

Assistive Devices Program

Background

The Assistive Devices Program (Program) is administered by the Ministry of Health and Long-Term Care (Ministry). The primary objective of the Program is to provide support and funding to Ontario residents with long-term physical disabilities to obtain personalized assistive devices that enable them to function more independently.

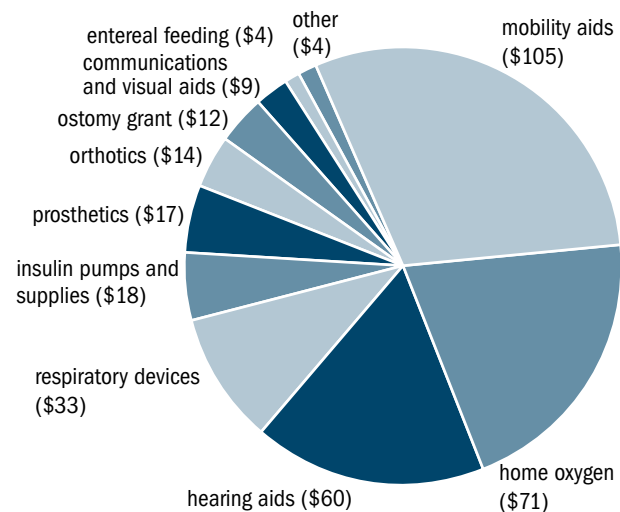
Each category of device is funded differently. In general, devices can only be purchased from vendors who are registered with the Program. In most cases the client pays a portion of the equipment's cost at the time of purchase, and the vendor from whom he or she purchases it bills the Ministry for the balance. The exceptions are supplies for which the client receives a grant from the Program and may purchase supplies from any vendor he or she wishes.

A client's first access to the Program is often through a diagnosing physician. Another health-care professional who is registered with the Program as an "authorizer" then assesses the client's needs and prescribes the appropriate devices or supplies. The client then selects a vendor that sells him or her the prescribed device or supplies.

Figure 1 shows the 2008/09 fiscal year expenditures spread across various device categories for a

Figure 1: Assistive Devices Program Expenditures by Device Categories, 2008/09 (\$ million)

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



total of \$347 million. Program expenditures have increased by more than 90% over the \$181 million spent in 2001/02, the time of our last audit. This increase can be attributed to a price adjustment in 2004 to reflect fair market prices, as Program-approved prices had not been adjusted since 1993, an increase in the number of program clients from 173,000 to 294,000, and the introduction of a new insulin pump and supplies program in 2006.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry has effective systems and procedures to:

- ensure that program payments and resources are managed economically and efficiently, and in accordance with eligibility and other policy requirements; and
- measure and report on its achievement of program performance and objectives.

We developed audit criteria to assess the adequacy of the key systems, policies, and procedures that should be in place and operating effectively. Senior ministry management reviewed and agreed to these criteria. We then designed and conducted tests and procedures for meeting our audit objective and criteria.

To conduct our audit, we reviewed relevant ministry files, policies, and procedures. We interviewed appropriate ministry staff, reviewed supporting documents from vendors and health-care professionals, obtained relevant information from stakeholder groups and from comparable programs in other jurisdictions, and used computer-assisted audit techniques to analyze claims data. The work of the Ministry's Internal Audit Services did not affect the extent of our work because it had not recently conducted any audits of the Program.

Summary

Since our last audit in 2001, the Ministry of Health and Long-Term Care's Assistive Devices Program has improved its ability to monitor and enhance service delivery to clients. However, we believe that the Program can be run more cost effectively if the Ministry manages program payments more economically and enforces eligibility and other policy requirements more rigorously.

Specifically, the Ministry should more frequently review the prices it pays for goods and services and the prices and fees that vendors charge the Program's clients to ensure that they are reasonable. Because many of the clients who rely on this Program have to pay a portion of the cost of their devices, they are also adversely affected when the Ministry sets or accepts prices that are significantly higher than fair market value. The Ministry also needs to increase its efforts to identify and address the risks and costs related to ineligible claims, unusual claim patterns, and overpayments. Finally, the Ministry should be more proactive in identifying and addressing potential conflict of interest between authorizers and vendors and in pursuing other potentially questionable practices.

With respect to enhancing and monitoring services to clients:

- The Ministry has implemented several good initiatives to improve customer service. It has standardized claims-processing and response times, prioritized the assignment of work, and put procedures in place to investigate complaints and maintain complaint records.
- As a means of monitoring service-delivery levels, the Ministry conducts Customer Satisfaction Surveys every two years, and has re-instated standing committees to provide advice on policy, eligibility criteria, and the development of program-evaluation and monitoring strategies.

With respect to ensuring that competitive prices are being paid for assistive devices:

- In 2004, the Management Board of Cabinet granted the Ministry an exemption from competitive tendering for home oxygen after accepting the Ministry's proposal to negotiate a contractual agreement with representatives of home oxygen vendors. In its approval, the Management Board stated that annual expenditures are "not to exceed \$54.6 million annually". We found the Ministry expenditures exceeded the approved amount by \$6 million to \$11 million for each of the fiscal years

from 2004/05 to 2007/08, and, although the Management Board approved a reallocation of funds from other program areas within the Ministry to fund this, there was no documentation to indicate that this issue had been specifically addressed. We also found, that from the 2002/03 to the 2008/09 fiscal years, the Ministry paid a total of \$2.2 million more than the amount set in the existing agreement with vendors delivering home oxygen to clients in northern areas. The Ministry told us that the agreement was inconsistent with the intent of program policy and that it would seek to amend the agreement.

- The oxygen concentrators that are supplied to clients by vendors cost between \$400 and \$1,000 and last five to seven years. Based on the monthly fee (\$389) that vendors receive for providing home oxygen, the Ministry pays them about \$23,000 for each client over a five-year period. Although that Ministry indicated that a significant portion of the \$23,000 related to other service-related costs incurred by the vendors, such as staffing and administration, the Ministry had not formally analyzed the reasonableness of this nor compared the price to that being paid by other provinces.
 - We noted from our test sample that vendor mark-ups in all major device categories were higher than the reasonable target of 33% set by the Ministry. Average mark-ups for mobility devices, respiratory devices, and computer systems were 84%, 117%, and 128%, respectively, because the Ministry reviews and sets the Program-approved prices for these devices every two years without full consideration of significant price decreases in the marketplace arising from recent technological advances for certain types of devices. The prices set by the Ministry also do not take into account the potential for some vendors to obtain volume discounts.
 - The Ministry allowed computer components such as monitors, printers, and scanners an even higher mark-up, which enables vendors to bill computer equipment to the Program at significantly higher than market prices. For example, the Program-approved price is \$1,332 for a monitor that often costs vendors only about \$250, resulting in a potential mark-up of 400%. In our testing of the reasonableness of prices of computer systems with monitors and printers, we obtained price quotes from five Program-registered vendors. The prices quoted ranged from \$1,300 to \$4,400. The vendor that quoted \$4,400 offered to cover the client's portion of \$1,100 if the purchase was eligible for program funding.
- With respect to the monitoring of claims:
- The Ministry reviewed scooter claims in 2004/05. Its review resulted in the termination of the agreement with an authorizer who had authorized scooters for individuals who were not eligible for program funding. The ministry review had a deterrence effect in the year immediately following, as evidenced by a 13% drop in total scooter claims, but the effect was short-lived, as indicated by an increase in scooter claims of 109% from 2005/06 to 2008/09. We reviewed three vendors (two of whom were also reviewed by the Ministry in 2004/05) whose scooter claims had increased by more than 800% over the last three years, going from \$88,000 to \$805,000. Our review indicated that the Ministry was not consistently monitoring scooter claims to identify unusual claim patterns and take appropriate action to prevent potential abuses.
 - Certain other provinces use independent respiratory therapists to assess clients' continued eligibility for home oxygen, but Ontario uses respiratory therapists employed by oxygen vendors to perform such assessments. The obvious risk associated with vendor-employed respiratory therapists assessing clients' eligibility is that it is in the vendor's interest for the client to continue to receive home oxygen.

- Respiratory therapists employed by home oxygen vendors perform annual assessments of home oxygen clients to support their continued need for home oxygen, but they are not required to submit the results to the Ministry unless requested. One-third of the sample of client assessments we requested from vendors had either not been done or had results indicating that the clients no longer met the criteria for long-term home oxygen supply. Yet the Ministry continued to pay for these clients to receive home oxygen.
- Claims for Frequency Modulated (FM) Systems, a type of hearing device that minimizes background noise to make the speech signal more pronounced, have risen significantly since 2004/05, especially in the senior age group (66 and over), whose claims increased by almost 1,800% from 187 claims or \$250,000 in 2004/05 to 3,557 claims or \$4.8 million in 2008/09. Some clients indicated that their FM systems came in “packages” with hearing aids and they did not really need or use the FM systems. The Ministry developed a plan of action in January 2009 to identify improper claims and investigate irregularities, to prevent further abuses.

With respect to detecting and deterring potential conflict of interest between authorizers and vendors:

- The Ministry should be more proactive and rigorous in detecting and deterring potential conflicts of interest among vendors, authorizers, and/or prescribers in all major device categories. We found that some vendors had more than 90% of their claims signed by only one or two authorizers or prescribers. One such vendor had claimed more than \$10 million for hearing aids since 2000. We also found that some authorizers or prescribers had been continually referring clients to the same vendors, located more than 30 kilometres away, although many other Program-registered vendors were located much closer to where the clients lived.
- Even in cases where the Ministry did find potential conflict of interest or misconduct on the part of Program-registered health-care professionals, it seldom took action to terminate their agreements with the Program and alert the regulatory college or professional association. In some cases, the Ministry knew about a problem for several years yet took no remedial action.

With respect to recycling and refurbishing wheelchairs for reuse:

- The Ministry has contracted with a vendor to exclusively provide clients throughout Ontario with both new and recycled power wheelchairs from March 2007 to February 2010. The vendor guaranteed a recycling rate of 20% in its first year of operation and 25% thereafter, with any shortfall to be credited to the Ministry, but we found that the actual recycling rate in the first year was 8.4%, and the rate for the second year has yet to be determined. After we brought this issue to ministry staff’s attention, they advised us that they would follow up with the vendor.
- Since 2002/03, manual wheelchairs have accounted for about 80% of the Program’s wheelchair claims. However, the Ministry currently has no recycling initiative in place for used manual wheelchairs. We found that other jurisdictions such as Alberta and Quebec have programs in place to recycle and refurbish manual wheelchairs for reuse. Aside from the environmental impact, these provinces were able to achieve significant cost savings of \$4 million to \$5 million per year, because the average cost of a recycled wheelchair was only about one-third of a new one.

With respect to recovering overpayments:

- The Ministry has identified payments that were made to vendors as far back as 2001 for deceased clients whose home oxygen payments continued to be made after their death. The Ministry was already attempting to recover these funds.

- We identified potential duplicate payments for clients' claims made by the Ministry and the Workplace Safety and Insurance Board (WSIB). Since 2006, the Ministry has recovered about \$110,000 in duplicate funding for hearing aids, but it was not aware of and had not recovered duplicate funding for other device categories until we brought this to the Ministry's attention. Ministry staff indicated that this was because there is no information-sharing agreement in place with the WSIB.

OVERALL MINISTRY RESPONSE

The Ministry is dedicated to the fair and responsible delivery of the Assistive Devices Program to ensure that program recipients, who are among Ontario's most vulnerable citizens, have access to the assistive devices and supplies that they require. The Program provides funding support to enable these clients to obtain competitively priced, personalized assistive devices appropriate for the individual's basic needs. Increasing utilization of the program is the result of Ontario's aging population, and the increased independence of seniors and people with long-term physical disabilities who are able to continue to live in their own communities instead of living in more costly institutional settings. The Ministry generally accepts the recommendations of the Auditor General and will continue its efforts to strengthen accountability and to ensure the efficient use of resources and the provision of high quality devices at reasonable prices.

The Ministry initiated work in the 2008/09 fiscal year to improve the transparency of the procurement of Home Oxygen services by moving to a Vendor of Record list, strengthening the registration requirements for home oxygen vendors, and clarifying the requirements for long-term oxygen therapy eligibility. As part of this work, the Ministry is reviewing the pricing structure for the provision of home oxygen. It is

continuing to increase its efforts in compliance and quality assurance and is implementing new procedures and across-the-board training in risk management. The number of confirmation letters sent to approved clients has been increased by 193% since the 2003/04 fiscal year, and a contact management system is being implemented to improve stakeholder relations. The amount and quality of information available to the public through the Ministry's website is being increased to improve transparency on device-listing, availability of vendors, and eligibility criteria. Beginning in the 2008/09 fiscal year, the Ministry has been working to implement a new information system to replace the current legacy system by spring 2011, which will help the Ministry to monitor patterns and trends of authorizer and vendor activity to ensure that program payments are managed in accordance with the Program's policy requirements.

Detailed Audit Observations

OVERVIEW OF MAJOR DEVICE CATEGORIES AND KEY PLAYERS

Each category of assistive device is funded differently and involves different players. Figure 2 provides an overview of how funding works for each major device category. Figure 3 defines and illustrates the key players (authorizers and vendors) involved in the program.

PROGRAM PERFORMANCE

Client Service Delivery

Since our last audit in 2001, the Ministry has improved its ability to enhance and monitor its service delivery to clients. Some of the initiatives the Ministry has undertaken include:

Figure 2: Overview of Major Device Categories

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

Device Category	Types of Devices Funded	How Funding Works/ Who is Eligible	Who Assesses Client's Eligibility for Device/ Supplies ¹	Where Client Can Purchase Device ¹	Who Receives Program Funds ¹	Claims (\$ million)		Change (%)
						2001/02	2008/09	
mobility aids	<ul style="list-style-type: none"> ambulation aids (e.g., forearm crutches, wheeled walkers, standing frames) wheelchairs and scooters positioning or seating devices 	<ul style="list-style-type: none"> Program sets price for each type of device vendors cannot charge more than Program-approved price, but can charge less Program pays 75% of price, client pays remaining 25% 	<ul style="list-style-type: none"> Program-registered authorizer: occupational therapist physiotherapist 	Program-registered vendor	Program-registered vendor	47	105	124
home oxygen ²	<ul style="list-style-type: none"> concentrators cylinders liquid systems related supplies (masks, humidifier, tubing) 	<ul style="list-style-type: none"> Program funds \$389 per month per eligible person, with \$25 premium tacked on for northern areas Program covers 100% of home oxygen costs for seniors and those who: <ul style="list-style-type: none"> receive social assistance receive home-care services reside in a long-term-care facility Program covers 75% of home oxygen costs for all other eligible individuals 	<ul style="list-style-type: none"> initial assessment (arterial blood gas test) by physician subsequent assessments (oximetry tests) by: <ul style="list-style-type: none"> physician; or respiratory therapist (who may be employed by vendor) 	Program-registered vendor	Program-registered vendor	51	71	39
hearing aids	<ul style="list-style-type: none"> hearing aids Frequency Modulated (FM) Systems related accessories (cords, inputs, etc.) 	<ul style="list-style-type: none"> funding covers 75%, up to a maximum of: <ul style="list-style-type: none"> \$500 toward cost of one hearing aid \$1,000 toward cost of two hearing aids \$1,350 toward cost of FM System funding applicable toward: <ul style="list-style-type: none"> device itself ear mould (container for device) accessories listed with program dispensing fee client pays vendor difference between total cost and amount of program funding 	<ul style="list-style-type: none"> Program-registered authorizer: audiologist; or hearing instrument specialist 	Program-registered vendor	Program-registered vendor	33	60	81

1. See Figure 3 for a description of registered authorizers and registered vendors

2. See Figure 4 for full description of this equipment

Device Category	Types of Devices Funded	How Funding Works/ Who is Eligible	Who Assesses Client's Eligibility for Device/ Supplies ¹	Where Client Can Purchase Device ¹	Who Receives Program Funds ¹	Claims (\$ million)		Change (%)
						2001/02	2008/09	
respiratory devices	<ul style="list-style-type: none"> Continuous Positive Airway Pressure (CPAP) Systems 	<ul style="list-style-type: none"> Program sets price for CPAP System at \$1,040 vendors cannot charge more than Program-approved price, but can charge less Program pays 75% of price, client pays remaining 25% 	physician at sleep clinic registered with Program	Program-registered vendor	Program-registered vendor	13	33	147
	<ul style="list-style-type: none"> other respiratory devices: <ul style="list-style-type: none"> compressors postural drainage boards percussors resuscitators 	<ul style="list-style-type: none"> Program sets price for each type of device vendors cannot charge more than Program-approved price, but can charge less Program pays 75% of price, client pays remaining 25% 	physician (usually a specialist in respiratory illnesses)	Program-registered vendor	Program-registered vendor			
ostomy supplies	<ul style="list-style-type: none"> any supply that aids in collection of fecal or urinary waste which usually empties into a pouch attached to abdomen 	<ul style="list-style-type: none"> Program provides people with permanent ostomies (surgical openings required with loss of bladder or bowel function) an annual grant of \$600 	<ul style="list-style-type: none"> physician; or registered nurse qualified for primary health care provision 	any Ontario vendor of ostomy supplies	client	11	12	3
communication and visual aids	<ul style="list-style-type: none"> voice amplifiers optical aids (e.g., specialized prescription glasses, magnifiers, telescopes) reading and writing aids (e.g., computer equipment, audio book playback machines) 	<ul style="list-style-type: none"> Program sets a price for each type of device vendors cannot charge more than Program-approved price, but can charge less; Program pays 75% of price, client pays remaining 25% 	Program-registered authorizer: <ul style="list-style-type: none"> speech-language pathologist ophthalmologist optometrist vision rehabilitation worker specialist teacher of the blind rehabilitation teacher, or occupational therapist 	Program-registered vendor	Program-registered vendor	7	9	40
insulin pumps and supplies	insulin pumps	<ul style="list-style-type: none"> Program sets price for insulin pump at \$6,300 Program covers 100% of the price of one insulin pump for individuals with type 1 diabetes 	multi-disciplinary team of diabetes health-care professionals (physician, registered nurse, registered dietitian) registered with the Program	Program-registered vendor	Program-registered vendor	n/a	18	n/a
	insulin supplies	Program provides an annual grant of \$2,400 for individuals with type 1 diabetes		any Ontario vendor of insulin supplies	client	(funding only in place since 2006/07)		

1. See Figure 3 for a description of registered authorizers and registered vendors

Figure 3: Assistive Devices Program - Key Players

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

Key Players	Description	General Registration Requirements	Roles and Responsibilities
registered authorizer	<ul style="list-style-type: none"> qualified health-care professional registered with Program about 6,000 authorizers in various professions listed with Program: physicians, audiologists, occupational therapists, physiotherapists, speech pathologists, optometrists, and ophthalmologists works in hospitals, home-care agencies, and practices assessing clients' needs and prescribing appropriate devices or supplies in some device categories authorizer can also be vendor, eg., hearing aids 	<ul style="list-style-type: none"> sign and submit Authorizer Agreement, which stipulates terms and conditions of retaining authorizer status with Program provide proof of professional qualifications and good standing with professional college or association 	<ul style="list-style-type: none"> meet all conditions specified in the Authorizer Agreement authorize equipment that fits client's functional requirements and meets program eligibility criteria inform client about program policies, eligibility criteria, and procedures assess program applicants for eligibility, help client complete application forms, etc. determine type of device/supplies that best suit client's need provide client with list of Registered Vendors in his or her area discuss client's equipment needs and technical support requirements with vendor ensure that client receives appropriate assessment and trial equipment from vendor follow up with client to ensure that correct authorized equipment has been delivered and client's needs are being met by prescribed device/supplies
registered vendor	<ul style="list-style-type: none"> private business or non-profit organization registered with Program supply assistive devices or supplies to persons eligible for program funding about 1,000 vendors listed with Program; some sell products in more than one device category 	<ul style="list-style-type: none"> sign and submit the Vendor Agreement, which stipulates the terms and conditions of retaining vendor status with Program complete an application and provide various business documents, including proof of ownership, insurance and banking information, manufacturers' agreements, proof of staff's professional qualifications, and floor plan/office layout if vendor works out of multiple locations, each must be registered separately with Program 	<ul style="list-style-type: none"> meet all conditions specified in the Vendor Agreement maintain up-to-date knowledge of Program-listed equipment keep adequate stock of equipment it is authorized to sell educate client and authorizer on makes and models of equipment available and maintenance it requires provide reasonable variety of assessment equipment for client to try when requested by authorizer work with client and authorizer to ensure that equipment meets the individual's needs provide required price quotes to client and Program notify authorizer when equipment has been delivered to client so authorizer can follow up honour manufacturer warranties and provide after-sale service

- establishing a standard processing time for claims and a standard response time for telephone and written inquiries, and monitoring timeliness and help-desk effectiveness against those standards.
- reporting to management on backlog and workload statistics for data entry and claims assessment in each device category. This has helped to prioritize and assign work, and, at the time of our audit, the backlog had largely been addressed. Claims in all device categories were being entered and adjudicated within the Ministry's standard timeframe of six to eight weeks.
- developing procedures for investigating complaints and maintaining records of the number and nature of complaints.
- re-instating standing committees in response to one of our 2001 audit recommendations. The committees meet twice a year to provide advice on policy, eligibility criteria, and program evaluation and monitoring strategies. There are currently four committees on the major device categories: mobility, prosthetics and orthotics, respiratory, and sensory. Committee members include health-care professionals, vendors, manufacturers, and consumers from across the province.
- conducting customer satisfaction surveys every two years to assess the level of client satisfaction and to improve service delivery models. Three surveys were completed since the 2002/03 fiscal year. More than 85% of respondents said that, overall, they were satisfied with the Program. Some respondents, however, said that they were concerned about the reasonableness of the amounts they had to pay for devices or supplies.

Program Cost Effectiveness

While the Ministry has improved its service delivery to clients, it has not focused enough attention on ensuring that the Program is being delivered as

cost-effectively as possible. As outlined in the following sections of our report, we believe there are a number of areas where more rigorous oversight would yield significant savings.

PRICING

In 2004, the Program implemented a new pricing approach called the fixed pricing model, under which vendors are not allowed to charge more than the Program-approved prices. At the time of implementing this new approach, the Program-approved prices had not been adjusted since 1993. The goal of the Program's pricing policy is to ensure that prices are fair, consistent, and equitable across device categories. To achieve this goal, the Ministry is required to regularly review and update the prices it has set for the devices and supplies that the Program covers. Home oxygen is an exception because its prices have been fixed on the basis of a contractual pricing agreement with vendors.

Pricing of Home Oxygen

Reasonableness of Pricing

As illustrated in Figure 4, there are three different methods of providing home oxygen to clients: liquid oxygen, concentrators, and cylinders. The cost is not the same for all three methods. In general, liquid oxygen is the most expensive because of the high service costs associated with refilling and replacement.

The Ministry currently pays directly to home oxygen vendors a single rate of \$389 per month per client, with a \$25 premium for clients in northern areas. Instead of using competitive open tendering, the price was set on the basis of an agreement negotiated with vendors (see Compliance with Negotiated Pricing Agreements). Because Ontario currently pays a fixed monthly rate for delivery of home oxygen regardless of the method used, the Ministry indicated that it did not track oxygen use by delivery method. In its response to our follow-up report in 2003, however, the Ministry indicated

Figure 4: Types of Oxygen Systems

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

Types of Oxygen Systems	Description
concentrator	<ul style="list-style-type: none"> plug-in machine that extracts and accumulates oxygen from the air in a room does not need to be replaced regularly or refilled, because it continually extracts existing oxygen from the air
cylinder	<ul style="list-style-type: none"> cylindrical tank storing compressed oxygen large tanks are used inside the home, and small tanks are used during outings or travel
liquid	<ul style="list-style-type: none"> stores oxygen in liquid form in large stationary containers called reservoirs liquid is turned into gas before it leaves the container portable units for use during outings or travel are filled from the reservoir

that it intended to design a system for collecting statistics on the use of liquid oxygen and concentrators in preparation for negotiating the next pricing agreement.

Our review of invoices from vendors showed that the majority of clients were on a concentrator system. One major vendor indicated to us that almost 90% of its clients were on a concentrator system. Unlike cylinder or liquid oxygen systems, concentrators do not need to be refilled with oxygen, nor must they be replaced often. They are simply plugged in and start accumulating and delivering a continuous stream of oxygen from the air in a room. According to the manufacturers' invoices the vendors provided, the cost of a concentrator could range from \$400 to \$1,000. Concentrators generally last from five to seven years. Yet the total revenue that a vendor receives from the Program for a concentrator that lasts five years is approximately \$23,000 (\$389 x 12 months x 5 years). The Ministry advised us that most of the \$23,000 relates to other ongoing client services that are not

directly related to the cost of the concentrator or routine maintenance. However, the Ministry has not assessed whether this is a reasonable amount for it to be paying nor compared it to what other provinces are paying for a similar service.

We noted that, although the Ministry had not done any cost analyses for the three different methods of delivering home oxygen, it had conducted a cross-jurisdictional study of home oxygen programs. However, the Ministry could not draw any meaningful comparisons from its study because it did not know how home oxygen delivery was divided up among the three different methods in each jurisdiction.

According to the Ministry's Home Oxygen Joint Utilization Committee, Alberta is the most comparable jurisdiction to Ontario, and Ontario's home oxygen prices are at the "high end" compared to other jurisdictions. We noted that Alberta's rate is \$331 per month, 18% lower than Ontario's rate of \$389.

Compliance with Pricing Agreements

The monthly rate for home oxygen was fixed on the basis of a pricing agreement negotiated with vendors represented by the Ontario Home Respiratory Services Association (OHRSA). The agreement was signed in 2004 after the Ministry requested an exemption from the competitive open tendering requirement of the Management Board of Cabinet's Procurement Directive for Goods and Services. The Ministry also requested approval for negotiations that would maintain annual program expenditures at \$54.6 million for four years. The request indicated that if utilization increased by more than 3%, the Ministry would be able to lower the set price by 3% per year. With the approval of the Management Board of Cabinet, the Ministry negotiated and signed the agreement with OHRSA to maintain program expenditure on home oxygen at \$54.6 million per year to March 31, 2008. The final agreement, however, did not contain any terms for a price reduction based on an increase in utilization.

For each of the fiscal years from 2004/05 to 2007/08, annual expenditures were \$6 million to \$11 million more than \$54.6 million, or \$33 million more in total. Ministry staff informed us that they felt the agreed-upon yearly amount of \$54.6 million did not take into account the continually growing aging population and the prevalence of chronic obstructive pulmonary disease (COPD), a respiratory disease primarily caused by tobacco smoke. The Ministry further indicated that it was its understanding that the \$54.6 million could be exceeded if utilization increased significantly. The Ministry confirmed that in those years where expenditures exceeded the contract amount, the excess amounts were approved through Treasury Board Orders, which authorize an increase in program expenditures if the increase is offset by a corresponding reduction of expenditures in another program area.

Our review found that the submission to the Management Board did not make reference to the annual limit of \$54.6 million previously imposed by the Management Board or the existence of such a limit in the agreement with the vendors. The Ministry also advised us that it felt that the Management Board had been apprised of this during in-year updates, although there was little documentation to indicate this issue had been specifically raised.

In 2008, the Ministry sought and received approval to negotiate an extension of the existing agreement and a continued exemption from competitive tendering. The Ministry extended the existing agreement to 2009, with an option to renew for another year. We believe some clarification is needed with respect to whether continued exemption from competitive tendering is conditional on total annual expenditures not exceeding \$54.6 million.

In addition, we found that the Ministry paid certain vendors the \$25 premium for clients in northern areas even though, according to the agreement with the vendors, these clients were not eligible for the premium. This has resulted in potential overpayments of approximately \$2.2 million from 2002/03

to 2008/09. When we brought this to the Ministry's attention, it noted that the agreement was in error because it was inconsistent with the intent of program policy. The Ministry is working with the vendor community to correct the agreement.

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.

MINISTRY RESPONSE

The Ministry is conducting an open and transparent procurement process to establish a vendor-of-record list for the provision of home oxygen services over the next five years, with the option to extend for up to two years. Reimbursement rates are under review, and the Ministry has retained the services of an independent consultant to provide expert advice on determining a fair price. The consultant conducted interviews with key health-care experts, studied the drivers that affect the cost of home oxygen services as well as how these cost drivers might change over the next seven years, and reviewed pricing models in other jurisdictions.

In 2008, the Ministry received approval to negotiate a one-year agreement with a possible one-year extension with home oxygen vendors. The approval noted the forecasted expenditures on home oxygen in 2008/09 and 2009/10 as projected based on current utilization growth rates.

The Ministry firmly believes that it has sought and received the appropriate approvals for program spending in all instances where expenditures exceeded the initially approved allocation, and the Ministry has approval to establish a Vendor of Record list and the pricing for home oxygen services. In addition, the Ministry will seek clarification from Treasury Board and Management Board Secretariat.

The Ministry's payments of the \$25 premium for clients in northern areas were made correctly despite incorrect wording in the vendor agreement and did not result in a potential \$2.2-million overpayment.

Pricing of Other Devices

According to the mark-up policy outlined in the Policies and Procedures Manual for the Assistive Devices Program, “the price for a product should be the manufacturer’s unit cost to the vendor for that product plus a reasonable return up to 33.3%. The result will be a vendor margin of 25%.” Ministry staff informed us that the purpose of this policy is to ensure that Program-approved prices are reasonable, appropriate, and consistent with fair market value. Hearing aids are an exception. Vendors of these devices are not allowed to mark them up at all. The price a vendor charges for a hearing aid device must be the same as that of the manufacturer. See Figure 2 for a detailed explanation of how pricing works in each device category.

Mobility Aids

We noted from our sample testing that the cost for mobility aids varied significantly from vendor

to vendor, largely based on the size and buying power of each individual vendor. The average mark-up between the Program-approved price and the vendor cost was 84%, which was significantly higher than the 33.3% set out by the Program as reasonable. Our testing indicated that:

- the Ministry set the prices on the basis of the cost of a single unit, without taking into consideration the volume discounts vendors would normally get when purchasing multiple units of the same device; and
- the Ministry conducted pricing reviews in 2004 and 2006, but has not done one since although they are required every two years; therefore, current prices may not reflect possible decreases in manufacturers’ unit costs because of technological advances.

Hearing Aids

As noted in Figure 2, program funding covers the cost of the hearing aids, ear moulds, options/accessories listed with the Program, plus the applicable dispensing fees charged by dispensers for duties such as ordering, fitting, and adjusting, and for instructing clients how to use hearing aids and care for them, but these fees cannot be for more than the amounts stipulated by their professional associations’ fee schedules. We selected a sample of claims to assess vendors’ and dispensers’ compliance with program policies and procedures and the reasonableness of prices. We found that:

- Vendors are not allowed to mark up the price of hearing aids. The price they charge must be the same as the manufacturer’s price. However, we noted cases where vendors did not adhere to this requirement. For example, a vendor charged a 50% mark-up of about \$430. The vendor explained to us that the mark-up was for the “worry-free” program, but this was not apparent on the invoice. Another vendor did not pass on the savings to clients when manufacturers’ discounts were obtained by buying hearing aids in bulk. This

vendor consistently charged a 30% mark-up amounting to about \$200 on top of the manufacturer's price.

- The Ministry does not check if dispensers are complying with fee schedules before it approves claims. The Ministry only examines dispensing fees if a vendor's claim is selected for review by the Compliance and Quality Assurance Unit. We noted instances where dispensers have been consistently billing a dispensing fee higher than the program average, which is about \$650. In one case, a dispenser had an average dispensing fee of more than \$1,700, which would result in the client overpaying his or her share of the cost because the maximum amount the program funds is \$500 per hearing aid.

Respiratory Devices

More than 90% of program funding for respiratory devices helps pay for Continuous Positive Airway Pressure systems (CPAPs), which help people with obstructive sleep apnea symptoms breathe easier during sleep.

We reviewed a sample of invoices and noted that the average mark-up between the Program-approved price and the vendor cost of CPAPs was 117%, much more than the mark-up of 33.3% set out by the Program as reasonable. Many vendors claimed that the Program's mark-up policy does not take into account the additional indirect support costs of providing CPAP therapy to clients, such as set-up time, client visits, and maintenance. However, according to the Policies and Procedures Manual for the Assistive Devices Program, the Program-approved price is not intended to cover support or service fees but rather only the complete system, which consists of a CPAP device, a heated humidifier, a basic mask and headgear, a carrying case, six feet of tubing, the necessary caps and filters, a power cord, and an instruction manual. Ministry staff informed us that some vendors have a higher mark-up than is allowed because they obtain

savings by purchasing devices in bulk, yet this is not taken into consideration when the Ministry establishes the Program-approved prices. The Ministry advised us that it is currently in the process of conducting a review of CPAP device prices.

Vendors may offer to clients extra items or services that are not covered by the Program, such as service packages. The Ministry requires vendors to provide clients with itemized invoices for the additional services, and to explain to clients that they have the option to purchase only the Program-funded device if they wish. Our review of vendors' invoices to clients revealed that most clients were charged for additional items that were not covered by the Program. We were not able to confirm whether the vendors informed clients that they could choose to purchase only the Program-funded device, but we did note cases where they did not provide the required itemization on their invoices. Instead, the invoices showed a lump sum and subtracted the portion covered by Program funding. For instance, the invoice listed a charge of \$1,600 for a "CPAP package" and subtracted the Program's \$780 portion from this amount without providing any cost breakdown for the remaining portion that the client had to pay. We are concerned that ambiguous invoices may lead clients to mistakenly believe that the total price is for the basic device only. Ministry staff indicated that they have similar concerns and have begun to look into this issue.

Communication and Visual Aids

The Program funds the purchase of computer equipment to be used as communication aids or aids for the visually impaired. The Ministry informed us that it had done two pricing reviews, one in 2004 and one in 2006, but our review indicated that the Program-approved prices still appear to be significantly higher than fair market value. For example:

- We reviewed a sample of complaints and noted that excessively high prices for computer equipment have been a recurring issue.

The complaints revealed that vendors often charged inflated prices for computer equipment. Some clients found the same devices at much lower prices from vendors not registered with the Program. In one case, a client complained that the price quote a vendor provided was more than \$4,100, nearly three times the price the client found online for the same device.

- We obtained price quotes from five Program-registered vendors for the same computer system with a comparable monitor and printer. The prices they quoted ranged from \$1,300 to \$4,400. The vendor that quoted \$4,400 offered to cover the client's 25% portion of the cost (\$1,100).

We reviewed a sample of claims from major vendors for computer equipment and related supplies. We noted the following questionable pricing practices:

- Prices of the computer equipment had been marked up much higher than the program maximum of 33.3%. In fact, the average mark-up was 128%. Component parts such as monitors, printers, and scanners had the highest mark-ups. For example, the Program-approved price for a monitor is \$1,332, and a vendor can often obtain a comparable monitor for only \$250, which amounts to a mark-up of more than 400% if the vendor sells it for the Program-approved price. Ministry staff acknowledged that Program-approved prices, last reviewed in 2006, probably exceed current fair market prices, and that vendors could therefore obtain returns greater than 33.3%. The Ministry indicated that it would determine appropriate prices for computers as part of its pricing review in the 2009/10 fiscal year.
- We noted some instances where vendors billed the Program separately for two devices (a printer and a scanner), but only supplied the client with one device (an "all-in-one" printer). In 2006, the Ministry had also identified this issue in its review of a vendor and

subsequently referred the case to the Ontario Provincial Police. Ministry staff acknowledged that this practice was improper, but explained that they lack the resources to thoroughly review vendors and discourage such practices from recurring.

- We noted some cases where vendors added service fees to the Program-approved price. One vendor required that clients sign an agreement indicating that a service fee of about \$700 was included in the total the vendor had charged the Program. Ministry staff confirmed that other fees such as service charges are not supposed to be added to the fixed Program-approved price.

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.

MINISTRY RESPONSE

The Ministry's policy is to review prices every two years. As such, the Ministry will ensure that pricing reviews occur on a timely basis. A pricing review was initiated in 2008 and is scheduled to be completed in the 2009/10 fiscal year.

The Assistive Devices Program works to ensure that prices across device categories are fair, consistent, and equitable. The Program's funding model is also expected to take into consideration the economic and social environment within which the Program receives its share of public funds, and to enable clients to access needed devices. Prices set through the Pricing

Policy must therefore be suitable for clients regardless of their location and their access to larger vendors that may have a purchasing advantage over small and remote vendors.

VERIFICATION AND REVIEW PROCESS

Monitoring of Claims

Home Oxygen Claims

Home oxygen applicants must meet specific eligibility criteria. Their eligibility is determined by the results of an arterial blood gas test or an oximetry test, both of which measure oxygen levels in the blood. In response to our audit in 2001, the Ministry changed the eligibility testing intervals in October of that year. Before that time, a person was required to submit results of an arterial blood gas test and to reapply annually for continued coverage by submitting the results of an oximetry test. Individuals are now required to be assessed on three separate occasions: the results of an arterial blood gas test must be submitted upon their initial application; the results of an oximetry test must be submitted three months afterwards; results of another oximetry test must be submitted 12 months after the initial application. Although no further submission of clients' test results is required after the third assessment, the policy outlined in the Program's Administration Manual for Home Oxygen states, "clients are required to have their oxygen requirements assessed annually once long-term funding assistance has been provided." These annual assessments were done by respiratory therapists employed by the vendors.

We reviewed a sample of client files from two major vendors. These vendors account for more than 60% of the home oxygen supply that is funded by the Program. We noted that more than one-third of the files showed that either no assessments had been done for the past 18 months, no test results had been recorded, or the results indicated that the clients no longer met the criteria for long-term

home oxygen supply. Perhaps not surprisingly, the vendors had not advised the Ministry of this—even in the cases where test results indicated home oxygen was no longer required. We also noted that:

- It is not clear who is responsible for discontinuing home oxygen supply for clients who no longer meet the eligibility criteria. Vendors told us that it is not their responsibility, even if they are aware that a client no longer meets the eligibility criteria. They indicated that only a physician could recommend discontinuing home oxygen.
- Ministry staff had also identified cases where long-term clients were receiving home oxygen even though they no longer met the eligibility criteria. In a report to program management, program staff recommended that clients submit the results of reassessments on a regular basis, but the Ministry has not yet taken any specific action to resolve this issue.

According to a cross-jurisdictional study the Ministry did in 2008, Ontario had among the largest proportion of home oxygen users of all the provinces: 150 users per 100,000, compared to the Canadian national average of 60 users per 100,000. Alberta requires more frequent and stringent assessment of home oxygen needs than does Ontario. During their first year of home oxygen use, clients in Alberta are required to be assessed three times with arterial blood gas tests. After that, they must be reassessed every six months to show that they still warrant home oxygen.

In Ontario, respiratory therapists employed by home oxygen vendors assess clients with oximetry tests. In other provinces, such as British Columbia and Saskatchewan, independent respiratory therapists at the Regional Health Authorities conduct oximetry testing. The Ministry informed us that Ontario's health-care system differs from that of other provinces with respect to the distribution of respiratory therapists in the community, and that Ontario currently does not have enough respiratory therapists working independently from vendors. The obvious risk associated with vendor-employed

respiratory therapists assessing clients for home oxygen eligibility is that it is in the vendor's interest for the client to continue to receive home oxygen.

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.

MINISTRY RESPONSE

Respiratory therapists are regulated health professionals who are required to meet the standards of practice established by the College of Respiratory Therapists of Ontario. Their employment by home oxygen vendors does not mitigate their requirements to meet the standard of practice of their profession.

Home oxygen therapy is provided only to individuals who require it for medical reasons. The Ministry requires an assessment and prescription by a qualified physician, and the prescribed service continues until the physician deems it unnecessary on the basis of the individual's clinical needs. The Ministry will require annual written confirmation of the patient's continuing need for home oxygen therapy.

Mobility Aids—Scooter Claims

The Program funds power scooters, which are a type of mobility aid. Individuals are only eligible for scooters if they require them to meet long-term basic and essential mobility requirements; do not require specific postural support now or in the future; do not intend to use the scooter to replace a car or other mode of transport; and can get on and off the scooter without assistance.

In the 2004/05 fiscal year, the Ministry contracted with a third party to review scooter claims and found some clients who had been authorized for scooters did not meet the eligibility requirements. We noted that total scooter claims decreased by 13% from 2004/05 to 2005/06, the year after the Ministry's review. The review's deterrence effect did not last very long, however—we noted an increase in scooter claims of 109% from 2005/06 to 2008/09 (see Figure 5).

More than 150 vendors received program funding for power scooters in the 2007/08 fiscal year. We reviewed the top ten of these vendors and selected those with at least a 200% one-year increase in scooter claims. We found three vendors whose 2008/09 scooter claims had increased by more than 800% (from \$88,000 to \$805,000) compared to three years ago (see Figure 6).

One of the vendors had gone into business only four years ago, so the Ministry's last review of

Figure 5: Scooter Claim Trend, 2004/05–2008/09 (\$ million)

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

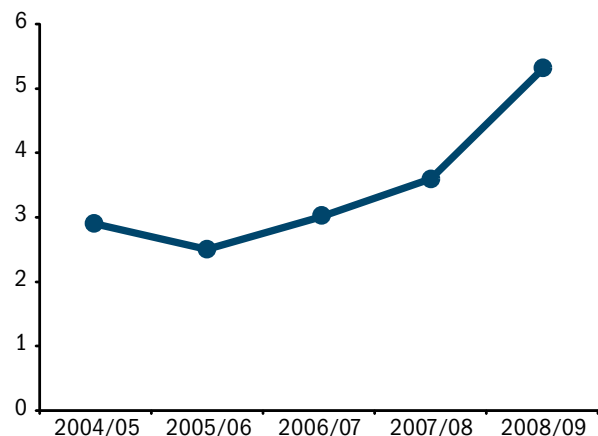
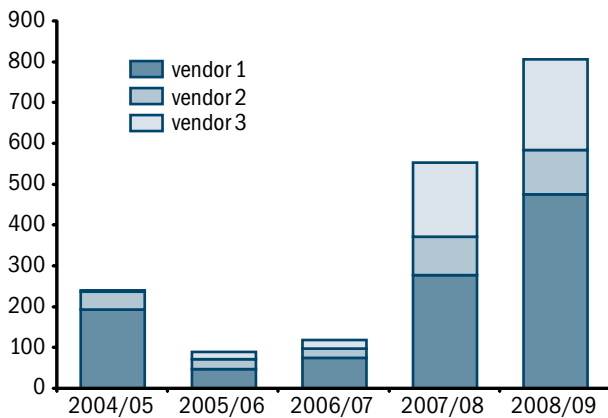


Figure 6: Scooter Claims of Sample Vendors from 2004/05–2008/09 (\$ 000)

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



scooter claims pre-dated it. The other two vendors had been selected by the Ministry for a review in 2004/05, because of unusual claim patterns. The Ministry's review resulted in the termination of the agreement with the authorizer associated with these two vendors for authorizing scooters for clients who were not eligible for program funding, but the Ministry did not report its concerns regarding the authorizer's actions to the relevant regulatory college.

As noted in Figure 6, the Ministry's 2004/05 review of scooter claims had a deterrence effect, but this effect was short-lived. If the Ministry does not maintain a vigilant monitoring effort, it is unlikely to deter abuses of program funding for scooters. Ministry staff told us that they are planning a follow-up review of vendors with unusual scooter claim trends in 2009/10.

Hearing Aids—FM System Claims

FM systems make the speech signal more pronounced than background noise. They have been standard equipment for many years in educational settings for school-age children with hearing loss. To qualify for program funding for an FM system (or any hearing aid device the Program covers), an individual must have a long-term documented hearing loss that necessitates the use of an FM

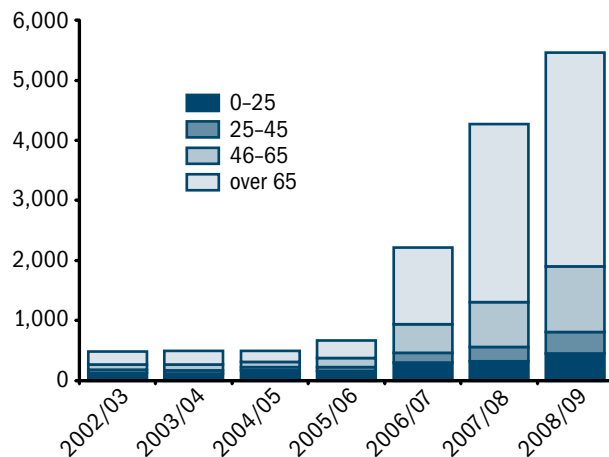
system as part of his or her daily activities for more than six months.

Our review showed that claims for FM systems have risen significantly since 2004/05, especially in the senior age group (66 and over), whose claims increased by almost 1,800%, from 187 claims or \$250,000 in 2004/05 to 3,557 claims or \$4.8 million in 2008/09 (see Figure 7). The Ministry became aware of this issue in October 2008 when following up on a complaint. In January 2009, it developed a plan of action to identify improper claims and prevent further abuses. Ministry staff indicated that they had taken action to strengthen the review process for FM systems, such as requiring pre-approval for FM-system funding for adults and establishing a special committee to develop new eligibility criteria. However, the Ministry's actions could have been more timely, given that claims began to increase significantly more than three years ago.

We also noted that, in some cases, a manufacturer of FM systems offered a rebate to vendors for a Program client's 25% portion of the bill. The rebate would be in the form of a coupon or discount on the vendor's next purchase. This gave vendors an incentive to sell FM systems, and clients, who were getting them for no cost, had no reason to refuse the offer. The Ministry has also identified

Figure 7: Number of FM Systems Claims by Age Groups from 2002/03–2008/09

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



cases where vendors told clients that an FM system would come as part of a “package” with the clients’ hearing aids. When asked, the clients told the Ministry that they never used the FM systems.

Ostomy Supply Claims

Individuals with permanent ostomies (surgical openings made necessary by the loss of normal bladder or bowel function) are eligible to receive a grant of \$600 per year for each ostomy, up to a maximum of two ostomies, for the purchase of related supplies.

In addition to sending letters to 2% of the physicians who apply for ostomy grants on behalf of their patients—to confirm their eligibility—the Ministry has occasionally conducted reviews of ostomy supply grants to ensure that clients have used their grant payments for the intended purpose and that they still qualify for the grant. The Ministry’s last review, done in 2005, examined ostomy claims from 2001 to 2004. Only 40 of the 287 clients under review were able to provide receipts. They indicated that either the Ministry told them that they did not have to provide receipts or they were not aware that they had to keep their receipts. Even though the 2005 review results indicated significant compliance problems, ostomy claims have not been reviewed since because of staff constraints. Ministry staff informed us that they would re-instate the review process and would instruct clients to keep their receipts.

Insulin Pump and Supply Claims

The insulin pump and supplies program was implemented in December 2006. Ontario was the first Canadian jurisdiction to fully fund insulin pumps for children and youth (age 18 and under) with type 1 diabetes, although Saskatchewan, Newfoundland and Labrador, and British Columbia now offer similar coverage. In September 2008, Ontario extended program coverage for insulin pumps and supplies to adults with type 1 diabetes.

We reviewed a sample of claims for insulin pumps and noted cases where the delivery date of the pump preceded the date the client’s eligibility for the pump was assessed by a physician. The policy in the Program’s Administration Manual for Insulin Pumps and Supplies is that “insulin pumps must be purchased after the client has been assessed by physician. Otherwise, the insulin pump will not be considered for funding. Clients who purchase an insulin pump prior to the assessment cannot then submit an application form and expect reimbursement from the Program.” We suggested to the Ministry that it may want to re-examine the current policy, but if it is deemed appropriate it should be enforced.

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 that 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.

MINISTRY RESPONSE

The Ministry notes that authorizers receive no funding from the Assistive Devices Program.

The Ministry agrees that it must continue to take actions to deter abuse and misuse of program funding and provide training and information to authorizers and vendors regarding program requirements.

In 2008, the Ministry received approval to develop a new information system to replace

its current legacy system; the new system is expected to be implemented in spring 2011. System re-development will support the Program by enhancing monitoring capacity. The new system will also help the Ministry to monitor patterns and trends of authorizer and vendor activity.

The Ministry will improve its statistical reporting to ensure that abnormal claim patterns are identified and appropriate actions are taken. The Ministry will also liaise with the appropriate regulatory colleges to determine contacts and protocols.

Post-payment Review Process

In response to our 2001 audit, the Ministry re-established its post-payment review process in the 2002/03 fiscal year. The objective of this process is to ensure economic, efficient, and effective operation of the Program; correctness and validity of claims paid; and compliance with program policies and procedures. The Ministry also expanded its verification process to cover all major device categories rather than just home oxygen and ostomy grant recipients, which was the case in our last audit. Ministry staff indicated that they use a risk-based review approach that focuses on areas where irregularities are prevalent, are expected to occur, or would result in substantial financial loss to the Program. Although the Program has completed 138 reviews and has identified about \$2 million in recoverable overpayments since the 2002/03 fiscal year, we have concerns regarding review resources, coverage, and selection, as noted in the sections below.

Review Resources and Coverage

The Ministry currently has three compliance-and-quality-assurance staff to monitor the activities of more than 1,000 vendors and 6,000 authorizers. They conduct two types of reviews: desk reviews and field reviews. Desk reviews are performed in-house without any on-site inspection. A field

review is required only if material discrepancies are observed in a desk review. We noted that, of the 138 reviews completed since the 2002/03 fiscal year, only 22 were field reviews. We were informed that the number and the extent of reviews were limited by the resources available. Not only are hundreds of millions of dollars paid out annually, but expenditures have increased by more than 90% between 2001/02 and 2008/09. Yet the number of compliance-and-quality-assurance staff has been the same since 2002.

Although only 23 reviews were completed in 2008/09, they successfully identified overpayments of about \$600,000. The high rate of overpayment identified by even a limited number of reviews suggests that expanded review resources are justified from a purely financial payback perspective and, if combined with a communication strategy, would send a clear message that inappropriate authorizing and billing practices will not be tolerated.

Review Selection

As noted above, the Ministry's audit selection process is supposed to target vendors that are at the highest risk of abusing the program, because the Ministry has limited compliance-and-quality-assurance resources. At the time of our audit, the Ministry had the capability to extract data from the assistive devices database according to specific risk-factors, but it was not using this capability in a systematic way. Our audit identified a number of high-risk areas that warrant more regular review effort (see sections on Monitoring of Claims and Conflict of Interest). We also felt that a lack of training on risk assessment partially accounted for deficient monitoring. We were informed that, although front-line staff such as claims assessors and program co-ordinators are responsible for informing compliance-and-quality-assurance staff if they observe irregularities, the front-line staff have received no formal training on risk-assessment techniques to identify "red flags" indicating potential fraud or misconduct. The Ministry informed us that

it would be working to improve awareness of fraud risks in staff's day-to-day roles by developing a comprehensive training program on the risk-assessment process early in the 2009/10 fiscal year and implementing a risk-assessment tool in summer 2009.

Fraud Investigation

The Program co-ordinates with the Ministry's Fraud Programs Branch (which became part of the Accounting Policy and Financial Reporting Branch after we completed our audit work) to refer potential cases of fraud to the Ontario Provincial Police (OPP). Since 2001, the Program has identified and referred 19 such cases to the OPP. We noted that, of the \$1.8 million that has yet to be recovered, more than \$900,000 involves two vendors that were referred to the OPP shortly after the start of our audit fieldwork in 2009. The Ministry indicated that it was only able to recover \$43,000 out of \$1.8 million because it has to wait for the OPP to complete its investigations and referrals to the court, through which restitution is to be made.

The referral and investigation process can take a long time. In our review of cases for which the investigations had been completed, we noted that they took on average about 530 days from the date of referral to completion. The Ministry can terminate the registration status of vendors and authorizers if there is any violation of their agreements and/or deviation from program policies not corrected to the satisfaction of the Program. However, during the investigation period in the above cases, the vendor continued to submit claims and bill the Program. Ministry staff told us this had been a matter of some concern to them, but they felt they could not take action until the OPP had completed its investigation. The Ministry also has the obligation to report authorizer misconduct to the respective professional colleges and associations, which have a strong incentive to maintain the good reputation of their membership and to protect the public. However, we noted that the Ministry has rarely taken such action.

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.

MINISTRY RESPONSE

The Ministry agrees and is reviewing its policies and procedures to ensure that there is clarity on eligibility criteria, pricing, and charges to clients. As well, the Ministry will continue to educate vendors and authorizers on program policies and procedures, and will terminate agreements with vendors and authorizers who have acted fraudulently.

The Program is working with the Accounting Policy and Financial Reporting Branch to complete this work in the 2009/10 fiscal year and to provide staff with the risk-management skills and tools they need to help them more rigorously manage vendor and authorizer agreements. The Ministry will also liaise with the appropriate regulatory colleges to determine contacts and protocols.

CONFLICT OF INTEREST

The Program considers it is a conflict of interest whenever there is a financial relationship between an authorizer and a vendor (see Figure 3 for a description of authorizers' and vendors' roles and responsibilities). The Policies and Procedures Manual for the Assistive Devices Program states that it would be considered a conflict of interest where:

- a physician who prescribes a device for an eligible person has any financial relationship with the vendor selling that device;
- an authorizer who determines client eligibility refers clients to a specific vendor or receives any fee or benefit from a vendor, directly or indirectly; or
- a vendor gives any fee or benefit, directly or indirectly, to a person who determines client eligibility or refers clients to that vendor.

To ensure that clients are given a choice of vendors and to prevent conflict of interest, authorizers are required to provide clients with a list of vendors in their area rather than refer them to any one vendor. As a condition of their registering with the Program, vendors and authorizers are required to comply with the Program's conflict of interest policy by signing agreements with the Ministry:

- In the authorizer agreement, authorizers also agree not to influence eligible clients to purchase devices from any specific vendor, not to accept from any vendor payment in cash or kind (directly or indirectly) for recommending any device and/or their assessment services, and not to have a professional affiliation with a vendor. Failure to comply with these terms will result in the Ministry immediately revoking the authorizer's registration with the Program.
- In the vendor agreement, vendors agree to conduct their businesses without conflict of interest as described in the Policies and Procedures Manual for the Assistive Devices Program. Breach of this provision will result in termination of the vendor agreement.

Mobility Aids

As noted in the Monitoring of Claims sections, three vendors had scooter claims that increased by more than 800% over three years. Our analysis of these three vendors indicated that each of them had more than 70% of their claims authorized by only one or two authorizers. These authorizers and clients were often not located near the respective vendors. In many cases, the clients were located over 30 kilometres away. Clients typically purchase their devices from a vendor located near their homes; therefore, we questioned whether the authorizers had provided a list of vendors to the clients in all three instances. We noted that there were many other vendors located near the clients and authorizers in question. We suspect that the authorizers may have recommended these specific vendors, which would be a potential conflict of interest and a violation of program policy.

Hearing Aids

Applications for hearing aid funding must be signed by a prescriber (a physician or an audiologist) who confirms that the client has hearing loss. The application also requires the signatures of the authorizer, dispenser, and vendor. It is possible for these three roles to be fulfilled by one person, so to avoid a conflict of interest, the Program requires that each application must be completed and signed by two health-care professionals who are not financially dependent on any of the other signatories.

This requirement, if implemented and monitored appropriately, would minimize the risk of conflict of interest. Yet we noted that the requirement is often not being met. We selected a sample of vendors with high volumes of hearing aid claims. Our analysis found numerous cases of apparent conflict of interest. For example:

- A vendor with multiple locations had claims totalling more than \$10 million since 2000. One physician prescribed most of the claims coming from this vendor's various locations.

Our discussion with the Ministry indicated that it was aware of the potential conflict of interest in early 2000. The Ministry referred the case to the Ontario Provincial Police in 2004 and again in 2009. The Ministry told us that it cannot terminate its agreements with the vendor and authorizer while the matter is under police investigation.

- Another vendor was registered with the Program as both an authorizer and a dispenser. Since 2002/03, one physician was the prescriber for 99% of the vendor's claims, for a total of \$900,000. The vendor and the physician were located at the same address. We noted that the vendor was renting office space from the physician. In our review of this vendor's file, we also saw that this physician had acknowledged that he had been referring clients to this vendor for a long time. Ministry staff confirmed to us that this relationship could be reasonably considered a potential conflict of interest. Yet the Ministry has taken no further action.
- Since 2002/03, the total claims submitted by one vendor were about \$1.3 million. We noted that, at the time this vendor registered with the Program, its business insurance was in the name of a physician. We also noted that this physician, who may have been related to the vendor given their same last name, prescribed more than 65% of the vendor's claims. Ministry staff explicitly identified such a relationship as a potential conflict of interest, because it could be reasonably concluded that a vendor and a physician who are related could be sharing profits. However, this potential conflict of interest has never been investigated.
- Another vendor has two locations, which are 25 kilometres away from one another. Since 2002/03, 96% of the claims at both locations, for a total value of more than \$1 million, were approved and co-signed by the same physician and authorizers, who were also co-owners

of the vendor's business. The ongoing, close association among these parties would seem to indicate a potential conflict of interest, but the Ministry has never reviewed any of the parties involved.

In cases where the Ministry did find potential conflict of interest or misconduct of health-care professionals, it seldom terminated the authorizer's or vendor's ability to authorize benefits or make claims, nor did it consider informing the regulatory college or professional association of the potential misconduct of the professional in question.

Respiratory Devices

We noted that the Ministry identified potential conflict of interest when it reviewed vendors' claims for respiratory devices from the 2004/05 fiscal year. For example, one review noted that "clinic staff or physicians referred clients to the vendor—unless a formal contract is entered into with physicians, the Program cannot exercise effective control over physicians." It then recommended "urgent action be taken with a view of entering into contractual agreements with all clinic physicians with particular emphasis on conflict of interest." Another review revealed, "some prescribing physicians had referred clients to the vendor whose business was operated from the same buildings that housed the clinics. This would indicate a conflict of interest by prescribing physicians. This matter requires urgent attention as it similarly affects other physicians and vendors."

We were informed that, even though the Ministry was aware of this problem and indicated that "urgent action" and "urgent attention" were required, no action has been taken over the past few years to address it. The Ministry told us it could not investigate the prescribing physicians and sleep clinics because the Program does not have contractual agreements in place to enable it to do so. The Ministry indicated that it would obtain legal advice on this issue and pursue the matter with the Ministry's Fraud Programs Branch.

In our audit, we observed apparent conflict of interest between vendors of CPAP devices and prescribing physicians that we believe warranted further investigation. These were similar to our observations in other device categories. Here are two examples:

- One vendor submitted more than 5,500 claims for CPAP devices, amounting to \$4.7 million, since it registered with the Program in the 2003/04 fiscal year. We noted that one physician prescribed about 94% (\$4.4 million) of these claims. This indicates potential financial dependence between the vendor and physician, and therefore potential conflict of interest. In 2005, the Ministry reviewed this vendor and noted similar concerns. It also found the referring physician had clinics in three different municipalities. Clients were travelling from these various locations to purchase CPAP devices from this one vendor, which suggested that the vendor was using the clinics to obtain referrals. As part of its review, the Ministry sent out confirmation letters to the vendor's clients and half of those who responded indicated that they had been referred to this vendor by the physician or by clinic staff. Ministry staff told us that they have taken no action against the vendor or the physician.
- The same vendor has another location, which was registered with the Program in the 2005/06 fiscal year. We observed similar problems to those described above. This location has submitted about 2,700 claims for CPAP devices, amounting to \$2.3 million. One physician prescribed about 92% (\$2.1 million) of these claims. We also noted that, in 2008, the Ministry received a complaint about the physician directing a client to buy a device from a specific vendor. When the client refused to do so, the physician threw the application form at the client. Despite the seriously inappropriate behaviour described within, this complaint was never forwarded

to the appropriate program staff for further review or brought to the attention of the appropriate regulatory college. The Ministry informed us that it typically advises clients who have complaints about their physician to contact the College of Physicians and Surgeons of Ontario.

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.

MINISTRY RESPONSE

In 2008, the Ministry received approval to develop a new information system to replace its current legacy system; the new system is expected to be implemented in spring 2011. System re-development will support the Program by enhancing monitoring capacity. The new system will also help the Ministry to monitor patterns and trends of authorizer and vendor activity.

The Ministry is proactively working to strengthen compliance with program policies and procedures. It is reviewing vendor contracts and authorizer agreements to establish stricter rules on conflict of interest and actions to be taken in instances of non-compliance. The Ministry will also liaise with the appropriate regulatory colleges to determine contacts and protocols.

RECYCLING AND REFURBISHING INITIATIVES

The Ministry could achieve savings and protect the environment by recycling and refurbishing devices that clients are no longer using. However, we noted that the existing processes did not allow the Ministry to maximize the number of recycled and refurbished devices, particularly for high-cost items such as wheelchairs.

Power Wheelchairs

Because of the high cost of power wheelchairs, the Ministry established a Central Equipment Pool for High Technology Wheelchairs (CEP) in 1996. CEP provides clients throughout Ontario with both new and recycled power wheelchairs and gives clients rebates when they return the equipment to the pool. CEP also provides all routine maintenance and repair free of charge. Through a competitive tendering process in 2007, a vendor was awarded a three-year contract to manage and operate CEP from March 2007 to February 2010. The vendor has guaranteed a recycling rate of 20% in its first year of operation and 25% thereafter, with any shortfall to be credited to the Ministry. We found, however, that the actual recycling rate in the first year was 8.4%. The rate in the second year was yet to be determined at the time of our audit, because the year had just ended. We also noted that a refund for the shortfall had yet to be made to the Ministry. When we brought this issue to the Ministry's attention, we were informed that it would follow up with CEP on this matter and obtain a refund if the target rate had not been met.

Manual Wheelchairs

Since the 2002/03 fiscal year, manual wheelchairs have accounted for about 80% of all wheelchair claims, with power wheelchairs and power scooters accounting for only about 15% and 5%, respectively. Yet there is currently no recycling initiative in place for manual wheelchairs.

The Ministry informed us that it had done a study in 2003 that proposed to establish regional recycling equipment centres for manual wheelchairs to help manage the costs associated with the increased demand of a growing and aging population. The study noted: "Introducing equipment centres for manual wheelchairs is a wise use of health-care resources. Recycling expensive equipment such as wheelchairs is good for clients, the health care budget and the environment. Clients and their families have shown strong support for recycling." In addition to the lower environmental impact, the Ministry's study estimated that the Ministry could save \$11.5 million from 2003/04 to 2006/07 by recycling manual wheelchairs. Despite its significant potential savings and benefits, this initiative has not been put in place and there is currently no plan to implement any recycling initiative. Ministry staff indicated that they have concerns about guarantees on the quality and strength of recycled parts, the cost of servicing used devices, and legal liabilities.

Our review of other jurisdictions showed that provinces such as Alberta and Quebec have manual wheelchair recycling initiatives in place. We learned in our discussions with them that they had considered some of the same issues around recycling, such as potential liabilities and costs, and still found that implementation was viable. We noted:

- The Alberta wheelchair recycling program has been in place for more than 20 years. Alberta funds the recycling of both manual and power wheelchairs. The program manager told us that it is better to recycle manual wheelchairs than power wheelchairs because the average transaction costs—including cleaning, repairing, and refurbishing—are less than \$400, about one-third of the cost of a new manual wheelchair (basic model). According to the program manager, the wheelchair recycling program saves Alberta about \$5 million a year.
- Quebec started a pilot project of wheelchair recycling in 2000 that was modelled on

Alberta's program. All devices are recycled and distributed directly by accredited rehabilitation centres to ensure the quality of the recycled devices. Each centre has its own local depot. The program pays the centres to refurbish the wheelchairs. In the 2005/06 fiscal year, a program evaluation found that about 29% of the wheelchairs were recycled, and estimated that the average cost of a recycled wheelchair was, again, about one-third of a new one. Quebec's recycling program is newer than Alberta's program, but it has still resulted in a savings of about \$4 million per year according to the evaluation report.

Our review of literature on Quebec's recycling initiative published by the Canadian Association of Occupational Therapists in 2003 showed that, although program staff at that time indicated that there was a lack of resources and no policy in place to encourage people to recycle, both occupational therapists in the community and users of refurbished wheelchairs reported high satisfaction with regard to the efficacy, appearance, safety, durability, and comfort of the recycled devices as well as the delivery and follow-up services they received. The Quebec Auditor General's report for the 2005/06 fiscal year also indicated that the recycling program was cost-effective and achieved significant savings.

Incentive to Recycle

We noted that there are recycling initiatives for manual wheelchairs that have been started by volunteers in Ontario communities through some non-profit organizations. The information we obtained from such organizations indicates that because the Ministry currently does not fund used devices, authorizers have no incentive to advise their clients to look into buying used or refurbished devices. One of the organizations told us that it has a shortage of space because of its growing accumulation of used devices. This organization also told us that it is constantly hearing from people who want to

donate items, but its limited warehouse space has been filled to capacity. It has been giving away wheelchairs to other countries to help deal with the shortage of space. Ontario taxpayers' dollars are in turn subsidizing health care in other countries.

Unfortunately, even if clients wanted to get a recycled wheelchair, there is little financial incentive for them to do so under the Program's current funding practices. Clients would have to pay more for a recycled wheelchair than they would for a new, Program-funded one: the Program-approved price for a new basic manual wheelchair is about \$1,200, of which the client has to pay 25%—about \$300; if the client wanted to buy a similar used manual wheelchair, it would cost about \$400, which is only one-third the cost of a new wheelchair but still \$100 more out of the client's pocket, because used manual wheelchairs are not eligible for program funding.

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.

MINISTRY RESPONSE

The Ministry has noted that some other jurisdictions have included recycled manual wheelchairs in their programs but has not determined that this would be a cost-effective approach given the very limited warranty that can be provided to refurbished wheelchairs. The Ministry will promote the reuse of wheelchairs in the context of recycling materials used in wheelchair manufacturing.

RECOVERY OF OVERPAYMENTS

Deceased Clients

We noted many instances of an unreasonably long time lag between the date of a home oxygen client's death and the date the Ministry's records were updated, which creates a risk of payments being continued long after a client is deceased. Since the 2003/04 fiscal year, the Ministry has recovered about \$1.2 million from home oxygen vendors that had received payments for clients who were deceased. However, at the time of our audit, the Ministry was still identifying potential recoveries that dated back to 2001. Ministry staff informed us that these outstanding recoveries had been omitted from earlier overpayment reports and that work is underway to fix this problem.

With respect to ostomy grants, the Ministry requires clients to complete a renewal form every two years to confirm that they still have their ostomy (or ostomies). The Ministry also links the Program's database with the Registered Persons Database to verify ostomy clients' health card status, and cancels grants automatically if the renewal form, cheque, or direct deposit is returned as undeliverable. These steps have been successful in reducing the number of payments being made to deceased persons, but there is still a time lag between the date of a person's death and the date the Ministry updates its records. The last report of these overpayments was generated in June 2008, but the executors of the estates of the deceased clients have not all been contacted.

Duplicate Funding

Under the Program's general eligibility rules, individuals who are eligible for funding for their devices from the Workplace Safety and Insurance Board (WSIB) or the federal Department of Veterans' Affairs (DVA) are not eligible for program funding. Applicants for program funding are required to declare on their application that they are not eligible for funding from the WSIB or the

DVA, but the Ministry does not obtain independent verification of this information. We identified the same issue in our 2001 audit.

In 2004, the Ministry's Fraud Programs Branch also identified this issue. The Branch stated that the Ministry should not be compensating clients unless they have maximized benefits from other sources. It pointed out that, without direct data-links to the WSIB and the DVA, there is a risk of the Ministry funding devices for individuals who are entitled to compensation through the WSIB and the DVA. There is also a risk of unscrupulous vendors billing more than one agency for the same device. The Ministry's Fraud Programs Branch recommended that the Program continue to negotiate an information-exchange agreement with the WSIB and initiate an agreement with the DVA to identify ways in which the risk of double billing could arise.

During our current audit, we noted that the Ministry still had no direct access to the WSIB and the DVA databases. An information cross-check process with the WSIB was discontinued in 1998 and has not been re-instituted, and similar arrangements with the DVA were never put into place. The Ministry entered into an agreement with the WSIB in 1999 to recover duplicate funding for hearing aids. So far it has recovered duplicate funding of about \$110,000 for hearing aids since 2006, but no similar recovery has been made in other device categories.

In our review of program and WSIB claims data since 2002/03, we noted cases where the Program and the WSIB provided funding to the same person for the same category of device around the same time. The Ministry has not yet followed up on these cases, which involve funding of \$760,000.

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 Department of Veterans' Affairs as has been recommended by the Ministry's Fraud Programs Branch.

MINISTRY RESPONSE

To date, the Ministry has recovered all overpayments that it is aware of; reports are generated weekly and the Ministry will continue to recover overpayments.

The Program has an agreement in place with the Workplace Safety and Insurance Board (WSIB) to recover duplicate payments for hearing devices that are required as a result of a workplace injury. The Ministry is discussing with the WSIB the potential for other device categories to be included in the agreement, and is also discussing with Veterans Affairs Canada the potential for an efficient exchange of information to identify duplicate payments.

REGISTRATION OF AUTHORIZERS

In most cases, individuals applying for program funding are required to be assessed by Program-registered medical authorizers and must purchase their devices from Program-registered vendors (see Figure 3). Our sample testing identified the following concerns with authorizer registration.

We reviewed a sample of authorizers' files to assess whether they had met the criteria to register with the Program. Some of the documents were missing from files, so we could not determine whether all the registration requirements (see Figure 3) had been met. The missing documents included proof of good standing with the appropriate regulatory colleges and proof of completion of a required course or workshop.

Every three years, the Program requires authorizers to submit an Information Update Form. Authorizers must submit their updated contact and professional information to maintain their active status with the Program and to obtain new Authorizer Cards, which are displayed to help clients confirm that an authorizer is in fact registered with the Program.

The process of renewing authorizers' status was not monitored appropriately. We noted the following:

- The Ministry did not follow up with authorizers who had not returned their Information Update Forms. Only after we found that the forms were missing in the files did the Ministry send reminder letters.
- One authorizer's former employer wrote to the Program in 2005, asking why they had recently received a letter and a new Authorizer Card expiring in May 2008 for someone who was no longer employed with them and who had been out of the province since 2002. This suggests that the Program was issuing new Authorizer Cards without verifying authorizers' information.

To verify authorizers' status, we contacted five professional colleges that regulate authorizers. We noted instances where the Ministry did not promptly update authorizers' status. For example:

- Some authorizers were not in good standing with their colleges, but the Ministry did not deactivate their registration status until five to ten years later.
- Some authorizers' had active status with the Program even though their colleges' records showed their membership had been deactivated in 2006 or 2007.
- Some authorizers continued to authorize devices when they were not in good standing with their colleges. The total value of claims related to these devices was about \$400,000.

In 2004, a report by the Ministry's Fraud Programs Branch recommended that the Program increase its due diligence on the licensing status

of authorizers by generating links with the professional colleges to help with ongoing monitoring. However, we noted that the Program still has not developed direct data-links with the colleges to ensure that authorizers are in good standing with them. This increases the risk of program abuse by authorizers who have been suspended or who are no longer practising. Ministry staff informed us that the Program would continue to look into solutions with the colleges; the Program has also set up a committee to identify strategies for improving its management 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.

MINISTRY RESPONSE

The Ministry is reviewing the June 2009 amendment to the *Regulated Health Professions Act* to determine if the legislation allows sufficient access to information to conduct ongoing monitoring to ensure that authorizers are in good standing with their regulatory bodies and whether additional channels will need to be developed.

The Program terminates the status of authorizers who do not return Information Update Forms within the specified timeframe. These authorizers are required to re-register with the Program to become active again.