

PART TWO - CURRENT ISSUES AND COMMITTEE RECOMMENDATIONS

CHAPTER 5

A SINGLE CONCESSION CARD

*'...People don't know what concessions they will get from the different cards.'*¹

Too many cards

5.1 As outlined in previous chapters, there are currently three Commonwealth issued concession cards - the Pensioner Concession Card, Health Care Card, and Commonwealth Seniors Health Card. As well as these cards, State Seniors' Cards, Veterans' Affairs repatriation health cards, war widow concession cards (TC1), student concession cards and some local council transport cards are used by members of the community to claim various concessions.

5.2 Evidence presented to the Committee from Commonwealth departments, State/Territory governments and interest groups has highlighted the confusion the large number of concession cards causes.

5.3 A representative of the Queensland Government told the Inquiry:

*...there are a lot of cards...it is potentially very confusing to the target populations. Also from a service delivery point of view, it must be very confusing for the people who are actually at the points of service - the bus drivers and the people who have to look at the cards and try to work out what they are.*²

5.4 People who are already disadvantaged within the community and have less ability to access concession information seem to find the concession system particularly confusing. Consumer groups, including the Migrant Resource Centre and the Carers' Action Taskforce, told the Committee the number of cards available causes confusion and people are not sure what their card entitles them to receive.³ This is especially the case where application forms must be

1 Migrant Resource Centre (Southern Tasmania), Transcript of Evidence, pg FCA 444.

2 Transcript of Evidence, pg FCA 379.

3 Transcript of Evidence, pg FCA 444 and Submission no. 40, pg FCA 264.

filled out for a discount to be received, for example, to receive electricity rebates in Tasmania.

5.5 The Pharmacy Guild of Australia also said the system is too complex. Pharmacists are required to confirm eligibility before issuing drugs at a concessional PBS rate. They do this through sighting a concession card at the time of dispensing. According to the Guild, the different types of cards held by members of the community cause confusion for pharmacists and pharmacy assistants when trying to establish eligibility.

5.6 Another problem encountered by pharmacists is that details on a concession card can become illegible. The cards are issued on thin flexible plastic (PCC and CSHC) or thick cardboard (HCC), which over a number of months can become damaged. Pharmacists find it difficult to read the correct name, expiry date or entitlement number. If they incorrectly provide PBS concessions, the Health Insurance Commission may reject their claim for reimbursement (further discussed in Chapter 8).

5.7 The Commonwealth departments told the Committee they recognise the potential benefits to card holders, service providers and administrators of providing a single concession card.

5.8 The Department of Veterans' Affairs (DVA) recognised the administrative advantages of issuing only one concession card, but stressed its belief that the repatriation health cards - the gold and white cards - should remain separate. According to DVA, veterans consider that the health cards are a special recognition of the service they undertook for Australia, and that they deserve special treatment. DVA agrees with a single concession card for other benefits available to veterans and pensioners, but would like to remain the service provider for veterans.

5.9 A danger in providing a single Commonwealth concession card could be an erosion of benefits currently available at State/Territory level, as a result of the States/Territories finding it difficult to identify concession eligibility with a single card. Several State/Territory governments advised the Committee that their understanding of the 1993 Premiers' Conference agreement on concessions was a recognition that any change to concessions at Commonwealth level would result in flow-on changes to State/Territory concessions and that States/Territories would expect Commonwealth funding to meet any lost or foregone revenue. The Victorian Government, in its submission to the Inquiry said that:

...the link between Commonwealth cards and State concessions means that any changes made will have

*significant impacts on State budgets. Therefore States must be consulted before any changes are made to Commonwealth eligibility requirements for these cards.*⁴

5.10 In the short term, there could be some form of identifier - ie “pensioner” or “beneficiary” on the card to allow Commonwealth and State/Territory service providers to identify which level of concession the card holder is entitled to. While it could be argued that this in effect creates a two-card system, it seems the most effective way to ensure that different concessions are delivered to different people. The system has worked well for DVA with its veterans’ health repatriation cards - the ‘gold’ and ‘white’ colouring providing a simple indication to both card holders and service providers of the entitlement level for health treatment.

5.11 The Committee acknowledges the reliance that States/Territories place on the current concession card system and recognises the considerable contribution States/Territories and local governments make to the Australian social safety net by providing core concessions. This should not be an impediment to reform which would ultimately benefit concession card holders and service providers.

5.12 The current system of three cards is too complex for both card holders and service providers. It also results in complex legislative and administrative arrangements (outlined in Chapter 8). A single Commonwealth concession card, used to access both Commonwealth and State/Territory concessions, would provide a simpler concession system for both card holders and service providers. It would also ensure the legislation governing concessions was clearly defined.

5.13 The Committee recommends a major overhaul of the concession card system.

5.14 To this end, the Committee recommends that there be a single concession card, entitled the *Commonwealth Concession Card*, issued under the following conditions:

- **to all eligible recipients of income support payments; and accessible through a single, simple application form for low-income households (at a determined cut-off level); and**
- **As an interim measure, until full implementation of smart card technology enables on-line verification of concession entitlements, the card should be colour-coded (no more than two**

4 Submission no. 42, pg FCA 297.

different colours) to indicate the level of concession the holder is entitled to. This could be in the form of level 1, giving greatest access to Commonwealth and State and Territory concessions, and level 2, offering most Commonwealth concessions and limited State and Territory concessions.

5.15 The Committee recommends that the Commonwealth Seniors Health Card should continue to be issued separately, until smart card technology enables full integration with other concession entitlements onto a single card. In the interim, the design and colouring of the Commonwealth Seniors Health Card should ensure it is easily distinguished from the single concession card.

5.16 The best way to implement a single concession card would be in a smart card format. This is discussed below.

Smart card technology

5.17 Both Commonwealth and State/Territory government agencies making submissions to the Inquiry considered that smart card technology provides a good opportunity for streamlining the current concession system, in terms of providing only one concession card and in simplifying the administrative system and enabling transparency of expenditure.

What is a smart card?*

5.18 A smart card, measuring the size of a conventional credit card, contains a computer chip. The chip can be read by a smart card reader, similar to the EFTPOS reader machines currently used for withdrawing cash at retail outlets and written to with a computer or kiosk outlet. Smart cards differ from magnetic stripe cards (eg Medicare cards and bank cards) in two ways. First, a magnetic card's information cannot be changed. Information on a smart card can be changed and the card can process information - for example, validating a transaction, or a person's eligibility for a concession. Secondly, while magnetic cards can hold about 140 characters (one line of text on a printed A4 page), smart cards can currently hold the equivalent of many pages of text. The memory capacity of smart cards is predicted to grow quickly as the technology develops.

* Information on smart cards for this section of the report was obtained from two articles: Mac Smith, D.L. *Smart Cards - The Players and the Issues*, ASX Perspective, 2nd Quarter 1997; and *Smart Cards*, Choice Magazine, Vol 36 (2), February 1996.

5.19 Smart cards were mainly developed as a marketing tool for business companies and banks. Every single expenditure using a smart card is recorded by the smart card reader. With personalised smart cards, a consumer profile of every shopper is quickly built up, creating opportunity for tailored marketing and advertising. Credit card companies and banks are at the forefront of developing smart card technology, with a view to holding and selling consumer information. Banks are also keen to encourage the use of smart cards for small purchases (less than \$15), because storing and handling physical cash costs money. Despite the initial focus on the commercial aspects of smart cards, the full potential of smart cards in areas such as health care and social security is now being explored.

5.20 There are four types of smart cards, all of which have different applications. These are:

- disposable: Purchased with a set amount of monetary value for use at any accepting outlet;
- anonymous reloadable: Can be topped up with more value at an ATM or EFTPOS outlet. There is no identification on the card - if you lose it, the money is gone;
- personalised: Stored-value card linked to your bank or charge account and identified by personal details such as name and address. Value can be topped up; and
- multi-function: Several separate memories which may contain information such as medical records, health insurance details, international currency storage; as well as stored-value functions outlined above.

Smart card potential for concessions

5.21 The last type of card listed above, the multi-function card, has the most potential for use in a concession card system, and in other areas such as health information management. The use of smart card technology in health information is discussed in detail in the Committee's forthcoming report into *Health Information Management and Telemedicine*.

5.22 A multi-function smart card could store concession information such as the type of payment a person was currently receiving and the level of concession this entitled the holder to. The information could be updated immediately when a change to entitlement occurred, such as if a person moved from Sickness Allowance (Health Care Card) to a Disability Support Pension (Pensioner Concession Card). Concession entitlements could also be cancelled immediately when a person was no longer eligible, thereby assisting in fraud minimisation.

5.23 As well as the ability to provide instant verification of entitlement to concessions, smart cards have the advantage of being able to record the exact usage of concessions. This would allow the Commonwealth and State/Territory governments to measure specific concessions accessed by particular groups of people, such as the frequency with which age pensioners access PBS prescriptions, or use discounted public transport. This would assist in future program planning, to balance service provision against demand. It would also help to ensure that partial Commonwealth funding of States/Territories' concession costs accurately reflected usage of the services. Smart card recording of concession usage and expenditure would resolve the current problem of lack of information on concession funding, outlined in Chapter 4.

5.24 Several other countries have begun to implement smart card technology in their health and social welfare programs. Germany and the European Union have a Health Insurance Card which gives basic owner identification, contains essential information for health treatment and details the owner's level of health insurance.⁵

5.25 In Spain, 500,000 Social Security smart cards have been issued, which contain information on the owner's identification and details on level of medical benefits. The owner's identity is verified by a stored fingerprint.⁶

A Commonwealth smart concession card

5.26 DSS has produced an internal working paper examining smart card technology and setting out an implementation timetable for concession smart cards.⁷ The working paper outlines definite plans to introduce a smart concession card, called (at this stage), the *Commonwealth Concession Card*. The Department considers that the introduction of a concession smart card would:

5 Fancher, C.H. *Smart Cards*, Scientific American, vol 275 (2), August 1996.

6 *ibid.*

7 Department of Social Security, *Concessions - Future Options and Technology* (draft paper), May 1997.

- comply with States' strong desire for continued access to Commonwealth means-testing;
- pull together under a 'national' program the currently fragmented system of card provision and management;
- ensure that information about concession usage and costs would be available at all levels of government;
- simplify the system for customers and administrators, because of only one card;
- greatly reduce postal and other costs because of less frequent issue of cards;
- reduce the scope for error in card issue;
- eliminate opportunities for fraud because of instant eligibility checks at point of service; and
- assist in facilitating better uniformity and reciprocity.⁸

5.27 DSS's implementation plan for concession smart cards involves a gradual process, beginning by issuing a single concession card with an initially inactivated computer chip. Further steps would include educating the target audience about the new technology, ensuring all smart card technology such as readers were available and moving to a fully interactive smart card system by 2001. The DSS plan at this stage is only in draft form and no decision has been made to implement the concession smart card. The Committee commends the thorough work that DSS has undertaken and recommends early implementation of smart card technology.

5.28 However, there are some broad implications of smart concession cards. These include: cost, customers' understanding of the new technology, the technological infrastructure required to implement smart card concessions for all customers and privacy issues. The Committee believes it is important to trial a smart card system before implementing it on a national level. The trial must include consultation with and input from the concession card target population.

5.29 Several State governments have shown interest in a smart concession card system. The Victorian Government's submission to the Inquiry outlined its desire to implement smart card technology and suggested a jointly funded feasibility study and trial of the technology, with a view to future

8 Department of Social Security, supplementary information, 27 June 1997.

implementation on a wider scale. The Queensland Government also indicated its willingness to participate in a smart card trial. The Committee believes a joint Commonwealth/State trial would be ideal, as a concession smart card will be implemented at both levels of government.

5.30 The Committee recommends the conduct of a concession smart card trial, involving the Commonwealth and selected State/Territory governments, within the next six months.

- **The trial evaluation should be carried out jointly by the Commonwealth and State/Territory governments involved for a six month period, and should include a cost benefit analysis as well as an assessment of privacy implications and the technical requirements for the implementation of a national concession smart card.**
- **A successful trial should be followed immediately by the introduction of a single concession smart card, to be used to access all Commonwealth and State/Territory concessions. This card should replace the current Pensioner Concession Card, Health Care Card and Commonwealth Seniors Health Card.**

Concerns about smart card technology

5.31 DSS has predicted that smart card technology will be introduced for concession cards within the next few years. However at public hearings throughout Australia and in submissions to the Inquiry, some concerns about smart card technology were raised.

Introduction of new technology

5.32 The Committee was told that the new technology may not be easily understood by its target population, particularly older people. Older people are generally less familiar with computer technology and in particular Personal Identification Numbers (PINs). The Association of Independent Retirees, the Australian Pensioners' and Superannuants' League Queensland and the Australian Pensioners' and Superannuants' Federation (AP&SF) outlined the problems older people have with PINs, mainly because the number must be memorised and should not be shared with anyone. AP&SF said:

...there is a huge number of people - particularly in our [older] generation - who will not access technology. They want people. They are used to talking to people. Once you have retired, you have also got more time to talk to people.⁹

5.33 The DSS paper on smart concession cards does not envisage a PIN being required to access concessions. The implementation plan involves several stages, the first being cosmetic and a name change to a single concession card. The cardholder's name and concession entitlement would continue to be printed on the card. DSS suggested using stickers to change name or entitlement details when needed, instead of issuing a new card. Stickers which render the card useless if they are removed or disfigured are available for this purpose.

5.34 DSS eventually expects all personal information such as the card owner's name, address and concession entitlement to be stored on the card electronically, to enable easy updating of information. The information could only be accessed by the card owner or a service provider by swiping the card through a smart reader.¹⁰ While this would be administratively efficient, it would be a major change for concession card holders and service providers and should not be introduced early in the process of moving to a single concession card.

5.35 The Committee recommends that a concession smart card not require a Personal Identification Number (PIN) to access concessions.

5.36 The Committee recommends that smart card technology be gradually introduced in a manner conducive to enlisting the co-operation of cardholders.

5.37 The Queensland Government expressed a fear that the smart card technology may not be implemented in rural and remote locations, or that these people will be less willing/able to take up the new technology. The Government told the Inquiry:

We believe that there is a necessity to rigorously test the feasibility of smart cards and technologies in both metropolitan and rural remote communities. From a Queensland perspective, it is all very well to have the

9 Transcript of Evidence, pg FCA 132.

10 *Concessions - Future Options and Technology* (draft paper), *op.cit.*

*cards and the technologies in Brisbane, but what about Winton, Boulia, Quilpie and so on?*¹¹

5.38 The Committee recognises the Queensland Government's concern that the new concession smart card could exclude some of its residents who live in rural or remote locations and agrees that the new technology must be accessible throughout Australia. This includes smart card readers, kiosks where customers can access information about themselves and sources of information such as Centrelink counter staff or phone-in lines.

5.39 The Commonwealth Government must ensure that concession smart cards and the relevant equipment (smart card readers, customer kiosks, information phone lines etc) are available to all eligible Australians, wherever they live.

5.40 The Committee recommends that before and during introduction of concession smart cards, there should be an extensive education campaign informing the target populations, particularly older people, how the new technology will affect them and how they can gain access to concessions.

Privacy and access to data

5.41 Several submissions and witnesses raised privacy concerns referring to smart card technology. The Commonwealth Privacy Commissioner outlined current Australian privacy requirements. At a Commonwealth level, government agencies and their employees are governed by the *Privacy Act 1988*. The Act details how agencies should handle personal information and tax file numbers and also covers private sector companies dealing with consumer credit histories and case management of the long-term unemployed.

5.42 The Act lists 11 Information Privacy Principles (IPPs) which govern the way agencies collect, store, use and disclose personal information. The IPPs require government agencies:

- not to collect personal information unlawfully or unfairly;
- to tell people why the information is needed;
- to tell them what will be done with it;
- to make sure the information collected or used is relevant, accurate, up to date and complete;

11 Transcript of Evidence, pg FCA 381.

- to secure personal information against unauthorised access, use, modification or disclosure;
- to make sure people can find out what sort of information is held about them;
- to give people access to that information and tell them how to go about getting access;
- to correct the information if it is wrong or incomplete or misleading and to ensure the information is relevant and up to date;
- not to use personal information for a purpose other than the purpose of collection unless authorised by law or it is necessary to enforce the law or protect the public revenue, or the person has consented, or there is a serious and imminent threat to the life or health of a person; and
- not to pass personal information on to anyone else unless the person knew the destination of the information, or the person has since consented, or it is authorised by law, or it is necessary to enforce the law or protect the public revenue, or there is a serious and imminent threat to the life or health of a person.¹²

5.43 As well as the *Privacy Act 1988*, members of the public have the right to access government information held about themselves, or matters in the public interest, through the *Freedom of Information Act 1982 (Cth)* (FOI Act). There are also State-based FOI Acts in all States except the Northern Territory and the Australian Capital Territory (ACT). ACT government agencies and employees fall under the jurisdiction of the Commonwealth FOI Act.

5.44 There is no State/Territory privacy legislation in Western Australia, South Australia, Queensland, Tasmania, Victoria or the Northern Territory. The *NSW Privacy Committee Act 1975* established the NSW Privacy Committee, which performs an ombudsman-type role but does not administer or enforce any privacy legislation. The Australian Capital Territory's government agencies come under the jurisdiction of the Commonwealth *Privacy Act 1988*.¹³

5.45 The Privacy Commissioner issued a paper, entitled *Smart Cards: Implications for Privacy* in late 1995. The Commissioner noted that Australia's

12 Privacy Commissioner, Information Paper Number Four, *Smart Cards: Implications for Privacy*, December 1995.

13 Parliamentary Library, Information and Research Services, 28 July 1997.

current privacy legislation does not cover all the sectors of the Australian community which are or will be affected by smart cards. The Commissioner recommended extending privacy legislation to ensure citizens' privacy is protected in all situations involving smart cards.

5.46 The Commissioner, following the OECD *Guidelines on the Protection of Privacy and Transborder Flows of Personal Data*, also recommended that smart cards should adhere to three main privacy themes:

- the information collection system should be transparent;
- there should be limits on the collection and use of personal information; and
- the personal information that is collected should be accurate and secure.¹⁴

5.47 The Privacy Commissioner does not object to smart cards in principle. The Commissioner's representative told the Committee:

From a privacy perspective, there is nothing intrinsically privacy intrusive about a smart card. It can be a neutral form of technology. It is really a question of what information is to be stored on it, what sort of backup database is going to be required in order to administer the system, who can have access to it and under what conditions. Those are all issues that already exist. The introduction of a smart card simply brings to the forefront some of those other choices that need to be made, particularly about access control.¹⁵

5.48 The NSW Privacy Committee investigated smart cards in its 1995 report *Smart Cards: Big Brother's Little Helpers*. The report looked mainly at the implications of commercial 'cash replacement' smart cards, but also examined the possibility of governments using smart cards to store personal information. The Privacy Committee's report outlined how Mexico delivers its State social security benefits in a smart card. Customers can only purchase certain goods at

14 Privacy Commissioner, *op.cit.*

15 Transcript of Evidence, pg FCA 244.

certain locations - for example, basic food and clothing from government approved stores.¹⁶ It is this potential for governments to control citizens' behaviour through smart cards which concerned the NSW Privacy Committee. The Privacy Committee said it believes participants in the smart card debate become distracted by the "whiz bang" nature of the technology and concluded by quoting the Ontario Privacy Commissioner:

*...the same technology that allows a government to facilitate the delivery of programs and services, can be used to monitor and control its citizens.*¹⁷

5.49 This concern was articulated by some consumer groups appearing before the Committee, including ACOSS, the Welfare Rights Centre, and the Carers' Action Taskforce. They told the Committee that customers should have complete access to their records whenever they wanted, and they should be notified if information about themselves was changed.

5.50 The Royal Australian College of General Practitioners (RACGP) told the Committee that they believed PINs are necessary to ensure consumer privacy. The RACGP said:

*If information could be extracted from that card without the consent of the patient, the holder, then I would have some grave misgivings because the whole issue of smart cards raises a number of questions as to what information could be stored that could be detrimental to the individual. Smart cards are fine provided that we have personal identification numbers that allow the holder to retain control of the information.*¹⁸

5.51 However, other groups told the Committee they would accept smart cards only if they did not require a PIN. The Association of Independent Retirees agreed with a smart concession card '...provided they do not have a PIN.'¹⁹ The Committee believes, for reasons outlined earlier in this Chapter, that a PIN would not be necessary on a smart concession card in the first instance.

5.52 Data to be held on the smart card is already given by customers to the Department of Social Security and would only include information such as

16 The Privacy Committee of New South Wales, *Smart Cards: Big Brother's Little Helpers*, August 1995.

17 *ibid.*

18 Transcript of Evidence, pg FCA 183.

19 Transcript of Evidence, pg FCA 410.

name, address, type of income support payment being received and level of entitlement to concessions. If the smart concession card were further developed, to include more personal details such as medical history or drug use history, this would become a serious privacy concern. An option to be explored is an optional PIN, which could be attached to the card if the user was concerned about privacy. The PIN would be required to access a concession at either Commonwealth or State/Territory level.

5.53 The information required for the issue of smart concession cards would not differ from that which is currently required. However, more people may be able to access the information and card holders would need to have the right and the ability to look at the information about themselves, whenever they wanted.

5.54 The Carers' Action Taskforce summed up the privacy debate regarding smart cards as follows:

The simple matter is that it has got to be balanced between good privacy considerations and the worthwhile benefits that might accrue to all who receive concessions and allowances.²⁰

5.55 The Committee recognises and shares the concerns held by members of the community and interest groups regarding privacy and smart concession cards. The smart concession card must be designed with the utmost consideration of each individual's right to privacy and access to data about themselves.

5.56 The Committee recommends that the Department of Social Security and other agencies involved with design, implementation and information dissemination of the smart concession card take particular account of the importance of individual privacy, including the guidelines set out in the *Privacy Act 1988*.

- **The Privacy Commissioner must be consulted during the design and implementation of the smart concession card, to ensure privacy concerns are met.**

PharmaNet technology

20 Transcript of Evidence, pg FCA 262.

5.57 Smart card technology also offers the chance to improve Australia's Pharmaceutical Benefits Scheme (PBS) claims system. The Committee was told of problems in the current system which include difficulty identifying a person's eligibility for PBS Safety Net concessions, potential for PBS fraud and delays in reimbursement payments to pharmacists because of outdated administrative systems. Fraud control of the PBS is further discussed in Chapter 8.

5.58 Several submissions to the Committee examined and recommended an interactive pharmaceutical claims system, designed to minimise PBS fraud and to enable easy identification of concession card holder eligibility for the PBS Safety Net. The proposed scheme is based on the British Columbia 'PharmaNet' system. For this reason, the proposed scheme will be referred to as PharmaNet in this report.

5.59 The following two paragraphs describing how PharmaNet works are drawn from the Pharmacy Guild's joint submission to this Inquiry and to the Committee's *Inquiry into Health Information Management and Telemedicine*.²¹

5.60 PharmaNet is a computer network, designed to serve all community pharmacies, which records details of every prescription dispensed at those pharmacies. The network comprises telecommunication links to every pharmacy and central data systems to monitor drug usage and administer pharmaceutical benefits. The system communicates with the dispensary computer to perform a defined set of functions at the point of dispensing. These include 'adjudication' of the claim to determine PBS Safety Net eligibility, electronic payment to the pharmacist, and identification of any potentially dangerous drug interactions for each patient.

5.61 The system ensures that customers automatically receive PBS Safety Net concessions when they have reached the expenditure limit. Each prescription dispensed by the pharmacist is monitored and reimbursed by the central agency at the time of dispensing. This compares with the current Australian time lag of six to eight weeks after dispensing. The system allows complete patient profile information for all patients regardless of where previous prescriptions were filled. The system provides comprehensive drug utilisation checking of any prescription about to be dispensed, to help guard against dangerous drug combinations.

History of proposed system

21 *Inquiry into Health Information Management and Telemedicine*, Submissions authorised for publication, vol. 1, submission no. 57.

5.62 The current PharmaNet proposal is not the first time the Health Insurance Commission (HIC) and pharmacy representatives have proposed an interactive system. The 1990/91 Budget included a proposal for an interactive electronic checking system linking all pharmacies with the HIC database for the purpose of checking eligibility for PBS Safety Net prescriptions. The proposal involved pharmacists having direct electronic access to the eligibility file held on the HIC database.

5.63 Concerns regarding privacy aspects of the proposal as well as questions about the validity of the proposal's savings estimates led to inquiries by the Senate Legal and Constitutional Affairs Committee and the Senate Public and Financial Administration Committee²² and a joint Australian National Audit Office (ANAO) and Department of Finance investigation.²³

5.64 The Senate Legal and Constitutional Affairs Committee investigated whether pharmacists, doctors and hospital administrators should be given access to the Health Insurance Commission's database to determine a person's eligibility for PBS concessions. The Committee recommended in favour of this proposal.

5.65 The Senate Public and Financial Administration Committee investigated the cost savings estimates for the proposed interactive electronic checking system. The Committee recommended that the costings clause of the bill be agreed to, although a minority dissenting report recommended against the legislation on the grounds that the savings estimates were not accurate.

5.66 The ANAO/Department of Finance joint review found that the HIC had overstated both the incidence of invalid concessional claims and the extent of savings to be made from the proposed system. The interactive eligibility checking system did not proceed.

Application of PharmaNet in Australia

5.67 In its submission to the Committee, the Health Insurance Commission (HIC) admitted that the interactive system now being proposed is virtually identical to the one proposed in 1990/91. The new proposed system has the added feature of giving pharmacists access to people's drug history. The HIC

22 Senate Standing Committee on Legal and Constitutional Affairs, *Clause 11 of the Health Legislation (Pharmaceutical Benefits) Amendment Bill 1991*, June 1991.

Senate Standing Committee on Finance and Public Administration, *Report on the Health Legislation (Pharmaceutical Benefits) Amendment Bill 1991 (Clause 7)*, June 1991.

23 Joint Review of the Auditor-General and the Department of Finance, *Pharmaceutical Benefits Scheme - Review of Estimated Savings from Proposed System for Eligibility Checking*, December 1991.

argued that interactive technology was now more advanced and could protect privacy and that the proposed system was vital to the future of Australia's pharmaceutical benefits policies. The HIC said:

...it is interesting to note that entitlement validation devices are now generally used and accepted within the community for financial transactions, such as EFT/POS machines...Movement towards a single health care access identifier, with interactive verification for PBS access purposes, is seen as crucial to appropriate future Program delivery.²⁴

5.68 The HIC argued that an interactive system would:

- be administratively simple - at the moment pharmacists must deal with paper and electronic records and wait up to a month for reimbursement of PBS concessions;
- ensure eligible people are given pharmaceuticals at PBS Safety Net prices when they reach the set expenditure limit;
- give greater accountability and data on which drugs are most frequently used by which groups of people;
- guard against fraud by enabling pharmacists to determine eligibility at the time of dispensing;
- ensure correct prescription usage and prevent doctor shopping and hoarding of drugs through use of single interactive assessment and pattern of drug usage; and
- reduce hospitalisation due to drug incompatibility.²⁵

5.69 The Pharmacy Guild's submission said a significant advantage of a PharmaNet system in Australia would be the removal of the need for pharmacists to administer the PBS Safety Net scheme. Information on a patient's Safety Net status would be collected centrally and the pharmacist would know at the time of dispensing, by means of a flag on the computer screen, if the patient had achieved the Safety Net threshold and was eligible for PBS prescriptions at the concessional or free rate.

24 Submission no. 29, pp 119 and 124.

25 Submission no. 29, pg 117.

5.70 The Pharmacy Guild also foreshadowed greater fraud control and reduction in health costs. According to the Guild, statistics for the first few months of operation in British Columbia showed that pharmacists saved taxpayers money by identifying fraud and abuse (doctor and pharmacy shopping) and by refusing to fill unnecessary and possibly harmful prescriptions.²⁶

Privacy concerns

5.71 The PharmaNet system would give pharmacists access to a greater degree of confidential personal information held on the Health Insurance Commission database than that envisaged in the 1990/91 proposal. The inclusion of each person's drug history on the PharmaNet file, which would be accessible by pharmacists and their assistants, has raised a number of privacy concerns. The HIC and Pharmacy Guild argued that privacy may be protected by an optional PIN attached to each individual's file, ensuring that only they could access the data, or authorise their pharmacist to access it at specific times.

5.72 The (then) Federal Privacy Commissioner told the Inquiry that concerns about PharmaNet included:

- the absence of legally binding privacy protection for pharmacists and their staff;
- the adequacy of safeguards preventing pharmacists and their staff sighting irrelevant information;
- the potential for the collection and storage by the HIC of more information in identified form;
- questions about the uses to which drug history information may be put as well as the pressures for disclosure of such information;
- tension and conflict that could arise where there were disputes about eligibility and their resolution in the comparatively public space of a pharmacy; and
- what would happen if a person urgently needed medicine but did not have their PharmaNet identity card or remember their identification number.²⁷

26 *Inquiry into Health Information Management and Telemedicine, op.cit.*

27 Submission no. 39A, pg FCA 229.

5.73 The Privacy Commissioner also said there should be recognition that pharmaceutical information may reveal a person's medical conditions and in some cases there could be a social stigma attached to those conditions. An example of these types of drugs are AZT for the treatment of HIV and AIDS and prozac for treatment and management of mental illness and depression.

5.74 The Privacy Commissioner pointed to the fact that British Columbia's Privacy Commissioner opposed the PharmaNet scheme, because of the reasons outlined above and also because the scheme was entirely mandatory, there was no legislative protection against third parties (eg employers) demanding to see a person's drug use history and because of lack of public information about the PIN system of privacy protection.

5.75 The Pharmacy Guild countered these privacy fears by saying that pharmacists generally know about their customers' drug history anyway, particularly if people are regular customers. The Guild's submission said:

Pharmacists consistently rate at or near to the top of the list in the community in terms of honesty and integrity, together with doctors and nurses. They have been dealing with confidential patient records in a professional and discrete manner for hundreds of years. There is no reason to believe that this would change with the advent of an interactive pharmacy network.²⁸

5.76 The HIC acknowledged that the community would probably have some privacy concerns regarding the implementation of PharmaNet, but believed that the community would accept the system, especially with the option of a PIN. If PharmaNet were introduced, current privacy legislation would need to be altered, to allow pharmacists and their staff access to the HIC client database. Clearly this would be a radical step away from the current privacy legislation, which does not allow government agencies to disclose personal information to any other source.

5.77 The Committee recognises the benefits that PharmaNet could bring to the current PBS system in Australia. A more efficient and accurate PBS Safety Net eligibility test would ensure that customers were able to access their PBS Safety Net entitlement and that pharmacists received correct reimbursement from the HIC. The PharmaNet system would also provide the HIC with an effective fraud management tool against doctor shopping and other PBS fraud. The use of smart card technology for Commonwealth concession cards could include a

28 *Inquiry into Health Information Management and Telemedicine, op.cit.*

patient identifier or similar access code for facilitation of the PharmaNet system.

5.78 Despite the advantages of the PharmaNet system, there are some concerns regarding privacy. These relate predominantly to the part of the system which would store a patient's drug history, available for access by the pharmacist and the HIC. An optional PIN could ensure that patients had control over access to their drug history data. However, evidence to the Inquiry from interest groups opposed to PINs, and the British Columbia experience of a very low take-up rate of PINs, means this option may not be an ideal solution. Another option would be to not include drug histories in an Australian PharmaNet system. While this would largely solve the privacy concerns, it would reduce the system's effectiveness for fraud control and eliminate its advantage of detecting dangerous drug combinations.

5.79 The Federal Privacy Commissioner also argued against introduction of the PharmaNet system because of lack of savings estimates for the new system. The arguments presented to the Committee in favour of the PharmaNet system did not include a cost-benefit analysis. If an analysis has not been completed, the Committee believes this is a major oversight in the HIC's arguments advocating implementation of the scheme. The Privacy Commissioner's representative told the Committee:

*We would like to see a renewed cost-benefit analysis for the current proposal. We still do not see any figures attached to the proposal and we think that, because of some of the privacy implications...there needs to be clear identification about what are the other public interests and the public benefits that would flow from the adoption of the proposal in precise terms rather than just in general assertions.*²⁹

5.80 The Committee agrees with this argument. The serious privacy implications of a PharmaNet system must be weighed against the public benefits and cost savings of the system.

5.81 The Committee recommends that the Health Insurance Commission conducts a cost-benefit analysis of the proposed PharmaNet claims system for Australia.

5.82 Subject to a favourable cost-benefit analysis, the Committee recommends full-scale implementation of the PharmaNet system for the

29 Transcript of Evidence, pg FCA 242.

Pharmaceutical Benefits Scheme claims process in Australia, taking into account the privacy issues outlined in this Report.