



## Assistive Devices Program 2018 Value-for-Money Audit

### Why We Did This Audit

- In 2017/18, the Ministry of Health and Long-Term Care (Ministry) provided about \$514 million through the Assistive Devices Program (Program) to help purchase devices for over 400,000 Ontario residents.
- Our last audit of the Program in 2009 noted numerous findings relating to oversight efforts, device pricing and staff training, many of which still existed at the time of our 2011 follow-up on the Program.

### Why It Matters

- Program expenditure is based on usage and not subject to a budget limit, and is expected to continue growing with the aging population given that 60% of Program clients in 2017/18 were over the age of 65.
- Over the last 10 years, Program expenditures have grown by about 48% and the number of Program clients has increased by over 47%, while Ontario's population has only increased by about 10%.

### What We Found

- The Ministry consistently continues to overpay vendors for ineligible claims. However, it has only two compliance staff conducting post-payment reviews used to identify and recover overpayments. There are approximately 1,200 vendors submitting over 400,000 claims a year. Over the last eight years, the two compliance staff were able to review only 235 vendors in total and effectively recover about \$10 million in overpayments. There may be an opportunity to increase recoveries if more resources were dedicated to conducting post-payment reviews.
- The Ministry needs to be more proactive in following up and taking timely action on vendors suspected of abusing the Program. When early action is not taken, the risk exists that collection of overpayments may be difficult. For example, since 2009, the Ministry has taken issue with 13 vendors significantly abusing the Program and was able to recover only \$1,000 (or 0.02%) of the almost \$5.5 million in estimated payments made to them for ineligible claims.
- The Ministry conducted no regular follow-up reviews of vendors known to have submitted ineligible claims in the past. For example, one such vendor repaid about \$250,000 in 2015/16, but there has been no follow-up since on this vendor, who continued to submit claims and received a total of about \$5.8 million in 2016/17 and 2017/18.
- Device pricing reviews are not conducted consistently and effectively. The Ministry conducts price reviews to set the Ministry's Program-approved maximum price for all models of a particular device as a basis for paying vendors. As such, it sets a maximum price used to pay vendors no matter what model is provided to clients. For example, the Ministry found one of its approved models of a sleep-apnea device had a retail price under \$400. However, it kept the Program-approved price for all sleep-apnea models at \$860 and is not setting prices on a model-by-model basis.
- Our review of a sample of manufacturer and vendor invoices found varying mark-ups from vendor to vendor, with some mark-ups exceeding 200%. We also found instances where vendors were charging clients up to \$1,000 (or about 60%) more per hearing aid than what Program policy allows. More compliance work is needed by the Ministry to ensure vendors do not take advantage of clients in this way.
- The Ministry requires vendors of certain devices to include serial numbers on invoices to ensure it is not paying for used or returned devices. However, the Ministry's system is unable to check, before paying a claim, whether a serial number has already been used in another claim, or even if one was entered at all. Our review of claim data for 2017/18 identified 7,500 claims that did not list serial numbers, and almost 2,300 claims, worth a total of about \$1.5 million, that were paid even though they had duplicate serial numbers.
- The Ministry's information system, implemented almost eight years ago and costing about \$7 million, could be updated to accept claim submissions electronically. However, at the time of our audit, the Ministry still accepted claims only through the mail. While the Ministry began work in 2018 on changes to its system to allow electronic claim submissions, this work is not scheduled to be fully completed until mid-2020.

## Conclusions

- The Ministry improved Program service delivery since our last audit in 2009. However, several areas relating to oversight and device pricing need improvement to ensure that the Ministry is paying only eligible claims at Program-approved prices. Specifically, prices charged by vendors are not fully monitored to ensure their reasonableness and compliance with Program policies, resulting in significantly high mark-ups and a wide variation of mark-ups from vendor to vendor. In addition, oversight efforts and activities are not sufficient to identify non-compliance, are often not completed on a timely basis and are not documented adequately.
- While the Ministry implemented a new information system in 2011 to improve claim processing time and claim data reporting, it has not fully addressed some of the Program's needs effectively. For example, important features (such as electronic claim submissions to replace paper-based claim processing) are still missing, not fully utilized or not yet functional, even though the system has been in place for almost eight years.

Read the [Assistive Devices Program](http://www.auditor.on.ca) audit report at [www.auditor.on.ca](http://www.auditor.on.ca)