



Laboratory Services in the Health Sector

2017 Value-for-Money Audit

Why We Did This Audit

- The Ministry of Health and Long-Term Care (Ministry) spent about \$2 billion on over 260 million laboratory tests performed in 2015/16.
- Our Office last conducted a value-for-money audit of laboratory services in the health sector in 2005.
- We wanted to assess the impact and progress on the 2015 recommendations of the Ministry-established Laboratory Services Expert Panel to improve and modernize laboratory funding and services.

Why It Matters

- Health-care professionals rely on accurate and timely laboratory test results to identify and diagnose diseases in patients, plan treatments and monitor patients' health conditions and/or diseases over time.
- Various studies note that results from laboratory tests inform and guide over 70% of medical decisions.
- A review of laboratory testing identified that, on average, over 20% of laboratory tests performed around the world were unnecessary—that is, ordered even though the result would not be useful in patient diagnosis or treatment.

What We Found

- The price list that says how much community laboratory service providers can charge the Ministry for tests they perform has not been significantly updated since 1999. The Ministry plans to implement a new community lab price list in 2017/18. If the new price list had been in effect in 2015/16, the Ministry would have paid providers about \$39 million less than it actually paid that year alone.
- The new price list was not updated using all relevant cost data. It did not, for example, consider cost information from the two community lab- service providers in Ontario who receive the majority of Ministry funding to community labs. The price list was updated using data collected by a consulting firm that included lab-service providers in the U.S., but only one provider from Ontario.
- The Ministry has not regularly evaluated whether currently uninsured tests for community patients should be funded, even though many of these tests have become widely accepted as medically necessary, and are funded by other provinces. In 2015/16, health-care professionals ordered about one million lab tests that were not funded by the Ministry. We estimate that if 16 of these uninsured tests, which a Ministry consultant recommended in 2016 be covered, were insured in 2015/16, the additional cost to the Province would have been less than \$5 million. This would have been more than offset by almost \$39 million in savings the Ministry could have realized if it had updated its price list that year alone.
- The Ministry needs to do more to reduce unnecessary testing, which results in the overuse of lab services, wastes patients' time, and drives health-care costs higher. The Ministry's efforts so far in this area did not yield sustainable long-term reductions in testing. For example, in 2010, the Ministry restricted unnecessary vitamin D tests at community labs, and testing dropped initially from about 760,000 tests in 2009/10 to 173,000 in 2011/12. However, it increased again, more than doubling between 2011/12 and 2015/16 to about 385,000 tests. In comparison, all other types of tests increased only about 1% over the same period.
- The Ministry has not been regularly reviewing billings by community laboratory service providers since 2013. As well, the Ministry has performed only a limited number of reviews to verify the accuracy of the billings by physicians who perform lab tests on their patients. For example, we identified 120 family and general-practice physicians with large laboratory test volumes and billings. Fifteen of them with the highest billings for in-office laboratory tests each performed between about 75,000 and 182,000 tests, and billed the Ministry about \$600,000 to \$1.4 million in 2015/16 (about 128 times to 300 times the average billings of a typical family and general practice physician).
- Physicians who perform lab tests on their patients do not require a licence to do the tests and are not required to participate in the Ministry's quality management program. This was raised as a concern in our previous audits in 1995 and 2015, as well as by the Laboratory Services Expert Panel.
- The Ministry has not kept up with the growing demand for genetic testing. Its strategy for genetic testing resulted in costly out-of-country testing. Between 2011/12 and 2015/16, the Ministry paid over \$120 million (U.S.) related to 54,000 specimens sent out of the country. While the cost to perform these tests might be lower if they were done in Ontario, the Ministry's strategy for reducing out-of-country testing is preliminary. The Ministry currently licenses community laboratory service providers to perform some genetic tests in Ontario, but only for non-Ontarians.

- As a result of a different Ministry branch or division being responsible for funding and overseeing each lab sector (community, hospital, health-care professionals and Public Health Ontario), the Ministry has not performed an assessment of the appropriateness of funding, as well as the effectiveness and efficiency of the testing performed by each lab service provider. Certain tests could be performed more effectively and efficiently by one type of provider than by another.

Conclusion

- Laboratory services are generally provided to Ontarians safely, and accurate test results are provided to health-care professionals in a timely manner. This was primarily due to the quality management program in place, which assesses the quality of all licensed laboratories (community, hospital and Public Health Ontario) in Ontario.
- The Ministry has not ensured that all lab services are provided to Ontarians cost-effectively. This is due mainly to the lack of regular assessment of funding and of the services provided by different types of labs. We also noted inadequate oversight of lab billing practices.

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