

**ALBERTA SENIORS AND COMMUNITY SUPPORTS**

**ALBERTA AIDS TO DAILY LIVING**

**REVIEW OF ORTHOTIST AND PROSTHETIST BUSINESS  
ARRANGEMENTS**

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## **Executive Summary**

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**Alberta Seniors and Community Supports**  
**Alberta Aids to Daily Living**  
**Review of Orthotist and Prosthetist Business Arrangements**

***Executive Summary***

**Project Objective**

The objective of the project is to determine:

- whether AADL's current payment arrangements and fee schedule for orthotist and prosthetic services are adequate compared to similar services and
- whether there are different payment approaches that would improve the efficiency and fairness of the payment process.

**Key Findings**

- **Fees are relatively comparable with other provinces**

We compared the fee schedule and payments for selected procedures with Manitoba and Ontario, which are provinces that provide similar prosthetic and orthotic services. Our comparisons to the current fee schedules in Manitoba and Ontario indicate that the AADL rates are higher than the current rates in Manitoba for all codes (prosthetics and orthotics) and higher than Ontario for most orthotic procedures. Ontario recently implemented a new payment schedule for prosthetists and these rates are 20-30% higher than Alberta for several procedures. However, there are a number of products provided to AADL clients that are either not reimbursed or are partially reimbursed by the other provinces. Both Manitoba and Ontario have undertaken major reviews of the fee schedules and revisions to the fee schedule are likely over the next six months.

- **There is excess capacity in the prosthetic and orthotic sector in Alberta**

Our analysis indicates that while the number of prosthetists and orthotists has increased over the past 5 years, (from 48 to 60), the number of clients has not increased at the same pace. This is affecting profitability for some P & O operations.

- **The fee schedule and formula is overly complex.**

The fee schedule includes hundreds of codes that are specific by manufacturer name and a formula that has 5 variable elements (materials cost, shipping, materials

markup, labour hours and labour rate). This creates a negotiation and administrative overhead that is out of proportion to the amount of money involved.

- **The current formula favours prosthetists over orthotists.**

Prosthetic procedures involve acquisition of expensive components and fabrication to fit the components to the patient. Orthotists use lower cost materials to fabricate devices. The current formula has a 16% markup on materials and components that generates a significant margin on purchase of materials and components which benefits prosthetists more than orthotists.

- **Labour Rates**

If the markup on materials and components is reduced to 12% to provide for costs directly attributable to materials and components, the following labour rates would be adequate to cover overhead costs and a reasonable provision for profit, based on the current business model. The reason for the significant discrepancy between the orthotist and prosthetist rate is that prosthetists have fewer staff than orthotists to support their overhead costs.

<b>Prosthetists</b>	\$ 162
<b>Orthotists</b>	\$ 130

## **Recommendations**

### **Recommendation 1: Simplify the Schedule**

- In the short term, simplify the current schedule to combine common items where there are relatively small price differences between manufacturers' products. Eliminate procedure codes that have not been used in the past year or have only been used once or twice.
- Consider more significant changes over the longer term. One option would be to establish the labour hours and rates for procedures and the standard markup on materials and components and have the specialty assessor responsible for inputting the manufacturer's price at the time of providing the service.
- Consider a dramatic change whereby a specialty assessor is paid a fixed amount per year based on the number and functional level of the patients in their care, using a recognized external standard.

## **Recommendation 2: Changes to the Formula**

Consider changes to the formula to resolve the inequity between orthotic and prosthetic procedures and to simplify the negotiations. We would suggest changes as follows:

- Reduce the markup on materials and components purchases to 12% to reflect only those costs that relate to materials. i.e. rework, loss, and handling charge. Shipping would be an additional charge as in the current formula.
- Allow markup to a maximum amount to avoid excessive markups on expensive components.
- Consider an additional markup that would include a profit component for retail items.
- Annual increases to the labour rate should be tied to the public sector P & O labour rate increases. Provision for profit and recovery of overhead costs should be included in the labour rate.

## **Recommendation 3: New Allowable Charges**

- Provide for a 'consult fee' for new patients when no billable procedure results. This would recognize the higher volume/higher cost situation and would also compensate clinicians when there is no procedure billed after the consultation.
- Reimburse clinicians for time to attend clinics.

## **Recommendation 4: Review Labour Hours**

Review the labour hours for selected procedures where comparative data indicates a discrepancy.

## **Recommendation 5: Monitor Volume of Activity**

Monitor the volume of P & O claims over the next two years and consider approaches to reducing the number of specialty assessors if volumes do not increase.

## **Alberta Seniors and Community Supports**

### **Alberta Aids to Daily Living Review of Orthotist and Prosthetist Business Arrangements**

#### **1.0 Background**

Alberta Aids to Daily Living (AADL) currently pays orthotists and prosthetists for approved services and products provided to approved clients. Payments are based on a fee schedule for orthotic and prosthetic services. The fee schedule is also used by Alberta Blue Cross (ABC), Workers Compensation Board (WCB) and the federal Non-Insured Health Benefits (NIHB) program to determine the payments for prosthetic and orthotic services for their clients. A fee schedule has been established which is in force until December 2008 with the understanding that an independent review of the fee schedule and payment method would be undertaken. The orthotists and prosthetists are represented by the Alberta Association of Orthotists and Prosthetists (AAOP), the Calgary Regional Health Authority, Capital Health, and some independent prosthetists and orthotists that are not members of AAOP. AADL requested consulting assistance to undertake this review.

The objective of the project is to determine:

- *whether AADL's current payment arrangements and fee schedule for orthotist and prosthetic services are adequate compared to similar services and*
- *whether there are different payment approaches that would improve the efficiency and fairness of the payment process.*

#### **2.0 Approach**

In order to assess the adequacy of the current fee schedule, we researched the following indicators.

- How the fees paid to prosthetists and orthotists compare to the fees paid in other provinces
- Whether fees kept pace with inflation
- Whether there is equity between prosthetists and orthotists
- Whether prosthetists and orthotists paid enough to cover their costs of doing business
- Whether there are other benchmark businesses that can be compared to the P & O business and fees paid.

We met with owners of eight private prosthetics and orthotics businesses that were identified as representative, as well as prosthetist and orthotist staff at the Glenrose Hospital. We also consulted with representatives of the Ontario Assisted Devices Program (ADP) in Ontario and representatives of the Manitoba program. We also consulted with representatives of the Alberta Dental Association, several private insurers, and staff in Alberta Seniors and Community Supports who are responsible for other health cost-share programs. We used data from the AADL database, financial data provided by the Alberta Association of Orthotist and Prosthetists (AAOP), fee schedules from Ontario, Manitoba, and the Manitoba Orthotists and Prosthetists Association (MOPA), and selected financial statements provided by two businesses representing both the orthotics and prosthetics business.

We would like to acknowledge the significant investment of time and the cooperation of the president of AAOP, staff of AADL, the staff of Braceworks and Alberta Artificial Limb.

### 3.0 Findings

#### 3.1 AADL Budget and Current Formula

Actual expenditures for the prosthetic and orthotic business for AADL for 2006-07 was \$4.1 million for prosthetics and \$5.2 million for orthotics for a total of \$9.3 million.

Following is the current formula for determining the fee paid for a specific procedure:

<b>Price = Materials Cost x Markup (16%) + Shipping + Labour hours x Rate (\$139)</b>
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There is a payment code for each orthotic and prosthetic component for each manufacturer. The result is a fee schedule that has over 650 prosthetic codes and over 250 orthotic codes. There are hundreds of these codes that are not used at all, or are used once or twice, in a particular year. If a new product is required, the current process necessitates creation of a new code.

Following is a description of the components of the formula and the issues related to each component:

- **Cost of Materials**

The cost of materials is updated annually using data provided by the AAOP. The annual update of the cost of materials ensures that the reimbursed rate for materials is keeping pace with inflation. While every effort is made to ensure the accuracy of this data, a recent analysis indicates that there are many discrepancies between the actual manufacturer's price and that listed in the schedule. The task of updating the cost of materials annually is significant. Manufacturers are unwilling to provide the data to AADL directly so staff needs to rely on AAOP for the data.

- **Markup**

The current fee schedule provides for a markup of 16 per cent on materials and components. This is intended to cover the costs of rework, loss, handling charges and profit. This was increased from the previous rate of 12%. The difference between the 16% and the 12% approximates a portion of the provision for profit.

- **Shipping**

The cost of shipping is a variable amount which approximates the actual costs of shipping materials. On average, shipping is 12 per cent of the cost of prosthetic materials and 9 per cent of the cost of prosthetic components and 10 per cent of the cost of orthotic materials and 12 per cent of the cost of orthotic components. Research has been done to substantiate these percentages.



### ○ Labour Hours

Labour hours is intended to reflect the number of hours required to do a procedure. The labour hours in the AADL schedule do not differentiate between professional and technical labour hours. There is disagreement among the P & O specialty assessors regarding the appropriate number of labour hours for particular procedures. AAOP commissioned a study in 2001 (Frameworks) to review the labour hours for high volume procedures. The results of the study were not accepted by AAOP. As a result AADL has retained the labour hours that were in place prior to the Frameworks study.

### ○ Labour Rates

A labour rate of \$139 per hour is currently applied to the number of labour hours for a procedure. This rate is an increase from the rate of \$128 per hour that was paid up to December 31, 2007, an increase of 8.6%. The rate paid in 2003 was \$124.95 so the average increase over the five year period has been 2.2% which is slightly less than the average increase in the Alberta Consumer Price Index over that period which was 2.6%. (See Attachment 4). This was in addition to the 4% increase in markup on materials and components. The same labour rate is used for both prosthetists and orthotists. There is no distinction between labour hours performed by technicians as opposed to labour hours performed by prosthetists/orthotists. As part of the 2008 agreement AAOP was offered the option to surcharge cost-share clients by 10% over the AADL rate. The effective labour rate is \$154 per hour for those procedures and clients for which there is a surcharge.

Following are the current rates paid according to the Health Sciences schedule, which is the applicable pay rate at the Glenrose Rehabilitation Hospital. The current agreement expired in March, 2008 so is currently being negotiated. For analytical purposes, we have included rates with a 6% increase in addition to the current rates. Note that a rate of \$44 per hour was used in the calculation of the current agreement which was 6% higher than the highest rate at the time.

**Table 1**  
**Hourly Wage Rates – Prosthetists/Orthotists**  
**Alberta Health Sciences Pay Schedule**

	<b>Hourly Rates to March 31, 2008</b>		<b>Current Rates plus 6%</b>	
	<b>Bottom of Range</b>	<b>Top of Range</b>	<b>Bottom of Range</b>	<b>Top of Range</b>
Certified P/O	31.15	41.47	33.01	43.95
Technicians	24.98	34.08	26.47	36.12

### 3.2 Prosthetics and Orthotics Business in Alberta

A **prosthesis** is an artificial extension that replaces a missing body part. Prostheses are typically used to replace parts lost by injury (traumatic), medical condition, or missing from birth (congenital) or to supplement defective body parts. A certified prosthetist provides patient care to patients with partial or total absence of a limb by evaluating, designing, fabricating, fitting and aligning prostheses.

A certified **orthotist** provides care and treatment to patients with disabling conditions of the neuromuscular-skeletal structures of the body by evaluating, designing, fabricating, fitting and aligning braces known as orthoses.

Prosthetists and orthotists are graduates of accredited clinical programs and are required complete an internship and pass national certification exams in order to be specialty assessors for AADL. AADL does not restrict the number of P & O specialty assessors in the province.

The majority of P & O specialty assessors operate as independent businesses. The Glenrose Rehabilitation Hospital has 6 certified prosthetists and orthotists who serve the in patients and outpatients in the Glenrose. The Calgary Children's Hospital has orthotic services for in-patients and outpatients at the hospital.

Virtually all of the services provided by prosthetists are reimbursed by AADL or another government organization (WCB, ABC, NIHB). There is no private sector market for their services other than some product upgrades for athletes or other special needs that are not covered under government plans. Most prostheses are fabricated using large, expensive components. The cost of components for a prosthesis is typically thousands of dollars and the labour hours to fabricate a prosthesis range from 15 to 25 hours. For example, an above-the-knee prosthesis will cost between \$9-20,000. Because of the complexity of the fabrication, prosthetists have a relatively low volume of patients. (65 AADL/ABC clients per year on average – fewer than 2 per week).

Orthotic procedures have a relatively low materials cost and fewer hours per device. Orthotists have a substantially higher volume of patients than prosthetists. (181 AADL/ABC clients per year on average). Many orthotists have a private sector market for foot orthotics and knee braces that is not reimbursable by government programs. While these markets can be lucrative, they are also highly competitive and the products are not provided exclusively by orthotists.

The basic investment required to establish a prosthetic or orthotics business to meet AADL client needs is \$50-80,000 which includes equipment and leasehold improvements

to install fans and other equipment. Some vendors fabricate their own components which requires a more substantial investment.

### Volume of Business

Following is summarized client data for AADL and Alberta Blue Cross for the period 2002 to 2007. While this does not include all of the clients for the P & O business, it represents at least 70% of the business for most vendors.

**Table 2**  
**Specialty Assessors and Volume of P & O Business, AADL and ABC**

Year	2001	2002	2003	2004	2005	2006	2007
<b>Total P/O Specialty Assessors</b>	48.0	46.0	57.0	59.0	61.0	59.0	60.0
<b># Clients</b>		7197			8174		8195
<b>Claim \$</b>	\$	11,538,257			\$14,384,614	\$	15,019,014
<b>Clients/Specialty Assessor</b>		156			134		137
<b>\$/Specialty Assessor</b>	\$	250,832			\$ 235,813	\$	250,317
		<b>Increase clients/year/specialty assessor</b>					-3%
		<b>Increase \$/year/specialty assessor</b>					0.0%
		<b>Increase \$/year/client</b>					2.9%

Our analysis of the volume of business indicates that the demand for P & O services has not kept pace with the increase in population in Alberta and the number of specialty assessors. The number of clients per specialty assessor on average has decreased by 3% over the past five years. The impact on the vendor has been that average revenue from AADL and ABC has stayed constant in spite of increases in rates. There is competition for business in the province and some excess capacity. While vendors are not increasing their revenue, the payments on a per client basis have increased annually by approximately 3%. Note that the data for 2006-07 was based on the reimbursement rates in place for that period. Our analysis indicated that the public sector (Glenrose Hospital and the Calgary Children's Hospital) has not increased their market share over the five year period. A more detailed table is included as Attachment 3.

### Materials and Labour Costs

The current formula has two components that are intended to cover the costs of administration, 'down time', and profit. These components are the 16% markup on materials and the labour rate of \$139 which is approximately three times the public sector wage rate. The following data illustrates that prosthetists have higher materials costs compared to labour costs than orthotists. Labour hours are 72% of the costs for orthotics compared to 54% for prosthetics. As a result, a larger markup on materials benefits prosthetists, whereas a higher labour rate benefits orthotists.

**Table 3**  
**Distribution of Labour and Materials Between Orthotists and Prosthetists\***

		Total Mfr Cost Reimbursement		Total Labour Costs Reimbursement		Total Shipping Cost Reimbursement		Markup 16%	Total Projected Expenditures	Markup as % of Total \$
Prosthetists	\$	1,577,518	\$	2,220,295	\$	71,547	\$	252,403	\$ 4,121,763	6%
Orthotists	\$	1,401,833	\$	4,603,983	\$	141,427	\$	224,293	\$ 6,371,536	4%

	Labour hours as % of total	Materials as % of total
Prosthetists	54%	38%
Orthotists	72%	22%

\* Based on AADL projected data

The AAOP provided financial information on a summarized basis to AADL. In addition, we examined financial statements on a confidential basis for two vendors, representing both the orthotic and prosthetic businesses. We analyzed the AAOP data, separating orthotic vendors from prosthetic vendors with the objective of identifying significant cost differences. We did not include businesses with both prosthetic and orthotic practices or any that do fabrication of products for resale. Indications from this limited analysis and our discussions with prosthetic and orthotic vendors is that:

- The AADL/ABC prosthetic business appears to be more profitable overall than the orthotic business. The orthotic business can be profitable if the vendor is able to capture sufficient private sector market for foot orthotics or knee braces but the AADL/ABC business provides a limited return.
- The highest cost for both prosthetists and orthotists is clinical salaries which account for approximately 50% of their operating expenses. Rent and administrative salaries are the other significant operating costs each of which accounts for 15% of expenses. These three costs account for over 80% of the total operating costs (exclusive of cost of goods sold and shipping).
- Orthotic shops incur additional expenses for administrative salaries compared to prosthetists but on average have a higher number of clinicians to support the overhead. The result is an estimated overhead cost per hour of \$45 per billable hour for orthotists and \$71 per working hour for prosthetists.

Overhead includes rent and building maintenance, administrative salaries, amortization costs of equipment and computers, office supplies, accounting, advertising, insurance, telecommunications, and software. It does not include clinical salaries and benefits or cost of goods sold.

If overhead and profit are included in the labour rate, we estimate that the following labour rates would be adequate to cover direct labour costs, overhead and provide a reasonable return based on 2008 prices and labour rates. These estimates are based on existing businesses, some of which have overhead costs

that are higher than justified for the volume of business. Details of our calculations and assumptions are included as Attachment 5.

**Table 4**  
**Labour Rate Based on 2008 Wage Rates and Recovery of Overhead and Profit**

<b>Prosthetists</b>	\$162
<b>Orthotists</b>	\$130

### **3.3 Comparison to Other Provinces**

We carried out a comparison with Ontario and Manitoba using the fee schedules that are in place at the time of the study.

#### **Manitoba**

In Manitoba the fee schedule for orthotics has not been adjusted since 1995. The fee schedule for prosthetics was last adjusted in 2000. The Manitoba Association of Prosthetists and Orthotists has completed a thorough review of prosthetic and orthotic procedures and has proposed labour hours and hourly rates to the Government. The formula proposed by the Association is:

$\text{Material Cost} \times 40\% + \text{Certified P/O time} \times \$147 + \text{Technical Time} \times \$81$
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The Government of Manitoba is reviewing the proposal from the association but has not accepted the fee increases at this time. The current schedule distinguishes between private and public providers and has a lower rate for procedures performed in hospitals. Staff in Manitoba indicated that the hospitals have found this level of funding to be inadequate and are now being funded through the hospital budget.

#### **Ontario**

The Ontario government has commissioned a review of the labour hours required to carry out orthotic and prosthetic procedures. The review of prosthetic custom fabrication has resulted in significant increases to the labour hours and the fees paid for these procedures. The formula used for prosthetic custom fabrication which includes the procedures that were recently revised is:

$\text{Procedure Price} = \text{Technical Time Standard} \times \text{Technical Hourly Rate} + \text{Clinical Time Standard} \times \text{Clinical Hourly Rate} + \text{Direct Materials Costs}$
--

This formula does not include any markup on direct materials costs. The formula for orthotic procedures is under review but the current formula provides for a 33 1/3 % markup on materials and components.

The analysis for orthotic procedures and prosthetic components has been completed and the Ontario government is considering appropriate changes to the fee schedule. Representatives of the Ontario government also indicated that there is pressure to evaluate the hourly rate paid to orthotists, based on the adjustment to the prosthetic rates. Both Manitoba and Ontario allow clinicians to charge a component that is not on the fee schedule and mark it up by the approved amount. These entries are subject to post audit.

### **Comparative Labour Rates**

Following is a comparison of labour rates paid by Ontario and rates that have been proposed by the prosthetists and orthotists in Manitoba. While the rates paid to prosthetists and orthotists in Manitoba and Ontario are higher than Alberta, they cannot be compared directly because both Ontario and Manitoba differentiate between labour hours done by technicians and labour hours for procedures done by prosthetists/orthotists. In Alberta, the rate of \$139 per hour is paid for all labour hours regardless of whether the procedure was performed by a technician or a certified prosthetist or orthotist. In Ontario, there is no markup on materials for prosthetic custom fabrication which is another significant difference.

**Table 5**  
**Hourly Rates by Province**

	<b>Alberta**</b>	<b>Manitoba (Proposed)</b>	<b>Ontario</b>
Prosthetists	139	147	183*
Prosthetist Techs	139	81	126
Orthotists	139	147	161
Orthotist Techs	139	81	98

\*For procedures where this rate is used, there is no markup on materials.

\*\*Most specialty assessors are charging a 10% surcharge which increases this rate to \$154.

The proportion of clinical time to technical time differs between prosthetists and orthotists. Orthotic procedures are approximately equal distribution between clinical and technical; prosthetic procedures have a higher clinical component, estimated to be 60% clinical/40% technical. Using this proportion, we adjusted the Manitoba and Ontario rates to reflect an equivalent 'blended rate' that could be compared to Alberta. Details of calculations are included as Attachment 2.

**Table 6**  
**Comparable Hourly Rates by Province**

	Notes	Alberta - 2007 Rates	Manitoba - Comparable Rate	Ontario - Comparable Rate
Prosthetists	1,2	139	121	160
Orthotists	1,3	139	114	130

1. Rates proposed by the Manitoba Association. Current rates are approximately 1/2 this amount.
2. For Ontario prosthetic procedures where this rate is used, there is no markup on materials.
3. The current Ontario rate for orthotics is currently under review.

This comparison indicates that prosthetists are paid a higher rate in Ontario than in Alberta. It is important to note however, that the new rates to prosthetists do not provide for any markup on the cost of components or materials. The rate paid to orthotists in Alberta is higher than the current rate in Ontario and the proposed rate in Manitoba. The rate paid to orthotists in Ontario is under review.

### 3.4 Comparison of Procedures

A comparison of rates is interesting but because each province uses a different formula to determine the reimbursement, a more informative comparison is the amount that is paid for similar procedures. Following is a comparison of rates paid by AADL with Ontario and Manitoba for several prosthetic and orthotic procedures that are commonly billed to AADL. The selected procedures represent \$ 4.8 million of the AADL P & O expenditures which is over 50% of the total. The Manitoba schedule is under review so we have included the current rate as well as the rate that has been proposed by the Manitoba Association of Prosthetists and Orthotists.

The results of our procedures comparisons are summarized on the following page. Details are included as Attachment 1. We worked with the AAOP and staff in AADL to develop these comparisons. The AAOP consulted with clinicians in other provinces to determine the comparability of various codes.

### 3.5 Adjustments to the Schedule

Compared to Manitoba and Ontario, AADL has processes in place to keep the fee schedule current. While Manitoba has not amended their fee schedule for orthotics since 1995 and prosthetics since 2000, AADL updates their materials and components costs and reviews the labour rate annually. Ontario reviews their schedule at intervals rather than annually. AADL also covers most benefits for clients. For some significant items

(e.g. feet) other provinces only provide a contribution to the cost or reimburse a lower quality item. Clients in other provinces rely on contributions from private insurers, War Amps and other organizations to supplement the benefit provided by government.

**Table 7**  
**Payments for Comparative Procedures (Alberta, Manitoba, Ontario)**

Description	AADL Max	MN (Current)	MN (Proposed)	ON Max	Comments
<b>Orthotics</b>					
Articulating Ankle Foot Orthosis (AFO)	1,458	808	1,536	1,216	
Rigid Ankle Foot Orthosis (AFO)	963	378	1,152	952	
Generation II Unloader XT. MN - Gen II Polyaxial Knee Orthosis	1,305	1,122	1,389	\$ 1,023	
Clamshell TLSO	2,090	1,341	2,430	\$ 2,481	
Plastic KAFO	3,146	1,999	3,327	\$ 3,027	

Prosthetic Components	AADL Max	MN (Current)	MN (Proposed)	Ontario Max	
Ohio Willow Wood Alpha cushion liner.	\$ 492	NA	NA	\$ 544	Ontario provides 2 every 3 years compared to 2 every year in Alberta.
Iceross TF seal-in liner - no pins, no locking systems or sleeves	\$ 847	\$ 654	\$ 641	\$ 707	
Flex Foot Ceterus foot - shock/torque absorber not required	\$ 4,452	NA	NA	\$ 439	Ontario provides a max contribution amt. NA in Manitoba.
Otto Bock 3R60 EBS	\$ 5,130	NA	NA	\$ 4,196	
College Park Truper Foot TPRCEN20	\$ 1,265	\$ 358	\$ 1,104	\$ 439	Ontario provides a max contribution amt.
Trulife P24847 Black Max AL frame with Mauch SNS	3,940	3,098	3,848	4,196	

Prosthetic Custom Fabrication	AADL Max	MN (Current)	MN (Proposed)	ON Max	
Transtibial (TT)	2,800	1,015	2,227	3,829	
Transfemoral (TF)	3,470	1,285	2,742	4,083	
Transtibial (TT) endoskeletal finish	599	418	608	439	
Proximal femoral focal deficiency (PFFD)	4,200	NA	NA	4,062	
Ankle disarticulation (AD), AD exoskeletal finish	3,104	1,305	2,632	4,976	



The comparison indicates that AADL pays more than the current rate for Manitoba for every procedure. Alberta pays somewhat less than the MOPA proposed rates for orthotic procedures and somewhat higher than the MOPA proposed rates for prosthetics. Alberta pays more than Ontario for orthotic procedures and prosthetic components.<sup>1</sup> For some codes there is no comparator because the product is not covered by the plans in the other provinces. In other cases, the frequency of acquiring the product is more restricted in the other provinces. For prosthetic components, Ontario provides a contribution to the cost of the device. The Ontario Assisted Devices Program (ADP) recently implemented significant fee increases for prosthetic custom fabrication as the result of an independent evaluation of fees paid for these procedures. The Ontario fees for these procedures are higher than AADL for five of the seven procedures that were compared. ADP is reviewing the labour hours and hourly rate for orthotic procedures so these rates may increase once the review is complete.

### 3.5 Labour Hours

The number of labour hours required to do a procedure can vary significantly and is a function of the efficiency of the clinician, the physical and mental health of the patient, and the use of technology in performing the procedure. Clinicians generally agree that some clients can be difficult to satisfy and the hours spent on the procedure can be far in excess of the AADL standard. Other procedures are straightforward and the labour hours may be more than adequate. The Frameworks study involved P & O clinicians throughout the province and arrived at new recommended labour hours. While these recommendations were not accepted by the AAOP, the study was sufficiently comprehensive that the data needs to be considered in any rework of labour hours.

Following is a comparison of labour hours for the three provinces and the Frameworks data for the procedures included in the previous table. If the indication is 'NA', either the province does not fund an equivalent procedure, or we were unable to identify the applicable codes from the information provided. Details of the comparison are included in Attachment 1.

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<sup>1</sup> with the exception of cushion liners for which AADL provides 2 every year whereas Ontario supplies 2 every 3 years.

**Table 8**  
**Labour Hours for Comparative Procedures (Alberta, MN, ON)**

Description	AADL Labour Hours	MN Labour hours (proposed)	ON Labour Hours	Frameworks Labour Hours
<b>Orthotics</b>				
Articulating Ankle Foot Orthosis (AFO)	9.00	9.35	8.99	10.25
Rigid Ankle Foot Orthosis (AFO)	6.75	6.83	6.98	6.53
Generation II Unloader XT. MN - Gen II Polyaxial Knee Orthosis	3.50	3	NA	2.95
Clamshell TLSO	11.50	16.58	18.29	13.00
Plastic KAFO	16.75	19.36	19.16	16.58
<b>Prosthetic Custom Fabrication</b>				
Transtibial (TT)	19.25	16.25	23.6	12.5
Transfemoral (TF)	23.25	19.5	24	16.76
Transtibial (TT) endoskeletal finish	3.5	7.5	NA	3.51
Proximal femoral focal deficiency (PFFD)	28.5	NA	NA	NA
Ankle disarticulation (AD), AD exoskeletal finish	21.00	20	NA	18.71

The comparative data for Manitoba and Ontario aligns reasonably closely with Alberta with the exception of the Clamshell TLSO, the KAFO, and the transtibial. The Frameworks data is significantly lower than the comparative data for prosthetics.

### 3.6 Comparative Industries

We inquired as to rates paid by private insurers for P & O benefits and also investigated the methodology for determining the amount that government pays for dental benefits for income-supported clients. Private insurers rely on market rates to determine the amount they will pay for benefits. They do not have any methodology or formula for setting the reimbursement rates. The AADL program is generous compared to other provinces so there are very few P & O benefits claimed from private insurers.

The Alberta Dental Association does not set fee schedules but relies on dentists to set their own schedules. They survey dentists to determine a standard schedule for negotiation purposes. The Government negotiates a rate that they will pay for dental services for income supported clients which is typically a discounted rate from the standard fee schedule. Dentists are not obligated to accept income supported clients as patients.

The automobile repair industry has some similarities to the P & O business model. Their charges recover costs of components, materials, labour hours and administrative overhead. Following is a standard formula for automobile repairs which is targeted to achieve a 15% profit.

$(\text{Cost of Parts plus } 28\% ) + (\text{Labour hours} \times \text{labour rate} \times 3)$
---

## 4.0 Conclusions

The appropriate level of compensation to prosthetists and orthotists depends on the assumptions as to the rate of pay that is adequate. Unlike some health services that are paid by government on behalf of clients, the rates set by AADL largely determine the income level for the P & O clinician. Other sources of income include Alberta Blue Cross, Worker's Compensation Board, the federal government, and private insurers. However all of these payors follow the AADL schedule in large part, to determine the amount they will pay. Orthotists have some opportunities for private revenue through the sale of orthotics and knee braces but prosthetists have very little scope for consumer sales.

### Profit

A reasonable target for the P & O business owner would be to pay salaries that are comparable to the public sector, to cover the costs of purchases and shipping, the costs of administration including amortization of equipment, and to achieve a reasonable profit. Profit would be calculated as the percent of gross revenue.

The choice of a target profit margin is somewhat arbitrary and is a function of the amount of revenue generated by the business. In Alberta, the businesses are largely owner-operated so there is no consideration of external shareholders. If the P & O businesses generate revenue in the range of \$300,000 to \$1.5 million, a 10 - 12% profit would equate to an additional annual income per partner of approximately \$30,000-\$45,000. This would be in addition to paying the orthotists and prosthetists an equivalent wage and benefits to the top of the range in the public sector. This should be sufficient to provide a cushion for unexpected costs, work slowdowns and all of the additional risks that businesses deal with.

Commitment to a higher target level of profit for the AADL portion of the business would establish a precedent for other businesses that contract with the Ministry and potentially, the Government. The financial implications of such a commitment would need to be seriously evaluated. If a business owner can achieve a higher profit by sale of consumer products or other lines of business, this should not be considered in determining the fee schedule.

### Billable Hours

In setting the appropriate fee schedule, AADL needs to base prices on a reasonably efficient practice where the client volume is adequate to pay for staff. AAOP indicates a target of 1110 billable hours for prosthetists and orthotists per year which is 57% of working hours (1950 per year). The target for technicians is 1240 billable hours (64% of working hours). This is a reasonable target but may not be achieved by all P & O businesses given the excess capacity issue.

Based on our analysis, following are our conclusions:

1. There is excess capacity in the P & O sector which is affecting the profitability on average of the business. P & O businesses that have sufficient volume, seem to be profitable.
2. The labour hours for some prosthetic and orthotics procedures appear to be inadequate. We base this conclusion on the comparisons to other provinces and the data from the 'Frameworks' study.
3. There is an inequity in the application of the formula between orthotists and prosthetists. The percentage applied to materials and components (16%) is intended to cover the costs of rework, inventory and other materials-related costs but also includes an allowance for profit and administrative costs. Because the prosthetic business has a much higher portion of costs for materials, higher profits are generated from that portion of the formula. Orthotists have a higher volume of business which results in higher administrative costs and a higher labour component. The formula does not recognize these differences.

The labour hours for orthotic procedures may be inadequate which would explain this. A discrepancy of 1 hour on a 6 hour procedure which is repeated for 100 clients has a much greater impact than a 1 hour discrepancy on a 30 hour procedure which is repeated for 20 clients. i.e. Orthotic procedures are generally more cost-sensitive to labour hour discrepancies.

4. In order to service clients who are hospitalized, physicians request prosthetists and orthotists to participate in clinics at the hospital. This is can be a substantial time commitment for which there is no recovery of costs and no guarantee that a billable service will result.
5. The inclusion of overhead and profit in the markup on materials and components is inequitable to orthotists. Markup on materials and components should only include costs that relate directly to materials. (12%) Retail items could be marked up at a higher rate than components and materials.
6. If the Government, AAOP and other P & O providers wish to continue with a common rate, \$146 per hour and a 12% markup (with exceptions for retail items) would be adequate to cover current costs and wage rates and provide a reasonable rate of return for a practice that has a reasonable volume of business. The average rate may incent P & O businesses to amalgamate practices or find other efficiencies.

7. The results of the rate adjustments in Manitoba and Ontario should be monitored and the selected comparative procedures should be reviewed to determine whether the AADL rates continue to be competitive. The methodology should also be reviewed (to the extent that this is possible) to ensure that the labour hours are substantiated. The economic climate in Ontario is relatively comparable to Alberta so this could be considered to be the relevant benchmark. An adjustment to the labour hours for some procedures may resolve some of the discrepancies between Alberta and Ontario for particular procedures.

## 5.0 Recommendations

### Recommendation 1: Simplify the Schedule

- *In the short term, simplify the current schedule to combine common items where there are relatively small price differences between manufacturers' products. Eliminate procedure codes that have not been used in the past year or have only been used once or twice.*
- *Consider more significant changes to be implemented over the longer term. One option would be to establish the labour hours and rates for procedures and the standard markup on materials and components and have the specialty assessor responsible for inputting the manufacturer's price at the time of providing the service.*
- *Consider a dramatic change whereby a specialty assessor is paid a fixed amount per year based on the number and functional level of the patients in their care, using a recognized external standard.*

### Explanation

The administrative effort to negotiate and maintain the current schedule of 900 codes and a complex formula is unsustainable for both the AAOP and AADL. Updating the manufacturer's retail price annually and all of the cells for each code requires approximately two person months just to update the table. Inaccuracies arise as a result of the sheer volume of data. The specificity of the codes by manufacturer also requires approval for any substitutions which creates administrative effort by the vendors and AADL.

Combining similar codes and using an average price would simplify the schedule. Over half of the codes on the current fee schedule are used very infrequently. They are kept on the fee schedule to prevent creation of a new code when the component or procedure is used. If these could be accommodated within the combined codes, the existing underutilized codes could be eliminated.

A change that could be introduced would be to allow the specialty assessor to input the price of the product plus the markup. This would then be subject to post-audit. If this was

not feasible for all codes, it could be done for new products that are not on the fee schedule. We understand that this is the approach used in Manitoba and Ontario for some codes.

A more significant change would be to compensate specialty assessors a monthly amount for patients on their caseload. This would be a significant change that would need to be adequately researched to determine whether it was feasible. Patients would need to be assessed as to their complexity using an external standard, to determine the appropriate funding level. This funding method is used for respiratory therapists and has reduced the administration for both AADL and the vendors significantly.

## **Recommendation 2: Changes to the Formula**

*Consider changes to the formula to resolve the inequity between orthotic and prosthetic procedures and to simplify the negotiations. We would suggest changes as follows:*

- *Reduce the markup on materials and components purchases to 12% to reflect only those costs that relate to materials. i.e. rework, loss, and handling charge. Shipping would be an additional charge as in the current formula.*
- *Allow markup to a maximum amount to avoid excessive markups on expensive components.*
- *Consider an additional markup that would include a profit component for retail items.*
- *Annual increases to the labour rate should be tied to the public sector P & O labour rate increases. Provision for profit and recovery of overhead costs should be included in the labour rate.*

### **Explanation:**

The current formula has five variable elements (materials and components cost, shipping, materials and components markup, labour hours and labour rate) and within the shipping element there are four additional breakouts (prosthetic materials and components and orthotic materials and components). While there are cost issues for each element, the materiality overall is not worth the effort to negotiate and maintain all of these elements.

### **Recommendation 3: New Allowable Charges**

- *Provide for a 'consult fee' for new patients when no billable procedure results. This would recognize the higher volume/higher cost situation and would also compensate clinicians when there is no procedure billed after the consultation.*
- *Reimburse clinicians for time to attend clinics.*

#### **Explanation**

Introduction of a consult fee and reimbursement of time for clinicians to attend clinics recognizes that the P & O sector provides a professional service that does not always result in provision of a prosthetic or orthotic device.

### **Recommendation 4: Review Labour Hours**

*Review the labour hours for selected procedures where comparative data indicates a discrepancy.*

#### **Explanation:**

It appears that there are some procedures for which the labour hours understated. Once the Ontario study has been reviewed and is available to AADL, this may be a suitable source for comparing labour hours and assessing whether any adjustment is required. The labour hours for orthotics, particularly the high volume AFO's, are contentious and should be reviewed once the Ontario data is available. Any review of labour hours should be initiated and funded by AADL to ensure that there is no real or perceived conflict of interest.

### **Recommendation 5: Monitor Volume of Activity**

*Monitor the volume of P & O claims over the next two years and consider approaches to reducing the number of specialty assessors if volumes do not increase.*

#### **Explanation:**

Prosthetists and orthotists rely almost exclusively on government-reimbursed business for their business. If the volume of business is insufficient, there is pressure to increase the rates to allow them to earn an adequate salary and profit margin. Our analysis indicates that currently there is excess capacity. It is possible that prosthetists and orthotists choose to set up business in Alberta because of the generous benefits offered by AADL.

AAOP advises that national and American studies are projecting an increased demand for services over the next decade that cannot be met with the existing number of prosthetists



and orthotists. It may be too soon to establish a process that would limit the number of prosthetists and orthotists given the projected increase in demand. If the capacity issue continues, AADL could consider a competitive tender for AADL funded prosthetic and orthotic work.

## Attachment 1

### Payments for Comparative Procedures – Detail

AADL Code	MN Code	ON Code	Description	AADL Labour Hours	MN Labour hours (proposed)	ON Labour Hours	Frameworks Labour Hours	AADL MFR Cost	MN MFR Cost	AADL Max	MN (Current)	MN (Proposed)	ON Max	Comments	Consumption (number)	Consumption (\$)
<b>Orthotics</b>																
O325, O311, O327, O335	Multiple codes	Multiple codes	Articulating Ankle Foot Orthosis (AFO)	9.00	9.35	8.99	10.25	\$ 166	\$ 146	1,458	808	1,536	1,216		2,793	\$1,189,175
O272, O335	O361456, O36-1469	Multiple codes	Rigid Ankle Foot Orthosis (AFO)	6.75	6.83	6.98	6.53	\$ 18	\$ 61	963	378	1,152	952		682	\$630,863
O531	N.A.	O341426	Generation II Unloader XT. MN - Gen II Polyaxial Knee Orthosis	3.50	3	NA	2.95	\$ 664	\$ 689	1,305	1,122	1,389	\$ 1,023		490	\$639,450
O125	O22-1220	Multiple Codes	Clamshell TLSO	11.50	16.58	18.29	13.00	\$ 400	\$ 355	2,090	1,341	2,430	\$ 2,481		225	\$470,274
O291, O371, O327, O311	Multiple codes	Multiple codes	Plastic KAFO	16.75	19.36	19.16	16.58	\$ 431	\$ 38	3,146	1,999	3,327	\$ 3,027		115	\$169,266

<b>Prosthetic Components</b>										AADL Max	MN (Current)	MN (Proposed)	Ontario Max			
E715	NA	CLL2DTT35	Ohio Willow Wood Alpha cushion liner.	0.75				\$323.45		\$ 492	NA	NA	\$ 544	Ontario provides 2 every 3 years compared to 2 every year in Alberta.	461	\$226,641
P056	100-2311	CLL30INST	Iceross TF seal-in liner - no pins, no locking systems or sleeves	0.75	0.5			\$630.00	\$ 458.00	\$ 847	\$ 654	\$ 641	\$ 707		33	\$27,959
P389	NA	CLL3AFOOT	Flex Foot Ceterus foot - shock/torque absorber not required	1.75				\$3,608.00		\$ 4,452	NA	NA	\$ 439	Ontario provides a max contribution amt. NA in Manitoba.	26	\$115,758
P960	NA	CLL3HKNSW	Otto Bock 3R60 EBS	2.5				\$4,102.00		\$ 5,130	NA	NA	\$ 4,196		14	\$71,813
P538	1002349	CLL3AFOOT	College Park Truper Foot TPRCEN20	1.25	0.25			\$920.00	\$ 762.00	\$ 1,265	\$ 358	\$ 1,104	\$ 439	Ontario provides a max contribution amt.	6	\$7,588
P956	1002382, 1002371	CLL3HKNSW	Trulife P24847 Black Max AL frame with Mauch SNS	2	0.5			\$3,136.80	\$ 2,695.80	3,940	3,098	3,848	4,196		1	\$3,940

<b>Prosthetic Custom Fabrication</b>										AADL Max	MN (Current)	MN (Proposed)	ON Max			
P017	O762037	CLL2DIT10	Transibial (TT)	19.25	16.25	23.6	12.5	\$94.96	143.86	2,800	1,015	2,227	3,829		253	\$708,352
P027	O802074	CLL2GTF11	Transfemoral (TF)	23.25	19.5	24	16.76	\$182.97	217.78	3,470	1,285	2,742	4,083		68	\$235,965
P052	1002401	CLL3JSHAN	Transibial (TT) endoskeletal finish	3.5	7.5	NA	3.51	\$88.85	82.87	599	418	608	439		179	\$107,250
P031	NA	CLL2EVN06	Proximal femoral focal deficiency (PFFD)	28.5	NA	NA	NA	\$182.97		4,200	NA	NA	4,062		20	\$83,996
P012, P013		CLL1D1001	Ankle disarticulation (AD), AD exoskeletal finish	21.00	20	NA	18.71	\$143.36	239.59	3,104	1,305	2,632	4,976		37	\$98,456
<b>Total</b>																<b>\$4,786,746</b>

Attachment 1-1  
Payments for Comparative Procedures – Code Breakdown

	Alberta Frameworks					Ontario			Manitoba (MOPA)				MN (current)
	AADL Code	MFR Cost	Labour hours	Hours	\$	Code	Labour hours	\$	Code	MFR Price	Labour ho	\$	\$
Articulating AFO	O325	84.62	6.50	7.83	1,008	CNLCF1002	2.9	498	036-1456	60.55	6.83	874	378
	O311	38.25	1.50	1.50	257	CNLCF1250	3.3	395	040-1527	46.85	2.52	330	151.827
	O327	40.24	0.75	0.67	155	CNLCF1040 (x2)	0.8	82	040-1536			278	278.46
	O335	2.46	0.25	0.25	38	CNLCF0010 (x4)	0.6	64	Tam Jnts x 1.4	38.25		53.55	
		<u>165.57</u>	<u>9.00</u>	<u>10.25</u>	<u>1,458</u>	CNLCF0070	0.3	26		<u>145.65</u>	<u>9.35</u>	<u>1535.55</u>	<u>808.29</u>
						CNLCF1130	0.3	25					
						CNLCF1460	0.3	33					
						CNLCF1820	0.4	42					
						TAM Jnts x 1.33		51					
							<u>9.0</u>	<u>1,216</u>					
Rigid AFO	O272	16.02	6.50	6.28	925	CNLCF1002	2.91	498	036-1456	60.55	6.83	874	378.13
	O335	2.46	0.25	0.25	38	CNLCF0010 (x2)	0.32	16	036-1469(BR) (Dorsal strap)			278	
		<u>18.48</u>	<u>6.75</u>	<u>6.53</u>	<u>963</u>	CNLCF0100	0.42	42		<u>61</u>	<u>6.83</u>	<u>1,152</u>	
						CNLCF1130	0.25	25					
						CNLCF1190	2.66	329					
						CNLCF1820	0.42	42					
							<u>7.0</u>	<u>952</u>					
GII Unloader	O531		3.50	2.95	NA				034-1426	688.8	3	1389	1,122.24
Clamshell TLSO	O125	<u>399.67</u>	<u>11.50</u>	<u>13.00</u>	<u>2,090</u>	CNSCF4060	11.84	1,779	022-1220	355	<u>16.58</u>	<u>2430</u>	<u>1,341</u>
						CNSCF4061	3.09	364					
						CNSCF4145 (x8)	3.36	338					
							<u>18.3</u>	<u>2,481</u>					
Plastic KAFO	O291	139.96	13.50	13.96	2,052	CNLCF2001	3.33	547.45	O38-1475	346.55	19.36	2647	1,319
	O371 (x2)	212.27	1.00	0.45	682	CNLCF0220	1.08	117.51	Knee Joint	212.27		297	297
	O327	40.24	0.75	0.67	155	CNLCF1520	1.92	254.94	Ankle Joint	38.25		54	54
	O311	38.25	1.50	1.50	257	CNLCF2010 (x2)	3.00	293.56	Dorsal strap			278	278
		<u>430.72</u>	<u>16.75</u>	<u>16.58</u>	<u>3,146</u>	CNLCF3322		563.92	Tam Joints x 1.33	38.25		51	51
						CNLCF0100 (x2)	0.84	84.42					
						CNLCF1002	2.91	498.15		<u>635.32</u>	<u>19.36</u>	<u>3326.601</u>	<u>1998.9705</u>
						CNLCF1250	3.34	395.43					
						CNLCF1040 (x2)	0.84	82.2					
						CNLCF0010 (x4)	0.64	63.88					
						CNLCF0070	0.25	26.44					
						CNLCF1130	0.25	24.76					
						CNLCF1460	0.34	33.05					
						CNLCF1820	0.42	41.65					
							<u>19.16</u>	<u>3,027.36</u>					

## Attachment 2

### Comparable Hourly Rates by Province

	Notes	Alberta - 2007 Rates	MOPA - Proposed Rates	Ratio Professional/ Technical Time	Manitoba - Comparable Rate	Ontario- 2007 Rates	Ratio Professional/ Technical Time	Ontario - Comparable Rate
			Proposed Rate	Weighting	Comparable Rate	Current Rate	Weighting	Comparable Rate
Prosthetists	1,2	139	147	0.6	121	183	0.6	160
Prosthetist Techs	1,2	139	81	0.4		126	0.4	
Orthotists	1,3	139	147	0.5	114	161	0.5	130
Orthotist Techs	1	139	81	0.5		98	0.5	

1. Rates proposed by the Manitoba Association. Current rates are approximately 1/2 this amount.
2. For Ontario prosthetic procedures where this rate is used, there is no markup on materials.
3. The current Ontario rate for orthotics is currently under review.

**Attachment 3****Specialty Assessors and Volume of P & O Business, AADL and ABC**

Year	2001	2002	2003	2004	2005	2006	2007
<b>Prosthetists</b>	19	18	22	24	25	21	22
<b>Orthotists</b>	24	23	30	30	31	32	32
<b>Prosthetists/Orthotists</b>	5	5	5	5	5	6	6
<b>Total P/O Specialty Assessors</b>	48	46	57	59	61	59	60
<b>Orthotics</b>							
# Clients-AADL		4029			4572		4642
# blue cross clients		1748			2096		2059
<b>Total Clients-Orthotics</b>		5777			6668		6701
Claim \$ - AADL	\$	4,588,031		\$	5,975,715	\$	6,169,201
Claim \$ - Blue Cross	\$	1,657,350		\$	2,371,870		\$2,377,691
<b>Total Claim \$ Orthotics</b>	\$	6,245,381	\$ -	\$ -	\$ 8,347,585	\$ -	\$ 8,546,892
Claim \$/client Orthotics	\$	1,081		\$	1,252	\$	1,275
Clients/Specialty Assessor		205			195		181
\$/Specialty Assessor	\$	238,739		\$	244,368	\$	236,364
					<b>Increase clients/year/specialty assessor</b>		-2%
					<b>Increase \$/year/specialty assessor</b>		-0.2%
					<b>Increase \$/year/client</b>		4%

<b>Prosthetics</b>							
# AADL Clients		901			954		992
# Blue Cross Clients		519			552		502
<b>Total Clients</b>		1420			1506		1494
Claim \$ AADL	\$	3,520,027		\$	3,843,097	\$	4,306,732
Claim \$ Blue Cross	\$	1,772,849		\$	2,193,932	\$	2,165,390
<b>Total P Claim \$</b>	\$ -	\$ 5,292,876		\$	6,037,029	\$	6,472,122
Claim \$/client	\$	3,727		\$	4,009	\$	4,332
Clients/Specialty Assessor		75			58		65
\$/Specialty Assessor	\$	266,776		\$	224,925	\$	271,480
					<b>Increase clients/year/specialty assessor</b>		-3%
					<b>Increase \$/year/specialty assessor</b>		0.4%
					<b>Increase \$/year/client</b>		3%

<b>Prosthetic and Orthotics</b>		<b>2002</b>		<b>2005</b>		<b>2007</b>
# Clients		7197		8174		8195
Claim \$	\$	11,538,257		\$14,384,614	\$	15,019,014
Clients/Specialty Assessor		156		134		137
\$/Specialty Assessor	\$	250,832		\$ 235,813	\$	250,317
					<b>Increase clients/year/specialty assessor</b>	-3%
					<b>Increase \$/year/specialty assessor</b>	0.0%
					<b>Increase \$/year/client</b>	2.9%

## Attachment 4

### Consumer Price Index and Wage Comparisons

#### Consumer Price Index, 2003-2008

Source: Statistics Canada, CANSIM, table 326-0021

	2003	2004	2005	2006	2007	March, 2008	Compared to AB
<b>Alberta</b>	104.4	105.9	108.1	112.3	117.9	119.8	1.00
% increase		1.4%	2.1%	3.9%	5.0%		
5-year average					2.6%		
<b>Ontario</b>						111.7	0.93
<b>Manitoba</b>						111.8	0.93

#### Average Weekly Earnings, Health Care/Social Assistance - 2007

Source: Statistics Canada, Catalogue 72-002 XIB, January, 2008

	Avg. Weekly Wages	Compared to AB
<b>Alberta</b>	734.24	1.00
<b>Manitoba</b>	602.32	0.82
<b>Ontario</b>	718.07	0.98

### **Attachment 5-1 Assumptions**

1. Overhead costs and staffing estimates are based on the average of the prosthetic and orthotic businesses selected. We included only businesses that:
  - were exclusively prosthetics or orthotics
  - were not involved in fabrication of products for resale
  - are located in Edmonton or Calgary
  - participated in the AAOP survey in 2007.
2. Labour rates are based on the highest current public sector rate for prosthetists, orthotists and technologists plus 6%:

Orthotists/prosthetists	\$44
Technologists	\$36
3. Wages for administrative staff are estimated at \$18 per hour, increased by 5% CPI increase.
4. Benefits are estimated at 8.97% of salaries.
5. Rent costs are based on 2000 square feet per orthotist/prosthetist and \$19 per square foot, increased by 5% CPI.
6. All other overhead costs were based on an average of the selected businesses, increased by 5% CPI.
7. We assumed a ratio of 60% professional time to 40% technical time for prosthetic procedures and equal professional to technical time for orthotics. We based this on information provided by AAOP and confirmed it by examining the staffing ratios of the selected businesses.
8. Determination of hours was based on the following assumptions:
  - Billable hours for prosthetists and orthotists is 1110 per year
  - Billable hours for technical staff is 1242 per year
  - Hours worked per year is 1950
  - A work week is 37.5 hours
9. The average staffing profile for a prosthetics business is 1.4 professionals to .67 technicians; the average staffing for an orthotics business is 2 professionals and 2 technicians.

## Attachment 5-2

### AADL Billing Rate

#### Calculation for Orthotics

##### Government Rates:

Government Rate for Certiffee	\$ 44.00	A
Government Rate for Technical	\$ 36.00	B
CPI increase over 2006:		
Dec 2007 cf. Dec 2006	5.00%	C

##### Data per Spreadsheet provided:

Estimated billable hours per year:			
Certiffee	1,110	D	
Technical	1,242	E	
Working hours per year	1,950	F	
Gross up rate for benefits	8.97%	G	
Average overhead cost:			
Overhead cost, excluding freight	204,393	H	
Overhead cost adjusted for CPI	Hx(1+C)	I	
Average Number of certified orthotists	2.00	J	
Average Number of techs	2.00	K	
Cost of Billable/ Non-Billable Time:			
Average Total billable hours - orthotists	J x D	L	
Average Total billable hours - orthotist techs	K x E	M	
Average Total billable hours		N	
Average non-billable time - orthotists	(F-D) x J	O	
Average non-billable time - techs	(F-E) x K	P	
Average Cost of non-billable time - orthotists			
Average Cost of non-billable time - techs			
Total non-billable salaries		Q	
plus benefits	Q x G		
Total cost of non-billable time		R	
Profit Potential	10%		
Profit Potential	12%		
<b>Calculations to get AADL Billing Rate:</b>			
Orthotist cost for each billable hour (1:1) prof/tech)	A x .5	0.5	\$ 22.00
Technical support for each billable hour (1:1 Prof: tech)	B x .5	0.5	18.00
Add benefits	S x G		40.00
			3.59
			43.59
Annual overhead per billable hour	I/N		45.62
Cost of non-billable time per billable hour	R/N		28.93
			118.14
Profit at 10%			11.81
<b>Total Rate at 10% profit</b>			<b>\$ 130</b>
Profit at 12%			14.18
<b>Total Rate at 12% profit</b>			<b>\$ 132</b>



### Attachment 5-3

#### AADL Billing Rate

##### Calculation for Prosthetics

##### Government Rates:

Government Rate for Certifee	\$	44.00	A
Government Rate for Technical	\$	36.00	B
CPI increase over 2006:			
Dec 2007 cf. Dec 2006		5.00%	C

##### Data per Spreadsheet provided:

Estimated billable hours per year:			
Certifee	1,110	D	
Technical	1,242	E	
Working hours per year	1,950	F	
Gross up rate for benefits	8.97%	G	
Average overhead cost:			
Overhead cost, excluding freight	162,732	H	
Overhead cost adjusted for CPI	H x (1+C)	<u>170,869</u>	I
Average Number of certified prosthetists	1.40	J	
Average Number of techs	0.67	K	
Billable/Non-billable Time:			
Average Total billable hours - prosthetists	J x D	1,554	L
Average Total billable hours - prosthetist techs	K x E	<u>832</u>	M
Average Total billable hours		<u>2,386</u>	N
Average Non-Billable Time-Prosthetists	(F-D) x J	1,176	O
Non-billable Time-Techs	(F-E) x K	474	P
Cost of non-billable time - prosthetists	O x A	51,744	
Cost of non-billable time - techs	P x B	17,077	
Total non-billable salaries		68,821	Q
Plus benefits	Q x G	<u>6,173</u>	
Total cost of non-billable time		<u>\$ 74,994</u>	R
Profit Potential		10%	
Profit Potential		12%	

##### Calculations to get AADL Billing Rate:

Prosthetist cost for each billable hour (60:40 prof/tech)	A x .6	\$44 x .6	26.40	
Technical support for each billable hour (60:40 prof: tec	B x .4	\$36 x 0.4	14.40	
			40.80	S
Add benefits	S x G		<u>3.66</u>	
			44.46	
Annual overhead per billable hour	I/N		71.61	
Cost of Non-billable time per billable hour	R/N		<u>31.43</u>	
<b>Total</b>			<u>147.50</u>	
Profit at 10%			14.75	
<b>Total Rate at 10% profit</b>			<u><u>\$ 162</u></u>	
Profit			17.70	
<b>Total Rate at 12% profit</b>			<u><u>\$ 165</u></u>	