

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ASSISTIVE DEVICES PROGRAM
(Section 3.01, 2009 Annual Report of the Auditor General of Ontario)

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The Honourable Steve Peters, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

Norman W. Sterling, MPP
Chair

Queen's Park
May 2011

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MARIA VAN BOMMEL was replaced by WAYNE ARTHURS on September 22, 2010.

CONTENTS

PREAMBLE	1
Acknowledgments	1
Background: Assistive Devices Program	1
Clients	1
Current Purchase Process	2
OVERVIEW	2
Objective of Auditor's Audit	2
Select Observations from the Auditor's Audit	2
Letter Sent to Ministry by Committee Chair	2
MINISTRY RESPONSE DURING NOVEMBER HEARINGS	3
Business Process Redesign	4
New IT System	5
Claims Backlog	5
Price Restructuring Review and Volume Discounts	6
Price Review	6
Home Oxygen Pricing	7
Volume Discounts	8
Fair Compensation for Vendors across Ontario	8
Equipment Recycling and Refurbishing	8

PREAMBLE

In March 2010 the Standing Committee on Public Accounts (Committee) held hearings on the Auditor General's value-for-money audit of the Assistive Devices Program (section 3.01 of the Auditor's *2009 Annual Report*). Senior officials from the Ministry of Health and Long-Term Care (Ministry) participated in the hearings. The Committee endorses the Auditor's findings and recommendations but concluded that the Ministry had made disappointing progress on implementing the Auditor's recommendations. In August 2010 the Chair of the Committee wrote on behalf of the Committee to the Deputy Minister questioning the business model being used to deliver the Assistive Devices Program and listing specific areas of Committee concern. In November 2010 the Ministry was called back for follow-up hearings. (For transcripts of Committee proceedings please see Committee *Hansard*, March 3, 2010 and November 17, 2010.)

This report summarizes information the Ministry provided in the November hearings on steps it has taken to address concerns noted by the Committee in its August letter. The report also highlights several areas of continuing Committee concern and includes a recommendation directed to the Auditor General requesting that he address these areas during his 2011 follow-up of the Ministry's Assistive Devices Program audit. For recommendations addressed to the Ministry, the Committee requests that the Ministry provide the Committee Clerk with written responses within 120 calendar days of the tabling of the report with the Speaker of the Legislative Assembly, unless otherwise specified in a recommendation

Acknowledgments

The Committee extends its appreciation to officials from the Ministry of Health and Long-Term Care for their attendance at the hearings. The Committee also acknowledges the assistance provided during the hearings and report writing deliberations by the Office of the Auditor General, the Clerk of the Committee, and staff in the Legislative Research Service.

Background: Assistive Devices Program

Clients

The primary objective of the Assistive Devices Program (ADP) is to provide financial assistance for Ontario residents with long-term physical difficulties in obtaining personalized assistive devices and supplies that enable them to function more independently. A key Ministry goal is for people to have affordable access in their communities to dependable, high-quality services, supported by qualified vendors and health care professionals, while still ensuring value-for-money. The Ministry described ADP recipients as among Ontario's most vulnerable citizens and said the Program, which serves a growing and aging Ontario population, can help keep people in their homes instead of institutional settings. The Ministry is modernizing the ADP as discussed further in the Business Process Redesign section below.

Current Purchase Process

In 2008/09 expenditures across different assistive device categories totaled \$347 million. Mobility aids, home oxygen and hearing aids accounted for the majority of expenditures. The Auditor noted that Program expenditures had increased by more than 90% since his last audit in 2001 and attributed this primarily to a price adjustment in 2004 to reflect fair market prices and a 70% increase in the number of clients in the program.

In the purchase process, an individual with a condition typically meets with a physician and is referred for an assessment by another health care professional such as an occupational therapist or physiotherapist (the authorizer). The authorizer works with the client to determine the appropriate assistive device and to complete most of the application. The authorizer is required to provide the client with a list of Ministry registered vendors in the community or nearby. (The Ministry has a list of all vendors.) The client, who becomes the owner of the equipment, is often expected to pay a portion of the equipment cost (in many cases, for example, the client would pay 25%); the vendor bills the Ministry for the balance. If clients no longer need the device or are deceased, they or their relatives are allowed to sell the device and keep any proceeds received.

OVERVIEW

Objective of Auditor's Audit

In his audit, the Auditor assessed whether the Ministry has effective systems and procedures to:

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

Select Observations from the Auditor's Audit

The Auditor said that the Ministry set prices for assistive devices such as mobility and respiratory devices and computer systems to allow the device suppliers a markup of approximately 33%. He pointed out, however, that the prices the Ministry set for these assistive devices often gave vendors a much higher markup and noted instances of average markups exceeding 100%. Other findings included the observation that the Ministry was not being adequately vigilant in following up on potential abuses in the Program.

Letter Sent to Ministry by Committee Chair

When the Committee Chair wrote to the Deputy Minister in August 2010 following the Committee's March hearings, he expressed the Committee's view that it questioned the business model being used to deliver the Assistive Devices

Program and believed the model was in need of a major review. Points of particular concern echoed many of the Auditor's observations and included the following:

- 1) **Ministry Did Not Capture Volume Discounts:** there was no mechanism in place for the Ministry to capture volume discounts. The Committee wished to know what the Ministry would do to capture these discounts while still maintaining equitable access to the Assistive Devices Program across Ontario.
- 2) **Lack of Customer Service Monitoring:** the Ministry had no process in place to monitor customer service for its contracts, such as those for servicing wheelchairs, particularly for clients with special needs, and for the provision of home oxygen services. The Committee wished to know how the Ministry would address this issue.
- 3) **Lack of Interjurisdictional Price Comparisons:** the Committee noted reluctance on the part of the Ministry to compare the prices that it pays for major assistive devices to those paid by other provinces.
- 4) **Price of Home Oxygen Concentrator Provision:** the Committee felt the Ministry pricing for home oxygen concentrator provision may be excessively high and, as noted above, was interested in prices being paid in other provinces.
- 5) **Lack of Comprehensive Wheelchair Recycling:** the Committee also noted reluctance on the part of the Ministry to undertake comprehensive recycling of all types of wheelchairs.
- 6) **Need for Appropriate Staffing Levels:** the Committee believed that significant savings may be possible through the employment of additional staff to minimize the potential for program abuse.

MINISTRY RESPONSE DURING NOVEMBER HEARINGS

During the November hearings the Ministry indicated that it was going through "a very significant business process redesign and IT legacy system renewal." It provided an update on its progress in addressing issues raised by the Committee and the Auditor, including the following:

- **Pricing and Volume Discounts:** the Ministry is conducting a pricing and funding restructuring review and has already adjusted prices in some areas, such as for computer purchases, and is realizing significant savings.
- **Interjurisdictional Price Comparisons:** The Ministry recently completed a jurisdictional price review of home oxygen provision and advised the Committee that with the Ministry's new pricing model and funding changes, its home oxygen pricing is comparable to that of other large jurisdictions in Canada.

- **Customer Service Monitoring:** in addition to the biennial customer satisfaction survey, in 2011 the ADP will implement a three-pronged approach (biennial surveys, category-specific surveys and tracking client inquiries) to better monitor the customer service of vendors.
- **Manual Wheelchair Recycling:** the Ministry noted that 36% of the wheelchairs are complex manual tilting wheelchairs whose pressure cushions can be difficult to recycle for various reasons, including the fact that the cushions are customized. The Ministry, however, is committed to recycling manual wheelchairs and is currently in discussions with STRIDE, March of Dimes and the Red Cross to determine whether it will be possible to engage in a manual wheelchair recycling pilot project of at least parts of the wheelchairs (the recycled products would be used domestically, not exported). The Ministry currently recycles high-technology wheelchairs under a contractual agreement with Shoppers Home Health Care.
- **Overpayments and Duplicate Payments:** since November 2009 the Ministry has collected \$1.147 million in overpayments and \$103,000 in duplicate payments for a total of over \$1.2 million.
- **FM Hearing Systems:** with the assistance of a panel of health care professionals, the Ministry is developing updated and more detailed eligibility criteria to assist vendors and authorizers in understanding the requirements for ADP funding of FM systems. The Ministry said that this work and its review of claims have resulted in a decrease of over 80% in claims for FM systems from over 5,000 in 2008/09 to just over 1,000 in 2009/10. The Ministry found that in some cases vendors were prescribing FM systems to clients who only needed a hearing aid and that many of these clients found the complex FM systems confusing and made little use of them. It said those clients who now receive FM systems are the ones who truly need them.
- **Fraud (Need for Appropriate Staffing Levels):** the Ministry said that ADP staff have received ongoing training in risk management and risk assessment and that the Ministry is determined to improve the ADP's capacity to increase auditing and evaluation of vendors.

The Committee noted that the Ministry has made progress in some of these and other areas but also drew attention to several ongoing concerns. The Committee attaches particular importance to those issues discussed below.

Business Process Redesign

The Ministry said that the ADP is modernizing and reviewing its business processes by, for example, undertaking the following:

- strengthening controllership principles;
- engaging in discussions with vendors, authorizers and the community to ensure clients receive services in as streamlined and effective a way as possible and that taxpayers receive value for investment; and

- redesigning the application process and forms to make them more client and vendor friendly which will facilitate access to funding assistance and ensure funding only goes to eligible individuals.

New IT System

The Ministry further noted that a key element in improving claims processing is its new IT system, which is under development. According to the Ministry, the new system includes modern, standardized and streamlined procedures to process claims as well as vendor and client payments. The system is designed to significantly reduce manual processing. Automatic approvals are expected to increase from 50% to 80%.

Both first-time and renewal applications will be electronically processed. The Ministry said that claim forms are currently quite complicated with “many manual interventions”. The new system will help automate this process. Increased automation will both speed up claims processing and save money.

Automatic approvals will for the most part be for applications that are straightforward and for renewals where people have already received the device, as would be the case for wheelchair clients who are allowed a new wheelchair every five years. The Ministry said that the expected increase in automatic approvals under the new IT system would free up human resource capacity to deal with more complex applications. It added that technology changes quickly and dramatically so its new system will be one of continuous improvement.

The first phase of execution of IT improvements will begin in June 2011. The Ministry said that a switch will not simply be turned on; the process will roll out over months into 2012 with what it described as demonstrable changes along the way.

Claims Backlog

The Ministry acknowledged that there is a claims backlog (noting, in particular, issues related to walker claims) but also drew attention to the fact that there has been a 62% increase in claims over the past eight or nine years. In addition to the planned IT system changes described above to facilitate efficient processing of claims, the Ministry has added eleven staff to develop a “project modernization function” to deal with the claims backlog. The ADP has a six-to-eight week adjudication process for many of its claims categories. The Committee pointed out that when vendors provide devices they may be subsidizing them while they wait for claims to be processed, which can be financially disadvantageous (and could result in vendors delaying providing devices to clients).

A Ministry team is addressing the backlog in high volume areas such as mobility devices. The Ministry said that the goal under a 12-week plan is to “have all the backlog within that longer period rather than the standard period [of between six-to-eight weeks] completed by January 2011.”

Price Restructuring Review and Volume Discounts

According to the Ministry the Auditor's report asked the Ministry to do two things: update its prices more regularly and look at the factors that are included in how it sets prices. The Ministry said that it is committed, wherever possible, to obtaining volume discounts and using a procurement model, and that it is conducting an independent external review of how it sets its prices.

Price Review

The Ministry pricing and funding restructuring review will cover all device categories, but will focus in detail on those that represent the highest amount of program spending, which are mobility devices, respiratory devices and sensory devices such as communication, hearing and visual aids. The Ministry will examine prices, product by product, and try to review them to ensure that ADP pricing is competitive. It is already modifying the computer pricing model and is exploring changes for the ocular and orthotic categories. The Ministry says that it sets maximum prices for most of its device categories.

Computer Systems

The Ministry agreed with the Committee and the Auditor that the ADP's computer system pricing was higher than market prices. It has reviewed prices in such retail stores as Best Buy and Future Shop and will reduce ADP maximum prices as follows:

- the maximum price for a desktop computer system, including a large monitor and printer, currently \$4,127, will be reduced to \$1,733; and
- the maximum price for a laptop system, including a printer, currently \$4,461, will be reduced to \$1,824.

Clients not on the Ontario Disability Support Program (ODSP) pay 25% of the cost of the computer system; the ADP pays the entire amount for ODSP clients. The Ministry said that prices for specific adaptive technology required for visually impaired clients and/or clients with communication difficulties, such as laser pointers and speech recognition software, will remain the same.

The Ministry added that changes to the computer model will result in over \$2.2 million in annual savings to ADP. This will also benefit each ADP client because a client's proportional (25%) share will reduce, with a savings of \$599 for a desktop computer and \$659 for a base laptop computer.

Walkers

The ADP sets maximum prices for two types of walkers: \$306 and \$416. The Committee drew attention to the fact that some constituents who qualify for the ADP have investigated prices and are surprised that the province will pay this amount for walkers through the Program. These constituents believe that they can buy a walker for a much lower price. The Ministry noted several points in response to this, including the following:

- The ADP will assess walker pricing within two months after the hearing and will base pricing on market conditions.
- Pricing changes will be balanced against regional competition.
- The Ministry said that it may need to do a better job of communicating information on variable pricing and variable product categories to MPPs' offices in order to assist MPPs in dealing with constituents' questions.
- The Ministry said that it will need to review the consistency of vendor agreements across the province to ensure that it does not disadvantage clients who may not be able to travel to a specific vendor outside their communities.

Referring to results from a survey undertaken by the Ministry in 2008, the Deputy Minister said that while 87% of respondents were satisfied with the overall program, only 56% of people were satisfied with the contribution component for the cost of a device purchased through the Program. He said that the Ministry has not assessed this (and does not have a set of statistically significant data) but said that he has heard, anecdotally, that people comparison shop; however, he suspects that more people feel they should not have to make a contribution to the device being purchased. He said in other ministries where he has worked where co-payments exist, people have felt that there is a correlation between their contribution to society and what their government or state should provide for them. (The Committee asked earlier whether the Ministry had information on how many vendors do not actually collect a client's co-payment portion for a device. The Ministry said that it has not discussed this but believes that the vendors would collect because not doing so would result in unrealized revenue.)

Home Oxygen Pricing

The Ministry noted that a new vendor of record (VOR) arrangement, including a new pricing schedule, changes to the funding model and improved mandatory services for ADP home oxygen clients took effect on April 1, 2010. The new VOR resulted in

- a decrease in funding from \$1,342 to \$1,172 for a client on home oxygen for 90 days;
- a decrease in funding from \$7,002 to \$6,847 for a client on home oxygen for 18 months; and
- overall savings to the program of over \$2 million per year.

The Ministry said that it conducted a second jurisdictional review recently which found that with the new pricing schedule and the changes to the funding model, Ontario's costs for a 90-day funding period (\$1,172) are very close to Saskatchewan (\$1,208) and Alberta's (\$1,155).

In response to a Committee question, the Ministry explained its methodology to ensure to the greatest degree possible that the comparison described above was an "apples-to-apples" comparison. The Ministry examined information that it was

able to obtain for a number of home oxygen cost factors in various jurisdictions including, for example, the set-up fee (Ontario does not have one but Alberta and Saskatchewan do); systems provided; service components; and assessment of clients (in Manitoba, Saskatchewan and British Columbia clients go to the hospital for an assessment which is a hospital billing that does not involve a vendor).

Volume Discounts

The Ministry said that it will take advantage wherever possible of the ADP's position as the largest funder, by volume, in Ontario for assistive devices. The Ministry is also assessing how to drive efficiencies in the supply chain.

Fair Compensation for Vendors across Ontario

The Ministry said that it is important to treat vendors in all regions fairly and also to avoid economic consequences that might reduce access to devices for people with disabilities in various parts of Ontario.

Equipment Recycling and Refurbishing

In his audit the Auditor noted that the Ministry could possibly achieve savings as well as protect the environment by recycling and refurbishing devices but that existing processes did not allow the Ministry to maximize the number of recycled and refurbished devices, particularly for high-cost items such as wheelchairs. He cited manual wheelchair recycling programs used in Alberta and Quebec.

During the March 2010 hearings, the Ministry said that it had examined both the Alberta and Quebec programs and decided against instituting a similar manual wheelchair recycling program in Ontario, owing to liability concerns. The Ministry said that it would assess the Quebec and Alberta programs again to determine whether they may now be appropriate to Ontario. As noted above, in the November 2010 hearings the Ministry said that it is in discussions with STRIDE, March of Dimes and the Red Cross to determine whether it will be possible to engage in a manual wheelchair recycling pilot project of at least parts of the wheelchairs.

The Ministry noted in the March 2010 hearings that in Quebec the government or agent owns the wheelchair. In Ontario, individuals who are prescribed wheelchairs (and usually pay 25% of the cost) own them and those individuals or their relatives often sell the wheelchairs once they are no longer needed. The Ministry acknowledged that people in Ontario are interested in recycling manual wheelchairs.

The Ministry cited issues associated with recycling including the following:

- A large hospital in Winnipeg was recycling manual wheelchairs but had withdrawn from the program due to liability concerns.
- The Alberta government had difficulty in circulating recycled wheelchairs.

The Ministry said that it would consult Alberta and would find out the cost of operating the recycling program in relation to the savings from recycling.

Committee Recommendations

The Standing Committee on Public Accounts acknowledges that the Ministry of Health and Long-Term Care has undertaken a number of major changes to the Assistive Devices Program in response to issues raised by both the Auditor and the Committee and noted that these changes have resulted in savings of several million dollars to date. The Committee, as specified below, has further recommendations for improvement.

The Standing Committee on Public Accounts recommends that:

1. **The Ministry of Health and Long-Term Care shall report back to the Standing Committee on Public Accounts on the outcome of**
 - **its reassessment of the Quebec and Alberta manual wheelchair recycling programs; and**
 - **its discussions with STRIDE, March of Dimes and the Red Cross on the possibility of engaging in a manual wheelchair recycling pilot project in Ontario.**

The Ministry should specify whether a manual wheelchair recycling program will be introduced in Ontario, and whether a cost benefit analysis and an environmental benefit analysis were done in conjunction with this decision. The Ministry should also identify whether there are other assistive devices categories that would be suitable for recycling and refurbishing programs.

2. **The Ministry of Health and Long-Term Care shall report back to the Standing Committee on Public Accounts on whether the Ministry will**
 - **commit itself for all categories of major assistive devices to conducting periodic cross-jurisdictional price comparisons;**
 - **submit the results of those cross-jurisdictional price comparisons to the Office of the Auditor General of Ontario; and**
 - **annually publish data on its target timeframe for processing claims as compared to its actual time to process claims.**

3. When the Auditor General returns to the Ministry of Health and Long-Term Care in 2011 to follow up on the status of actions taken by the Ministry with regard to his recommendations concerning the Ministry's Assistive Devices Program (ADP), that the Auditor should also follow up on behalf of the Standing Committee on Public Accounts on Committee concerns listed below.

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

ii) Interjurisdictional Price Comparisons: the Auditor should assess whether the Ministry is conducting interjurisdictional price comparisons in major device categories besides home oxygen pricing. The Ministry should, for example, provide documentation of price comparisons made for various device groups.

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

iv) Claims Backlog: the Auditor should determine whether the ADP met its January 2011 deadline to begin making progress on eliminating its claims backlog and also determine the ADP's progress in achieving its targeted six to eight week processing timeframe.

v) Increased Auditing and Evaluation of Vendors: the Auditor should assess whether the Ministry has implemented strengthened procedures to prevent and detect potential program abuses through increased auditing and monitoring of vendors and vendor billing patterns.