

A Call to End Health Service Provider (HSP) Licensing in Ontario

An In-Depth Analysis of Health Service Provider Licensing

Overview:

Since its introduction in 2014, Ontario's Health Service Provider (HSP) licensing framework, governed by the Financial Services Regulatory Authority of Ontario (FSRA), has been contentious. Initially created to address fraud in auto insurance billing, this system has evolved into an unnecessary and costly layer of regulation that has failed to demonstrate its value. Instead, it places a considerable burden on healthcare providers, consumers, and FSRA itself. This document advocates for the elimination of the HSP licensing system, detailing how it is redundant, administratively burdensome, fails to prevent fraud, and negatively affects both providers and patients.

HSP licensing is an overreaction that was introduced to ensure accurate invoicing by healthcare providers, creating an entire bureaucratic system that duplicates the regulatory work of healthcare colleges. Given that FSRA's own data shows little impact, it's time to eliminate this framework and repurpose the associated resources for more critical functions.

HSP Licensing is Redundant

One of the most compelling reasons to abolish the HSP licensing framework is its redundancy. Ontario's healthcare providers are already subject to stringent regulation through their professional colleges, such as the College of Physiotherapists of Ontario and the College of Chiropractors of Ontario. These regulatory bodies enforce strict professional, legal, and ethical standards, ensuring that practitioners operate within the law and provide high-quality care.

FSRA's HSP licensing adds another layer of oversight that mirrors what is already regulated by these colleges, without offering any added value. This overlapping regulation creates confusion, with healthcare providers forced to comply with both their professional colleges and FSRA, often encountering conflicting guidelines.

Furthermore, this extra layer of licensing applies only to healthcare providers working with auto insurance claims; it is not required for services delivered under the Ontario Health Insurance Plan (OHIP) or the Workplace Safety and Insurance Board (WSIB). Ontario is the only place in the world that imposes this kind of additional regulation on healthcare professionals, leading to burnout and frustration. Some professionals have opted to cease treating auto insurance patients altogether or have left Ontario.

HSP Licensing Imposes Unnecessary Administrative and Financial Burdens

The financial and administrative costs of maintaining an HSP license are substantial. From 2014 to 2024, healthcare providers have paid approximately \$34 million in direct licensing fees to FSRA. Beyond this, there are considerable indirect compliance costs, including the time and resources needed to meet FSRA's regulatory demands.

The framework's implementation was driven by the insurance industry and the former government. It costs more to administer than FSRA collects in fees, leaving taxpayers and consumers to unknowingly foot the bill.

For healthcare providers, the cost of complying with FSRA's requirements—such as submitting Annual Information Returns (AIRs), navigating complex billing systems, and preparing for audits—costs each clinic an estimated \$5,000 annually. This amounts to an industry-wide compliance cost of \$20 million per year, and over the lifetime of the HSP licensing framework, this has created a financial burden of roughly \$200 million on the healthcare sector.

These costs translate into reduced resources for patient care. Every hour spent on compliance is time taken away from providing care to patients. Audits alone have caused a significant loss of patient care hours, exacerbating Ontario's healthcare challenges.

HSP Licensing Fails to Prevent Fraud or Improve Care Outcomes

Since its establishment, FSRA's HSP licensing has failed to demonstrate any significant impact on fraud prevention or patient care outcomes. Out of 1,950 audits conducted by FSRA by March 2021, fewer than 1% resulted in administrative penalties, most of which were for minor paperwork errors rather than fraudulent activity. This raises serious questions about the system's efficacy in addressing fraud, its original purpose.

The 2022 FSRA Market Conduct Report only reinforced the frustration felt by healthcare providers. FSRA's focus on minor administrative oversights, such as missing electronic signatures or delayed registry updates, does little to improve care but adds to the regulatory burden on clinics. For example, issues such as delayed registry updates due to complex invoicing systems that sometimes take over seven months to process are unfairly categorized as non-compliance, further diminishing trust between healthcare providers and FSRA.

Despite FSRA auditors privately admitting that many of these infractions are merely bureaucratic in nature, the agency's leadership continues to enforce these audits, undermining healthcare professionals' trust in their role as regulators. Healthcare providers are managing life-or-death situations daily, and they should not be forced to divert their attention to minor administrative tasks that have no bearing on patient care.

HSP Licensing Negatively Affects Healthcare Providers and Patients

FSRA's licensing framework actively limits patient access to rehabilitation services by forcing providers to opt out due to the burden of compliance. Many healthcare professionals choose not to renew their licenses, leading to a reduction in licensed providers available to treat motor vehicle accident victims. This lack of available care providers leads to prolonged recovery times and increases the likelihood of long-term disability.

The Economic Advantages of Removing HSP Licensing

In terms of economic impact, reducing unnecessary regulations like the HSP licensing framework can boost Ontario's overall productivity. Streamlining regulation allows healthcare providers to redirect their time and resources toward innovation, patient care, and economic growth, rather than compliance. Simplifying Ontario's regulatory landscape will encourage a healthier flow of resources, leading to economic benefits that extend beyond the healthcare sector.

Healthcare Providers and Their Colleges Are Already Effective Fraud Deterrents

Healthcare professionals, guided by ethical standards and oversight from their respective colleges, serve as the primary line of defense against fraudulent behaviour. The regulatory framework provided by these colleges already ensures that fraudulent activities are minimized. Given the low fraud discovery rate under FSRA's HSP licensing—fewer than 1% of audits result in significant penalties—it is clear that professional colleges are already effective in this regard.

A "Closed Garden" Ownership Model for Better Billing Practices

A more effective approach to preventing billing issues is to look at the ownership structure of clinics. A “closed garden” model, similar to the one used in Ontario's pharmacy sector, where ownership is restricted to licensed professionals, could help maintain the integrity of billing practices in healthcare. Under this model, at least 50% of rehabilitation clinic ownership should belong to regulated healthcare providers like physiotherapists or chiropractors.

Conclusion: Eliminate the HSP Licensing Framework

The FSRA's HSP licensing framework is an unnecessary and costly addition to Ontario's regulatory environment. It duplicates the oversight already provided by healthcare colleges, adds significant administrative and financial burdens to healthcare providers, and has shown little benefit in terms of fraud prevention or improved patient care outcomes.

By removing HSP licensing, Ontario can streamline its regulatory processes, reduce costs for healthcare providers and consumers, and improve the efficiency of its healthcare system. This change will allow providers to focus on delivering high-quality care, unencumbered by redundant regulations, while benefiting patients with faster, more responsive healthcare services.

In a time of great strain on Ontario's healthcare system, eliminating unnecessary regulation such as HSP licensing is a critical step toward more efficient governance. The abolition of this framework will allow FSRA to redirect its resources to areas that genuinely need

regulation, such as unregulated sectors like body shops and tow truck services, creating a more focused and impactful regulatory environment.