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MOH FCM 30 / 2016

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CFOs of Public Healthcare Institutions

(See Annex B for Distribution list)

All Private Hospitals accredited under Medisave/MediShield Life Scheme

(See Annex C for Distribution List)

All Community Hospitals accredited under Medisave/MediShield Life Scheme

(See Annex D for Distribution List)

All other Medical Institutions accredited under Medisave/MediShield Life Scheme

(See announcement in MediClaim)

Dear Sir/Mdm

#### **ADMINISTRATIVE FINANCIAL PENALTY FRAMEWORK FOR MEDISAVE CLAIMS**

This circular informs medical institutions (MIs) that the Medisave administrative financial penalty framework will commence on 1 Jan 2017. This follows from the circular MOH FCM 3/2016, in which we informed all MIs that the Ministry of Health (MOH) and the Central Provident Fund Board (CPFB) will be introducing an administrative financial penalty framework for Medisave claims under the Central Provident Fund (CPF) Act. This framework will provide further assurance to CPF members that their Medisave monies are protected, and improve the accountability of MIs when claiming Medisave monies.

2. This circular also updates MIs on the details of the framework and types of contraventions that may be subject to penalties.

## **Types of Contraventions where Administrative Financial Penalties may be imposed**

3. CPFB will be imposing administrative financial penalties for administrative lapses by MIs submitting Medisave claims on behalf of members. The five categories of contraventions are as follows:

- a. Accessing members' Medisave account information<sup>1</sup> without proper authorisation. MIs need to obtain members' or the authorised person's<sup>2</sup> written authorisation before accessing their information. This applies regardless of the platform or system used to access the information (e.g. Medisave Balance Enquiry (MBE), MediClaim Online, clinic management systems (CMS), or other Medisave enquiry screens integrated in MIs' systems). Not doing so will be considered a contravention.
- b. Inaccurate or incomplete documentation with no financial impact. This refers to cases where there were errors in documentation or claims, but these errors did not result in more Medisave being withdrawn than allowed. MIs should refer to the Terms & Conditions for Medisave accreditation and the Medisave Manual for more information on the standards and guidelines for the documentation and submission of Medisave claims. Examples of contraventions include:
  - (i) Inaccurate or incomplete information provided on supporting documents such as the Medical Claims Authorisation Form (MCAF), Letter of Certification (LC), and medical bills<sup>3</sup>;
  - (ii) Inaccurate or incomplete information in submission of claims made, without affecting the amount withdrawn from member's Medisave account;
  - (iii) Inability to produce supporting documents such as MCAF, LC, and medical bills when requested by CPFB or during an audit.

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<sup>1</sup> These include details such as Medisave balances and withdrawal limits.

<sup>2</sup> An authorised person may be a parent or legal guardian (appointed by a court or under a will/deed) of the member who is under 21 years of age, or a person acting under a Lasting Power of Attorney registered under the Mental Capacity Act (Cap. 177A) ("MCA"), with power to act on behalf of the member, or appointed by the Court under the MCA to act on behalf of the member.

<sup>3</sup> Including cases where the MCAF or LC is missing during audit, but the MI follows up with the member or doctor to obtain the necessary documentation and submits the MCAF or LC to CPFB at a later date, before CPFB issues the Notice of Penalty (see Table 3). Once the Notice of Penalty is issued, the MI is deemed to have made an unauthorised withdrawal, and the relevant penalties at para 3(e) will apply instead.

c. Administrative over-claims. This refers to all forms of administrative errors which result in the Medisave amount withdrawn exceeding the amount allowed under the law. Examples of contraventions include:

- (i) Data-entry error resulting in more Medisave being withdrawn than what was allowed;
- (ii) Claiming of Medisave for administrative items not claimable under the Medisave scheme (e.g. transaction fees, phone bills etc); and
- (iii) Claiming of Medisave for items or treatments which patient did not receive.

d. Late submission, non-submission, or non-follow-up of audit reports. This refers to the failure to respond to requests by CPFB for audit-related reports by the deadline set by CPFB, or a date mutually agreed upon between CPFB and the MI. This covers both audits by auditors appointed by CPFB and auditors appointed by the MI. Contraventions usually occur when:

- (i) The MI is asked by CPFB to submit an Annual Audit Report (AAR) on the Medisave claims made in the previous calendar year, but it submits the AAR late or does not submit it; and
- (ii) The MI ignores CPFB's request for a report on the follow-up action taken to rectify the errors found in the audit.

e. Unauthorised withdrawals. This refers to instances where a member's Medisave is withdrawn without his authorisation. Examples of contraventions include:

- (i) A withdrawal was made although no MCAF was signed and the member did not agree to the withdrawal of his Medisave;
- (ii) A withdrawal was made more than one year after treatment, and the member did not agree to signing a new MCAF to authorise the late withdrawal;
- (iii) Duplicate Medisave withdrawals made for a single treatment episode; and
- (iv) The MI made a withdrawal from the wrong member's account.

### Penalty Amounts

4. The amount of penalty imposed for each contravention will depend on (i) the type of contravention, and (ii) past records of contraventions<sup>4</sup> by the MI.
  - a. For contraventions in paragraphs 3(a) – 3(d), the increase in penalty (“escalation”) will be based on the number of years out of the last two calendar years (starting from 1 Jan 2017) that the MI had contraventions. If the MI had contraventions for *both* of the last two calendar years, the escalation in the current year will be based on the total number of past consecutive calendar years in which the MI had contraventions.
  - b. For contraventions in paragraph 3(e), i.e. unauthorised withdrawals, the escalation will be based on the total number of discrete contraventions in the current *and* last two calendar years (starting from 1 Jan 2017).
5. The penalties for each of the contraventions, which are assessed independently, are in Tables 1 and 2. Further worked examples are in Annex A.

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<sup>4</sup> The year of contravention is the year the contravention is confirmed i.e. a notice of warning or a notice of intent informing an MI that it has made a contravention.

**Table 1:** Administrative Financial Penalties for all Contraventions other than Unauthorised Withdrawals

Type of Contravention	Contravention History		0	1	2	3	≥ 4
	Year(s) with contraventions within the past 2 calendar years		Consecutive past calendar years with contraventions				
Non-compliance with requirements when accessing members' Medisave account information	Notice of Warning		\$100 per contravention, up to \$5,000 per calendar year				
Incomplete or inaccurate information leading to administrative inaccuracies with no financial impact	Notice of Warning		\$100 per contravention, up to \$5,000 per calendar year				
Administrative over-claims	Notice of Warning	\$100 per contravention, up to \$5,000 per calendar year	\$500 per contravention, up to \$7,500 per calendar year	\$1,000 per contravention, up to \$7,500 per calendar year	\$2,000 per contravention, up to \$10,000 per calendar year		
Late submission, non-submission, or non-follow-up of audit reports	\$300	\$1,500	\$3,000	\$6,000			

**Table 2:** Administrative Financial Penalties for Unauthorised Withdrawals

Type of Contravention	No. of Previous Contraventions	0	1	2	3	≥ 4
		Contraventions already made in the current and last two calendar years				
Unauthorised withdrawals		\$100 for this contravention*	\$500 for this contravention*	\$1,000 for this contravention*	\$2,000 for this contravention*	

\*The total amount of penalties that can be imposed in one calendar year for unauthorised withdrawals is \$10,000.

6. In addition to the administrative financial penalties, MOH and CPFB may suspend an MI from the Medisave scheme, if the MI is recalcitrant and continues to commit contraventions despite repeated warnings and penalties.

#### Notifications, Representation and Appeals

7. Upon receipt of members' feedback or audit report findings, CPFB will conduct investigations on the issues highlighted. If the investigations confirm that there was a contravention, CPFB will formally notify the MI via writing and email, and advise the MI of the follow-up actions it could take. The notifications by CPFB and follow-up actions by the MI are in Table 3.

**Table 3:** CPFB Notifications and MI Follow-ups

No	Action by CPFB	Follow-up by MI
<i>Investigations</i>		
1.	Investigate members' feedback or audit report findings	Support CPFB in investigations.
<i>Notice of Warning</i>		
2a.	If there is a contravention, but no penalties are imposed, CPFB issues the MI with a Notice of Warning (NOW).	Rectify the contravention and take steps to prevent recurrence.  If the MI does not agree with the findings, it may make a written representation to CPFB to appeal against the NOW.
<i>Notice of Intent</i>		
2b.	If there is a contravention, and penalties are imposed, CPFB issues the MI with a Notice of Intent (NOI).  The NOI will state: <ul style="list-style-type: none"> <li>- The alleged contravention;</li> <li>- CPFB's intent to impose an administrative penalty and the amount of penalty; and</li> <li>- The period during which the MI may make a written representation against the NOI.</li> </ul>	Rectify the contravention and take steps to prevent recurrence.  If the contravention involves "Late or non-submission and non-follow-up of audit report", MI must still submit the AAR/ follow-up report.  If the contravention involves withdrawals that member did not authorise, MI should obtain and submit the member's authorisation for the withdrawal before the Notice of Penalty (NOP) is issued (below).  If the MI does not agree with the NOI, it may make a written representation to CPFB within the given timeline, explaining why it disagrees.

No	Action by CPFB	Follow-up by MI
3.	If the written representation is accepted, CPFB will formally update the MI in writing and email.  If the written representation is rejected, CPFB will issue the NOP.	Nil.
<i>Notice of Penalty</i>		
4.	If the MI does not make written representations or the written representation is rejected, CPFB will issue the MI with a NOP.  The NOP will state: <ul style="list-style-type: none"> <li>- The contravention and the penalty amount;</li> <li>- Deadline to pay the penalty (30 calendar days from NOP);</li> <li>- Instructions on how to pay the penalty;</li> <li>- Charging of interest for failure to make payment by the deadline; and</li> <li>- The avenue for further appeal.</li> </ul>	Pay penalties.  If there are further mitigating circumstances in the case, the MI may appeal against the NOP to the Appeals Panel within the 30 calendar days given to pay the penalty. Once the appeal is received, the requirement to pay the penalty is temporarily suspended.
<i>Handling of Appeals by the Appeals Panel</i>		
5.	The Appeals Panel will deliberate each case on its own merit, taking into consideration the administrative financial penalty framework, the audit findings, outcomes of CPFB's investigation, MI's representations, and other case-specific circumstances.  The Appeals Panel will formally update the MI in writing and email the decision of the Appeals Panel.  MIs cannot appeal further to CPFB or MOH against the decision of the Appeals Panel.	Depending on the outcome of the appeal, the MI may still be required to make payment of penalties.

Penalty Payment and Interest

8. MIs are to pay the administrative financial penalties imposed within 30 calendar days from the NOP. Payment of penalties can be by cheque or via a one-time direct debit authorisation via existing bank accounts linked with CPFB.

9. Payments which are not made within 30 calendar days from the date of the NOP or any further notice after the appeal decision is made, will incur an annual interest of 5% above the prime lending rate.

10. Interest must be paid within 30 calendar days from the date of interest invoice. MIs may make a request to the CPFB to waive the payment of interest if there was an acceptable reason for the delayed payment.

Contact Information

11. Please contact the following officers for clarifications:

	<b>Contact person</b>
CPFB	Mr Ling Chun Boon Medisave and Healthcare Claims Department (email: medclm@cpf.gov.sg)
Medisave	Mr Samuel Seah Finance Policy Branch (email: samuel_seah@moh.gov.sg)

12. Thank you.

Yours sincerely,

ADRIENNE YUEN  
DEPUTY DIRECTOR  
(MEDISAVE AND  
HEALTHCARE CLAIMS)

WONG WENJIE  
SENIOR ASSISTANT DIRECTOR  
(FINANCE POLICY)  
*for PERMANENT SECRETARY (HEALTH)*

*Transmitted electronically, no signature required*

## Annex A

### Worked Examples

We have provided some worked examples to show how contraventions are tracked and how the penalty amounts are computed. Please refer to Tables 1 and 2 above for the penalty amounts imposed for the contraventions.

#### Accessing Members' Medisave Account Information without Proper Authorisation

An audit on the MBE access of an MI detects 10 instances of unauthorised access by MI in 2017. As 2017 is the first year in which the MI did not obtain proper authorisation when accessing members' Medisave account information, the MI had zero past years with contraventions. Hence, the MI is issued with a NOW.

The same MI is found to have made two unauthorised access to Medisave balances in the MBE system in 2018. The MI has one past year with contraventions (2017). Hence, the MI is still issued a NOW.

##### *Scenario A*

*Suppose an audit detects five instances of unauthorised access to Medisave balances in 2019. As the MI has two consecutive past calendar years with contraventions (2017 and 2018), a penalty of \$100 per contravention will be imposed for the 2019 contraventions. In this case, MI has to pay a penalty of \$500 (i.e. \$100 x 5 contraventions).*

##### *Scenario B*

*Alternatively, suppose there were no instances of unauthorised access to Medisave balances in 2019, but three instances of unauthorised access in 2020. The MI has one past calendar year with contraventions (2018) within the past two calendar years (2018 and 2019). Hence the MI is issued a NOW for its contraventions in 2020.*

#### Incomplete or Inaccurate Documentation with no Financial Impact

An audit finds that an MI did not obtain the witness's signature on the MCAF for three Medisave claims (even though the payer signed the MCAF). As this is the first non-compliance of incomplete or inaccurate documentation with no financial impact within the past two calendar years, the MI is issued with a NOW.

In 2018, CPFB receives a complaint from a CPF member that the MI did not issue him with a medical bill for his Medisave claim. When CPFB then investigates the accuracy of the Medisave claim, the member's complaint was found to be true (the MI was not able to provide CPFB or the patient the medical bill to verify the accuracy of the Medisave claim). As the MI has one year with contraventions (2017), the MI is still issued a NOW.

### *Scenario A*

*Suppose in 2019, during an audit, the MI could not produce medical bills and LCs for seven Medisave claims for CPFB to verify the accuracy of the claims. The MI has two consecutive past calendar years with contraventions (2017 and 2018). Hence, a penalty of \$100 per contravention is imposed, and the MI will have to pay a penalty of \$700 (i.e. \$100 x 7 contraventions).*

### *Scenario B*

*Alternatively, suppose in 2019, there was no audit conducted on the MI, and there were no complaints made against the MI. However, there are two instances of incomplete documentation detected in 2020. The MI will be issued with a NOW as the MI has one calendar year with contraventions (2018) within the past two calendar years (2018 and 2019).*

## Administrative Over-Claims

An auditor appointed by CPFB detects two cases of Medisave administrative over-claims in 2017 by an MI. In both cases, the MI included administrative items (e.g. transaction fees) in the Medisave claims. As this is the first year where the MI made administrative over-claims, the MI is issued with a NOW. The MI also needs to rectify the over-claims identified.

In 2018, a data-entry error by the MI's staff results in an extra \$50 being deducted from the affected member's Medisave account. This is subsequently reported to CPFB by the member. The MI has to pay a penalty of \$100 for the error as the MI already has one past calendar year with contraventions (2017).

Another three cases of Medisave administrative over-claims are found in 2019, where transaction fees were included in the claims. The MI has two consecutive past calendar years with contraventions (2017 and 2018). Hence, a penalty of \$1,500 is imposed (i.e. \$500 x 3 contraventions).

Five cases of administrative over-claims are reported by members in Mar 2020. The MI now has three consecutive past calendar years with contraventions (2017 to 2019). A penalty of \$5,000 (\$1,000 x 5 contraventions) applies.

In Aug 2020, an audit of the MI picked up another four cases of administrative over-claims. The penalty of \$1,000 per error remains unchanged because the MI still has three consecutive past calendar years with contraventions (2017 to 2019). A limit of \$7,500 in penalties for administrative over-claims in this year also applies. Although the total penalty in this instance is \$4,000 (\$1,000 x 4 contraventions), the MI pays \$2,500 since it has already been penalised \$5,000 in Mar 2020.

### Late submission, Non-submission, or Non-follow-up of Audit Reports

An MI is selected by CPFB in 2017 to submit an AAR, for Medisave claims submitted in 2016, by 31 Jul 2017. The MI is unable to complete the audit in time, and asks for an extension until 31 Oct 2017. However, the MI overlooked the deadline despite reminders, and only submitted the AAR on 15 Dec 2017. As this is the first year where the MI was late in submitting the audit report / follow-up on the audit report, a penalty of \$300 is imposed on the MI.

In 2018, the MI is audited by a CPFB-appointed auditor, but failed to follow-up on CPFB's queries arising from the audit report. The MI has to pay a penalty of \$1,500 as the MI already has one past calendar year with contraventions (2017).

In 2019 and 2020, the MI is not selected for audit.

In 2021, the MI is asked to submit an AAR, but is late in doing so. As there were no contraventions within the past two calendar years (2019 and 2020), a penalty of \$300 is imposed on the MI.

### Unauthorised Withdrawals

In Jan 2017, an MI submits a claim to withdraw from a patient's Medisave account even though the patient did not sign the MCAF to authorise the Medisave withdrawal. This unauthorised withdrawal is subsequently detected by CPFB. As there was no prior contravention since the implementation of the administrative financial penalty framework, a penalty of \$100 is imposed on the MI.

In Mar 2018, the MI submits two claims on another member's Medisave account even though the member did not sign the MCAF to authorise the withdrawals. Each of the two claims is considered a separate contravention. For the first claim submitted, a penalty of \$500 is imposed as the MI has made one contravention in Jan 2017. For the second claim, a penalty of \$1,000 is imposed as the MI already made two contraventions (Jan 2017 contravention and Mar 2018 first contravention). The total penalty imposed on the MI for these two contraventions is \$1,500.

In Sep 2019, the MI submits two claims for a single treatment episode for a patient. The second, duplicate claim is thus considered as an unauthorised withdrawal. As the MI already had three contraventions in the current and last two calendar years (2017 and 2018), a penalty of \$2,000 is imposed for this unauthorised withdrawal (duplicate claim).

The MI does not have any contravention in 2020.

In Jun 2021, the MI makes an unauthorised withdrawal. As the MI only made one contravention, prior to this unauthorised withdrawal, in the current and last two calendar years (2019 and 2020), a penalty of \$500 is imposed.

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