

3.10—Assistive Devices and Home Oxygen Programs

BACKGROUND

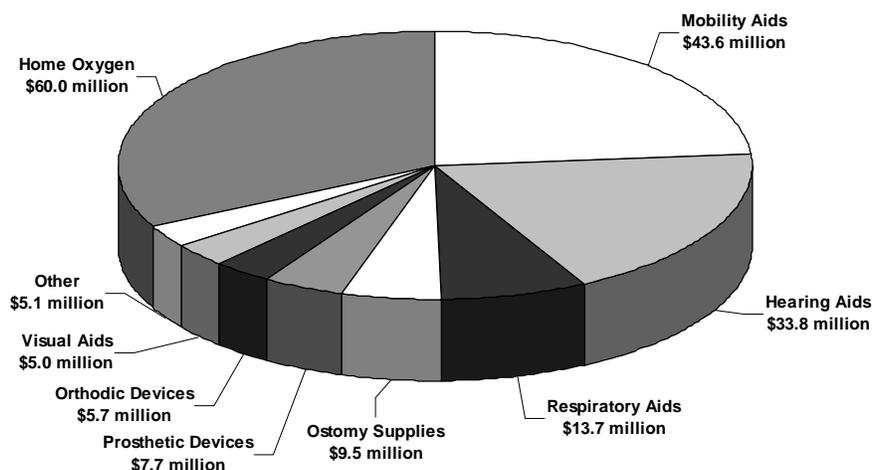
The Assistive Devices Program and the Home Oxygen Program are administered by the Operational Support Branch (Branch) of the Ministry of Health and Long-Term Care. According to the Ministry, the objective of both programs is to “financially assist Ontario residents with long-term disabilities to obtain basic, competitively priced, personalized assistive devices appropriate for the individual’s needs and essential for independent living.” Both programs are funded under the *Ministry of Health Act*. Devices covered by the programs “are intended to give people increased independence and control over their lives. They may allow them to avoid costly institutional settings and remain in a community living arrangement.”

Currently, the Assistive Devices Program provides funding for equipment and supplies for eligible individuals in 11 device categories. The Program pays up to 75% of the cost of equipment such as artificial limbs, orthopedic braces, wheelchairs, breast prostheses, and breathing aids. For hearing aids, it contributes a fixed amount. The Program also provides annual grants directly to individuals for ostomy supplies and to insulin-dependent seniors for certain supplies.

The Home Oxygen Program pays 100% of the cost of oxygen and related equipment for seniors as well as for individuals on social assistance, receiving home care, or residing in a long-term care facility. For all other eligible individuals, the Program pays 75% of the cost.

During the 2000/01 fiscal year, the Ministry provided financial assistance totalling approximately \$184 million to 176,000 individuals. In addition, the Ministry provided approximately \$8 million to transfer-payment agencies for services relating to assistive devices.

Assistive Devices and Home Oxygen Programs Expenditures, 2000/01



Source: Ministry of Health and Long-Term Care

AUDIT OBJECTIVES AND SCOPE

The objectives of our audit of the Assistive Devices and Home Oxygen programs were to assess whether the Ministry had adequate policies and procedures in place to:

- ensure that resources were managed with due regard for economy and efficiency;
- ensure that claims were properly approved, processed, and paid; and
- measure and report on the effectiveness of these programs.

Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances. Prior to the commencement of our work, we identified the audit criteria that would be used to address our audit objectives. These criteria were reviewed and agreed to by senior ministry management.

In conducting our audit, which was substantially completed by March 2001, we interviewed staff and reviewed the operation of the Operational Support Branch in Toronto as well as related operations at the Supply and Financial Services Branch in Kingston. We also obtained information on comparable programs in other jurisdictions.

The work of the Ministry's Internal Audit Services did not affect the extent of our audit work because it had not issued any recent reports on the Assistive Devices or Home Oxygen programs.

OVERALL AUDIT CONCLUSIONS

The Ministry needed to better ensure that resources were managed with due regard for economy and efficiency. Specifically, the Ministry did not have adequate procedures to ensure that it was paying the best prices. In particular, we noted that:

- The Ministry had still not fully met its 1996 commitment to determine whether assessments by independent health-care professionals rather than individuals employed by oxygen vendors were cost effective for the Home Oxygen Program. Ministry-initiated independent research indicated that 41% of approved renewals for home oxygen “met no criteria for home oxygen” and that “it would appear that substantial savings could accrue from the implementation of a standardized, independent assessment of those applying for home oxygen.” If independent testing confirms these research results, the Ministry could save over \$5 million annually by reducing by one-half the number of renewals that do not meet the criteria that were in place during the study.
- While the Ministry had recently negotiated a 10% reduction in the price paid for home oxygen, the Ministry could save in the order of \$3 to \$5 million in the 2001/02 fiscal year if home oxygen vendors in Ontario were paid the same price for oxygen as vendors were paid in Alberta.
- The Ministry had not ensured that it was paying competitive prices for devices funded under the Assistive Devices Program. For three commonly purchased wheelchairs, the Ministry would have saved approximately \$1.9 million annually if it had paid the same price as Quebec.
- The effectiveness of the verification letter process used to detect incorrect and false billings had significantly deteriorated since our 1996 audit.
- The Ministry was not adequately ensuring that transfer-payment agencies funded by the Assistive Devices Program were providing services economically and efficiently.

The Ministry generally had adequate procedures in place to ensure that claims were properly approved, processed, and paid. However, we noted that the Ministry did not have adequate procedures in place to identify and recover any payments made on behalf of individuals who were deceased.

The Ministry needed to improve its procedures for measuring and reporting on the effectiveness of the Assistive Devices and Home Oxygen programs by:

- ensuring that its information systems provide accurate and timely reports on all key performance measures; and
- reinstating the standing committees that provide technical advice to the Branch for all major assistive device categories.

DETAILED AUDIT OBSERVATIONS

MANAGEMENT OF RESOURCES

Home Oxygen Program—Eligibility

During the 2000/01 fiscal year, the Home Oxygen Program provided financial assistance to over 21,000 home oxygen users. To be eligible for financial assistance, an individual must have a chronic illness that requires long-term oxygen therapy. For continued coverage, an individual must reapply annually.

OXIMETRY TESTS

First-time applicants over the age of 18 are required to have an arterial blood gas test to determine eligibility for funding. Children and renewal clients can submit results of an oximetry test, which is less accurate than a blood gas test. At least two other provinces that fund home oxygen programs accept only oximetry tests done by regional health authority employees and, in some cases, home care nurses, both of whom are independent of the vendors. In one province, blood gas tests were required for first-time applicants and renewals. Oximetry test results were accepted only in exceptional circumstances.

Branch staff advised us that first-time applicants typically are individuals that have been recently released from a hospital after an acute illness and have unstable breathing patterns. Although their condition may stabilize in a few months, and their breathing may improve, retesting is not done until after one year. At least three other provinces retest oxygen recipients after three or four months. Two of these provinces do not require testing to renew funding if the individual was stable when last tested and clearly met the criteria for funding. In that regard, we noted that in January 2001, the Medical Criteria Task Force recommended that the Home Oxygen Program should require an arterial blood gas test for all new program applicants at three months in order to prevent the inappropriate use of long-term oxygen therapy. We understand that further work is being undertaken to assess the impact of this recommendation.

In our *1996 Annual Report*, we noted that, in Ontario, oximetry tests are usually performed by individuals employed by home oxygen vendors. We recommended that, to ensure home oxygen is provided only to eligible individuals, the Ministry implement guidelines for conducting independent medical tests to determine eligibility. In response, the Ministry stated that, by the fall of 1996, it expected draft guidelines to be in place and that it would be conducting pilot projects to determine whether assessments by independent health-care professionals were cost effective. In its 1996/97 Annual Report, the Standing Committee on Public Accounts recommended that it be provided with the results of these pilot projects.

In 1997, medical researchers were engaged by the Ministry to determine the proportion of people already receiving home oxygen who met the eligibility criteria of the Home Oxygen Program by independently assessing their oxygen requirements. The Branch's current medical criteria are based on the oxygen needs of a person at rest, not at the time of exertion or sleep. However, exceptions are permitted. For example, individuals may receive funding if they can demonstrate improved endurance during exercise with the use of oxygen or a significant need for oxygen during sleep. However, the Branch did not have clear criteria, guidelines, or

definitions to address these situations. We noted that at least four other Canadian provinces have developed clear criteria for funding home oxygen needed during exercise or sleep.

The researchers assessed the oxygen needs of a sample of individuals who had been receiving home oxygen for more than 12 months and, in 1998, reported that 41% “met no criteria for home oxygen.” The report also stated “it would appear that substantial savings could accrue from the implementation of a standardized independent assessment of those applying for home oxygen.” If independent testing confirms these research results, the Ministry could save over \$5 million annually by reducing by one-half the number of renewals that do not meet the criteria that were in place during the study.

In March 2000, the Branch provided funding to the medical researchers for the purpose of conducting a trial program whereby a sample of oximetry tests performed by individuals employed by oxygen vendors are to be re-performed by individuals independent of the vendors. This trial is to be completed by December 2002. In the meantime, six years will have elapsed since we first raised this issue, and four years will have elapsed since medical researchers confirmed that there was a serious problem.

Recommendation

To help ensure that funding for home oxygen is provided only to individuals who meet the Ministry’s eligibility criteria, the Ministry should:

- **assess whether blood gas tests should be used rather than oximetry tests;**
- **assess whether to retest home oxygen recipients earlier than a year from the time an individual begins receiving home oxygen; and**
- **establish clear criteria, guidelines, or definitions to address situations where individuals are experiencing low oxygen levels during exercise or sleep.**

Ministry Response

Whether to use arterial blood gas tests or oximetry was considered by program staff in consultation with the Medical Criteria Task Force in 1995. The task force, re-established in May 2000, began a re-evaluation of this issue. The Home Oxygen Program will consider the task force’s recommendations along with relevant factors, such as availability, applicability, invasiveness, and health-system impacts.

The 1998 pilot study did suggest that there may be savings if an alternative assessment model to the one currently in place was used. However, the potential savings are unclear as the study also indicated that it was unknown whether applying this methodology would result in higher utilization of physician services, emergency visits, or hospital admissions. The Program expects to receive recommendations on earlier retesting from its advisory committees in fall 2001 and will reassess its current practice at that time.

The Medical Criteria Task Force is assessing criteria for individuals experiencing low oxygen levels during exercise or sleep. The Program will

then determine whether implementing general criteria is a better approach than the current method of individual clinical review of these cases.

Ostomy Grants

Individuals with permanent ostomies (surgical openings required when a person has lost normal bladder or bowel function) are eligible to receive grants from the Assistive Devices Program for the purchase of related supplies. Since 1993, individuals have been eligible to receive \$600 per year for each ostomy, up to a maximum of three ostomies. Residents of long-term care facilities or individuals receiving social assistance are eligible for \$800 per ostomy.

Prior to 1993, the Program paid 75% of the cost of ostomy supplies. According to branch staff, individuals who were receiving a higher level of funding prior to 1993 were allowed to continue receiving the additional funding indefinitely if need could be demonstrated. Persons who became eligible for funding after 1993 cannot obtain more funding than the stated maximum.

In the 1999/2000 fiscal year, 181 pre-1993 recipients received grants totalling \$190,000 more than if the maximum limits had been applied. Of those, 13 people were receiving more than \$2,500 per ostomy annually, and one person was receiving \$7,830 for one ostomy.

The Branch informed us that a medical specialist had been hired in 1995 to conduct needs assessments for pre-1993 individuals who stated that they required the additional funding. However, the Branch could not provide us with any documentation to indicate the results of the 1995 assessments.

Recommendation

To ensure that payments for ostomy supplies over the maximum amount are warranted, the Ministry should, at a minimum, assess the current needs of individuals receiving significantly more funding than the current maximum grants.

Ministry Response

Typically, ostomy patients' needs do not decline over the years, and ostomy supplies have not reduced in price. One would not expect significant changes in these individuals' requirements since their earlier assessments. Nevertheless, staff will reassess current ostomy product requirements for those individuals receiving significantly higher grants.

Replacement Devices

The Branch has established replacement periods for all devices, based on an estimate of the useful life of the device. Certain devices may be replaced earlier if the user of the device experiences a change in medical condition, growth, or atrophy that prevents the individual from effectively using the device. The reasons for early replacement must be documented.

At our request, the Branch compiled information for the 2000/01 fiscal year on the replacement of a sample of devices from four major categories (hearing aids, mobility aids, respiratory devices, and prostheses). The results indicated that, on average, over half of the devices were replaced earlier than their established replacement periods.

Recommendation

To better ensure that devices are only replaced when justified, the Ministry should review the reasonableness of its established replacement periods, particularly for those devices that are often being replaced early.

Ministry Response

The Ministry will review established replacement periods for devices. The Ministry is establishing four standing committees that will be operating by the fall of 2001. A component of their mandate will be to provide advice to the Assistive Devices Program regarding the appropriateness of the current replacement periods for devices.

Computer Purchases

The Assistive Devices Program provides funding for the purchase of computer equipment to be used as communication aids or aids for the visually impaired. While there is no requirement to purchase from a vendor registered with the Program, only devices approved by the Program are eligible for funding, and the purchase price is not to exceed pre-established approved amounts.

We reviewed the supporting documentation for a representative sample of reimbursements for computer purchases and related supplies. We noted that it was difficult to determine whether individuals had received the prescribed devices because invoices from unregistered vendors typically did not include a detailed description of the items sold. We also noted that:

- Twenty percent of invoices reimbursed by the Program included devices that were not approved for funding (for example, a compact disc writer and fax machine).
- The total funding approved for each application was set too high in 80% of the cases we reviewed. Every application includes a detailed list of prescribed equipment and accessories, each of which has an individual maximum price. One would have expected that the total approved funding would not exceed the sum of individual maximum prices. However, in most cases, the total approved amount was higher than necessary. As a result, 30% of payments exceeded the sum of the individual maximum prices without being detected by the Branch.

Although individuals requesting funding must submit, at a minimum, a price quotation from an equipment pool funded by the Ministry, only 10% of the purchases we reviewed included that quotation. There were no other quotations provided for the other 90%.

Recommendation

To help ensure that the Assistive Devices Program is paying competitive prices for computer equipment, the Ministry should:

- pay only for approved devices;
- review the approved amount and pay only what is necessary; and
- ensure clients provide, at a minimum, one price quotation from the ministry-funded equipment pool or another supplier.

Ministry Response

Procedures for processing invoices now include checking the computer system for the approved claim, individual eligible items, codes, and maximum amounts before payment is made. Where there are discrepancies, invoices are placed on hold and program staff sends them back to vendors for correction.

Training will be implemented on existing program policies for approving invoices for payment to ensure that these procedures are understood by staff and are followed consistently.

Where competitive prices have not been provided by clients, senior management of the program will institute other methods to ensure that the Assistive Devices program prices reflect current market values.

Approval of Devices for Coverage

The Branch provides financial assistance only for the purchase of devices listed in the Assistive Devices program catalogue. However, documented procedures for including new devices in the catalogue existed only for some categories of devices—for example, wheelchairs and hearing aids. In 2000, a consultant hired by the Branch to conduct an operational review recommended introducing a consistent and well-communicated policy for adding and deleting products in the catalogue.

Although the Branch had no documented policies or procedures for including in the catalogue categories of devices such as respiratory aids, prostheses, or orthotics, branch staff explained that devices in those categories were also scrutinized before inclusion, although the process was not formalized.

We selected a sample of hearing aids, wheelchairs, and respiratory devices added to the catalogue during the 1999/2000 and 2000/01 fiscal years. All the devices we reviewed had undergone an evaluation process.

Recommendation

To help ensure that only appropriate devices are funded under the Assistive Devices Program, the Ministry should document procedures for the inclusion of all new devices in each category in the Program's catalogue.

Ministry Response

The Assistive Devices Program has now updated and documented procedures for adding and removing devices from the catalogue in all categories. The Assistive Devices Program is in the final stages of receiving approval for these procedures, which are to be implemented in the fall of 2001.

Pricing

HOME OXYGEN PROGRAM

There are three methods of providing home oxygen to individuals: liquid oxygen; concentrators; and cylinders. In general, liquid oxygen is a more expensive method of oxygen delivery than concentrators. In our 1996 report we recommended to the Ministry that it should reduce home oxygen expenditures by reviewing the costs related to oxygen concentrators and liquid oxygen and consider more cost-effective alternatives before paying the liquid oxygen rate. At that time the Ministry was paying \$526 a month per person for liquid oxygen and \$347 for concentrators. The Ministry responded that it would initiate a review of the rates in preparation for the renegotiation of the pricing agreement due to expire March 31, 1998.

However, subsequent to our audit, the Ministry renegotiated the contract, which resulted in a single rate for liquid oxygen and concentrators of \$425 per month per person, with a \$25 premium to northern suppliers. This rate came into effect on April 1, 1997 and was in place until February 2001.

In its 1996/97 Annual Report, the Standing Committee on Public Accounts recommended that “the Committee should be provided with the results of the independent audit of home oxygen costs and prices as soon as they become available.” In 1998, the Ministry hired an independent consulting firm to review the costs incurred by Ontario vendors for providing oxygen and related services and supplies. The consulting firm’s report, which was completed in September 1998, stated that “Ontario home oxygen vendors generate returns on average that significantly exceed general benchmarks from other jurisdictions.”

The Ministry has negotiated a new three-year contract for home oxygen effective February 2001. This agreement was approved by the Management Board of Cabinet in December 2000. We were pleased to note that the 2001/02 rate paid for home oxygen represents approximately a 10% reduction from the previous rate. The new rate for the 2001/02 fiscal year is \$383 per month per person, with a \$25 premium for northern suppliers. For the subsequent two years, the rate paid by the Ministry will be dependent on whether agreed-to utilization targets are reached. The Ministry’s target is to reduce annual expenditures for home oxygen from the current level of \$60 million to \$54.6 million.

In reviewing the rates paid by other provinces, we noted that the only other province that paid a flat monthly rate was Alberta. Alberta’s rate was \$275 per month with a \$25 premium for rural suppliers. We reviewed the Ministry’s analysis of Alberta’s rate and found that, after making adjustments to improve comparability, Alberta’s rate was approximately 10% lower than the new rate negotiated by Ontario. We estimated that a similar price in Ontario would result in additional savings in the order of \$3 to \$5 million during the 2001/02 fiscal year.

The consultant's report also noted that the method of oxygen delivery plays a role in the delivery cost. As noted earlier, liquid oxygen is a more expensive method of providing oxygen than concentrators. However, with the introduction of a single rate in 1997, any financial benefit realized from a reduction in the usage of liquid oxygen would not benefit the Ministry. We were advised that, accordingly, the Ministry no longer tracked oxygen use by delivery method.

According to the Ministry, a concentrator currently costs between \$1,200 and \$1,800 to purchase. As we noted in our 1996 Annual Report, concentrators generally last from five to seven years. While the total revenue that a vendor receives for a concentrator lasting five years is approximately \$22,000, the Ministry had not assessed whether it was paying a reasonable amount, taking other service-related costs into account.

Recommendation

To better ensure that the prices it is paying for home oxygen are reasonable, the Ministry should:

- **consider tendering for home oxygen on a test basis in larger urban centres;**
- **closely monitor oxygen prices being paid by other provinces to ensure Ontario's higher volumes are reflected in the comparative rates being paid; and**
- **determine whether paying a single flat rate is more economical than negotiating different rates for liquid oxygen and concentrators.**

Ministry Response

As a result of the new contract, the Ministry will have reduced expenditures on home oxygen by approximately 35% over the last decade.

Options around tendering were considered on a number of occasions since the 1996 audit of the Home Oxygen Program. In the spring of 2000, a policy decision was made to proceed with negotiations with the home oxygen vendors rather than tendering, and the Management Board of Cabinet approved the current negotiated agreement. The Ministry believes the agreement with home oxygen vendors achieves the best balance of quality, service, and price. The Ministry will assess the viability of tendering in larger urban centres prior to the termination of the current agreement.

The Ministry believes the current agreement reduces the home oxygen rate to a level that is consistent with other provincial jurisdictions' reimbursements for home oxygen services, given that the Ontario rate provides for client assessment by professionals, case management, set-up costs, and necessary supplies. The Ministry will continue to monitor rates being paid by other provinces and ensure this information is utilized in negotiating and/or tendering future oxygen contracts.

In the past, the Ministry had in place a differential pricing structure for liquid oxygen versus concentrators. The Ministry adopted a single, lower price for

both modalities because it felt this would encourage an appropriate split between the provision of liquid oxygen and concentrators. The Ministry is willing to re-examine the issue as the current agreement comes to an end.

ASSISTIVE DEVICES PROGRAM

Ontario is likely the largest volume purchaser of many assistive devices in Canada. As such, it should be able to negotiate extremely competitive prices. However, the Branch does not have a process that ensures that the prices it pays are competitive. At the time of our audit, the approved prices for most assistive devices had been set in 1993 and had not been reviewed since. We understand that the prices were set by grouping similar types of devices and setting one maximum price for the entire group using manufacturers' catalogue prices and applying a mark-up for suppliers.

To determine the reasonableness of prices paid by the Assistive Devices Program, we reviewed a sample of the pricing documents submitted with new devices, obtained comparable prices from other jurisdictions, and obtained published prices for certain devices offered to non-program clients. We noted that the Branch had not determined whether the prices being paid were reasonable and was paying more than current market prices for certain types of devices. For example:

- The Assistive Devices Program is paying 58% to 77% more than Quebec for three types of wheelchairs commonly sold in Ontario to program clients. If Ontario paid the same price as Quebec for those three devices, the Ministry would save approximately \$1.9 million annually.
- Twenty-five percent of a sample of new wheelchairs added to the list of approved devices in the last 16 months were assigned maximum prices that exceeded the manufacturers' suggested retail prices by as much as 81%. Almost all vendors selling these devices were charging the Branch the maximum price.
- The most common respiratory devices paid for by the Assistive Devices Program are Continuous Positive Airway Pressure Systems (CPAPs). In the 2000/01 fiscal year, the Program paid over \$12.7 million for 10,700 CPAPs. The Program pays 75% of the cost of CPAPs based on a maximum selling price of \$1,600, which applies to all models approved by the Program. We were advised that similar devices were being purchased in Alberta for \$485 and in Saskatchewan for \$480. However, Ontario's price included the cost of a humidifier, mask, and headgear while the prices for other provinces did not. Both Alberta and Saskatchewan obtained their prices for CPAPs through tenders with the manufacturers. The Branch had not determined whether the price it was paying was reasonable compared to prices paid in the other provinces.
- At the time of our audit, we obtained market prices for computer equipment from two manufacturers from their respective Internet Web sites and compared them to maximum Assistive Device program prices. We found that program prices for desktop and laptop computers with printers were approximately \$1,000 more than market prices.

Recommendation

To help ensure that it is paying competitive prices for the devices funded under the Assistive Devices Program, the Ministry should:

- conduct a comprehensive review of the prices listed for all devices covered by the Assistive Devices Program; and
- obtain competitive bids from manufacturers or suppliers for devices that are similar in nature.

Ministry Response

The Assistive Devices Program is developing a new pricing framework to be complete by December 31, 2001. The framework will include procedures to review and update prices across all device categories. The program will target those areas noted in the audit for initial review. Future cost-management strategies will include consideration of introducing new equipment pools and competitive pricing for appropriate devices.

Verification of Claims

One program risk is that claims may be submitted for which no assistive device or oxygen was ever provided. Over the past five years, the proportion of claims submitted by vendors on computer disks rather than on paper invoices increased from 15% to 60%. This factor has increased the risk of paying for devices or services that have not been provided.

In our 1996 Annual Report, we noted that the Branch addressed that risk by routinely verifying claims for all device categories by sending letters to a sample of individuals receiving benefits and to their physicians. These verification letters alerted the Branch to incorrect and false billings, resulting in a number of vendors being successfully prosecuted for fraud.

However, during our current audit, we found that the Branch was sending verification letters only to individuals receiving home oxygen and to the physicians of ostomy grant recipients. The other device categories, which represented approximately 60% of all payments for claims made in the 1999/2000 fiscal year, were excluded from the verification process.

In addition, for claims submitted on computer disks, vendors are required to keep the original signed documentation on file for ministry inspection for seven years. However, branch staff informed us that there had been no inspections of documentation maintained by vendors in the last three years.

Although we found the verification process for ostomy grants to be generally well managed and controlled, we had significant concerns regarding the home oxygen verification process. In particular, we noted that letters sent and responses received were not tracked. Accordingly, the Branch did not know how many letters had been sent or what the response rates were. We also noted that:

- The Branch had performed little or no follow-up on reported discrepancies, recipients who did not respond, or letters that were returned unopened.

- The verification letters did not contain sufficient detail to allow the Branch to determine whether all services and equipment paid for had been actually provided.

Recommendation

To better ensure that individuals have actually received the devices and services paid for under its Assistive Devices and Home Oxygen programs, the Ministry should expand its verification letter process to cover all assistive device categories. The Ministry should also:

- track verification letters sent and replies received;
- follow up on any discrepancies or non-replies on a timely basis; and
- ensure that verification letters include sufficient detail to allow the Ministry to determine whether vendors are providing all the services and equipment required under their contracts.

For claims submitted on computer disks, the Ministry should periodically inspect signed invoices maintained by the vendors.

Ministry Response

Although the Assistive Devices and Home Oxygen programs have verification policies and procedures in place and have historically routinely audited all device categories through verification letters, recent staffing shortages have forced the program to focus on a few categories. With new staff on board, the Co-ordinator, Audit and Quality Assurance has, over the past few months, re-established the verification and tracking processes that were on hold. The Assistive Devices and Home Oxygen programs are currently establishing performance objectives that include monthly and annual letter-verification targets. The performance objectives will include a regular schedule of site visits with some of the larger vendors. Regular reports are now being provided to management, identifying cases referred to the Ministry's Fraud Program, the number of recoveries anticipated, and recoveries actually received.

Accountability of Transfer-payment Agencies

The Assistive Devices Program annually provides funding totalling approximately \$8 million to various transfer-payment agencies. These include:

- the Canadian Diabetes Association for the purchase and distribution of blood-glucose monitors and testing strips;
- four centralized equipment pools to purchase certain high-cost devices to lease to individuals that need those devices; and
- seven augmentative communication centres (ACCs) that assess the needs of individuals for communication aids.

Based on the contracts we reviewed, all agencies were required to submit:

- an annual budget three months prior to the beginning of the fiscal year;
- an annual statement of actual revenues and expenditures three months after year-end, or every six months for ACCs; and
- progress reports on the outcomes expected by the agency every six months.

Overall, the Branch was not receiving information that was sufficient, appropriate, or timely enough to allow it to make informed funding decisions. Specifically, we found that:

- For the 1999/2000 fiscal year, only one agency had submitted a budget by the required deadline; six others were late, and five agencies never submitted a budget. The Branch took an average of eight months to review and approve the budgets that had been submitted.
- Funding for ACCs was historically based and has remained unchanged since 1991. We found no evidence to indicate that funding was prioritized or allocated based on outcomes or the efficient and effective use of resources. Comparing the costs of agencies providing similar services can assist in detecting funding inequities and in identifying whether services are being provided economically and efficiently. For example, we analyzed the funding provided to ACCs on the basis of the number of individuals assessed annually, and found that, during the 1999/2000 fiscal year, the costs to provide services ranged from \$600 per client to \$2,300 per client.
- None of the ACCs met their reporting requirements for the 1999/2000 fiscal year or for the first half of the 2000/01 fiscal year. Two agencies had not submitted expenditure reports since the 1998/99 fiscal year, and five had not submitted any since the 1997/98 fiscal year. We found no evidence to indicate that the Branch had reviewed any of the reports that had been submitted.
- The agencies were not required to submit audited financial statements for the operations funded by the Branch. Furthermore, the Branch had not performed any independent verification to support any figures reported.

Recommendation

To help ensure that transfer-payment agencies funded by the Assistive Devices Program are providing services economically and efficiently, the Ministry should:

- ensure that it receives sufficient and appropriate financial information for assessing whether funds are being used for the purposes intended;
- ensure that the distribution of funds is commensurate with the value of services provided; and
- compare the costs to provide services among similar agencies.

Ministry Response

The Program is now using the Budgeting and Reporting Guidelines for Transfer Payment Agencies, which include requirements for the information noted in the recommendation. The service agreement used with agencies is being updated and additional reports have been added to provide more detail

on what services clients are being provided for funds received. The Program will use the information from periodic reports received from the agencies to determine future funding requirements. Training sessions have been established with these agencies for fall 2001 to review the budget-submissions process and new reporting requirements and analyses. The additional information required will enable a better cost comparison among similar agencies.

Consulting Services

The Branch paid a total of \$2.2 million to three information-technology consultants over a nine-year period (April 1, 1992 is the earliest date for which expenditure data are still available). Two of the consultants had been providing services on a full-time basis since 1989. While the third began on a full-time basis in 1992, the consultant was working only occasionally at the time of our current audit. The services of one of the consultants had not been re-tendered since originally acquired in 1992. Instead, the contract had been extended a total of 15 times. The Branch was not able to provide any documentation to justify not acquiring these services competitively.

The contracts for these consultants indicated that they had been hired to perform services of an ongoing nature. This included “full-time ongoing systems support and development,” including the maintenance of system integrity, system documentation, and providing regular operational reports. The consultants were paid \$400 to \$470 per day, which is at least 40% more than amounts paid to government employees doing similar work in other government programs.

Recommendation

To better ensure that value for money is received when engaging consultants, the Ministry should ensure that:

- consultants are engaged through a competitive process; and
- long-term needs are addressed by hiring employees rather than engaging consultants at a rate of remuneration significantly exceeding the amounts paid to government employees performing similar duties.

Ministry Response

The information-management system known as Themis that consultants are working on is critical to the daily operations of the Assistive Devices and Home Oxygen programs. The programs have attempted to hire permanent staff on a number of occasions. The current upgrading of both the hardware and software and the conversion of the existing database will increase the stability and viability of the Themis system and, it is hoped, will make it easier to recruit staff. The goal is that, by June 2002, permanent ministry staff will replace the fee-for-service system-support consultants and, where consultants are engaged, a competitive process will be used.

CLAIMS APPROVAL, PROCESSING, AND PAYMENT

The Ministry's Operational Support Branch receives and verifies all applications for financial assistance under the Assistive Devices and Home Oxygen programs to ensure that eligibility criteria are met. The Ministry's Supply and Financial Services Branch processes all claims for payment, including matching the information on the claim with the approved application.

We found that, overall, claims had been properly approved, processed, and paid. However, we noted that there was a time lag between the date of a person's death and the updating of the Ministry's records, which created the risk of payments being made in respect of deceased persons. The Branch did not have procedures in place to control this risk.

At our request, the Branch ran a computer check and found that during the last two fiscal years payments had been made to over 600 deceased ostomy grant recipients and, on 200 occasions, to oxygen vendors for clients who were deceased prior to the date of delivery. The total overpayments amounted to approximately \$300,000, of which approximately \$180,000 had been recovered at the time of our audit through notification by family members and vendors. Prior to our requesting the computer check, the Branch was unaware that an additional \$120,000 should have been recovered.

Recommendation

To help ensure that Assistive Devices and Home Oxygen program payments are made only for valid claims, the Ministry should implement procedures to run computer checks to identify payments made on behalf of individuals who are deceased.

Ministry Response

The Assistive Devices and Home Oxygen programs rely on receiving notification of a client's death from the Ontario Health Insurance Plan, the relevant vendor, or the client's family. Procedures are now in place to identify individuals who are deceased, follow up on a regular basis, and maintain a database on the amount of the recoveries.

PERFORMANCE MEASUREMENT, MONITORING, AND EVALUATION

The Assistive Devices and Home Oxygen programs have well-defined and measurable objectives that have been established as part of the Ministry's annual business planning process. However, the programs' information system did not provide senior management with the information necessary to determine whether objectives were being met. While reports were regularly provided on total expenditures and case volume statistics for each device category, many key performance indicators were not tracked and reported. These included:

- the time taken to process claims and payments;
- the volume and nature of complaints;
- the number of appeals and their success rates; and
- exception reports listing claims approved without meeting eligibility criteria.

Without proper tracking and reporting of key information, problems may not be identified and corrective action may not be taken where necessary.

In our 1996 Annual Report, we noted that standing committees, consisting of consumers, health-care professionals, vendors, and manufacturers, had been established for most types of assistive devices, including home oxygen. The role of these committees included providing advice and recommendations to the Branch relating to eligibility criteria, funding, devices to be covered, and appropriate standards and credentials for authorizers and vendors. The standing committees also advised the Branch on the development of program evaluation and monitoring strategies to evaluate performance. However, only the standing committee on home oxygen and respiratory devices has been active during the past three years.

In 2000, the Branch hired a consultant to conduct an operational review to identify ways to improve program efficiency and effectiveness and to evaluate customer satisfaction with the services provided. In August 2000, the consultant made a number of recommendations in the areas of program objectives and organization, policy development, and operations. These recommendations included re-introducing the standing committees. At the end of our audit, the Branch was in the process of reviewing all of the consultant's recommendations.

Recommendation

To better monitor and evaluate the performance of the Assistive Devices and Home Oxygen programs, the Ministry should:

- ensure its information systems provide accurate and timely reports on all key performance measures; and
- reinstate the standing committees that provide technical advice for all major assistive device categories.

Ministry Response

An assessment process and an implementation plan for information systems have been completed. As upgrades to the programs' information-management system are completed, senior program management will identify the additional regular reports needed by the program management team to assist with monitoring and incorporating improvements.

Terms of Reference were completed for the standing committees, and recruitment for chairs of the three outstanding committees will be completed by the fall of 2001.

Complaints Process

Complaints can often provide important information on the quality of services and the administration of funds. Branch staff provided us with 25 complaint files for the Assistive Devices and Home Oxygen programs for the year 2000. The Branch was unable to determine whether these files represented all complaints received during that year because it did not maintain records of the number or nature of complaints, investigations undertaken, or their outcomes.

While the Branch has developed procedures for investigating complaints, we found no indication that it had assessed whether the procedures were adequate or were being applied consistently. We also found no evidence to indicate that the outcomes of complaint investigations had been forwarded to senior management for review or to the Ministry's investigation unit if required.

On average, it took the Branch four and a half months to resolve a complaint. In one case, a client's complaint about potential fraud by an oxygen vendor was not followed up on for one year. In another case, an individual who did not meet eligibility criteria was granted a full year of funding for home oxygen supplies as compensation for the Branch taking too long to respond to the individual's complaint.

Recommendation

To help identify any areas requiring improvements in the delivery of the Assistive Devices and Home Oxygen programs, the Ministry should ensure that:

- **complaints are investigated in a timely manner; and**
- **the results of those investigations are provided to senior management.**

Ministry Response

Some delays in following up on complaints were due to staff vacancies. Following the recent reorganization of the Branch, individual client complaints are being dealt with verbally or in writing. Documents on client complaints and their resolution are now being maintained in the claims-application files. Procedures are being revised and updated to ensure that complaints are dealt with in a timely manner and forwarded to senior management as appropriate.

OTHER MATTER

BENEFITS FROM OTHER GOVERNMENT SOURCES

Under the programs' general eligibility rules, coverage is not available to individuals who are eligible for funding from the Workplace Safety and Insurance Board (WSIB) or the federal

Department of Veterans' Affairs (DVA). Applicants are required to declare on their application forms that they are not eligible for funding from the WSIB or DVA.

At the time of our audit, the Branch was not obtaining independent verification of this information. In April 1997, the Branch had entered into an information-sharing agreement with the WSIB to help identify improper hearing device billings to the Assistive Devices Program. The arrangement involved the Assistive Devices Program forwarding, on a monthly basis, a list of 30 names with other identifying data to the WSIB to be cross-checked against their records. According to senior branch staff, the WSIB discontinued providing this assistance after nineteen months.

The Branch's attempts to secure the co-operation of the Department of Veterans' Affairs in this matter have been unsuccessful to date.

Recommendation

To help ensure that assistance under its Assistive Devices and Home Oxygen programs is not duplicated at taxpayers' expense, the Ministry should again pursue co-operation with the Workplace Safety and Insurance Board (WSIB) and the Department of Veterans' Affairs (DVA).

Ministry Response

The Assistive Devices Program is currently making some recoveries from the WSIB. The WSIB includes on its form a clause asking if the client who is requesting funding for a device is in receipt of funding from any other source. When clients indicate in the affirmative, the WSIB follows up with them to see if they already received funding from the Assistive Devices Program and, if they have, will reimburse the Assistive Devices Program. The Ministry will pursue re-instituting the cross-check process that was in place from April 1997 to October 1998, at which time the WSIB discontinued it.

The Senior Manager and the Co-ordinator of Audit and Quality Assurance sought a similar arrangement with management of the DVA during a follow-up meeting held in the spring of 2001. So far, DVA has not agreed to implement any type of verification process because of continued lack of staff resources.