

Debt Management of Pharmacy Co-payments

1. Purpose

This Guideline provides recommendations regarding best practice for managing and pursuing outstanding pharmacy co-payments whilst balancing efficiency and governance.

2. Scope

This Guideline provides information for all employees, contractors and consultants within Hospital and Health Services and the Department of Health divisions and commercialised business units.

3. Related documents

Authorising Policy and Standard/s:

- Financial Management Practice Manual
- Financial Delegations

Procedures, Guidelines and Protocols:

- Queensland Health Pharmacy Information Management System (QHPIMS) Support Unit – Pharmacy Procedure, 1.1.4 Patient Payment and Invoicing Unit.

4. Guideline for debt management of pharmacy co-payments

4.1 Objectives

The objective is to ensure pharmacy co-payments are:

- dealt with effectively and efficiently; and
- accounted for correctly.

4.2 Guideline

Pharmacy co-payment debtors should receive one reminder notice in the month after they received their first invoice. If the account remains unpaid after a further month it should either be:

- 1) submitted for approval to be written off by an employee with the appropriate level of losses delegation; or
- 2) raised as a sundry debtor on the Financial Accounting and Materials Management Information System (FAMMIS) for further follow up.

The decision by the Director of Pharmacy (or nominated delegate), or where there is no Director of Pharmacy the Director of Nursing (or nominated delegate), on whether to continue to pursue an account or recommend it for write-off requires a balance between efficiency and governance. It should be determined whether it is cost effective or prudent from a debt management perspective to pursue collection.

Once the outstanding invoice has either been approved for write-off or recorded in FAMMIS the sundry debtor should be closed/written-off in subsidiary systems (eg. iPharmacy Invoicing Module or manual system).

4.3 Debt recovery process for pharmacy co-payments

An invoice should be issued at time of supply. At the end of the following month, a follow-up letter should be issued for outstanding invoices. The responsibility for issuing this letter should be negotiated on a local basis between the Pharmacy and Revenue/Finance. After a further month the debts should be assessed by the Director of Pharmacy (or nominated delegate), or Director of Nursing (or nominated delegate) where there is no Director of Pharmacy, to determine whether to continue to pursue or to recommend for write-off.

4.3.1 Continue to Pursue

If the debt will continue to be pursued a sundry debtor should be raised in FAMMIS and future follow-up will be performed by the local Finance/Revenue team.

4.3.2 Discontinue Pursuit

If the debt will not be pursued a submission must be made to an Officer with the appropriate level of losses delegation for approval to write-off.

4.3.3 Closing of Subsidiary System Invoices

Once approval has been received to write-off, or the account has been raised in FAMMIS, the subsidiary system invoice may be closed/written-off.

4.3.4 Audit Trail

The review and losses approval should be retained as part of the audit trail to support the write-off of subsidiary system invoices (eg. iPharmacy Invoicing Module, manual system).

4.3.5 Management of process in iPharmacy

It is recommended that the debt management of iPharmacy 'in process' invoices is performed on a month by month basis utilising iPharmacy functionality that allows 'in process' invoices to be generated on date parameters.

See Appendix 1: Pharmacy Co-payment Follow-up Flowchart

4.4 Accounting for Pharmacy Co-payments

4.4.1 Accrue revenue

Each month end an accrual for revenue should be performed for outstanding Pharmacy co-payment invoices in subsidiary systems. Under the new debt recovery process there typically will be an accrual for two to three months of outstanding accounts. This is because at the end of the third month the outstanding invoices from month one, dependant on the decision on whether to continue to pursue, should either be submitted for write-off approval or entered into FAMMIS Sundry Debtors.

4.4.2 Provision for doubtful debts

At the end of each month a provision for doubtful debts – Cat B should be considered for accounts outstanding greater than one month.

4.4.3 Writing-off invoices

When accounts have been approved for write-off the revenue and bad debt expense should be recognised in FAMMIS.

See Appendix 2: Example of Accounting Treatment Pharmacy Co-payment. The example is based on \$1,000 of co-payment invoices being raised each month, with no receipts.

5. Review

This Guideline is due for review on: 10/09/2016

Date of Last Review: New Guideline

Supersedes: Debt Management of Pharmacy Co-payment Policy

6. Business Area Contact

Director, Financial Policy, Finance Branch

7. Definitions of terms used in the policy and supporting documents

Term	Definition / Explanation / Details	Source
Co-payment	A contribution made by the consumer towards medical treatment, i.e. a medical service, a doctor's visit, medication prescriptions.	Department of Health and Aging
FAMMIS	Financial and Materials Management Information System	
FMPM	Financial Management Practice Manual – a legislative required document that provides overarching financial management requirements to ensure compliance with legislation, regulation, accounting standards, financial reporting requirements and whole of government policies, for use by all employees in the performance of their roles. Financial Management Practice Manual provides policy statements, practice statements and guidelines regarding significant accounting and financial management issues for use in financial management, which must comply with any Act or law applicable to the financial management of the department.	Department of Health FMPM
Subsidiary system	Any system subordinate or secondary to FAMMIS in relation to debt management and accounting. This would include iPharmacy installations utilising the Invoicing Module, manual systems, etc.	

8. Approval and Implementation

Policy Custodian:

Chief Finance Officer, Department of Health

Responsible Executive Team Member:

Deputy Director-General, System Support Services Division

Approving Officer:

Chief Finance Officer, Department of Health

Approval date: 10 September 2013

Effective from: 10 September 2013

Version Control

Version	Date	Prepared by	Comments
1.0	10/09/2013	CFO	New guideline to replace previous policy

Appendix 1: Pharmacy Co-Payments Follow-Up Flowchart



