



## **Alberta Health**

# **Crown's Right of Recovery of Healthcare Costs from Motor Vehicle Accidents Followup**

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## Related Reports:

- [Health: Crown's Right of Recovery of Healthcare Costs from Motor Vehicle Accidents](#)—October 2014

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# Report Highlights



## Our two recommendations were implemented p. 5 & 6

Between 2013 and 2017, the department did not recover approximately **\$140 million** a **\$28 million** per year average that it could have p. 2



The department now recovers the full amount of healthcare costs that it estimates it is entitled to p. 6

The department updated its methodology to more accurately **estimate healthcare costs from motor vehicle accidents** p. 5



### Amount not collected in prior years (\$ millions)

|                             | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|------|------|------|------|------|
| <b>Amount estimated</b>     | 133  | 140  | 150  | 161  | 171  |
| <b>Amount collected</b>     | 100  | 105  | 120  | 135  | 155  |
| <b>Amount not collected</b> | 33   | 35   | 30   | 26   | 16   |

# Summary

The *Crown's Right of Recovery Act* (the Act) allows the government to recover healthcare costs that it incurs as a result of personal injuries suffered by Alberta residents due to the wrongful act or omission of a third party. This right of recovery includes injuries caused by motor vehicle accidents (MVA). Most of the recovery regarding MVA comes from an amount called the aggregate assessment,<sup>1</sup> paid by automobile insurers.

Each calendar year, the Minister of Health sets the aggregate assessment amount based on an estimate of MVA costs each year. This amount is then collected from the insurance companies of Alberta drivers.

In our 2014 audit, we assessed whether the department had adequate processes in place to recover the Crown's healthcare costs caused by MVA. We reported that the department did not collect the full amount of estimated MVA costs nor articulate why it did not. We recommended that the department ensure its methodology to estimate MVA costs was accurate and to publicly articulate its objectives in setting the aggregate assessment if it is less than estimated MVA costs.

The department implemented our two outstanding recommendations from our 2014 audit. It now collects the full amount of healthcare costs from MVA that it estimates. Between 2013 and 2017, the department did not recover approximately \$140 million, or a \$28 million per year average, that it could have.

This audit is important because Alberta taxpayers should not be responsible to pay for healthcare costs resulting from wrongful acts of third parties.

<sup>1</sup> Section 22(2) of The *Crown's Right of Recovery Act* indicates the aggregate assessment is "the minister's estimate for that calendar year of the Crown's cost of health services for personal injuries suffered by recipients as a result of wrongful acts or omissions of wrongdoers in the use or operation of automobiles for which the wrongdoers were insured under motor vehicle liability policies when the injuries were caused." Section 1(1)(i) defines a recipient as "a person who receives health services for personal injuries".

# About this Audit

## Objective and Scope

The objective of our audit was to determine whether the department had implemented our two recommendations regarding the Crown's right of recovery of healthcare costs from motor vehicle accidents.

We audited the processes used by the department to set the aggregate assessment for the 2018 and 2019 calendar years.

## Criteria

To determine whether the department has implemented our two recommendations, we used the following criteria carried forward from the original audit:

The department should have a process to:

- monitor that objectives are being met<sup>2</sup>
- ensure applicable legislation is followed
- publicly report its objectives for recovering healthcare costs caused by MVA
- publicly report the extent to which it estimates it is recovering these costs

Management of the department acknowledged the suitability of the audit criteria on January 25, 2019.

## What We Examined

We examined the department's processes to estimate MVA costs and to set the aggregate assessment for the 2018 and 2019 calendar years. This included:

- reviewing the updated methodology and inputs used to estimate MVA costs
- working papers used by the department to set the aggregate assessment for each calendar year based on the estimated MVA costs
- the approved ministerial orders by the Minister of Health
- applicable legislation related to MVA costs and the aggregate assessment

We performed recalculations based on the methodology to see if the department was applying the methodology correctly, and we performed an assessment of legislation against the methodology and processes used by the department.

We conducted our field work between January and February 2019 and completed our audit on April 3, 2019.

<sup>2</sup> This includes a process to determine if the methodology used to prepare the calculation of MVA costs is a reasonable approximation of the Crown's associated healthcare costs and a process to assess the best way to update its cost estimate.

## Conclusion

We concluded that the Department of Health implemented our recommendations to:

- review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs
- report the extent to which the aggregate assessment recovers the department's calculation of the healthcare costs caused by motor vehicles accidents



## Why This Conclusion Matters to Albertans

Alberta taxpayers should not be responsible for healthcare costs resulting from wrongful acts or omissions from third parties. Therefore, the department should recover the full amount of estimated motor vehicle accident costs allowable under the Act.

## Summary of Recommendations

**IMPLEMENTED** Recommendation:  
Calculating the aggregate assessment

The department commissioned a new study from the Institute of Health Economics and used the study to update the department's methodology to estimate MVA costs.

**IMPLEMENTED** Recommendation:  
Clarify objectives of collecting revenue and prepare supporting rationale

The department set the aggregate assessment as the full amount of estimated MVA costs.

# Detailed Findings and Recommendations

We followed up on whether our two outstanding recommendations are implemented:

- Calculating the aggregate assessment
- Clarify objectives of collecting revenue and prepare supporting rationale

## Calculating the Aggregate Assessment

### IMPLEMENTED

#### Context

In 2014<sup>3</sup>, we recommended that the Department of Health review the methodology it uses to calculate the aggregate assessment and put a process in place to periodically check whether the estimate is a reasonable approximation of the Crown's associated healthcare costs.

We found the department was using a dated study from 2003 and did not have a process in place to revisit this study to ensure the calculation was still providing a reasonable approximation of the healthcare costs associated with MVA.

## Criteria

The department should have processes to:

- monitor that objectives are being met<sup>4</sup>
- ensure the applicable legislation is followed

## Our followup audit findings

The department commissioned a new study from the Institute of Health Economics and used the study to update the department's methodology to estimate MVA costs. The new study includes a comprehensive estimate of both short and long-term healthcare costs<sup>5</sup> and made improvements from the old study such as estimating MVA costs by severity level. The study was further strengthened, as it used sensitivity analysis to show the accuracy of the methodology.

To estimate MVA costs in subsequent years, the department adjusts the severity level costs with updated accident data from Alberta Transportation and updated healthcare costs from the Department of Health. The department also created a policy that requires it to revisit the methodology every five to seven years.

We examined the inputs and calculations used to estimate the 2018 and 2019 calendar year MVA costs and concluded they were consistent with the updated study as well as recoverable costs allowed in the Act.

<sup>3</sup> *Report of the Auditor General of Alberta—October 2014*, no. 3, page 38

<sup>4</sup> This includes a process to determine if the methodology used to prepare the calculation of MVA costs is a reasonable approximation of the Crown's associated healthcare costs and a process to assess the best way to update its cost estimates.

<sup>5</sup> Costs included in the estimate were: in-patient care, outpatient care, practitioner services, prescription drugs, long-term care, home care and Alberta Aids to Daily Living (AADL). Laboratory, rehabilitation, and mental health costs were included in-patient and outpatient care services.

# Clarify Objectives of Collecting Revenue and Prepare Supporting Rationale

## IMPLEMENTED

### Context

In our original audit, we reported that the department was setting the aggregate assessment below what it estimated MVA costs to be. This meant the department was not recovering the full amount of MVA costs that it was entitled to under the Act. We therefore recommended<sup>6</sup> that the department:

- publicly articulate its objectives in setting the aggregate assessment
- report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents.

### Criteria

The department should have processes to publicly report:

- its objectives for recovering healthcare costs caused by motor vehicle accidents
- the extent to which it estimates it is recovering these costs

### Our followup audit findings

The department set the aggregate assessment as the full amount of estimated MVA costs. We tested the processes and calculations to set the aggregate assessments for the 2018 and 2019 calendar years and concluded the aggregate assessments were equal to the estimated MVA costs.

# Audit Responsibilities and Quality Assurance Statement

Management of the department is responsible for the recovery of healthcare costs attributable to MVA as set out under the Act.

**Our responsibility is to express an independent conclusion on whether the department has implemented our two outstanding recommendations.**

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General 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. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.

<sup>6</sup> Report of the Auditor General of Alberta—October 2014, no. 4, page 37





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