

Chapter 4

Section 4.06

Ministry of Health and Long-Term Care

Independent Health Facilities

Follow-up to VFM Section 3.06, 2012 Annual Report

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	2		1	1	
Recommendation 2	4		3	1	
Recommendation 3	6		2	4	
Recommendation 4	1			1	
Recommendation 5	3		2	1	
Total	16	0	8	8	0
%	0	0	50	50	0

Background

In Ontario, about 800 independent health facilities provide primarily diagnostic services (such as x-rays, ultrasounds and sleep studies) and about 25 provide other services including surgery (such as cataract and plastic surgery) and dialysis. Independent health facilities provide these services at no charge to patients who are insured under the provincially funded Ontario Health Insurance Plan (OHIP). Patients generally need a requisition signed by their physician to receive the services, and test results are sent to this physician.

The facilities are independently owned and operated, and 98% of them are for-profit corporations. The Ministry of Health and Long-Term Care (Ministry), which is responsible for licensing, funding and co-ordinating quality assurance assessments of these facilities under the *Independent Health Facilities Act* (Act), estimates that about half of them are owned or controlled by physicians, many of whom are radiologists who interpret, for example, x-rays.

The Ministry pays facility owners a “facility fee” for overhead costs such as rent, staffing, supplies and equipment. In the 2013/14 fiscal year, the Ministry paid \$434 million in facility fees (\$408 million in the 2010/11 fiscal year). Total

facility payments increased by about 2% per year from 2010/11 to 2013/14. As well, the Ministry pays physicians a standard “professional fee” for each service provided in the facilities. At the time of our 2012 audit, the Ministry could not determine the amount of professional fees billed for any services provided in independent health facilities. At our recent request, the Ministry determined that \$198 million in professional fees were billed in 2013/14 for diagnostic services performed at independent health facilities. However, it was not able to determine the professional fees billed for surgery and dialysis performed at independent health facilities.

The objective of our 2012 audit of independent health facilities was to assess whether the Ministry had implemented systems and processes to determine whether independent health facilities were providing Ontarians with insured services in a timely and cost-effective manner, in accordance with legislated requirements. In this audit, we found that the Ministry had improved the oversight of independent health facilities since our last audit of independent health facilities in 2004. However, several areas of concern still remained. For example, the Ministry generally did not allow facilities to relocate to underserved areas, even though Ministry data indicated that patients in about half of Ontario municipalities continued to be underserved for certain diagnostic services, including radiology and ultrasound. As well, the Ministry had not researched the current overhead costs associated with providing the services. These costs may have changed significantly because of new technology that allows certain tests to be done much faster, which often results in lower overhead and staffing expenses.

Other significant observations from our 2012 audit included the following:

- Each facility is paid the same amount for each type of service available, regardless of the number of services it performs. Consequently, larger facilities in urban areas often benefit from economies of scale, since costs like rent

and reception staff salaries do not increase proportionately with the number of services performed. Paying slightly higher fees in locations with smaller populations and lower fees in high-density locations might encourage services in underserved areas without additional cost to the Ministry. Such reimbursements could provide better patient access to services in locations with smaller populations.

- Although the Ministry estimates that about 50% of facilities are owned or controlled by physicians, it has not analyzed the patterns of physicians referring patients to their own or related persons’ facilities. In our 2012 report, we noted evidence of overuse of diagnostic imaging tests, particularly when a physician self-refers for such tests. Further, many patients assume they must go to the facility on their physician’s referral form, when in fact they can choose a hospital or any facility that offers the required service.
- In 2009, the Canadian Association of Radiologists noted that as many as 30% of CT scans and other imaging procedures across Canada contribute no useful information or are inappropriate. The Ministry’s own estimate was that about 20% of facility-fee tests are likely inappropriate (for example, unnecessary tests based on the patient’s condition, or tests that contribute no useful information). Such testing can be unsafe for patients and can unnecessarily increase health-care costs.
- Unlike hospitals, facilities are assessed by the College of Physicians and Surgeons of Ontario to help ensure that, among other things, diagnostic images are being correctly read by the facilities’ physicians. However, as of March 2012, about 12% of facilities had not been assessed within the previous five years. Reasons for assessments not being done included a lack of specialized assessors and waiting for facilities to complete a planned move to a new location. Even for

assessed facilities, the College assessors did not review the work of all physicians working at those facilities.

- As of March 2012, the Ministry's X-ray Inspection Services Unit had not inspected almost 60% of facilities as frequently as required to ensure that radiation-producing equipment, including x-ray equipment, was appropriately shielded to prevent excessive radiation exposure.
- The Ministry estimated that certain services—such as MRIs, dialysis and colonoscopies—were about 20% to 40% less expensive if delivered in community clinics, including independent health facilities, rather than in hospitals. Ensuring both the timely availability of services and the reasonableness of facility fees is particularly important because the Ministry's 2012 Action Plan for Health Care indicated that a number of less complex medical procedures may be moved from hospitals into community clinics, such as independent health facilities.
- Although the Ministry has attempted to improve patient service by introducing two websites that list, among other things, certain locations where patients can obtain diagnostic services such as x-rays and ultrasounds, neither site lists all locations that offer these services. One of the websites, which lists all independent health facility locations and services, could be made more user-friendly:
 - if it had search capability (for example, by postal code or by service) to help patients locate facilities; and
 - if it included information on facility wait times for services that historically do not have same-day access (such as MRIs and CTs), to help patients who want their tests as soon as possible.

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

Status of Actions Taken on Recommendations

The Ministry provided us with information in spring and summer 2014 on the status of implementing the recommendations we had made in our 2012 Annual Report. According to this information, the Ministry was in the process of implementing half of our recommendations. For example, the Ministry was implementing practices to review unusual billing patterns by independent health facilities and verify that independent health facilities were billing the Ministry only for services provided to patients.

However, little or no progress had been made on many of our other recommendations. For example, much more work is needed in the following areas:

- better identifying underserved areas of the province;
- reviewing the reasonableness of fees paid to independent health facilities by either assessing the actual cost or comparing it to costs in other jurisdictions; and
- standardizing referral forms to show patients all the locations they can go to for a test that has been ordered for them.

The Ministry indicated that these recommendations will take longer to implement due to various reasons, including the need for stakeholder consultations.

Further, more work is needed to improve the quality assurance process that the College of Physicians and Surgeons of Ontario (College) conducts for the Ministry. Until improvements are made, the Ministry has no assurance that significant concerns identified during the College's inspections of independent health facilities are being forwarded to it on a timely basis. As well, the Ministry still does not receive any information on the quality of care provided at clinics that are not independent health facilities under the Act, including certain x-ray clinics and some abortion clinics.

The status on each of our recommendations is as follows.

Access to Services

Recommendation 1

To help ensure that Ontarians have timely and convenient access to required tests and procedures, the Ministry of Health and Long-Term Care should:

- better identify areas within the province where the combined levels of services offered by hospitals and independent health facilities indicate that the area is underserved (for example, by analyzing population and gender distribution within each area and determining the resulting needs for services); and

Status: Little or no progress.

- develop ways to help address patient needs in regions identified as underserved, such as offering incentives to encourage facilities to provide services in underserved areas or reviewing policies that restrict a facility's ability to move into underserved areas.

Status: In the process of being implemented.

Details

The Ministry still does not analyse population and gender distribution to identify areas that are underserved; nor does it correlate the combined level of available services offered by hospitals and independent health facilities to the identified needs. The Ministry indicated that it was working with the Local Health Integration Networks (LHINs) to identify, by the end of 2015, areas that are underserved on this basis. In the interim, the Ministry continues to determine underserved areas based on the combined per capita billings of hospitals and independent health facilities, and intends to prepare by March 2015 a plan to address needs in these areas.

With respect to identifying underserved areas in the province, one LHIN had completed an analysis of the demand for cataract services that compared

population demographics to the number of ophthalmologists, the age of the ophthalmologists and the number of procedures they performed. The Ministry indicated that the other 13 LHINs were undertaking similar analyses, to be completed by March 2015, regarding cataract services. However, aside from cataract services, the Ministry has made little progress in analyzing types of services and demographics to better identify underserved areas.

Although the Ministry has not developed any incentives to attract independent health facilities to the underserved areas it has identified, it did implement a new facility relocation policy in January 2014. The policy enables facilities in areas that are adequately served or overserved to move to underserved areas anywhere in Ontario, as long as any affected LHINs agree to the move.

Billings

Recommendation 2

To enhance the cost-effective management of the Independent Health Facilities Program, the Ministry of Health and Long-Term Care should:

- periodically review the fee it pays to independent health facilities (to cover staffing, equipment and other overhead costs) by assessing the actual costs of the services and by making periodic comparisons to other jurisdictions;

Status: Little or no progress.

- consider alternatives for better managing the volume of fees chargeable by facilities in overserved areas, such as requiring these facilities to obtain ministry approval before increasing capacity by buying more equipment;

Status: In the process of being implemented.

- consider requiring facility owners to declare all potential conflicts of interest to the Ministry, and periodically review billing data to identify facilities with unusual billing patterns, including billings resulting from unexpectedly high levels of self-referrals of patients by physicians who own or work at that facility, or who are

related to someone who owns the facility—and follow up with these facilities; and

Status: In the process of being implemented.

- *for selected services, periodically verify that facilities have billed the Ministry only for services provided to patients—for example, through matching facility billings to physician requisitions or to the associated physician’s professional fees for the same service.*

Status: In the process of being implemented.

Details

At the time of our follow-up, the Ministry had not reviewed the reasonableness of the fees that it pays to independent health facilities. In particular, the Ministry has not performed an assessment of the actual costs incurred by facilities for the services it pays them for. The Ministry indicated that no such analysis was done because its most recent negotiations with the Ontario Medical Association (which represents physicians) did not focus on the underlying costs to determine the fees payable to independent health facilities. The Ministry indicated that variations in overhead costs across different jurisdictions make comparisons among jurisdictions difficult. However, in the absence of any information on costs for services provided in Ontario, in our view an analysis of overhead, equipment and staffing costs in other jurisdictions would be beneficial. The Ministry has made some progress in developing a more reasonable basis for the facility fees that it pays for cataract services by determining the average direct hospital costs incurred in 2011/12 for such procedures. In this regard, the Ministry plans to negotiate an agreement with two independent health facilities by March 2015 to reduce the fees it currently pays to a rate more comparable to the costs incurred by hospitals. Currently, according to ministry information, these facilities are paid 15% and 65% more, respectively, than the average direct cost incurred by hospitals. The Ministry was also working with Cancer Care Ontario to determine a similar fee structure for community colonoscopy clinics.

The Ministry is taking steps to better manage the volume of fees charged by sleep clinics (one type of independent health facility) in overserved areas. The Ministry revised its expansion policy for these facilities in 2013, requiring them to obtain written approval from the Ministry before increasing capacity by purchasing new equipment. (When facilities increase capacity by adding equipment, they can provide more services to patients and thereby increase the volume of fees they charge the Ministry.) The Ministry noted that it is not approving any additional equipment for sleep clinic facilities unless the facility making the request is located in an underserved area. Sleep clinics represent less than 10% of all facilities. The Ministry indicated that it will be implementing a similar requirement for all other independent health facilities by March 2016. To determine the current quantity of equipment, in fall 2013, the Ministry requested inventories of radiation-producing equipment (mainly x-ray and CT equipment) from all health-care facilities, including hospitals and independent health facilities. The Ministry indicated that just over 70% of the facilities had responded by summer 2014. Further, between October 2012 and January 2014, the Ministry’s Expert Panel on Appropriate Utilization of Diagnostic and Imaging Studies recommended practices to prevent certain types of diagnostic and imaging studies from being ordered unnecessarily or inappropriately, which, if implemented, should also assist the Ministry in better managing the volume of fees chargeable by facilities. However, the committee had not yet made any recommendations regarding reducing x-ray and ultrasound tests that are not medically necessary.

At the time of our follow-up, the Ministry had begun obtaining information on facility owners who are also physicians and who refer patients for tests at the facility. Such physician owners have a potential conflict of interest when referring patients for tests, because increasing the number of tests ordered also increases the income earned by the independent health facility. By March 2015, ownership information will be updated when a

facility's licence is renewed (every five years), and whenever a facility changes ownership. However, the Ministry was still not obtaining information on other potential conflict-of-interest relationships (such as spouses, siblings and parents/adult children) between physicians who refer patients for tests at facilities and the owners of those facilities. Such information is needed in order to identify unusual billing patterns, including billings resulting from unexpectedly high levels of referrals from physicians who are related to someone who owns the facility.

Regarding the matching of facility billings with billings for physicians' professional fees (to ensure that facilities bill only for services that physicians have provided), the Ministry indicated that it cannot implement this recommendation yet because these two billing systems are still not linked. However, it was expecting to implement, in late fall 2014, a new claims review process to periodically verify that facilities are billing only for services provided to patients. Part of this process entails matching facility billings to physician requisitions for diagnostic tests for patients. The process will also include a review of whether the number of health-care services provided per day is reasonable, as well as any billing irregularities that have been identified in the past. Ministry staff are to follow up questionable claims identified through this process.

Performance Monitoring

Recommendation 3

To better ensure that independent health facilities are providing services according to quality medical standards established by the College of Physicians and Surgeons of Ontario (College) and are meeting other legislated requirements, the Ministry should:

- *work with the College to ensure that every facility is inspected at least once between each five-year licence renewal for that facility;*

Status: In the process of being implemented.

- *consider including additional expectations in its Memorandum of Understanding with the College, such as:*
 - *requiring assessors to review the quality of each physician's work at the facility; and*
Status: Little or no progress.
 - *requiring that assessment results for facilities with significant issues be more promptly reported to the Ministry after the assessment;*
Status: Little or no progress.
 - *consider, when next reviewing the Independent Health Facilities Act, adding penalties for facility owners who refuse access to the College's assessors when they arrive unannounced;*
Status: Little or no progress.
 - *develop policies and procedures to improve information-sharing between the Ministry's Independent Health Facilities Program and its X-ray Inspection Services Unit, including information on the location of facilities offering x-ray services as well as information on inspection results, so that each has the most current information available on the facilities they oversee; and*
Status: In the process of being implemented.
 - *consider options for streamlining the monitoring of facilities' activities, including determining whether the Ministry's X-ray Inspection Services Unit can rely on the work of other professional or federal oversight entities to enable it to focus its activities on the newer or higher-risk facilities.*
Status: Little or no progress.

Details

At the time of our follow-up, the Ministry indicated that over 95% of operational independent health facilities had been assessed in the last five years. About 70 facilities were not assessed over this time period for various reasons: for example, the facility

was inactive because it was about to move to a new location or change ownership.

At the time of our follow-up, there had been no related update to the Ministry's Memorandum of Understanding with the College of Physicians and Surgeons of Ontario (College). However, the Ministry expected to revise this Memorandum of Understanding by March 2015, and indicated that it would discuss possible changes to the assessment process with the College at that time. Changes to be discussed will include requiring assessors to review the quality of each physician's work at independent health facilities, as well as to report assessment results for facilities with significant issues more promptly to the College, which could then more promptly report these results to the Ministry.

The Ministry indicated that there had not yet been, and that the Ministry could not determine when there would next be, an opportunity to revise the *Independent Facilities Act*. However, when the Act is next revised, amendments under consideration would include penalties for owners who refuse to give College assessors access to the facility.

At the time of our follow-up, the Ministry had not developed any new policies to improve information-sharing between its Independent Health Facilities Program and its X-ray Inspection Services Unit. However, the Ministry indicated that in 2013, the Independent Health Facilities Program staff began emailing the X-ray Inspection Services Unit to advise them of facility relocations, expansions, licence transfers or removals of services. Further, the Ministry set up a committee, which met for the first time in June 2014, to improve communication between these two areas of the Ministry. As of August 2014, no timelines had been set for completing the committee's work or for implementing any recommended improvements.

Similar to the Ministry's response to our recommendation in 2012, the Ministry indicated that it had not yet determined whether it would consider options for streamlining the monitoring of independent health facilities, such as relying on professional or federal oversight entities. We

encourage the Ministry to consider such options in order to better ensure that independent health facilities are monitored in an efficient manner, as well as to free up Ministry resources to more closely monitor newer or higher-risk facilities.

Community Health-Care Clinics Not Covered by the Act

Recommendation 4

To ensure that all community clinics providing insured services—even those that do not use anaesthesia—offer quality medical services, the Ministry of Health and Long-Term Care should consider engaging the College of Physicians and Surgeons to oversee those clinics that offer services that would be subject to College oversight if they were classified as independent health facilities.

Status: Little or no progress.

Details

Beginning in late fall 2014, the Ministry was expecting to start receiving the College's quality management reports on colonoscopy clinics that are not independent health facilities. However, the Ministry has no time frames for developing and implementing a quality management process for overseeing community clinics that are not independent health facilities and that offer mammography and pathology services. In March 2013, the Ministry asked the College and Cancer Care Ontario to jointly develop a quality management process for these community clinics. This process was to cover both the sites and the providers of these services. However, at the time of our follow-up, this process was still under development, and the Ministry had no timeframe for its expected completion. Further, the Ministry did not know whether it would receive copies of any reports resulting from the future quality management process.

As well, at the time of our follow-up, the Ministry had not taken any action to establish appropriate quality assurance processes for community x-ray clinics that are not independent

health facilities. The Ministry planned to discuss the possibility of other quality review programs with the College by March 2015.

Public Information

Recommendation 5

To ensure that patients have access to relevant information about independent health facilities that can help them obtain required services, the Ministry of Health and Long-Term Care should:

- *consider the costs and benefits of introducing a standardized referral form, similar to that used in the laboratory program, that restricts physicians from recommending a preferred facility and that contains information about how to locate an independent health facility using the Ministry's website;*

Status: Little or no progress.

- *combine existing website information into one website with search functionality that specifies all locations where patients can access community services, such as x-rays and ultrasounds, as well as available services and wait times for services that do not have same-day access (for example, MRIs and CT scans); and*

Status: In the process of being implemented.

- *provide information on its website regarding how to register a complaint about an independent health facility.*

Status: In the process of being implemented.

Details

In 2012, the Ministry obtained some information on other jurisdictions' use of standardized diagnostic referral forms (including those for x-rays and ultrasounds) so that the Ministry could evaluate the costs and benefits of their use. At the time of our follow-up, the Ministry was in the process of obtaining more comprehensive information from other jurisdictions to assist in its evaluation of standardized diagnostic referral forms. The Ministry was also working to introduce

standardized referral criteria for some procedures to ensure that they were being requested only where appropriate. However, at the time of our follow-up, little action had been taken on introducing a standardized referral form that contains information about how to locate available places to complete the recommended tests, such as via the Ministry's website. Currently, physicians are not restricted from using forms that include the name of a specific preferred facility (for example, a facility owned by the referring physician or by someone related to the physician). The Ministry was planning to have asked independent health facility operators by March 2015 to revise their facility referral forms to indicate that patients can go to other facilities that can be located on the Ministry's website.

The Ministry expected existing website information on independent health facilities, including the locations of x-ray and ultrasound clinics, to be combined into its searchable Health Care Options directory (www.ontario.ca/healthcareoptions) by early 2015. With regard to procedures for which same-day service is not available, the Ministry indicated that it had recently begun collecting wait times from independent health facilities offering MRIs and CTs and was reviewing this information for accuracy, with plans to make it publicly available by March 2015.

In fall 2012, the Ministry added a link to its website for people who want to "register a concern regarding an IHF (independent health facility)." However, instead of leading to information on how to file a complaint about a facility, the link leads to a form, to be sent to the Ministry, requesting the patient's consent to the disclosure of personal health information. Although the form includes a phone number to reach someone at the Ministry, it does not explain the complaints process. Further, the number of complaints received by the Ministry about independent health facilities has actually decreased since this form was added to the Ministry's website. The Ministry was planning to have clarified the complaints process on its website by the end of 2014.