

# Independent Health Facilities

Follow-up to VFM Section 3.08, *2004 Annual Report*

## Background

The Ministry of Health and Long-Term Care licenses and regulates approximately 1,000 independent health facilities (facilities) in Ontario. Most facilities are “diagnostic,” meaning that they perform services such as x-rays, ultrasound, nuclear medicine, pulmonary function studies, and sleep studies that can be helpful in diagnosing various medical conditions. Typically, such a facility performs the requested tests and forwards the results to the requesting physician. At the time of our audit in 2004 there were also 24 facilities that provided surgical and therapeutic services, such as dialysis, abortions, and cataract, vascular, and plastic surgeries.

Technical fees, also known as “facility fees,” are paid to facilities to cover the costs of providing services, such as the cost of medical equipment and administrative and occupancy costs. They do not include medical professional fees, which are billed by radiologists and other physicians directly to the Ontario Health Insurance Plan. In the 2005/06 fiscal year, technical fee payments to diagnostic facilities totalled approximately \$293 million (\$257 million in 2003/04), and fees paid to facilities providing surgical and therapeutic services

totalled approximately \$30 million (\$16 million in 2003/04). Figure 1 breaks down these payments by type of service over a recent five-year period.

In our *2004 Annual Report*, we concluded that, for the most part, the Ministry had adequate procedures in place to ensure compliance with applicable legislation and policies for the licensing, funding, and monitoring of facilities. However, for the program to cost-effectively fulfill its mandate, action was still required to address the following issues, a number of which we had identified in our last audit in 1996:

- The Ministry had still not assessed the relationship between the volume of services provided by individual facilities and the cost of providing such services to determine whether the facility fees paid to independent health facilities were reasonable.
- The Ministry had not determined the levels of service that would be required and should be available to meet needs.
- The Ministry had not adequately analyzed the impact of, nor developed strategies to address the significant regional variations in, service levels.
- Although funding to develop a waiting-list management system commenced in 2000, the program still did not have waiting-list

**Figure 1: Technical Fees Paid to Independent Health Facilities, 1999/2000–2003/04 (\$ 000)**

Source of data: Ministry of Health and Long-Term Care

Service Provided	1999/2000	2000/01	2001/02	2002/03	2003/04
<b>Diagnostic facilities</b>					
radiology	96,215	96,339	98,303	102,678	106,140
ultrasound	68,941	73,717	79,011	88,730	96,202
nuclear medicine	17,310	18,813	20,513	24,369	29,287
sleep studies	16,911	20,270	25,058	23,449	21,296
pulmonary function	2,229	2,043	1,934	1,978	1,924
MRI/CT*	–	–	–	–	2,282
	<b>201,606</b>	<b>211,182</b>	<b>224,819</b>	<b>241,204</b>	<b>257,131</b>
<b>Surgical/therapeutic facilities</b>					
dialysis	7,120	7,305	8,226	8,209	8,154
abortions	4,838	5,093	5,961	6,025	5,341
vascular surgery	803	798	1,111	967	729
plastic surgery	772	718	731	796	898
ophthalmology	458	450	438	434	855
laser surgery	359	359	359	359	359
	<b>14,350</b>	<b>14,723</b>	<b>16,826</b>	<b>16,790</b>	<b>16,336</b>

\* First introduced in 2003/04.

information for diagnostic or surgical/therapeutic services.

- The Ministry did not have a process for determining which services should be provided by independent health facilities rather than by hospitals.
- The Ministry had not yet implemented a process to determine which other services provided outside of hospitals and licensed independent health facilities, such as echocardiograms, should be covered by the *Independent Health Facilities Act* to ensure that these services are subject to an appropriate quality assurance process.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

According to information received from the Ministry of Health and Long-Term Care between March and May 2006, some progress has been made in addressing most of the recommendations in our *2004 Annual Report*. The current status of action taken on each of our recommendations is as follows.

### REASONABLENESS OF FACILITY FEES

#### Recommendation

To help ensure that facility fees paid to independent health facilities are reasonable, the Ministry should:

- objectively determine the current cost of providing each type of service; and

- *examine the relationship between the volume of services provided and the costs of providing services.*

### **Current Status**

The Ministry advised us at the time of our follow-up that the Diagnostic Services Committee began meeting in November 2005. The Committee's responsibilities include developing and establishing procedures for evaluating, compensating, and administering the technical component of diagnostic services (that is, the facility fee). This responsibility includes establishing a costing methodology and an ongoing review process to ensure that reimbursement is based on actual costs and current service volumes. To help address this responsibility, the Diagnostic Services Committee is setting up a Task Force on Technical Compensation, which is to review and make recommendations on the costing methodology and assess the adequacy of current fees. However, the Ministry anticipated that this review would not be finalized until fall/winter 2007, although the actual completion date could vary depending on the Committee's priorities and work schedule, which had not been finalized at the time of our follow-up.

## **DISTRIBUTION OF SERVICES**

### **Diagnostic Services and Surgical/Therapeutic Services**

#### **Recommendation**

*To help ensure that the services provided under the Independent Health Facilities Act are reasonably accessible to all Ontarians, the Ministry should:*

- *assess the need for each service by region and determine what actions are required to meet its commitment to provide services where and when needed; and*
- *assess the implications—from a financial and waiting-list perspective—of licensing more than*

*one independent health facility to provide cataract surgeries.*

*The Ministry should also determine what legislative or other actions should be taken regarding unlicensed facilities that are performing surgical and other procedures that are generally performed in hospitals or licensed independent health facilities.*

### **Current Status**

The Ministry advised us at the time of follow-up that the previously mentioned Diagnostic Services Committee will also be addressing service needs by region. In addition, the Ministry anticipated that the Local Health Integration Networks would have a role in defining service needs by region.

In January 2006, a new independent health facility was opened to perform 6,700 routine cataract surgeries annually. The Ministry informed us that the licensing of any additional facilities would be co-ordinated with its Wait Times Strategy, which is to implement a plan to increase access and reduce waiting times for five major health services, including cataract surgery.

The Ministry also indicated that a legislative review of the *Independent Health Facilities Act* was initiated in fall 2004. This process includes a review of the scope of facilities to be regulated under the Act, as well as of the potential to impose quality-assurance controls on unlicensed facilities, such as facility assessments of the quality of services provided (these quality assurance controls are already a requirement for licensed independent health facilities). However, according to the Ministry, further work on the legislative review had been deferred pending a decision on how the *Independent Health Facilities Act* would be integrated with the planning process established for Local Health Integration Networks (even though independent health facilities are initially exempt from this planning process).

## Waiting Lists

### Recommendation

*To help determine the severity of regional service-level fluctuations, the Ministry should:*

- *develop and implement a waiting list management system; and*
- *monitor and analyze waiting times.*

### Current Status

Since fall 2005, the Ministry has posted on its public website waiting-time information from hospitals receiving funding under the Wait Time Strategy that pertains to five services: cataract surgeries, hip and knee total joint replacements, MRI hours of operation, cancer surgeries, and cardiac services. The Wait Time Strategy also includes a plan to have an information system in place by December 2006 to track waiting times at about 50 hospitals that represent about 80% of total services in these five areas. One independent health facility performing cataract surgery will report waiting times through this initiative.

The Ministry indicated that there are no other initiatives in place to track, monitor, and analyze waiting times for services performed by independent health facilities. Although waiting times are to be reviewed whenever an existing independent health facility applies for an expansion or relocation of its services, this review is to help determine whether to approve the facility's application as opposed to being part of a larger determination of regional waiting lists and service-level fluctuations.

## Service Planning

### Recommendation

*To help ensure that independent health facilities are being appropriately used to meet the health care needs of the public, the Ministry should implement a process for determining whether particular services should be provided by hospitals or by licensed independent health facilities.*

### Current Status

At the time of our follow-up, the Ministry indicated that there had been no overall analysis of the services that could appropriately be provided by independent health facilities. It did state, nevertheless, that any service that could safely be performed in a non-hospital setting and did not require an overnight stay by the patient would be appropriate to perform in an independent health facility. The Ministry relies on the College of Physicians and Surgeons of Ontario to provide advice on the relative safety of services performed in independent health facilities.

While the Ministry has not determined overall which services should be provided by hospitals and which by independent health facilities, the Ministry indicated that it undertakes a certain amount of analysis in this regard before issuing a request for proposals to establish a new independent health facility. Specifically, it assesses the rationale for establishing an independent-health-facility service as opposed to a hospital-based service, which generally includes comparing the cost of providing the service in a hospital to its cost at an independent health facility, assessing the complexity of the service, and considering quality assurance issues, including the College of Physicians and Surgeons of Ontario's advice on how providing the service in a non-hospital setting may affect patient safety.

## ASSESSMENTS AND INSPECTIONS

### The Assessment Process and Time Frames for Submitting Assessment Information

#### Recommendation

*To help ensure that the College of Physicians and Surgeons is meeting the Ministry's expectations regarding the assessment process and the development of clinical practice parameters and facility standards, the Ministry should regularly update its agreement with the College in a signed Memorandum of Understanding.*

*To help provide assurance that independent health facility services comply with clinical practice parameters and facility standards, some assessments should be performed without advance notice.*

*To help improve the effectiveness of the assessment process, the Ministry should establish time frames for:*

- *the submission of assessment reports by the College of Physicians and Surgeons of Ontario to the Director of the Independent Health Facilities Program; and*
- *the forwarding of information from independent health facilities to the College that provides assurance that any required corrective action has been taken on a timely basis.*

### **Current Status**

The Ministry indicated at the time of our follow-up that a draft Memorandum of Understanding, which sets out the Ministry's expectations and processes relating to inspections, assessments, and the development of clinical practice parameters and facility standards, had been discussed with the College of Physicians and Surgeons of Ontario. The Ministry expects the Memorandum of Understanding to be implemented for the 2006/07 fiscal year.

Effective January 31, 2006, the Ministry announced that the College of Physicians and Surgeons of Ontario would begin performing assessments without advance notice. According to the Ministry, policies, procedures, and communication material for unannounced assessments were jointly developed by the Ministry and the College. This process initially targeted facility follow-up assessments, assessments arising from complaints, and assessments of facilities with past problems. The Ministry and the College plan to jointly evaluate the unannounced assessment process at the end of the 2006/07 fiscal year to determine whether to continue or expand these assessments in subsequent years.

In addition, the following policies had been developed with respect to turnaround times for the College's submission of its assessment reports and

facilities' forwarding of information regarding their plans for addressing deficiencies: the College must provide the Ministry with its assessment report of a facility within three to 20 days of the assessment (the greater the potential impact of concerns noted, the faster the report should be submitted); and facilities generally must contact the College within 15 days of the date of the report (indicated on an accompanying letter) and provide a written action plan within 30 days.

## **Licence Suspensions and Reassessments**

### **Recommendation**

*To help improve the effectiveness of the process for assessing independent health facilities and to help ensure that quality standards are met, the Ministry should:*

- *have a formal policy on suspending facilities with serious quality assurance issues, especially when the same issues arise on reassessment; and*
- *consider charging facilities for reassessments.*

*To help protect the public, the Ministry should consider appropriate public disclosure of serious quality assurance problems at independent health facilities.*

### **Current Status**

The Ministry informed us at the time of our follow-up that a policy establishing the licensing action to be taken against independent health facilities with repeat quality assurance problems would be developed and implemented in the 2006/07 fiscal year in consultation with the College of Physicians and Surgeons of Ontario.

The Ministry also indicated that option papers would be prepared in the 2006/07 fiscal year, also in consultation with the College, on charges for repeat assessments and public disclosure of serious quality assurance problems at independent health facilities. The timing of the implementation of any changes will depend on the options selected.

## Assessment Methodology

### Recommendation

To help ensure effective assessment of the quality of services provided by independent health facilities, the Ministry should work with the College of Physicians and Surgeons of Ontario to ensure that:

- the sample of services to be assessed is sufficient to reach a conclusion and is selected from a complete listing of all services rendered to patients; and
- the sample is selected independently by the College or by the Ministry.

### Current Status

The Ministry, in consultation with the College of Physicians and Surgeons of Ontario, developed a policy on the size of the sample of services to be assessed and the selection of the sample. The policy was implemented in November 2005. Under the policy, the College independently selects a minimum sample from a list of the services that an independent health facility renders to patients on specified dates.

## Assessment Tracking Systems

### Recommendation

To help ensure that decision-makers have access to all relevant information when assessing independent health facilities, the Ministry should ensure that its management information system is structured to link all data relating to a specific facility.

### Current Status

The Ministry indicated at the time of our follow-up that revisions to the management information system were not a high priority and other information-system projects had higher priority. Therefore, the recommendation would not be fully implemented unless resources became available. However, as discussed above in relation to time frames for submitting assessment information, the Ministry has

modified the system to facilitate the tracking of timeliness of the assessment reports.

## UNLICENSED TECHNICAL SERVICES

### Recommendation

To help ensure the consistent quality of medical services in Ontario and to help minimize the risk to patients, the Ministry should assess which diagnostic and surgical services performed outside of hospitals and licensed independent health facilities should be covered by the Independent Health Facilities Act.

### Current Status

The Ministry informed us at the time of our follow-up that the expansion of services under the *Independent Health Facilities Act* had only occurred in response to specific proposals from the Ontario Medical Association and from within the Ministry and to unsolicited proposals from individuals interested in establishing an independent health facility. Furthermore, there were no plans to expand the scope of the *Independent Health Facilities Act* to include diagnostic services where the facility fee component of the service is currently funded through the *Health Insurance Act*. When a service not covered by the *Independent Health Facilities Act* is performed outside a public hospital, the service is still not subject to the Act's quality assurance process.

## SLEEP STUDIES

### Recommendation

To help ensure that new facilities that are brought under the Independent Health Facilities Act in future meet quality standards, the Ministry should:

- inspect all such facilities on a timely basis; and
- follow up on problems identified on a timely basis to verify that corrective action has been taken.

### Current Status

The Ministry indicated at the time of our follow-up that, although it had no plans to expand the scope of services regulated under the *Independent Health Facilities Act*, where a facility or service not under the Act is later brought under the Act, time frames to complete the licensing process—including time frames to verify that corrective action is taken on problems noted during pre-licensing inspection—would be established. The Ministry would also assess staffing requirements to ensure that licensing can be achieved in a timely manner.