Ministry of Health and Long-Term Care

Funding Alternatives for Specialist Physicians

Follow-up to VFM Section 3.07, *2011 Annual Report*

Background

Specialist physicians provide services in more than 60 areas, including cardiology, orthopaedics, pediatrics and emergency services, and generally obtain most of their income from fee-for-service Ontario Health Insurance Plan (OHIP) billings. In the 1990s, the Ministry of Health and Long-Term Care (Ministry) introduced alternate funding arrangements to encourage specialist physicians to work in remote areas of the province, as well as to encourage them to provide certain services for which they were not compensated under the existing fee-for-service basis, such as academic services, including training new physicians and conducting research. In 1999, the Ministry introduced specialist alternate funding arrangements for physicians (generally family physicians) who provide emergency services in hospitals.

Alternate funding arrangements are contractual agreements between the Ministry, a group of physicians, and in most cases the Ontario Medical Association (OMA, the organization that bargains on behalf of physicians in Ontario) and may include other organizations such as hospitals and universities. Alternate funding arrangements for specialists are also subject to provisions in the physician services agreement between the Ministry and the OMA, which has been negotiated every four years since 2000, with the most recent agreement signed in 2012.

In the 2009/10 fiscal year, more than 9,000 physicians were funded under a specialist alternate funding arrangement, but the Ministry was not able to provide us with the number of specialists and emergency room physicians paid under these arrangements in 2012/13 in time for publication. In the 2012/13 fiscal year, the Ministry paid $1.3 billion under specialist alternate funding arrangements to physicians (almost $1.1 billion in 2009/10), which accounts for about 18% of the $7.1 billion in total that the Ministry paid to all specialists and emergency room physicians that year (17% of $6.3 billion in 2009/10). As of March 31, 2010 (the latest available information), 50% of specialist physicians and more than 90% of emergency department physicians in the province were paid, at least in part, through a specialist alternate funding arrangement.

In our *2011 Annual Report*, we found that the Ministry had conducted little formal analysis of whether the alternate funding arrangements for specialists had yielded the expected benefits—such as improving patients' access to specialists—or whether the arrangements were cost-effective. We found, for instance, that payments to emergency department physicians increased by almost 40% between 2006/07 and 2009/10, while the number

of physicians working in emergency departments increased by only 10%, and the number of patient visits increased by only 7%.

Some of our more significant observations were as follows:

- Specialists could earn numerous types of payments and premiums under alternate funding arrangements (formed through arrangements among hospitals, universities with a medical school and physicians), making it difficult for the Ministry to monitor contracts and related payments. For example, for academic services at Academic Health Science Centres, there were as many as nine different categories of payments.
- Ten Academic Health Science Centres received "specialty review funding" totalling $19.7 million in 2009/10 as an interim measure to alleviate shortages in five specialty areas. Yet similar interim funding had been given annually since 2002.
- The Ministry paid $15,000 each to 234 northern specialists who gave the Ministry permission to collect information on income they earned from provincial government–funded sources.
- In order to monitor whether specialists funded under academic contracts performed the required services, the Ministry provided the specialists with a checklist to self-evaluate their performance. But the checklists were never requested back, and minimal other monitoring had been done.
- In April 2008, the Ministry paid more than $15 million to 292 physicians who signed a document indicating that they intended to join a northern specialist alternate funding arrangement. However, 11 of the physicians, who were paid a total of $617,000, did not subsequently join such an arrangement, yet they were allowed to keep the funding.

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

Status of Actions Taken on Recommendations

The Ministry provided us with information in spring and summer 2013 on the status of our recommendations. According to this information, some progress has been made in implementing most of the recommendations in our *2011 Annual Report*. For example, the Ministry has developed a template to facilitate comparison of alternate funding arrangements with the fee-for-service model. However, tracking the full cost of alternate funding arrangements will take longer to implement. Some actions, such as incorporating performance measures into contracts and significantly simplifying the different types of payments under the academic contracts, will depend on further negotiations with the OMA, as they were not addressed in the 2012 negotiations.

The status of actions taken on each of our recommendations is described in the following sections.

CONTRACTING WITH SPECIALISTS

Recommendation 1

To help ensure that compensation arrangements for specialists meet the Ministry of Health and Long-Term Care's goals and objectives in a financially prudent manner, the Ministry should:

- *assess and document the anticipated costs and benefits of each alternate funding arrangement, compared to the standard fee-for-service compensation method, before entering into a formal agreement;*
- *incorporate specific performance measures into the contracts, such as the number of patients to be seen or the wait times to access care, to enable the Ministry to periodically assess what benefits are received for the additional cost of the arrangement; and*

- *require physicians to sign that they agree to the terms of the contract before commencing participation in an alternate funding arrangement.*

Status

The Ministry informed us that in 2012 it developed a cost/benefit analysis template to facilitate comparisons between alternate funding arrangements and the fee-for-service model. Since the time of our audit, the Ministry has not entered into any new agreements with specialist physicians and hence has not used the template. In addition, although almost all contracts that were in place during our 2011 audit have since expired, none have been renewed; therefore, none have been subject to a cost/benefit analysis. Payments continue to be made as per the terms and conditions of the expired agreements. At the time of our follow-up, the Ministry and the OMA were negotiating new standardized contracts.

The Ministry informed us that no performance measures have been incorporated in any existing contracts, but it has begun a process of reviewing existing agreements to identify what performance measures should be in place. The Ministry also informed us that the addition of any new performance measures must be negotiated with the OMA.

The Ministry indicated that it has reviewed the declaration and consent requirements by contract type and that currently all physicians are required to sign that they agree to the terms of the contract before commencing participation in an alternate funding arrangement. The Ministry also advised us that it has ensured that signed declaration and consent forms are on file for all agreements requiring them, except for the agreements involving the approximately 3,000 emergency room physicians paid through alternate funding arrangements. Declaration and consent forms for emergency room physicians had been held at OHIP district offices that have been since closed, and therefore they were not available for verification. The Ministry expects all physicians in alternate funding arrangements to sign new declaration and consent forms once standard contracts are negotiated.

PAYING SPECIALISTS

Recommendation 2

To better ensure that payments made under alternate funding arrangements among similar specialist groups are in accordance with the underlying contracts, the Ministry of Health and Long-Term Care should:

- *simplify the numerous different types of payments under the academic contracts; and*
- *review situations where additional funding is consistently being provided or where overfunding or duplicate payments have occurred in order to determine whether the funding should be adjusted or recovered.*

Status

The Ministry established a working group in August 2012 to review opportunities for streamlining academic payment categories, and also to review payment categories under other alternate payment/funding arrangements. As a result of its review, the working group recommended eliminating two funding categories for Academic Health Science Centres and four funding categories linked to other alternate payment/funding arrangements. The working group did not recommend eliminating any other funding categories, because they are linked to payment requirements set out in the alternate funding agreements and the physician services agreements for 2004 and 2008 between the province and the OMA. The various funding categories were not consolidated into the 2012 Physician Services Agreement. According to the Ministry, the 2012 negotiations with the OMA did not focus on individual agreements with specific specialist groups. The working group recommended that implementation coincide with the start of the 2013/14 fiscal year. At the time of our follow-up, an implementation date had not yet been determined.

The Ministry informed us that recovery practices had been reviewed to ensure that documentation is in place to support decisions related to non-recoveries. Overpayments to emergency departments, which occur when patient volumes

are lower than expected, totalled $972,000 for the 2010/11 fiscal year. By December 2012, the Ministry advised us, it had recovered $315,000 and would be recovering the remaining $657,000 from emergency physician groups at two hospitals over an extended period of time in order to lessen the impact of a lump sum recovery, which could jeopardize the ability of those emergency departments to provide services 24 hours a day, seven days a week.

MONITORING ALTERNATE FUNDING ARRANGEMENTS

Recommendation 3

To better ensure that Ontarians have access to specialist physician care, consistent with the overall objective of alternate funding arrangements, the Ministry of Health and Long-Term Care should monitor whether specialist groups are providing patient care and other services in accordance with their contracts.

Further, to ensure that the benefits of the specialist alternate funding arrangements outweigh the costs, the Ministry should track the full costs of each alternate funding arrangement, including total fee-for-service billings paid to physicians, either directly or indirectly, and use this information to periodically review whether its overall goals and objectives for such arrangements are being met in a cost-effective manner.

Status

The Ministry advised us that it was developing a process to review billing data on a regular cyclical basis, which would enable it to determine, for example, whether academic physicians are providing a minimum level of clinical services, including seeing a minimum number of patients. However, the Ministry had not set an implementation date. Furthermore, as was its practice in 2011, it was continuing to analyze billing claims only when a physician group funded under an alternate funding arrangement asked to have physicians added to the group, and to identify overpayments and underpayments to emergency departments whose payments were based on patient volume.

At the time of our follow-up, the Ministry advised us that it was not yet tracking the full cost of each alternate funding arrangement, but was working with its information technology staff to develop an automated report that would track all physician payments to each alternate funding arrangement group, including base payments, premium payments and fee-for-service payments, as applicable to each arrangement.