

Chapter 4

Section 4.01

Ministry of Health and Long-Term Care

Assistive Devices Program

Follow-up on VFM Section 3.01, *2009 Annual Report*

Background

The Ministry of Health and Long-Term Care (Ministry) administers the Assistive Devices Program (Program), whose primary objective is to help provide personalized assistive devices to Ontario residents with long-term physical disabilities. In the 2010/11 fiscal year, Program expenditures were approximately \$343 million (\$347 million in 2008/09).

At the time of our 2009 audit, we found that the Ministry had improved its ability to monitor and enhance service delivery to clients since our previous audit in 2001. However, we also concluded that the Program could be run more cost-effectively if the Ministry managed payments more economically and enforced eligibility and other policy requirements more rigorously. In our *2009 Annual Report*, some of our more significant observations were as follows:

- A majority of people getting oxygen at home used oxygen concentrators that cost between \$400 and \$1,000 to buy and that last five to seven years, with the required periodic servicing. However, the Ministry typically paid vendors about \$23,000 over five years to buy and service each device without analyzing whether this cost was reasonable.
- The Ministry set 33% as a reasonable rate of return for vendors of assistive devices. However, we found that average vendor mark-ups for mobility aids, respiratory devices, and computer systems were 84%, 117%, and 128%, respectively. In setting prices, the Ministry did not consider significant price decreases arising from technological advances or the volume discounts available to some vendors.
- Vendors were receiving even greater rates of return from computer components such as monitors, printers, and scanners. For example, one monitor that often cost vendors only about \$250 had a Program-approved price of \$1,332—a potential return of 400%. We also found that vendor price quotes for the same computer system varied significantly, from \$1,300 to \$4,400.
- The Ministry was not consistently monitoring scooter claims to identify unusual patterns; nor was it taking appropriate action to prevent potential abuses. We noted that scooter claims of some vendors increased by more than 800% over the last three years.
- In our sample, one-third of the assessments that should have been conducted by vendors to confirm clients' continued eligibility for home oxygen either had not been done or showed that the clients no longer qualified.

Yet the Ministry was not made aware of this and continued to pay for their home oxygen.

- Claims for Frequency Modulated (FM) systems, a more expensive type of hearing aid, increased dramatically among seniors, from \$250,000 in 2004/05 to \$4.8 million in 2008/09. However, some clients indicated that they did not really need or use the FM system.
- We found that some vendors had more than 90% of their claims authorized by only one or two health-care professionals. One such vendor had since 2000 claimed more than \$10 million for hearing aids. Some authorizers regularly referred clients to the same vendors, even when there were others much closer to the client's residence. The Ministry had known about some of these cases for several years but took no action.
- Ontario did not recycle used manual wheelchairs. Other provinces, such as Alberta and Quebec, achieved cost savings of \$4 million to \$5 million per year and protected the environment by recycling manual wheelchairs.

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

STANDING COMMITTEE ON PUBLIC ACCOUNTS

In March 2010, the Standing Committee on Public Accounts (Committee) held hearings on our audit and expressed concerns about the Ministry's progress in addressing many of the issues we had identified. In August 2010, the Chair of the Committee wrote to the Deputy Minister, questioning the Program's business model and listing the Committee's specific concerns. In November 2010, the Ministry was called back for a follow-up hearing, and the following May, the Committee issued a report. One of the Committee's recommendations asked our Office to follow up on its five areas of concern as follows:

- *Volume discounts*—to examine the Ministry's progress in capturing volume discounts while still maintaining equitable access across the province.
- *Inter-jurisdictional price comparisons*—to assess whether the Ministry is comparing the prices it pays in major device categories to the prices being paid by other jurisdictions.
- *IT system*—to determine whether the Ministry is meeting its deadlines for implementing its new system and whether the new system is helping to reduce processing time for applications.
- *Claims backlog*—to determine whether the Program has made progress in eliminating its claims backlog and achieved its processing time target of six to eight weeks.
- *Increased auditing and evaluation of vendors*—to assess whether the Ministry has implemented stronger procedures to prevent and detect potential program abuses.

Accordingly, as part of our follow-up work, we also reviewed the status of ministry actions to address the Committee's concerns.

Status of Actions Taken on Recommendations

The Ministry implemented a Modernization Project (Project) from fall 2010 to summer 2011 to redesign the Assistive Devices Program (Program) that addressed most of our 2009 recommendations. The Project also incorporated a new IT system to help improve program management and delivery. The Project included such initiatives as changing Program-approved prices for computers and mobility devices, having an external consultant undertake a pricing and funding model review, and launching a manual-wheelchair-recycling pilot project.

According to information provided to us by the Ministry, significant progress has recently been

made in addressing most of our recommendations and those of the Standing Committee on Public Accounts (Committee). The Ministry advised us that it will take additional time to fully address certain of the recommendations. The status of the action taken on each recommendation at the time of our follow-up was as follows.

PRICING

Pricing of Home Oxygen

Recommendation 1

To ensure that prices for home oxygen are competitive, the Ministry of Health and Long-Term Care should perform a more rigorous analysis of the costs of delivering home oxygen under each method before negotiating the new rate for home oxygen. This analysis should consider the oxygen prices other provinces are paying to ensure that Ontario is getting good value, especially given the economies of scale that should result from being the largest province.

The Ministry should seek clarification from the Management Board of Cabinet with respect to the approval not to tender for home oxygen provided that “total expenditures for the program should not exceed \$54.6 million annually.” Specifically, it should confirm whether the maximum can be exceeded due to an increase in utilization provided the increase can be funded internally within the Ministry and approved through a Treasury Board Order.

Status

The Program implemented a Vendor of Record (VOR) system on April 1, 2010, with 69 home oxygen vendors on the list. The VOR system requires vendors to report information on the type of oxygen systems they supply to clients. The Ministry indicated that since April 1, 2011, the Program has tracked this information to help it understand the cost of delivering home oxygen. As of June 2011, about 70% of 13,600 clients were using stationary concentrators with cylinders, but the Program had yet to collect information from about 20,400 other clients. As a result of the VOR system, the Program

has saved about \$2 million annually by more accurately capturing the start and end dates of home oxygen services to ensure that funding is initiated at the start of oxygen therapy and terminated when therapy stops.

Because the VOR system is relatively new, no changes in the service delivery model are currently envisioned. However, the Ministry indicated that it has begun a statistical review, to be concluded by April 2013, to provide baseline data for pricing updates.

In spring 2008, the Program undertook a review of home oxygen programs in other jurisdictions, paying particular attention to programs in Saskatchewan and Alberta. A second jurisdictional review was conducted in September 2010 to validate equipment and maintenance costs, as well as replacement periods. The review noted that the \$1,172 cost in Ontario for 90-day funding is very close to the \$1,208 in Saskatchewan and \$1,155 in Alberta. The Program will conduct pricing reviews and consider updating prices accordingly in April 2013.

The Ministry also sought and received approval from the Treasury Board Office to allow expenditures for the home oxygen program to exceed \$56.4 million annually, provided the increase can be funded internally by the Ministry and approved through a Treasury Board Order.

Pricing of Other Devices

Recommendation 2

To ensure that the cost of equipment paid for by the Ministry and its clients is competitively priced, the Ministry of Health and Long-Term Care should:

- *conduct regular pricing reviews for each device category and update Program-approved prices accordingly; and*
- *take volume discounts and technological advances into consideration when updating Program-approved prices.*

Status

The Ministry reviewed and updated Program-approved prices in several categories, including computer systems, mobility devices, orthotics, and ocular prostheses. Specifically, according to the Ministry:

- Program-approved prices for computer and related equipment in the Communication Aids and Visual Aids categories were reduced by about 60% effective January 1, 2011, to better reflect current market prices. The price cuts are expected to save the Program \$2.2 million annually.
- Effective April 1, 2011, Program-approved prices for mobility devices were revised, which should generate savings of about \$1.2 million a year.
- Program-approved prices for orthotics were increased effective April 1, 2011, based on information about material costs supplied by the Ontario Association of Prosthetists and Orthotists. The increases are expected to cost the Program about \$600,000 more a year.
- Effective April 1, 2011, Program-approved prices for ocular prostheses were increased after discussions with certified ocularists and with staff in other Canadian jurisdictions. The increases are expected to cost the Program about \$500,000 more annually.

Apart from the above pricing changes, Program staff also conducted jurisdictional reviews on insulin pumps and Continuous Positive Airway Pressure (CPAP) machines and concluded that no price changes were needed for these device categories.

The Program is currently conducting similar reviews of other high-volume, high-cost devices, and the Ministry expects to complete a review of all device categories by summer 2012. The review will include price comparisons with Alberta, Quebec, and Saskatchewan.

In addition, as part of the Modernization Project, the Program has engaged external experts to assist with a comprehensive funding model and pricing review of all device categories. The review

aims to identify ways to capture volume discounts, particularly for high-volume, high-cost device categories, which offer the biggest potential savings. The Ministry also advised us that the Program will in future conduct ongoing pricing reviews and comparisons with other jurisdictions.

VERIFICATION AND REVIEW PROCESS

Monitoring of Claims

Home Oxygen Claims

Recommendation 3

To ensure that funding for home oxygen is provided only to individuals who require it for medical reasons, the Ministry of Health and Long-Term Care should:

- *assess whether more stringent vendor oversight is required to ensure that the required periodic assessment tests are being appropriately conducted and reported, or, alternatively, consider the practicality of having independent respiratory therapists perform eligibility assessments, rather than vendors' staff; and*
- *establish procedures and assign clear responsibility for discontinuing home oxygen supply to clients who no longer meet the medical eligibility criteria.*

Status

The Ministry advised us that since 2008/09, the Program had recovered about \$485,000 from home oxygen vendors who continued to bill the Ministry after a client had died. In October 2010, the Ministry found more cases of overpayment, including clients who had died in long-term-care homes but who were still being funded for oxygen therapy, and the Program recovered about \$106,000 dating back to 2006. In the first half of 2011/12, the Ministry identified an additional \$132,000 for recovery, and in June 2011, a new information system—Assistive Devices Application Management—was launched that the Ministry expected would help detect similar claim anomalies in the future.

According to the Ministry, the new Vendor of Record (VOR) system for home oxygen services

included new mandatory requirements to ensure that funding would be provided only to eligible individuals. Specifically:

- In addition to the initial, 90-day, and one-year physical assessments, subsequent annual re-assessments will be required to confirm the client's ongoing need for oxygen therapy.
- The VOR system states that discontinuation of oxygen therapy is the responsibility of the client's physician and is based on the physician's assessment of a client's medical needs.

Mobility Aids—Scooter Claims; Hearing Aids—FM System Claims; Ostomy Supply Claims; and Insulin Pump and Supply Claims

Recommendation 4

To ensure that Assistive Devices Program funding for devices and supplies is provided only to individuals who are eligible for it, the Ministry of Health and Long-Term Care should:

- identify and investigate abnormal claim patterns through regular reviews;
- take action to deter authorizers or vendors who are suspected of abusing or misusing program funding, including suspending their registration with the Program and bringing the matter to the attention of the appropriate regulatory college or professional association where professional misconduct is suspected.

Status

The Ministry informed us that it has taken the following actions to ensure that Program funding for devices is provided only to eligible individuals:

- It launched a new information system, called Assistive Devices Application Management, in June 2011 to help detect abnormal claim patterns by examining claim patterns, authorizer–vendor links, and patterns within device categories.
- The Program has developed a Claims Verification and Review Policy, which requires regular reviews of claims and claim patterns for all device types.

- The Program worked with the Ministry's Accounting Policy and Financial Reporting Branch (Branch) in order to identify and investigate unusual claim patterns. The Branch indicated that it continues to review claims data. It also targets areas of high risk, and verifies and tests claims samples from all device categories.

The Ministry also indicated that the Program made changes to the way it handles claims for Frequency Modulated (FM) hearing devices after learning of the significant increase in such claims since 2006/07, as follows:

- In January 2009, the Program and the Ministry's Fraud Awareness and Management Unit developed the *FM System Review Work Plan* to prevent abuses by, among other things, making Claims Assessors and Program Coordinators responsible for monitoring and reviewing claims.
- Since 2009/10, the Program has recovered \$243,000 from eight vendors, and has identified an additional \$4.4 million from 40 vendors for potential recovery. There has also been a dramatic decrease in claims, from more than 5,000 in 2008/09 to about 1,000 in 2009/10.
- The eligibility criteria for FM systems were updated and stated clearly on the application form and in the administration manual for hearing devices.

Post-payment Review Process and Fraud Investigation

Recommendation 5

To more effectively identify abuses, recover overpayments, and deter misconduct, the Ministry of Health and Long-Term Care should:

- expand its efforts and resources to better monitor vendors' and authorizers' compliance with program policies and procedures;
- take timely corrective action to terminate agreements with vendors and authorizers who have clearly violated program policies;

- *work with the Ministry's Accounting Policy and Financial Reporting Branch to elevate staff risk-awareness and risk-assessment skills; and*
- *where there is clear evidence of potential misconduct, report its concerns to the appropriate regulatory associations or colleges, which are responsible for ensuring the public is protected.*

Status

The Ministry indicated that since July 2006, the Program had referred eight cases to the Ontario Provincial Police for investigation of suspected fraud. Three cases were closed without charges, one was resolved with \$560,000 recovered, one resulted in court-ordered restitution, and three were still under investigation. The Ministry's Accounting Policy and Financial Reporting Branch (Branch) said that from November 2009 to July 2011 it had recovered \$1.8 million in overpayments.

The Ministry took action where there was evidence of potential misconduct and violation of Program policies by vendors and authorizers: see the status of Recommendations 6 and 9.

The Branch provided risk management and fraud awareness training sessions in September 2010 to Program staff, and additional risk management training for new staff was scheduled in July 2011. The Ministry informed us that other training will be offered in future on an ongoing basis to provide Program staff with specific learning and training opportunities to improve verification and claims review.

CONFLICT OF INTEREST

Recommendation 6

To deter potential conflict of interest as well as the misuse and abuse of program funding, the Ministry of Health and Long-Term Care should:

- *more closely monitor vendor billing patterns and, particularly when claims have increased dramatically, consider investigating the various*

parties for evidence of inappropriate authorizing or billing practices;

- *terminate agreements with vendors and authorizers who breach the Program's conflict of interest policies; and*
- *inform the appropriate regulatory college or professional association of any health-care professionals whose behaviour or practices put the public at risk of harm.*

Status

The Program has strengthened its Conflict of Interest Policy and Procedures for Managing Breach of ADP Vendor and Authorizer Agreements, which specifies the process leading up to suspension and/or termination of contracts with vendors and authorizers after the Program has identified a breach of contract. The new procedures were posted on the Program's website in November 2010, and notices were mailed to all registered vendors and authorizers. The Program has also designated staff to respond to inquiries about conflict of interest.

In June 2011, a new information technology system, Assistive Devices Application Management, was launched to help detect abnormal claim patterns. The system generates regular reports on claim patterns, authorizer–vendor links, and patterns within device categories. According to the Deputy Minister's presentation to the Standing Committee on Public Accounts in November 2010, the full benefits of the new system will likely become apparent only in early 2012. At that time, the Program will be in a better position to conduct a quantitative benefit analysis.

The Ministry indicated that although the Program has not referred any case of professional misconduct to any regulatory college since 2008, matters related to fraudulent billings by vendors have been referred to the Ontario Provincial Police. The Program has conducted regular reviews to ensure that contractual commitments with authorizers are enforced. As a result of the reviews in February and May 2011, the Program terminated

authorizer agreements with seven physiotherapists, 35 occupational therapists, and 21 audiologists who were not in good standing with their regulatory colleges.

RECYCLING AND REFURBISHING INITIATIVES

Recommendation 7

To achieve cost savings and protect the environment, the Ministry of Health and Long-Term Care should consider the feasibility of implementing a strategy to recycle and refurbish used manual wheelchairs based on the experience of other jurisdictions that have successfully adopted such a strategy.

Status

The Program reviewed recycling programs in other jurisdictions and determined that their administrative and service delivery models vary widely. According to the Ministry, no single recycling model that is in use elsewhere would completely meet Ontario's needs, given the broad range of wheelchairs and seating devices funded by the Program in this province.

In order to determine the potential market for recycled wheelchairs in Ontario, the Ministry has entered into an agreement with the Canadian Red Cross to run the Manual Wheelchair Recycling Pilot Project, launched on June 30, 2011, to assess the availability of certain types of manual wheelchairs for recycling. Although these wheelchairs would be collected across the province, they would be distributed only in the Hamilton region. The Program will assess the pilot project's effectiveness after one year.

RECOVERY OF OVERPAYMENTS

Recommendation 8

To ensure that Assistive Devices Program grants are administered economically, the Ministry of Health and Long-Term Care should recover overpayments on

a timelier basis and expedite the recovery of overpayments made since 2005.

To ensure that funding for devices is not duplicated at taxpayers' expense, the Ministry of Health and Long-Term Care should re-institute an information-exchange agreement with the Workplace Safety and Insurance Board and initiate an agreement with the Department of Veterans' Affairs as has been recommended by the Ministry's Fraud Programs Branch.

Status

The Ministry indicated that since 2008/09, the Program has recovered about \$334,000 from the Workplace Safety and Insurance Board (WSIB) related to duplicate funding for hearing aids. The Ministry also signed an information-sharing agreement with the WSIB in summer 2011.

The Program continues to recover funds from the WSIB when it has been determined that a client is eligible for WSIB funding for a hearing aid due to a workplace-related injury, and it has been in discussions with Veterans Affairs Canada (VAC), which is willing to develop an information-sharing agreement. The Program has implemented new forms that require a client to indicate whether he or she is eligible for WSIB or VAC benefits. If the client indicates eligibility for either, the Program will reject the claim and refer it accordingly. All new forms also seek client consent to allow the Program to share information with the WSIB and VAC.

REGISTRATION OF AUTHORIZERS

Recommendation 9

To lower the risk of assistive devices being approved for funding by authorizers who are not properly registered with the Program, the Ministry of Health and Long-Term Care should:

- *generate links with the professional colleges to enable ongoing monitoring of authorizers' status; and*
- *follow up on those authorizers who do not submit the required Information Update Forms.*

Status

The Ministry indicated that it took the following measures to reduce the risk of devices being approved for funding by authorizers improperly registered with the Program:

- The Program met with regulatory colleges and signed information-sharing agreements representing more than 99% of the Program-registered authorizers. The Program will manually verify the status of those authorizers not covered by an information-sharing agreement by checking the respective regulatory college website.
- The Program regularly reviewed compliance with authorizer agreements. Previously, the Program used to send out Authorizer Confirmation Notices every three years, requesting that authorizers confirm their status as members in good standing of their regulatory colleges. Such confirmation will now be required at least once every year. Failure to meet this requirement may lead to suspension or termination of authorizers' registration with the Program.
- The Program posted a new Authorizers' Roles and Responsibilities document on its website in January 2011. The document collects in one place all of the information contained in program manuals and agreements that pertain to authorizers' roles and responsibilities.

Status of Actions Taken on Standing Committee Recommendations

Information provided to us by the Ministry indicated that significant progress had been made in addressing most of the concerns raised by the Committee in November 2010, but the Ministry acknowledged that it will take additional time to fully address all of them. The status of action taken

on each recommendation at the time of our follow-up was as follows.

VOLUME DISCOUNTS

Committee Concern 1

The Auditor should examine what progress the Ministry has made in capturing volume discounts while still addressing issues related to providing equitable access to the Program across Ontario. If the Ministry is not yet capturing these discounts, it should explain to the Auditor its plan for doing so, including a timeline.

Status

This was addressed in the Status section of our Recommendation 2.

INTER-JURISDICTIONAL PRICE COMPARISONS

Committee Concern 2

The Auditor should assess whether the Ministry is conducting inter-jurisdictional price comparisons in major device categories besides home oxygen pricing. The Ministry should, for example, provide documentation of price comparisons made for various device groups.

Status

This was addressed in the Status sections of our Recommendations 1 and 2.

IT SYSTEM

Committee Concern 3

The Auditor should determine whether the Ministry is meeting its deadlines for implementation of its new IT system and whether the new system is helping to reduce the amount of time required to process applications.

Status

This was addressed in the Status sections of our Recommendations 3, 4, and 6. The Ministry met

its deadline for implementation of a new IT system in June 2011 with Assistive Devices Application Management. According to the Ministry, the new system is expected to reduce data entry time and errors with category-specific, consistent, and easy-to-use forms. It should also help reduce assessment times. Given the newness of the system, actual performance could not be assessed at the time of our follow-up.

CLAIMS BACKLOG

Committee Concern 4

The Auditor should determine whether the Program met its January 2011 deadline to begin making progress on eliminating its claims backlog and also determine the Program's progress in achieving its targeted six to eight week processing timeframe.

Status

A claim-processing backlog developed in 2010 following a 62% increase in demand, aggravated by process issues and a staff shortage. In September 2010, the Program began to track claim-processing times and found that, since March 2011, the Program has been processing claims for major

device categories within the approved service standard of six to eight weeks.

According to data provided by the Program, average claim-processing times for all major and high-volume device categories have been reduced significantly, from over 10 weeks during summer 2010 to five weeks or less in May 2011. For example, average claim-processing time for home oxygen dropped from 23 weeks to three; for mobility aids, from 20 weeks to two; for respiratory devices, from 15 weeks to four; and for hearing aids, from 12 weeks to five.

INCREASED AUDITING AND EVALUATION OF VENDORS

Committee Concern 5

The Auditor should assess whether the Ministry has implemented strengthened procedures to prevent and detect potential program abuses through increased auditing and monitoring of vendors and vendor billing patterns.

Status

This was addressed in the Status sections of our Recommendations 4, 5, and 6.