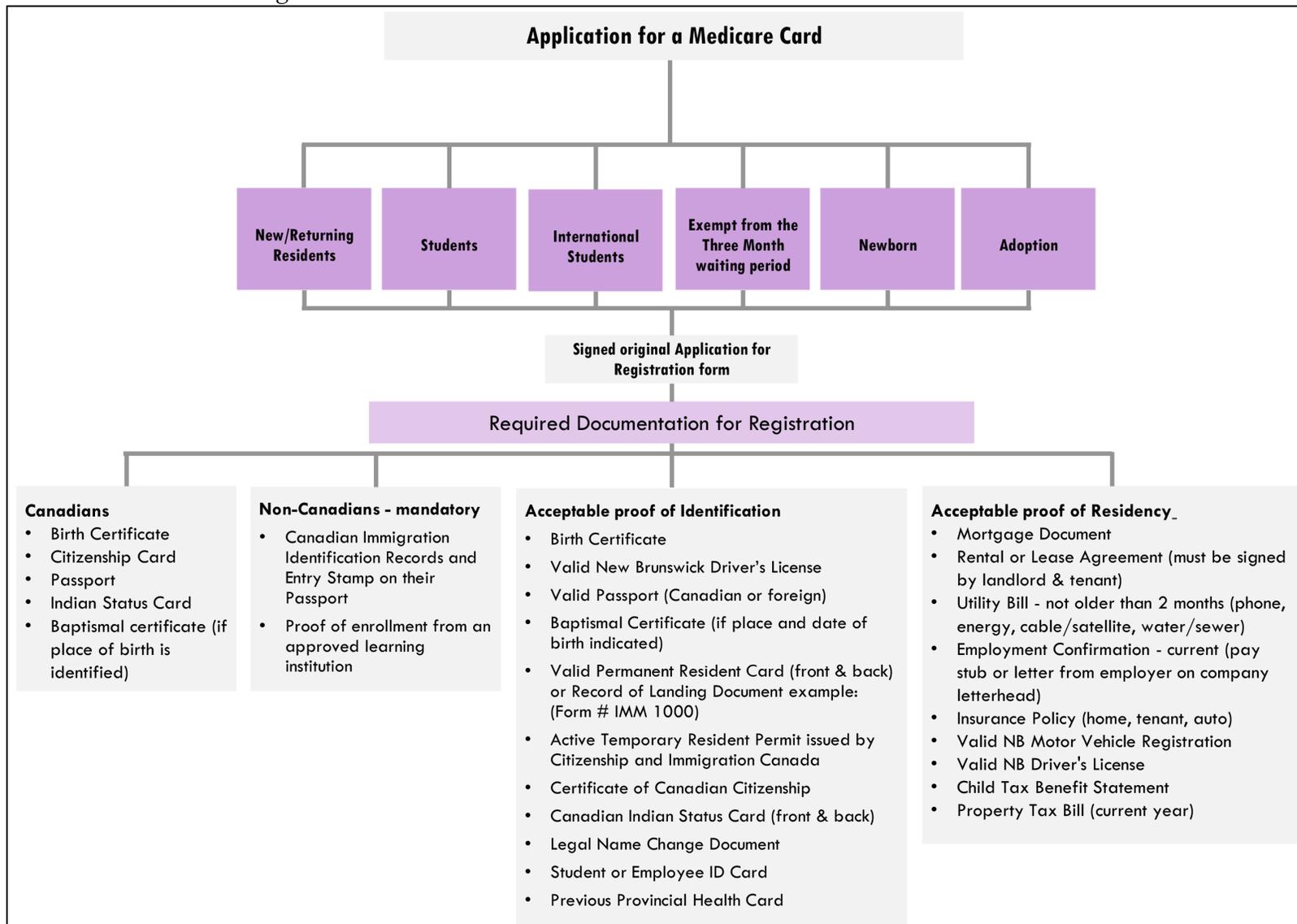
**2.18** In December 2013, the Minister of Health and Medavie signed a purchase of service agreement under which Medavie was assigned responsibility for arranging the production and distribution of new and replacement cards as the need arises. They have in turn subcontracted production of the cards to a private company, the CPI Card Group. Medavie distributes in the range of 14,000 to 17,000 cards each month through Canada Post.

***When is someone eligible for NB Medicare card***

**2.19** To be eligible for an NB Medicare card, a person must be a resident of the province and meet one of the following three conditions:

- Was born in the Province;
- Has been living in the Province for at least two months after having moved to the Province from another part of Canada; or
- Has arrived in the Province from another country and has appropriate documentation (i.e. work permit, study permit, visitor permit, or confirmation of permanent residence, dependent on their immigration status upon arrival.)

Exhibit 2.5 – Medicare Registration



Source: created by AGNB based on information provided by Department of Health

***Applying for a Medicare card***

**2.20** A person may apply for a Medicare card at any Service New Brunswick service centre or by sending a completed form and necessary documents directly to Medicare. Individuals need to provide documents showing proof of identification and proof of residency in the Province for their application to be approved. Exhibit 2.5 provides more information on this process.

**2.21** Upon approval, the applicant is mailed a Medicare card containing their name, a unique card number, and an expiry date which is usually five years after the date of issuance. Medicare cards for minor children are sent to a parent or guardian.

***Renewing an NB Medicare card upon expiry***

**2.22** Under the new automatic renewal process introduced by Medicare in 2014, cardholders are no longer required to reapply when their current card expires. Three months prior to expiry, a new card is simply mailed to the address Medicare has on file for them. The new card becomes valid when received. Prior to the 2014 change, cardholders were required to reapply for a renewed card every three years.

***Rules for accessing insured health services in New Brunswick***

**2.23** Some key rules associated with accessing insured health services in New Brunswick include:

- The person must present their signed NB Medicare card to the physician and/or hospital each time they access services;
- A physician who provides a service to an individual who does not have a valid NB Medicare card has the right to bill the individual or their parent or legal guardian; and
- It is an offence to use another person's Medicare card or to knowingly allow your Medicare number to be used by another person.

***When does someone cease to be eligible for a NB Medicare card?***

**2.24** There are three circumstances under which a person ceases to be eligible for an NB Medicare card including:

- Upon death;
- Upon leaving the country permanently or temporarily for a period of more than six months (unless granted special permission by the Minister); or

- At the beginning of the third month following a permanent move to another part of Canada.

**2.25** The Vital Statistics Branch of SNB notifies Medicare when a New Brunswick resident has died through their vital statistics death list, and their Medicare card is revoked.

**2.26** In the case of a resident departing for another part of Canada or leaving the country, it is the resident's responsibility to inform Medicare of their move if it is for more than one month.

**2.27** Medicare receives monthly Inter-Province Exchange (IPX) reports from other Canadian provinces identifying current NB Medicare cardholders who have applied for a health card in another province. The Medicare cards of former residents listed on these reports are cancelled.

**2.28** Medicare also prepares a similar monthly report which it distributes to other provinces showing a listing of persons who are new or returning residents from other provinces and are registered and eligible for an NB Medicare card.

**2.29** No-one should have active coverage in two provinces at the same time.

**2.30** Medicare also sometimes receives and investigates tips from residents, leading in some cases to the cancellation of New Brunswick Medicare cards for ineligible individuals.

***Temporary absences  
from New Brunswick***

**2.31** A resident of New Brunswick who is leaving the Province temporarily may continue to be eligible for an NB Medicare card if their absence is no longer than 182 days for business, or 212 days for a vacation in a twelve-month period. If they exceed the limits without special permission from the Minister, they must reapply for a Medicare card upon their return.

**2.32** Mobile workers (e.g. pilots, truck drivers, etc.), contract workers working out of the province, and missionaries usually retain their eligibility for an NB Medicare card. However, they typically need to provide additional documentation to Medicare to support the necessity for them to be out of the Province for significant periods of time.

**Detailed Findings**

**2.33** This section of the report details our findings and recommendations associated with the administration of NB Medicare cards. Our findings and recommendations are reported under the following headings:

- Eligibility of cardholders;
- Security and privacy of cardholder information; and
- Other issues of concern that came to our attention during our audit.

**Eligibility of Cardholders**

**2.34** As part of our work, we did a comparative review of the processes for issuing, renewing, and cancelling health cards in various Canadian provinces. We also looked at the processes those jurisdictions use to mitigate against fraud and other risks. The results of that review are shown in Exhibit 2.6.

*Exhibit 2.6 - Jurisdictional Comparison of Medicare Card Renewal Process and Fraud Prevention*

| Province                  | Required to Apply for Renewal of Medicare Card? | Card Includes a Photo of the Cardholder? | Jurisdictional Medicare Fraud Tip Line Established? |
|---------------------------|---|--|---|
| Newfoundland and Labrador | Yes   | No                                       | No  |
| Prince Edward Island      | Yes   | No                                       | No  |
| Nova Scotia               | Yes   | No                                       | No  |
| <b>New Brunswick</b>      | <b>No*</b>                                      | <b>No</b>                                | <b>No</b>   |
| Quebec                    | Yes   | Yes                                      | No  |
| Ontario                   | Yes   | Yes                                      | Yes   |
| Manitoba                  | N/A **  | No                                       | Yes   |
| Saskatchewan              | Yes   | No                                       | Yes   |
| Alberta                   | N/A**   | No                                       | Yes   |
| British Columbia          | Yes   | Yes                                      | Yes   |

\*Renewal card automatically sent to most recent address on file.  
 \*\* Medicare cards do not expire in these jurisdictions. (Note: In a 2015 report, the Alberta Auditor General expressed concerns about the risks associated with the fact that Alberta Medicare cards have no expiry date.)

*Source: created by AGNB based on information provided by Department of Health*

## Initial Application Process

### *Initial application process is adequate*

**2.35** Based upon our audit work, we have concluded that in general the process for initial registration and approval of individuals for a Medicare card is adequate to ensure that only eligible residents of New Brunswick receive a card. New Brunswick's initial registration process is similar to that in other provinces. Further, the documents accepted in New Brunswick for registration purposes are the same as those accepted in other provinces.

### *Medicare card application process could be improved (e.g. online application)*

**2.36** Applications are usually approved or rejected on a timely basis. However, we identified two areas where improvements could be made:

1. Unlike New Brunswick, online registration processes exist in other Canadian jurisdictions. Providing a facility for online application for NB Medicare cards would expedite the application and approval process. Transferring the task of data entry to the applicant may reduce the administrative time needed in Medicare to process applications, along with the number of posting errors.
2. Immigrants to Canada receive health care under the Federal Interim Health Program for up to one year after they arrive in the country. However, they are sometimes delayed in obtaining the appropriate Government of Canada paperwork required to be eligible for an NB Medicare card (i.e. work or study permit). Therefore, they may be without health coverage for a period while waiting for that documentation. Also, a Medicare card is used as a qualifying document for gaining access to other social programs provided by the Province, meaning these new arrivals will not have access to those programs either. Note that some provinces provide temporary health coverage under Refugee Claimant Documents after the one year of federal government coverage has expired, but New Brunswick does not. There is also an issue associated with the minor children of new immigrants. Because they are not provided with a work or study permit by the Federal Government, they do not have access to appropriate

documentation to be approved for a NB Medicare card.

***Recommendations***

**2.37 We recommend Medicare develop an online application process similar to other provinces to allow individuals to apply directly to Medicare for a Medicare card.**

**2.38 We recommend Medicare work with the Government of Canada to expedite the receipt of documentation required to process applications for a Medicare card for new immigrants residing in New Brunswick.**

***Insufficient monitoring for continued eligibility for NB Medicare cards***

**2.39** Medicare cards grant access to insured services in New Brunswick and out-of-province. One of the risks associated with the Medicare system is that individuals who become ineligible for an NB Medicare card will continue to hold and use their card, and therefore insured health services they receive will be inappropriately paid for by New Brunswick. It is important that Medicare ensure the cards of individuals who become ineligible are cancelled on a timely basis.

***Insufficient procedures to identify and cancel ineligible card holders***

**2.40** In our audit, we found that Medicare does not have sufficient procedures in place to ensure that cardholders no longer eligible for a NB Medicare card are identified on a timely basis, and have their card cancelled.

***10,700 more medicare cards than residents in 2016***

**2.41** We found there were 10,700 more active Medicare cards than New Brunswick residents in 2016. There were a total of 757,800 active NB Medicare cards as of May 10, 2016, however the 2016 Canadian census indicated there were only 747,101 New Brunswick residents at that time.

***Excess cards represent a risk of ineligible payment***

**2.42** This difference may, in part, relate to deceased card holders whose deaths had not yet been reported to Medicare and former residents who recently left the Province. However, in 2016 there were only about 7,000 deaths in New Brunswick<sup>2</sup>. Further, new cards from the 6,500 births

<sup>2</sup> <http://www.snb.ca/e/1000/1000-01/pdf/2016/Table1-2016-E.pdf>

of that year along with immigration should have helped offset the number of excess Medicare cards. The difference appears to be too large to be fully explained by these factors.

**2.43** It is of concern that all 10,700 excess cards represent a risk of ineligible payments by the Province for insured health services. The potential exists for significant ineligible payments given:

- The average annual cost of insured services per Medicare card in circulation for 2017/18 was approximately \$850, and \$2,900 if hospital services are included, and;
- Between 2016-2018, about \$100 million per year was billed to New Brunswick for out-of-province health services, including hospital services, for individuals who presented an active NB Medicare card.

**2.44** The key challenge is identifying individuals who have become ineligible. Most people become ineligible because they have left the Province. There are several sources of information available to Medicare to help them identify people who have moved from the Province. Medicare uses the first three sources of information, but not the last two.

1. *Cardholders leaving the Province and/or the country are supposed to notify Medicare of their move.* However, many people leaving the Province do not do so. If the move is within Canada, they are supposed to apply for a health card in their new Province within three months of their arrival. However, an individual typically only cares that they are receiving service, not which government is paying for it, so there is no incentive to apply for a new health card if their old one gets them access to health services in their new Province;
2. *A renewal card is returned to Medicare as undeliverable upon automatic renewal.* In such a case the individual may have moved within the Province, so Medicare holds the card for six months before cancelling it. This allows individuals who continue to reside in New Brunswick an opportunity to follow up with Medicare. However, given

renewals only occur every five years, this control is of limited value;

3. *Medicare receives Inter Province Exchange (IPX) reports from other Canadian provinces identifying current NB Medicare cardholders who have applied for a health card in another province.* However, this is only an effective indicator when and if the individual applies for a health card in their new jurisdiction. Further, no such reporting is received from the Province of British Columbia or for cardholders moving out of the country;
4. *Medicare receives billings from other Provinces that have provided medical and hospital services to NB card holders in their jurisdictions (see Exhibit 2.7).* The billings include Medicare card numbers. Analyzing this information may allow Medicare to identify individuals who have moved to other provinces but continue to use an NB Medicare card to access insured health services. However, at present *Medicare does not thoroughly review the status of cardholders that receive health services outside the Province to ascertain whether they are still residents of the Province; and*
5. *Medicare has access to card usage data within New Brunswick.* Certain usage patterns (e.g. lack of usage of a particular card number over a significant period of time) may indicate an ineligible cardholder. This may be the only means of identifying individuals who have left the country without notifying Medicare.

However, it would take significant time and resources to analyze these sources of information to determine if cards are being held and used by ineligible individuals. Therefore, further analysis would be necessary to determine whether a positive financial payback could be achieved by taking on additional work in this area.

### ***Recommendation***

- 2.45 We recommend Medicare analyze whether it would achieve a positive payback by investing additional resources in identifying individuals with an NB Medicare card who have become ineligible. If Medicare determines there are benefits to doing more in this area, it should enhance its processes for monitoring the continued eligibility of cardholders.**

## Security and Privacy of Information

### **Security and Privacy of Information**

**2.46** Medicare has been entrusted with personal information from every resident of the Province who holds an NB Medicare card. It is very important that Medicare safeguard that information and ensure it is only used for its intended purposes. Failure to do so subjects NB residents to the potential of identity theft, and the Province to financial and reputational risks. Medicare must also ensure that each card can only be used by the NB resident whose name is on that card.

### ***Security and privacy of information risks exist***

**2.47** We identified four areas of security and privacy of information risk in our work:

- Risks associated with the automatic Medicare card renewal process adopted in 2014;
- Risks associated with contracting out certain aspects of the administration of NB Medicare cards;
- Risks associated with the use of NB Medicare cards; and
- Risks associated with the Medicare registration system.

### ***Privacy breaches occurred in the past***

**2.48** We noted there were a total of 61 recorded Medicare privacy breaches in 2017, 65 in 2018, and 31 in 2019 up to the date we completed our field work. A Medicare representative indicated these breaches primarily relate to incorrect mailing addresses being used during the automatic card renewal process, some of which related to data capture errors at SNB. There have also been cases where Medicare cards were left at hospitals during the intake process, and one case where a security breach in another Canadian jurisdiction led to some NB patient information being compromised.

### ***Automatic renewal process weakened controls over Medicare cards***

**2.49** In June 2014, the government made the following announcement with regards to the Medicare card renewal process, pursuant to its Medicare Notice of Expiry Lean Six Sigma Project.

**2.50 Medicare card renewal changes announced<sup>3</sup>***02 June 2014*

*FREDERICTON (GNB) – Changes have been made to the way Medicare cards are renewed. Effective Aug. 1, New Brunswickers will no longer receive a notice of expiry in the mail to complete and return a form to Medicare. Instead, cards will be automatically renewed and mailed providing Medicare has current addresses. In addition, cards will be renewed for five years instead of three years. “These changes will make the renewal of Medicare cards more efficient,” said Health Minister ... “The automatic renewal of cards ... will result in a more streamlined process and savings of about \$218,000 annually.” ...*

***Mailing addresses not verified before cards are sent out***

**2.51** Under this new process, a few months before the card expiry date (i.e. each 5 years) a replacement card is mailed to the last address on file for the individual. This is done automatically by Medavie, without Medicare or Medavie confirming the address is correct.

***In New Brunswick most card holders are never again evaluated for eligibility, once initially approved***

**2.52** As shown in Exhibit 2.6, New Brunswick is the only province with Medicare card expiry dates that does not require cardholders to reapply to renew their Medicare card. Other provinces require cardholders to re-apply for a replacement card before receiving one, which allows a government employee to assess whether they continue to be eligible. In New Brunswick, cards continue to be sent out to existing cardholders every five years unless and until a mailing is returned to Medicare as undeliverable. Therefore, most cardholders, once initially approved, may never again be evaluated for eligibility.

***5,800 automatic renewal cards returned as undeliverable between 2015-2019***

**2.53** Medicare representatives have indicated that significant numbers of cards sent out under the automatic card renewal process adopted in 2014 are being returned to their office as undeliverable. In some instances, the envelope has been opened, meaning that the individual’s personal information was accessible to the person who opened the envelope. This

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<sup>3</sup> Province of New Brunswick news release dated 02 June 2014

is considered a privacy breach by Medicare. Breaches of this type are included in the numbers reported above.

**2.54** An analysis of cardholder data completed by staff of the Auditor General has found that 5,800 cards were returned as undeliverable between 2015 and the completion of our audit work in early 2019. Note that these returned cards are held by Medicare for six months and then cancelled if there has been no contact from individuals named on them.

*No evidence to support anticipated cost savings from automatic renewal process*

**2.55** When the automatic card renewal process was introduced in 2014, it was anticipated that it would save the province \$218,000 annually. However, the Department provided no evidence as to how the anticipated cost savings were calculated, nor whether these anticipated cost savings were ever achieved. Therefore, we have no evidence to support the initial claim that the change to an automatic renewal process for expiring Medicare cards provided net savings.

*Additional financial and security risks created by automatic renewal process*

**2.56** However, the change to automatic renewal has created additional financial and security risks for the Medicare program. The automatic renewal process has significantly weakened Medicare's control over Medicare cards, thereby increasing the risk that an ineligible individual will receive insured health services paid for by the Province.

**2.57** We note the pre-2014 process of mailing out renewal forms to cardholders may also have resulted in security breaches in cases where cardholders' addresses recorded by Medicare were incorrect. However, the risk of a usable Medicare card getting into the wrong person's hands has increased under the automatic renewal process.

*Recommendations*

**2.58** We recommend Medicare determine if the anticipated cost savings from moving to an automatic Medicare card renewal process were achieved, and whether those cost savings are sufficient to offset the additional risk associated with adopting that process.

**2.59** We further recommend if the savings achieved by the change were not sufficient to offset the additional risks it has taken on, Medicare reverse the automatic renewal process.

**2.60 Regardless of the renewal process it employs, we recommend Medicare develop procedures to verify mailing addresses before sending out renewal documents in the future.**

***Risks associated with contracting out of service to Medavie Blue Cross***

**2.61** As previously discussed, starting in 2013, Medicare contracted out the production and distribution of Medicare cards to Medavie Blue Cross (Medavie). This placed a key process outside of government. Medavie has further subcontracted this work to the CPI Card Group (CPI). The Department could not provide a clear explanation as to why it was necessary to involve two third-party providers in this area.

**2.62** Medicare data is transferred from Medicare to Medavie by means of a virtual private network (VPN). As a result, Medavie and CPI possess confidential card holder information and need to ensure it is properly protected. It is therefore very important that Medicare have ongoing assurance that appropriate controls are in place and functioning properly at Medavie and CPI.

***Error by subcontractor resulted in privacy breach in 2016***

**2.63** In 2016 the privacy of some cardholders was breached due to human error at CPI. A total of 23 renewed Medicare cards were mailed to incorrect recipients due to a collation issue in stuffing the envelopes.

**2.64** In November 2018, to address this privacy breach, Medicare's contract with Medavie was amended. The changes to the contract included new wording in Section 9.2:

*... The Contractor shall not subcontract any of its obligations under this contract without the prior written consent of the Minister, ...*

*Upon retention of the subcontractor, the Contractor shall continue to verify and monitor the ability of the subcontractor to protect the privacy of the affected information...*

The 2018 amendment goes on to say:

*The Contractor shall:*

- 1. Provide services in accordance with Request for Proposal ...*

2. *Process Medicare cards for eligible New Brunswick residents ...*
3. *Maintain the privacy and security of the Personal Health Information collected, used, retained, or disclosed under this Agreement ...*

*c. Administrative measures including but not limited to ...*

*ii. Ensuring that its employees, agents and subcontractors are aware of and understand the requirements of the PHIPAA [Personal Health Information Privacy and Access Act] as it relates to this Agreement... Training must include an appreciation for the potential consequences of a breach and what to do if they suspect a breach; ...*

*v. Providing process documentation including balancing procedures and sample control reports and to ensure integrity of the data and the cards.*

***No independent assurance on third party controls***

**2.65** This amendment to section 9.2 of the contract would contribute to addressing Medicare's security concerns relating to the 2016 incident. However, we would have also expected that Medicare would require Medavie to provide an annual report on controls at both Medavie and CPI (in accordance with the Canadian Standard on Assurance Engagements - CSAE 3416: *Reporting on Controls at a Service Organization*). Obtaining a CSAE 3416 report from Medavie and ensuring that it includes reference to Medavie having received such a report from CPI would provide assurance to Medicare that controls at Medavie and CPI are suitably designed and operated effectively. In general, such controls need to be sufficient to mitigate the risk of breaches of security and privacy of information at those organizations relating to work being done for Medicare. Medicare receives no such reporting from Medavie.

***Recommendations***

**2.66** We recommend Medicare evaluate associated risks as well the necessity of having two private organizations contracted to produce and distribute Medicare Cards instead of one.

**2.67** We recommend Medicare obtain a CSAE 3416 report on controls annually from Medavie/CPI in connection with the card production and distribution services provided by the two third party providers.

***Risks associated with Medicare card usage***

**2.68** Individual Medicare cards provided to New Brunswick residents provide the gateway to insured health services delivered by hospitals and physicians in the Province.

**2.69** New Brunswick's Medicare cards contain many of the security features found in the cards that are issued by other provinces including:

- an expiry date;
- the cardholder's (or their parent's or guardian's) signature;
- the cardholder's name and birthdate; and
- a magnetic barcode with cardholder data embedded.

**2.70** However, based upon our review of card features in other provincial jurisdictions, there are additional security features that could be added to better ensure that each card may only be used by the individual who it was assigned to.

***Lack of photo identification is a key security weakness***

**2.71** Card technology has changed in recent years, with the introduction of enhanced security features such as chip technology, holographic imaging, and photo identification. As seen in Exhibit 2.6, three provinces include photo identification on their health cards. However, New Brunswick cards do not have this security feature. Having photo identification on NB Medicare cards would contribute to mitigating the risk of the card being used fraudulently by another individual.

**2.72** A further security enhancement for health cards has been adopted in British Columbia. In that Province, Medicare cards have been merged with other cards, such as driver's license to reduce the number of provincial identification cards issued. Combined cards offer the potential for cost savings to governments. They also may provide stronger control over who has a card, and help Medicare more quickly identify individuals who have moved out of the province. This may be an option for the Province to look at in the future.

***There is no direct Medicare tip line through which people can report the inappropriate use of NB Medicare cards***

**2.73** As shown in Exhibit 2.6, five provinces have a dedicated tip line to allow residents to report suspected cases of inappropriate use of Medicare cards. Their websites provide details on what to consider reporting, and identify a direct line to call if abuse is suspected. The Province of Quebec provides a particularly good example of what should be reported on its website.

**2.74** NB Medicare does not promote public reporting of potential inappropriate Medicare card use on its website, but does provide a general toll-free inquiry line through SNB. Information on what constitutes the inappropriate use of a NB Medicare card, and how to report it could be added to Medicare's website to assist the public. Better public input would help Medicare in detecting and deterring abuse and fraud, and also in identifying cards that should be cancelled.

***Recommendations***

**2.75** **We recommend Medicare, as a minimum, add photo identification to NB Medicare cards to enhance card security.**

**2.76** **We recommend Medicare provide information on its website as to the circumstances in which the public should report suspected cases of inappropriate use of Medicare cards, and how that reporting should be done. Fully addressing this area would likely require Medicare to develop and promote a direct tip line.**

**2.77** **We further recommend Medicare assign responsibility for following up on any tips received.**

## Medicare System Risks

***Medicare System Risks***

**2.78** Cyber security has become a preoccupation of all governments, given the number of security breaches that have happened recently. In our review of public health insurance systems in other jurisdictions, we noted widespread concern about the security of databases and information systems specifically relating to the protection of private information. In one jurisdiction in Australia there was a data breach in 2017 in which client information was

stolen. In other cases, hospitals have had their systems hacked and their data held for ransom.

***Manual procedures and use of spreadsheets are indicators that Medicare registration system may need updating***

**2.79** The New Brunswick Medicare registration system has been in place for many years, and was last updated in 2009. In our work, we noted there are many manual procedures and separate spreadsheets maintained by Medicare staff to allow administrative duties and required reporting to be completed. These are typical indicators of a system that may need to be updated, and may be leading to increased administrative costs, risks of error, and a higher risk of security breaches.

***No electronic transfer between SNB over-the-counter services and Medicare is leading to inefficiency***

**2.80** For example, the transfer of data between Service New Brunswick (SNB) and Medicare is of concern. SNB gathers information over-the-counter from Medicare cardholders and applicants. This information is entered electronically at SNB, but then printed out for signature by the cardholder or applicant and forwarded to Medicare in paper form. It must subsequently be manually re-entered into the registration system by Medicare because there is no electronic transfer of this information between SNB and Medicare.

**2.81** Also, SNB has indicated the data fields are not precise enough to allow consistency in capturing data and may need to be revised. This has led to data capture issues, particularly around documenting cardholder and applicant addresses. Medicare regularly needs to contact individuals to clarify information received from SNB prior to approving applicants and/or making changes to the information in their database. A Medicare representative indicated that this rework is time consuming, and takes away from regular staff duties. Medicare currently has a project underway to analyze these errors and provide targeted training to SNB staff to improve accuracy rates.

***Recommendation***

**2.82** **We recommend that Medicare upgrade their registration system to reduce the number of manual procedures required to administer the registration process.**

## Other Observations

**2.83** During our work, we made several other observations that we believe are significant. They include:

- Coordination of reciprocal billing for insured health services between New Brunswick and the Province of Quebec is inefficient and needs improvement;
- Contracts with third-party service providers need enhancement;
- Medicare staffing levels and turnover are creating risks for the program; and
- The Department of Health does not report on the performance of the Medicare branch in its annual report.

*Coordination of reciprocal billing for insured health services between New Brunswick and the Province of Quebec is inefficient and needs improvement*

**2.84** New Brunswick Medicare is responsible for paying for insured health services provided to provincial Medicare cardholders who receive service in other Canadian provinces. In most provinces, doctors and hospitals bill their own Medicare branch for services provided to out-of-province residents. Their Medicare branch then accumulates the charges and bills New Brunswick monthly. New Brunswick Medicare follows the same process for services provided to residents of other provinces by New Brunswick doctors and hospitals. This reciprocal billing process was agreed to by all provinces, except Quebec, under an interprovincial agreement. In the case of Quebec, there is a reciprocal billing process in place only for hospital services.

*Quebec doctors bill NB Medicare directly resulting in high administrative burden for NB*

**2.85** The process for paying for insured health services received from doctors within the Province of Quebec is different. Quebec doctors bill New Brunswick Medicare directly for services provided to New Brunswick patients. This is apparent when looking at the number of claims from Quebec in fiscal 2017/18 as shown in the third column of Exhibit 2.7 below. Over 96% of direct billings to NB Medicare from within other Canadian jurisdictions are from Quebec, a total of 27,503 claims in 2017/18. Administering these claims requires much more administrative effort on the part of NB Medicare. It also means that billings from Quebec doctors are not subjected to the same controls as

those in other provinces that are scrutinized by a Medicare branch, increasing the risk that they will be incorrect or fraudulent.

**2.86** We also note the Auditor General of Quebec expressed concerns about the control systems over doctor billings at the Régie de l'assurance maladie (RAMQ) in Quebec. In a November 2018 follow-up report relating to her original 2015 report on the administration and control of physician compensation, she stated, “*the controls that have been put in place to date do not yet provide a reasonable assurance that the payments are in accordance with the agreements and reflect the actual work performance.*” There had been significant overpayments made to doctors in the past by RAMQ due to errors and overbilling by Quebec doctors.

**2.87** Negotiating a reciprocal billing arrangement for insured health services provided by Quebec doctors, similar to the arrangements currently in place with all other Canadian provinces, would:

- Reduce the amount of administrative effort required to pay Quebec doctors for services delivered to New Brunswick patients; and
- Reduce the risk of overbilling by Quebec doctors by having their claims first scrutinized by the Régie de l'assurance maladie (i.e. Quebec Medicare).

*Exhibit 2.7 - Insured Health Services Received Out-Of-Province by NB Medicare Cardholders - 2017/18*

| <b>Insured Health Services Received in Other Canadian Provinces by NB Medicare Cardholders in 2017-18</b> |   |   |                                |
|---|---|---|--------------------------------|
| <b>Jurisdiction</b>   | <b>Direct-billed claims from physicians</b> | <b>Claims billed from Jurisdictions</b> | <b>Amount (in millions \$)</b> |
| Quebec  | 27,503                                      | -                                       | 4.7                            |
| Other Provinces   | 970   | 151,928                                 | 20.5                           |
| <b>Total</b>  | <b>28,473</b>                               | <b>151,928</b>                          | <b>\$ 25.2</b>                 |

*Source: created by AGNB based on information provided by Department of Health*

- Recommendation***
- 2.88 We recommend Medicare negotiate a reciprocal billing arrangement with the Province of Quebec, based upon the arrangements now in place between New Brunswick and other provinces.**
- Contracts with third party service providers need enhancement***
- 2.89** Agreements with SNB and Medavie Blue Cross have no performance metrics that would allow Medicare to evaluate their performance to determine if Department goals for the contracts have been achieved.
- 2.90** Performance metrics that could be added in an amendment should include:
- performance indicators and targets (e.g. average turnaround time on issuance of Medicare cards by Medavie/CPI);
  - required reporting from each service provider to Medicare;
  - an evaluation methodology including a clear definition of what constitutes acceptable performance; and
  - a description of the actions to be taken to improve performance when it is below acceptable levels.
- Recommendation***
- 2.91 We recommend Medicare’s contracts with Service New Brunswick and Medavie Blue Cross be amended to include performance metrics and related reporting requirements.**
- Current Medicare staffing levels may not allow needed improvements to be made while maintaining ongoing operations at an acceptable level***
- 2.92** In completing this audit, we became aware of a staffing issue at Medicare. There were approximately 31 people working in the Medicare branch at the end of our conducting work, of which only 8 worked in Eligibility and Registration. In recent years, turnover has been high, and it has been difficult to find appropriate replacement staff. Medicare representatives also indicated that current staffing levels may not be sufficient to allow them to address special initiatives and training within the branch, and at SNB, while maintaining day-to-day operations at an acceptable level.
- 2.93** This report includes recommendations we believe will improve control over access to Medicare cards, and the security of the personal information Medicare needs to

administer its registration system. However, if these recommendations are to be implemented, it will primarily be done by Medicare staff.

**2.94** Given government is in a period of restraint, we believe Medicare will need to develop a staffing plan to ensure it has the capacity to complete necessary work. Failure to adequately staff the program could have significant negative implications for the overall success of the Medicare program, as well as negative cost implications for government.

**2.95** Some of our recommendations (for example on-line registration and establishing a reciprocal billing arrangement with the Province of Quebec) may alleviate some staffing pressures in Medicare.

*Recommendation*

**2.96** We recommend that Medicare prepare a staffing plan to help it develop the capacity to implement necessary changes to the Medicare card program while maintaining current operations at an acceptable level.

**2.97** The performance indicators presented in the 2017/18 annual report of the Department of Health do not allow readers to assess the performance of the Medicare branch, or other branches within the Department.

**2.98** We believe that such performance indicators should be developed and presented for the Medicare branch. Developing key performance indicators with specific targets and publicly reporting actual performance results would allow the evaluation of the performance of the branch. A description of actions to be taken to improve substandard performance should be provided.

*Recommendation*

**2.99** We recommend Medicare:

- **develop key performance indicators to allow assessment of Medicare performance;**
- **set performance targets and measure actual results against those targets; and**
- **publicly report the results on an annual basis.**

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## Appendix I – Audit Objective and Criteria

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The objective and criteria for our audit of Medicare Cards is presented below. The senior management of Medicare reviewed and agreed with the objective and associated criteria.

|             |  |
|-------------|--|
| Objective   | To determine if the Department of Health has processes and controls to ensure that: <ul style="list-style-type: none"><li>• Only eligible residents are issued a Medicare Card; and</li><li>• The security and privacy of cardholder’s information is protected.</li></ul> |
| Criterion 1 | The Department’s processes and controls should be aligned with policies and legislation for Medicare card eligibility.   |
| Criterion 2 | The Department should issue Medicare cards to eligible residents in accordance with processes and controls.  |
| Criterion 3 | The Department should monitor ongoing eligibility of cardholders.  |
| Criterion 4 | The Department should safeguard and monitor security and privacy of cardholder information in accordance with legislation and policy.  |

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Source of criteria: Sources of criteria include legislation, policies, guidelines and good practices in other jurisdictions.

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## Appendix II – About the Audit

This independent assurance report was prepared by the Office of the Auditor General of New Brunswick on Medicare Cards. Our responsibility was to provide objective information, advice, and assurance to assist the Legislative Assembly in its scrutiny of processes and controls over Medicare Cards.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook – Assurance.

AGNB applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of New Brunswick and the Code Professional Conduct of the Office of the Auditor General of New Brunswick. Both the Rules of Professional Conduct and the Code are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from management:

- confirmation of management’s responsibility for the subject under audit;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the findings in this report are factually based.

Period covered by the audit:

The audit covered the period between April 1, 2016 and March 31, 2018. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the starting date of the audit.

Date of the report:

We obtained sufficient and appropriate audit evidence on which we based our conclusions on May 31, 2019.