

## **THE PROGRAM OF APPLIANCES FOR DISABLED PEOPLE (PADP)**

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Inquiry into the New South Wales Program of Appliances for Disabled People (PADP).

Date: 26 August 2008

From:  
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To:  
The Director  
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Submission to the Inquiry into the Program of Appliances for Disabled People

Thank you for giving me the opportunity to make this submission to the Inquiry into the NSW Program of Appliances Disabled People.

Executive Summary

- A pre-approval funding model should be implemented to reduce reassessment costs and inappropriate equipment support
- Clear and consistent policies and administration practices should be implemented to reduce waiting periods
- Additional funding needs to be allocated to PADP to meet both the current and future demand and reduce client waiting times for equipment

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- Payment of invoices for rehabilitation equipment should be made within 30 days of invoice
- PADP funding should be quarantined and not able to be spent in other areas
- PADP should avoid having one state wide supplier for products, as it will significantly reduce the service levels offered to end users, particularly regional clients, as well as being more likely to result in inappropriate equipment prescription and higher costs for PADP.
- PADP should immediately stop the practice of "quote shopping" and consider that the client and therapist are in the best position to decide who will service them most effectively.
- PADP should only purchase product registered with the TGA.
- PADP should purchase equipment only from those companies authorised and trained by the manufacturer to sell that equipment, in order to avoid potential liability issues.
- PADP should utilise service agents authorised and trained by the manufacturer to service that equipment.
- IRSA and the rehabilitation industry should be consulted regarding reforms to PADP, and representatives of IRSA should be on the Enable advisory board, and any relevant steering groups and working parties.

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Background:

Otto Bock is a global manufacturer of equipment for people with disabilities, including prosthetics, orthotics, wheelchairs and paediatric equipment. We supply equipment through a network of dealers. Much of the equipment sold within NSW is sold to PADP. We employ occupational therapists, physiotherapists, rehabilitation engineers and prosthetists and their role includes training dealers and clinicians in the appropriate selection and use of equipment.

Comments on Terms of Reference

*1. Adequacy of funding for present and projected program demand*

Our dealers regularly report long waiting periods between trialling equipment and when an order is received for that equipment. This waiting period can range from 3 months up to 3 or more years. The waiting periods seem to differ significantly between lodgement areas, and this indicates both an inadequacy in funding, as well as administrative issues. Reassessing clients as a result of the waiting periods is a significant cost to therapists and the rehab equipment industry. If equipment is supplied without clients being reassessed, it is likely the equipment will no longer be suitable, which adds to PADP costs.

In addition, our dealers report long waiting periods between when equipment is supplied and when payment for that equipment is made. In some cases, this can be up to 6

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months or longer after equipment delivery. This puts significant strain on the cash flow of small businesses and results in reduced service delivery.

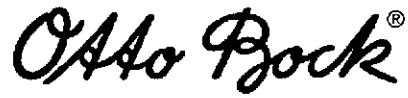
Improvements to the functionality of equipment, and greater understanding of postural and mobility requirements have resulted in more appropriate equipment being prescribed. For example, it is accepted that many people with spinal cord injuries will develop shoulder pain unless they use a lightweight wheelchair, scripted to their size and requirements. Future funding requirements need to also consider that more "individualised" equipment prescription will often result in cost savings across the health system. However, this custom equipment will also cost more and consideration needs to be given to the rising price of rehabilitation equipment in planning future demand.

Currently, the time taken by suppliers in the prescription and supply of equipment is not taken into consideration in the costs of equipment. This is a hidden cost that can no longer be fully consumed by the supplier and should be charged separately. The new Enable guidelines require "trial" of equipment. While this may assist in reducing incorrect prescription of equipment, suppliers would need to charge additional amounts for trial equipment, or incorporate the costs of this trial equipment into their quotes, to cover the significant increase in demonstration stock they would be required to hold. These additional equipment costs should be considered when looking at future demand on funding. Many peoples of complex or customised equipment cannot be trialled effectively, because it is made to measure. Consideration needs to be given to how these items should be managed in a trial scenario.

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Recommendations:

- A pre-approval funding model should be implemented to reduce reassessment costs and inappropriate equipment support
- Clear and consistent policies and administration practices should be implemented to reduce waiting periods
- Additional funding needs to be allocated to PADP to meet both the current and future demand and reduce client waiting times for equipment
- Payment of invoices for rehabilitation equipment should be made within 30 days of invoice

*2. Impact of client waiting lists on other health sectors*

Client waiting lists result in additional costs for therapists and suppliers. Both therapists and suppliers are involved in doing an initial prescription of equipment. Suppliers must then do a detailed quote and often have to follow up customisation and availability of equipment to ensure the required components are available. The therapist must compare quotes from different dealers, assist the end user to determine the most suitable piece of equipment, and write a funding submission.

If the waiting period is more than 2-3 months, the clients needs have often changed, and they must be reassessed and the equipment requoted at this stage. This effectively doubles the amount of work to be done by both suppliers and therapists.

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In addition, the waiting times can result in people using inappropriate and ill-fitting equipment during this time, which can exacerbate other medical issues, such as pressure sores, joint pain/ dislocations and postural problems. This is likely to cause additional costs in both the medical treatment of these issues, as well as forcing the equipment user into more expensive pieces of equipment to deal with these additional medical needs.

Recommendations:

- A pre-approval funding model should be implemented to reduce reassessment costs and inappropriate equipment support
- Additional funding needs to be allocated to PADP to meet both the current and future demand and reduce client waiting times for equipment

*3. Effects of centralising PADP Lodgement Centres and the methods for calculating and implementing financial savings from efficiency recommendations*

There is currently a great deal of inequity between the various Lodgement Centres, in terms of the amount of equipment being supplied, the waiting times experienced and the way the service is administered. Having a centralised office will assist in having more consistent supply and delivery state wide.

We have received reports that some Health Services allocate their PADP equipment funds to cover general hospital running costs. This results in slow payment of invoices,

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despite having given a purchase order for the products. If the funds were administered centrally, and outside of the general hospital system, this may assist in payments being made in a timely manner.

However, our rural and regional dealers are particularly concerned that a centralised office will result in them losing contact with a local PADP office and losing sales to larger Sydney based dealers. This is a particular concern if Enable are looking at having one state-wide supplier for all low end equipment needs, as is occurring under the OfficeMax trial. Regional dealers provide a great service for their local areas, and using one state wide dealer is likely to reduce the service levels for rural clients. There are reports that under the 'Office Max' system sophisticated rehabilitation equipment is just delivered in a box without any installation or advice to the user.

In addition, the experience in other states is that having one state-wide dealer has resulted in increased costs and decreased service to end users.

#### Recommendations:

- Clear and consistent policies and administration practices should be implemented to reduce inequity between lodgement areas
- PADP funding should be quarantined and not able to be spent in other areas
- PADP should avoid having one state wide supplier for products, as it will significantly reduce the service levels offered to end users, particularly regional clients, as well as being more likely to result in inappropriate equipment prescription and higher costs for PADP.

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*6. Any other related matter.*

Some PADP Lodgement Centres are persisting with the practice of "quote-shopping", where one dealer will do a complete assessment, often taking 2-3 hours plus travel time. They will submit a quote to a PADP office, who will then request a competing quote from another supplier, who has not assessed the client. This results in reduced service for the end user, who has developed a rapport with the initial equipment supplier, and is far more likely to result in incorrect equipment prescription.

PADP will benefit significantly from the Therapeutic Goods Administration's (TGA) increased compliance requirements of importers and suppliers of rehabilitation equipment. They will provide prescribers and end-users with greater confidence in the equipment being supplied. It should also prevent non-authorized distributors and service agents from sourcing and selling equipment on which they have not been trained. In the past these unauthorised sellers have provided equipment totally inappropriate to the users needs. PADP should be aware that if they purchase equipment from non-authorized distributors then it could mean that the PADP takes full liability for equipment failures, as well as responsibility for implementing any manufacturer's recalls.

The rehabilitation equipment industry plays a vital role in the smooth functioning of the PADP scheme. The industry conducts much of the training of clinicians in the area of seating, pressure care and mobility, in terms of both clinical and product training. The dealers are a key member of the team involved in prescription of equipment. There are

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many dealers who have years of experience and expertise in both the clinical aspects and operational issues that are unique to the supply of rehabilitation equipment. Many dealers employ therapists and clinicians to assist in this process. The role of the supplier is recognised by most therapists as being vital to the process.

Despite this central role, the industry was not consulted during the PriceWaterhouseCoopers review. The decision to provide low cost equipment through Office Max was taken without any consultation with the industry, and without a transparent tender process. The industry is not currently represented on the Enable/PADP advisory board.

By not including the industry in their reviews, NSW Health runs the risk of developing policies and procedures which are unworkable and result in greater costs for equipment supply. Consideration also needs to be given to the impact of decisions on the sustainability of the rehabilitation equipment industry. Currently, dealers operate on low margins and are expected to contribute significant time and expertise to the process. Additional expectations of loan equipment, additional trials or an expectation that higher quality equipment should be provided at ever decreasing prices will result in dealers no longer being able to continue to operate.

Otto Bock are a member of the Independent Rehabilitation Suppliers Association (IRSA). IRSA represents a significant number of dealers and manufacturers, whose combined experience and expertise could assist NSW Health to develop a more

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streamlined reimbursement program that would benefit end users, clinicians, the government as well as ensuring a strong, sustainable rehabilitation equipment industry.

### Recommendations:

- PADP should immediately stop the practice of "quote shopping" and consider that the client and therapist are in the best position to decide who will service them most effectively.
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- PADP should utilise service agents authorised and trained by the manufacturer to service that equipment.
- IRSA and the rehabilitation industry should be consulted regarding reforms to PADP, and representatives of IRSA should be on the Enable advisory board, and any relevant steering groups and working parties.

Thank you for providing the opportunity to make a submission to the Inquiry into NSW PADP; I trust that these issues above will be given serious consideration and that the inquiry results in a positive outcome.

Regards,

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Managing Director

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