



Finance Minute on
Report 182—
Pharmaceutical
Benefits Scheme—
Chemists' Remuneration.

Report

206

Joint Committee of
Public Accounts

DEPARTMENT OF THE SENATE	
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Clerk of the Senate	

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

206TH REPORT

**FINANCE MINUTE ON THE COMMITTEE'S 182ND REPORT -
PHARMACEUTICAL BENEFITS SCHEME - CHEMISTS' REMUNERATION**

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

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DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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PREFACE

Arrangements to ensure that appropriate action is taken in response to comments contained in the Committee's Reports have been in operation since 1952 although they have been reviewed periodically. These were known as Treasury Minute arrangements.

Following the creation of the Department of Finance on 7 December 1976 it was agreed that the arrangements should continue as before but should be known as the Department of Finance Minute.

As they now stand the procedures are:

1. The Report of the Committee is tabled by the Chairman in the House of Representatives and by a Member of the Committee in the Senate. Motions are moved in both Houses of the Parliament that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the responsible Minister and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
3. The reply received, in the form of a Department of Finance Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible as a Report to the Parliament.
4. Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the Minute to the Parliament.
5. In reporting a Minute to the Parliament, the Committee, except in special cases does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.
6. When the Committee next examines the Department concerned the Department of Finance Minute is considered by the Committee if applicable.

7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

In accordance with the procedures outlined above, this report documents the Department of Finance Minute which was submitted in response to the Committee's 182nd Report.

For and on behalf of the Committee.



Senator G. Georges
Chairman



M.J. Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra
8 September 1983

CHAPTER 1

INTRODUCTION

1.1 The Committee's 182nd Report, which reviewed chemists' remuneration under the Pharmaceutical Benefits Scheme, was tabled in Parliament on 16 September 1980. A summary of that report appears in Chapter 2. The recommendations together with the Department of Finance Minute appear in Chapter 3.

1.2 The Committee notes the considerable delay between the tabling of the 182nd Report and finalisation of the Department of Finance Minute, dated 10 May 1983. However, the Committee was informed of progress in the interim.

1.3 Overall, the Committee is satisfied with the response to the 182nd Report and is pleased to note that many of the recommendations have been accepted.

1.4 The main policy revisions effected as a result of the Committee's inquiry are as follows:

- improved ADP standards have been incorporated into the Department of Health's ADP Projects Manual;
- the Department of Health's ADP manpower resources have been strengthened with the creation of 29 additional positions in the ADP Branch;
- a separate Internal Audit Branch has been established in the Department of Health;
- legislation has been amended so as to establish the Pharmaceutical Benefits Remuneration Tribunal, consisting of three members including the Chairman, who must be a Deputy President of the Australian Conciliation and Arbitration Commission;
- a Joint Departmental Liaison Committee on Repatriation Pharmaceutical Benefits has been established, with responsibility for providing formal communication and consultation between the Departments of Health and Veterans' Affairs.

CHAPTER 2

SUMMARY OF THE COMMITTEE'S 182ND REPORT

2.1 On 21 April 1980 a motion was passed in the House of Representatives referring the question of overpayments under the Pharmaceutical Benefits Scheme to the Public Accounts Committee for inquiry and report. As a consequence of this motion, the reference was forwarded to the Public Accounts Committee (PAC) under section 8(1)(d) of its Act - 'To inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question.' This topic was the first to be so referred since the Committee was reformed in 1951.

2.2 In this inquiry the Committee examined and reported on the circumstances and reasons for a significant excess payment by the Department of Health to chemists in respect of their remuneration under the Pharmaceutical Benefits Scheme (PBS) between 1973 and 1980. The Committee also examined the concurrent excess payments made by the Department of Veterans' Affairs to chemists under the Repatriation Pharmaceutical Benefits Scheme (RPBS). The combined total of overpayments was estimated at about \$253 million.

2.3 Public hearings on this matter were held during June and July, 1980. Witnesses who presented submissions included Commonwealth departments and organisations, the Joint Committee on Pharmaceutical Benefits Pricing Arrangements, pharmacy and pharmacists organisations, consumers, chemists and health economists.

2.4 The findings of the inquiry go beyond the immediate question of errors and excess payments. During the inquiry there emerged several fundamental problems which could directly contribute to the possibility of similar problems occurring in the near future. Besides affecting the pharmacy sector, a number of matters had broader implications for other sections of the health industry.

2.5 The principal areas covered by the PAC inquiry were, the provision of independent economic advice to the Commonwealth Government on health matters, procedures for determining health fees and remuneration and the structure of the retail pharmacy industry. The primary conclusions and recommendations of the Committee included:

- Errors leading to Overpayments. The extent of the excess payments cannot be quantified definitively. However, the Minister for Health referred to maximum excess payments under the Pharmaceutical Benefits Scheme of \$235 million, and the Minister for Veterans' Affairs referred to maximum excess payments under the Repatriation

Pharmaceutical Benefits Scheme of \$18 million. In total the maximum excess payments could have been of the order of \$255 million.

The excess payments made under the Pharmaceutical Benefits Scheme resulted from an error in the 'Cost of Goods Sold Analysis' (approximately \$62 million), an error in the 'allocation of labour costs' (approximately \$126 million) and errors in updating indices due to structural changes in the industry (approximately \$47 million). These errors occurred between the period 1973-74 and April, 1980.

The question of recoverability of the excess payments was considered during the inquiry. The Committee decided not to make any recommendations on the matter as three independent legal opinions indicated that recovery was not possible and the Commonwealth Government had already accepted that advice. It did, however, reject the suggestion of the confidential 'Report of the Public Service Board Team' that certain measures be introduced to ensure that future excess payments be made legally recoverable, as such measures would be administratively cumbersome and potentially unworkable. Instead the Committee has recommended certain administrative measures aimed at reducing the possibility of future errors.

The Committee could find no criminal, malicious or mischievous intent which would have led to the errors that occurred.

- Basis for Remuneration of Chemists. The PAC noted that the six point package agreed between the Commonwealth Government and the Pharmacy Guild on 9 April, 1980 represents an agreement concerning the future basis of remuneration. The Committee recommended alternative ways of achieving the aims of the six point package in an open and constructive manner and with the objective of creating a more stable and orderly environment in which the Government and chemists could confidently proceed to creating an efficient and viable retail pharmacy industry.

- A Health Fees Tribunal. The PAC examined the operation and functions of the Joint Committee on Pharmaceutical Benefits Pricing Arrangements, a Committee which has been responsible for advising on the appropriate level of remuneration for pharmacists dispensing PBS and RPBS prescriptions. As a result of its investigations the PAC recommended that the Joint Committee be abolished and replaced by a Health Fees Tribunal.

As the determination of Government paid benefits is not confined to the pharmacy sector but occurs in other areas of medical and para-medical services, and as many of the problems and considerations facing these sectors are common, the PAC concluded that one independent public body should review the level of these payments.

A Bureau of Health Economics. Throughout this inquiry the PAC was concerned with the general lack of independent objective economic advice on health matters. With total health expenditure throughout Australia of about \$9 000 million in 1979-80, the Committee considered that the Department of Health should be served by a group of specialists advising on health/welfare economic matters.

The PAC considered that this group of specialists should be technically independent in their operations, and free from day to day administrative matters. Accordingly the Committee has recommended that a Bureau of Health Economics be established and that it operate and function in a similar way to the Bureaux of Agricultural Economics, Transport Economics, Industry Economics and Labour Market Research.

Retail Pharmacy in Australia. There are currently about 5400 pharmacies in Australia and on average each pharmacy serves about 2650 people. Average U.K. pharmacies service about 5000 people and Swedish pharmacies about 14 000 people. Throughout its inquiry, many witnesses claimed that the smaller pharmacies in Australia were uneconomic.

In 1977 attempts were made by the Joint Committee on Pharmaceutical Benefits Pricing Arrangements to examine rationalisation proposals for the pharmacy industry. These negotiations failed.

The PAC notes that the structure of the industry has directly affected the level of remuneration paid to pharmacies and that any change to the structure involving the rationalisation of the smaller pharmacies could lower the average cost of dispensing a PBS prescription and lead to savings in Government expenditure.

The Repatriation Pharmaceutical Benefits Scheme. The level of remuneration paid by the Commonwealth Government to Chemists under the Repatriation Pharmaceutical Benefits Scheme has been aligned with that of the Pharmaceutical Benefits Scheme. However, the Department of Veterans' Affairs has not participated in discussions and proceedings of the Joint Committee when changes in procedures or levels of payment have been determined.

The Department of Health has also taken over the major processing functions for Repatriation Pharmaceutical Benefits Scheme prescriptions.

The Committee concluded that greater economies and efficiencies could be achieved if certain administrative procedures associated with the Repatriation Pharmaceutical Benefits Scheme were handled directly by the Department of Health.

CHAPTER 3

DEPARTMENT OF FINANCE MINUTE ON THE 182ND REPORT

3.1 Set out below are the Committee's Recommendations of the 182nd Report of 16 September 1980, with the responses from Departments in the form of a Department of Finance Minute of 10 May 1983. The Finance Minute has been prepared by the Department of Finance in consultation with the Departments of Health and Veterans' Affairs and the Public Service Board.

RECOMMENDATION 1

The Department of Health at intervals of not more than two years, review its standards of practice for ADP analysis, design, programming, testing, implementation and documentation to ensure that standards of practice are appropriately detailed, comprehensive and up-to-date.

Response

3.2 The ADP projects standards have been reviewed in accordance with this Recommendation. The standards were found to be inadequate in two major areas. These were formal structured walk-through procedures and data analysis. Improved standards relating to these topics have been developed for incorporation into the ADP Standards Project Manual. The final draft version of these standards is currently being reviewed by senior programming and management staff. Relevant updates to the Project Manual will be issued in May and June 1983 respectively.

RECOMMENDATION 2

The Department of Health ensure that its ADP staff comply with authorized standards and procedures and the Department establish management controls to ensure compliance. Comprehensive internal audit of ADP practices be carried out at intervals of not more than two years.

Response

3.3 Directors of Sections have been reminded of their responsibility for ensuring that ADP Staff comply with authorized standards and procedures. A number of procedures in common use have been strengthened and work is proceeding on an ongoing basis (see also comments in relation to Recommendation 7.)

RECOMMENDATION 3

The Department of Health's ADP standards and procedures include the requirements for thorough technical review and certification of the requirement specification, analysis, design, programming, documentation and system performance. This should be done by users, peers, or supervisors as appropriate. These standards are to include the requirement for the preparation of a detailed system test plan, designed to prove that the system output conforms with the user's requirements specification, not merely with the program design specification.

Response

3.4 The requirement for thorough technical review and certification of the requirements specification, analysis, design, programming, documentation and system performance, was met by the publication of the Project Manual in December 1980.

RECOMMENDATION 4

When developing systems:

- (a) It is the responsibility of ADP management to ensure that system development is in accordance with sound professional practice, including compliance with appropriate standards and procedures;
- (b) Permanent Heads ensure that time-frames for completion of ADP projects are set with due regard to the resources available; and
- (c) If targets are set for the Department of Health without regard for the resources available and, the ADP management considers that it is unlikely that the targets can be met, the increased risk of error and its potential cost be pointed out.

Response

3.5 Amendments to the ADP Programming Manual were issued in May 1982 to reflect the recommendations at sub-paragraphs (a) and (c). Corresponding changes have been incorporated into the ADP Project Manual which has been subject to comprehensive review and revision (see response to Recommendation 1).

3.6 Additionally, the requirement at sub-paragraph (b) has been addressed. The procedures for provision of information to the Policy and Planning Committees have been revised and extended to provide time-frames. Resource requirements for planned projects are routinely considered by the ADP Policy and Planning Committees.

RECOMMENDATION 5

The Public Service Board assist departments to adopt sound practices and achieve high quality systems by:

- (a) accelerating its preparation and expanding the degree of detail of ADP information guideline manuals;
- (b) ensuring that these manuals are kept up to date and that they conform with the best of evolving ADP practice;
- (c) ensuring that departments understand the importance of maintaining rigorous standards of quality in all aspects of system development; and
- (d) ensuring that priority is given to establishing positions to carry out systems validation, system performance review and audit.

Response

3.7 The Public Service Board advises that it has produced a number of guidelines to assist departments in the development and implementation of ADP systems. Currently in existence are:

- guidelines on computer security
- guidelines for cost-effectiveness analysis of ADP systems
- guidelines on internal controls for computer based systems
- guidelines for risk management in ADP
- guidelines for ADP Strategic Planning

3.8 The guideline document on internal controls identifies 32 control objectives and explores in detail the various ways and means of achieving each control objective. Decisions on the control measures to be adopted are left to ADP staff and managers having the specialist knowledge and responsibility within departments.

3.9 The initial draft version of the internal controls document was issued in March 1980.

3.10 The internal controls document in particular emphasises the need for continuous quality assurance activity aimed at ensuring that ADP systems are developed in accordance with management approved plans and user specifications and that they continue over time to operate effectively and efficiently within a protected environment.

3.11 The basic purpose of the guideline document on computer security is to assist senior management and ADP staff at all levels in the development and implementation of adequate security measures in relation to all aspects of ADP. The document points out that it is not intended to replace any departmental instructions and should not be interpreted as intruding on the overall responsibilities of Departmental Heads in relation to all aspects of security. The document was first issued in April 1979 and is currently being revised.

3.12 The guidelines document on cost-effectiveness was first issued in 1975 and provides a similar level of detail. The document's basic purpose is to help ensure that such analyses take into consideration all relevant factors in a consistent manner and also that valid comparisons can be made.

3.13 The Board believes that the limited staffing resources, available to produce guidelines are better utilised widening the subject matter coverage and improving existing documents rather than expanding the degree of detail. The Board's specific aim in this area is to provide outlines and checklists which in turn provide a sound basis for departments to improve working procedures incorporating those internal controls and standards appropriate to particular situations.

3.14 Available staff of the Board's Office are also directly involved in a number of other activities to help ensure sound ADP practices and procedures. These include training, provision of advice on specialist topics, and membership of relevant committees. Committee activities extend to the Standards Association of Australia, the Computer Security Advisory Group, the APS/Telecom User Group, and regular meetings of Directors of ADP from the various departments.

3.15 Against that background the Board will continue to allocate resources to increasing the amount of guideline material available to departments and authorities and to improving the quality of that material. The Board is also creating opportunities to impress upon senior management the need to be directly involved in ADP system development to help assure quality.

3.16 In addition the Board is applying considerable effort towards upgrading the Service's capability to audit ADP systems and services. Of particular relevance is the work done in the following areas:

- Conduct of basic ADP audit courses which include a four-week ADP audit project in an operational environment (the Department of Health has provided the subject for seven of these audits). A total of 190 departmental staff had participated in these courses and had completed 45 projects by mid-February 1981.
- Development of an advance training course in audit of ADP systems.
- Revision of internal audit standards for the APS to cover special requirements for the audit of ADP systems and services.
- Development of an 'Audit Practice Manual' for internal auditors based upon work done by the Auditor-General's Office as a follow-up document to the Board's guidelines on internal controls for computer based systems.

3.17 Departments were encouraged in PSB Circular 1979/8 to review their internal audit organisation and staffing requirements. A large number of proposals have been received as a result and have been processed by the Board. Departments and the Board are now considering what additional requirements, if any, are needed to enhance those organisations to provide an adequate ADP audit capability. The Board recognises that a number of organisational arrangements can be used to carry out system validation, system performance review and audit, and the Board assists departments to achieve the best arrangements for their particular operation.

3.18 As a central agency the Board sees itself as having an important role to play in the promulgation of information on many aspects of ADP and participation in issues of Service-wide significance.

RECOMMENDATION 6

The Department of Health and the Public Service Board jointly review the staffing requirements of the Department of Health's ADP Branch against its present and prospective workload. The results of this review are to be advised to the PAC in 1981.

Response

3.19 An examination of the staffing/establishment requirement of the Department of Health's ADP Branch was conducted by the Public Service Board early in 1980 in response to a proposal from the Department. Following this examination the Branch's establishment was adjusted and a number of positions, including that of the Branch Head were reclassified to higher levels.

3.20 Following the JCPA recommendations a joint Public Service Board and Department of Health review was carried out of the ADP Branch's staffing requirements against present and prospective workloads. As a result of this review the Board recommended, with the Director-General of Health's agreement, an increase of 29 positions in the ADP Branch.

3.21 Approval for the creation of 29 additional positions was given in March 1982. Since that time, and given the usual turnover of personnel, all positions have been either temporarily or permanently filled. At present 21 of the positions are filled on a permanent basis, 5 are filled on a temporary basis and the remainder are vacant.

RECOMMENDATION 7

The Department of Health and the Public Service Board jointly review the classification and staffing of the Department of Health's ADP audit capacity against its present and prospective workload. The results of this review are to be advised to the PAC in 1981.

Response

3.22 Following receipt of a proposal from the Director-General of Health in April 1981 the Public Service Board approved, with minor variations, a restructuring with upgrading of classifications and formation of a separate Internal Audit Branch to be headed by a Second Division Level 1 position.

3.23 Included in the proposal was an ADP audit cell of four positions (an increase of three). This was affirmed without variation.

RECOMMENDATION 8

The Commonwealth Government announce that it will take no steps to introduce the suggested proposal of the Report of the Public Service Board Team (Pharmaceutical Benefits Scheme - Chemists' Remuneration) regarding arrangements with individual chemists binding them to repayment of future possible overpayments.

Response

3.24 The Government decided on 8 November 1982 that no steps be taken to enter into agreements with individual chemists binding them to repayments of future possible excess payments.

RECOMMENDATION 9

- (i) The dispensing fee of \$1.31 agreed between the Guild and the Commonwealth Government, and ratified by the Chairman of the Joint Committee of Pharmaceutical Benefits Pricing Arrangements by his determination of 9 April 1980, be used as the only basis for any adjustment of the dispensing fee. No adjustment be made to other components of chemists' remuneration.
- (ii) Any request for updating the dispensing fee be referred to, and determined by, the recommended Health Fees Tribunal (see Chapter 8).
- (iii) As an interim measure, and until the recommended public inquiry is completed into the structure and remuneration of the retail pharmacy industry (see Chapter 10), findings of the Joint Committee's current methodological review be available to parties appearing before the recommended Health Fees Tribunal.

Response

3.25 Amending legislation to establish the Pharmaceutical Benefits Remuneration Tribunal received Royal Assent on 12 May 1981, and the Tribunal handed down its first findings on 26 June 1981. The first review of the Tribunal also covered the recommendations by the JCPA in relation to - Interim Basis for Remuneration of Chemists - Chapter 7.

RECOMMENDATION 10

Determination of chemists' remuneration be vested in an independent Health Fees Tribunal. This Health Fees Tribunal be operational within 12 months of the tabling of this report.

3.26 Amending legislation to establish the Pharmaceutical Benefits Remuneration Tribunal received Royal Assent on 12 May 1981, and the Tribunal handed down its first findings on 26 June 1981.

RECOMMENDATION 11

The Joint Committee on Pharmaceutical Benefits Pricing Arrangements be abolished concurrent with the establishment of the Health Fees Tribunal.

Response

3.27 The Joint Committee on Pharmaceutical Benefits Pricing Arrangements was abolished in accordance with Section 4 of the National Health (Pharmaceutical Benefits) Amendment Act 1981 which, as mentioned previously, received Royal Assent on 12 May 1981.

RECOMMENDATION 12

The Health Fees Tribunal:

- (a) consist of one or more members, the Chairman being a Deputy President of the Australian Conciliation and Arbitration Commission;
- (b) receive public submissions from all interested parties and conduct its hearings in public;
- (c) as far as possible conduct its hearings in a manner which encourages the making of determinations on questions of fact rather than on questions of law;
- (d) determine its own criteria for setting remuneration having regard to Commonwealth Government guidelines to the Conciliation and Arbitration Commission for the fixing of salaries and wages;
- (e) announce its criteria and reasons for its decisions when making determinations;

- (f) determinations be legally binding on all parties; and
- (g) to the extent that it requires a staff this be provided independently of the Department of Health.

Response

3.28 After consideration of the Committee's recommendations, the Government decided on the following amendments to the National Health (Pharmaceutical Benefits) Act.

- (a) Section 4 of the National Health (Pharmaceutical Benefits) Amendment Act 1981 provides for the inclusion of a new Section 98A of the National Health Act which states in part:
 - '(2) The Tribunal shall consist of -
 - (a) a Chairman appointed by the Governor-General; and
 - (b) two additional members appointed by the Minister.
 - (3) An appointment under sub-section (2) shall be on a part-time basis.
 - (4) A person is not eligible to be appointed as Chairman unless he is a Deputy President of the Australian Conciliation and Arbitration Commission.'
- (b) New Sub-section 98BA(3) of the National Health Act provides for submissions from interested parties. Sub-section 98BC(2) provides that such proceedings will be conducted in public.
- (c) Sub-section 98BC(1), introduced under the Amendment Act, provides that the Tribunal's procedures are a matter for their own discretion and that it is not bound to act in a formal manner nor be bound by any rules of evidence.
- (d) Sub-section 98B(4) and 98B(5) of the Amendment Act provide that the Tribunal may approve such criteria as it considers appropriate for use in determining levels of remuneration but require the Tribunal to be guided by the principles determined by the Australian Conciliation and Arbitration Commission as being appropriate for the fixation of award wages or salaries.

- (e) Sub-sections 98BD(1) and 98BD(2) of the Amendment Act provide that after completion of an inquiry the Tribunal shall issue a statement of its findings and the reasons for them. Where the Tribunal determines levels of fees to apply the Tribunal shall issue a statement setting out the terms of that determination and the reasons for making it.

RECOMMENDATION 13

- (i) A Bureau of Health Economics be established to provide independent, objective and publicly available analysis of economic facts and issues.
- (ii) The Bureau of Health Economics to have a charter and powers similar to other Economic Bureaux.
- (iii) The Commonwealth Government consider establishing an external independent Committee to assist the Bureau of Health Economics.
- (iv) The Bureau of Health Economics be formed within one year of the date of tabling of this report, and become operational within two years of the tabling of this report.

Response

3.29 On 8 November 1982 the Government decided that the availability of the Social Welfare Policy Secretariat and the Department of Health for the provision of objective and public analyses of economic facts and issues relating to the Australian health industry would cover the perceived needs put forward by the Joint Parliamentary Committee of Public Accounts in its recommendation to establish a Bureau of Health Economics.

RECOMMENDATION 14

- (i) The Commonwealth Government initiate a public inquiry into the structure of the retail pharmacy industry. This inquiry examine:
- (a) the appropriate structure of and numbers in the industry having regard to Australia's geography and its population distribution;
 - (b) the need and justification for rationalising pharmacy numbers;
 - (c) methods of rationalising the industry;
 - (d) forms and levels of compensation that might be used to facilitate the rationalisation process; and
 - (e) methods for determining chemists' remuneration.

Response

3.30 In relation to the question of the rationalising of and the structure of the retail pharmacy industry in Australia on 8 November 1982, the Government:

- (i) noted that the Bureau of Industry Economics (BIE) is conducting a study of the economic performance of the retail pharmacy industry;
- (ii) agreed that the Government deal with the issue of a public inquiry at the conclusion of the BIE study, noting that the Study is expected to require at least 12 months to complete; and
- (iii) agreed that, in its submissions to the Pharmaceutical Benefits Review Tribunal, the Commonwealth continue to make the point that the Tribunal's decision on chemists' remuneration should be directed towards assisting the process of rationalisation by stimulating the operation of market forces.

RECOMMENDATION 15

- (i) The Department of Veterans' Affairs retain policy control over the Repatriation Pharmaceutical Benefits Scheme.
- (ii) The Department of Health be given total responsibility for the administration and claims processing of the Repatriation Pharmaceutical Benefits Scheme.
- (iii) The Department of Health integrate the administration and processing of the Repatriation Pharmaceutical Benefits Scheme with the Pharmaceutical Benefits Scheme so as to achieve the utmost economy commensurate with sound management and high standards of service to those submitting claims.
- (iv) A Joint Department Liaison Committee on Repatriation Pharmaceutical Benefits Scheme matters be established to provide formal communication and consultation between the Departments of Veterans' Affairs and Health.
- (v) The Public Service Board, together with the various Staff Associations, review policies and procedures for the transfer of staff between departments in order that staff transfers are conducted smoothly and efficiently. The results of this review are to be advised to the PAC in 1981.

Response

3.31 The Ministers for Health and Veterans' Affairs have agreed with the recommendations and have established a Joint Departmental Liaison Committee on Repatriation Pharmaceutical Benefits, with responsibility for providing formal communication and consultation between the Departments of Health and Veterans' Affairs.