



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

WEDNESDAY, 1 JUNE 2005

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

**COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

**Wednesday, 1 June 2005**

**Members:** Senator Knowles (*Chair*), Senator Greig (*Deputy Chair*), Senators Barnett, Denman, Humphries and Moore

**Senators in attendance:** Senators Allison, Crossin, Eggleston, Chris Evans, Forshaw, Humphries, Knowles, Mason and Moore

**Committee met at 9.06 am**

**HEALTH AND AGEING PORTFOLIO**

**In Attendance**

Senator Patterson, Minister for Family and Community Services

**Department of Health and Ageing**

**Whole of Portfolio**

**Executive**

Ms Jane Halton, Secretary

Mr Philip Davies, Deputy Secretary

Ms Mary Murnane, Deputy Secretary

Professor John Horvath, Chief Medical Officer

Ms Wynne Hannon, General Counsel, Legal Services Branch

**Business Group**

Mr Alan Law, Chief Operating Officer, Business Group

Mr Stephen Sheehan, Chief Financial Officer, Finance Branch

Ms Eija Seittenranta, Chief Information Officer, Technology Group

Mr Mark Gladman, Acting Assistant Secretary, Legal Services Branch

Mr Gary Williamson, Assistant Secretary, People Branch

Ms Tania Utkin, Assistant Secretary, Program Management Improvement Branch

Ms Meredith Fairweather, Acting Assistant Secretary, Communications Branch

Ms Laurie Van Veen, Director, Communications Branch

Ms Virginia Dove, Executive Director, Communications Branch

Ms Christine King, Assistant Secretary, Corporate Support Branch

Ms Judy Develin, Assistant Secretary, People Branch

**Portfolio Strategies Division**

Mr David Webster, First Assistant Secretary, Portfolio Strategies Division

Ms Shirley Browne, Acting Assistant Secretary, Parliamentary & Portfolio Agencies Branch

Mr Jamie Clout, Assistant Secretary, Budget Branch

Mr Richard Eccles, Assistant Secretary, TGA Transition Unit

Ms Julie Roediger, Assistant Secretary, Economic & Statistical Analysis Branch

**Audit & Fraud Control**

Mr Phillip Jones, Assistant Secretary, Audit & Fraud Control Branch

**Outcome 1—Population Health****Population Health Division**

Mr Andrew Stuart, First Assistant Secretary, Population Health Division

Ms Moira McKinnon, Medical Officer, Biosecurity and Disease Control Branch

Dr Leslee Roberts, Acting Assistant Secretary, Biosecurity and Disease Control Branch

Ms Rachel Balmanno, Acting Assistant Secretary, Strategic Planning Branch

Ms Sarah Major, Assistant Secretary, Food and Healthy Living Branch

Ms Jenny Hefford, Assistant Secretary, Drug Strategy Branch

Ms Carolyn Smith, Assistant Secretary, Targeted Prevention Programs Branch

**Business Group**

Mr Alan Law, Chief Operating Officer, Business Group

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Ms Virginia Dove, Executive Director, Communications Branch

Ms Christine King, Assistant Secretary, Corporate Support Branch

Ms Judy Develin, Assistant Secretary, People Branch

**Therapeutic Goods Administration**

Mr Terry Slater, National Manager

Dr John McEwen, Principal Medical Adviser

Dr Leonie Hunt, Director, Drug Safety and Evaluation Branch

Dr Larry Kelly, Director, TGA Laboratories

Mr Pio Cesarin, Director, Non-Prescription Medicines Branch

Ms Rita Maclachlan, Director, Office of Devices, Blood and Tissues

Dr David Briggs, Director, Office of Complementary Medicines

Dr Margaret Hartley, Director, Office of Chemical Safety

Dr Sue Meek, Gene Technology Regulator

Ms Elizabeth Flynn, Assistant Secretary, Policy and Compliance Branch, Office of the Gene Technology Regulator

Mr Jonathan Benyei, Assistant Secretary, Evaluation Branch, Office of the Gene Technology Regulator

Ms Christianna Cobbold, Director, Joint Agency Establishment Group

Mr Michel Lok, Assistant Secretary, Financial Services Group

Ms Terry Lee, Assistant Secretary, Legal Services Group

Mr Tony Gould, GMP Auditor, Office of Devices, Blood and Tissues

Dr Albert Farrugia, Manager, Blood and Tissues Unit, Office of Devices, Blood and Tissues

**Food Standards Australia New Zealand**

Mr Graham Peachey, Chief Executive Officer, Food Standards Australia New Zealand  
Ms Claire Pontin, General Manager, Office of Safety & Services, Food Standards Australia New Zealand  
Ms Melanie Fisher, General Manager, Office of Food Standards, Food Standards Australia New Zealand  
Dr Marion Healy, Chief Scientist, Food Standards Australia New Zealand  
Mr Dean Stockwell, General Manager, Food Standards (Wellington), Food Standards Australia New Zealand

**Australian Radiation Protection and Nuclear Safety Agency**

Dr John Gerard Loy, Chief Executive Officer, Australian Radiation Protection and Nuclear Safety Agency

**Outcome 2—Medicines and Medical Services****Medical and Pharmaceutical Services Division**

Ms Judy Blazow, First Assistant Secretary, Medical and Pharmaceutical Services Division  
Ms Joan Corbett, Assistant Secretary, Pharmaceutical Benefits Branch,  
Dr Ruth Lopert, Pharmaceutical Policy Taskforce  
Mr Allan Rennie, Assistant Secretary, Pharmaceutical Access & Quality Branch  
Ms Samantha Robertson, Acting Assistant Secretary, Medicare Benefits Branch  
Dr Jane Cook, Senior Medical Adviser, Medicare Benefits Branch  
Mr Tony Kingdon, National Manager, Office of Hearing Services

**Professional Services Review**

Dr Anthony Webber, Director, Professional Services Review  
Mr John Jenner, Executive Officer, Professional Services Review

**Outcome 3—Aged Care and Population Ageing****Ageing and Aged Care Division**

Mr Nick Mersiades, First Assistant Secretary, Ageing and Aged Care Division  
Mr Stephen Dellar, Assistant Secretary, Residential Program Management Branch  
Ms Gail Finlay, Assistant Secretary, Quality Outcomes Branch  
Mr David Martin, Acting Assistant Secretary, Policy and Evaluation Branch  
Ms Mary McDonald, Assistant Secretary, Community Care Branch  
Ms Fiona Lynch, Assistant Secretary, Office for an Ageing Australia  
Ms Elizabeth Cain, Head, Pricing Review Implementation Unit  
Dr David Cullen, Executive Director, Financial and Economic Modelling and Analysis Group  
Ms Alice Creelman, Director, Policy and Evaluation Branch

**Aged Care Standards and Accreditation Agency**

Mr Mark Brandon, Chief Executive Officer, Aged Care Standards and Accreditation Agency  
Mr Ross Bushrod, General Manager, Aged Care Standards and Accreditation Agency

**Outcome 4—Primary Care****Primary Care Division**

Mr David Learmonth, First Assistant Secretary, Primary Care Division

Ms Lisa McGlynn, Assistant Secretary, Budget and Performance Branch, Primary Care Division

Mr Alan Singh, Acting Assistant Secretary, General Practice Programs Branch, Primary Care Division

Ms Judy Daniel, Assistant Secretary, Primary Care Policy Branch, Primary Care Division

Ms Megan Morris, Assistant Secretary, Primary Care Programs Branch, Primary Care Division

#### **Outcome 5—Rural Health**

##### **Health Services Improvement Division**

Ms Margaret Lyons, First Assistant Secretary, Health Services Improvement Division

Mr Dermot Casey, Assistant Secretary, Safety and Quality Branch

Mr Brett Lennox, Assistant Secretary, Health Workforce Branch

Ms Jan Bennett, Assistant Secretary, HSID Taskforce

Ms Marian Kroon, Acting Assistant Secretary, Health Priorities and Suicide Prevention Branch

Ms Angela Reddy, Acting Assistant Secretary, Rural Health and Palliative Care Branch

Ms Irene Krauss, Acting Assistant Secretary, E-Health Policy Branch

#### **Outcome 6—Hearing Services**

##### **Medical and Pharmaceutical Services Division**

See outcome 2.

#### **Outcome 7—Indigenous Health**

##### **Office of Aboriginal and Torres Strait Islander Health**

Ms Alison Larkins, Acting First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health

Ms Joy Savage, Assistant Secretary, Health and Community Strategies Branch

Ms Yael Cass, Assistant Secretary, Workforce, Information and Policy Branch

Mr Mark Thomann, Assistant Secretary, Program, Planning and Development Branch

#### **Outcome 8—Private Health**

##### **Acute Care Division**

Ms Rosemary Huxtable, First Assistant Secretary

Mr Charles Maskell-Knight, Principal Advisor, Medical Indemnity Branch

Ms Linda Addison, Assistant Secretary, Private Health Insurance Branch

Ms Paula Swift, Acting Assistant Secretary, Acute Care Strategies Branch

Mr Chris Sheedy, Assistant Secretary, Diagnostics and Technology Branch

Dr David Barton, Medical Adviser, Diagnostics and Technology Branch

Dr Bernie Towler, Medical Adviser, Executive Branch

Ms Kim DeLacy, Acting Assistant Secretary, Acute Care Development Branch

##### **Private Health Insurance Administration Council**

Ms Gayle Ginnane, Chief Executive Officer, Private Health Insurance Administration Council

##### **Private Health Insurance Ombudsman**

Mr John Powlay, Private Health Insurance Ombudsman

##### **Medibank Private**

Ms Sarah Bussey, General Counsel, Medibank Private

Mr George Savvides, Managing Director, Medibank Private

Mr Bruce Levy, Group Manager Health Services, Medibank Private

**Outcome 9—Health System Capacity and Quality**

**Health Services Improvement Division**

See outcome 5.

**Portfolio Strategies Division**

See Whole of Portfolio.

**e-Health Implementation Group**

Dr Brian Richards, First Assistant Secretary, e-Health Implementation Group

Mr Tam Shepherd, Acting Assistant Secretary, e-Health Implementation Group

**Outcome 10—Acute Care**

**Acute Care Division**

See outcome 8.

**Outcome 11—Health and Medical Research**

**Office of the National Health and Medical Research Council**

Professor Alan Pettigrew, Chief Executive Officer, Office of the National Health and Medical Research Council

Dr Clive Morris, Executive Director, Office of the National Health and Medical Research Council

Ms Cathy Clutton, Executive Director, Office of the National Health and Medical Research Council

Mr Nhan Vo-Van, Executive Director, Office of the National Health and Medical Research Council

Mr Mick Hoare, Acting Executive Director, Office of the National Health and Medical Research Council

**CHAIR**—Good morning all. I declare open this public hearing of the Senate Community Affairs Legislation Committee. The committee will now consider the budget estimates for the Health and Ageing portfolio. The committee is due to report to the Senate on 20 June, and Friday, 22 July has been set as the date for the return of answers to questions taken on notice.

I welcome the minister, Senator the Hon. Kay Patterson, representing the Minister for Health and Ageing; the departmental secretary, Ms Jane Halton; and, of course, all of the officers from the Department of Health and Ageing. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I also remind officers that they will not be asked to express an opinion on matters of policy and that they shall be given reasonable opportunity to refer questions asked of them to superior officers or to a minister.

Witnesses are reminded that the giving of evidence to the committee is protected by parliamentary privilege. However, the giving of false or misleading evidence may constitute a contempt of the Senate. Finally, I ask witnesses to clearly identify themselves when first called to answer a question to assist the Hansard reporters. I also ask that mobile phones be turned down or switched off. Minister, do you wish to make an opening statement?

**Senator Patterson**—No, except to alert officers to the fact that this is your last estimates hearing. They will not all be here on Friday afternoon at whatever hour we might finish. Hopefully we will finish tomorrow night. On behalf of the ministers who have sat here and who have chaired the committee when you have been on the other side, I want to thank you for the enormous work you have done and for the contribution you have made, particularly to health because it is an area that you have pursued vigorously throughout your 20 years. I want it on the record that that has been an area that you have had a very deep interest in. It is appropriate that you should be chairman of this committee, and we are going to miss you. I am sure that the officers are going to miss your unbiased and firm handling of the committee. You might yawn, Senator Forshaw, but I am quite genuine.

**CHAIR**—Thank you for your kind words.

**Senator CHRIS EVANS**—I suspect Senator Forshaw was not listening to you, Minister Patterson, and you are overreacting.

**Senator Patterson**—That is okay; I will excuse him for yawning publicly.

**Senator CHRIS EVANS**—I will have to say something nice about the chairperson at the end of the hearing. If I said something nice now I would regret it at some time during the day. I will leave my remarks to the end of the day.

**Senator Patterson**—It must be going to be a good day if they are going to start like this!

**CHAIR**—Thank you, Minister, for your very kind words. They are very much appreciated. I propose to call on the estimates in the order that has been circulated, commencing with outcome 2. Before the committee commences with outcome 2, on page 71, I suggest that the committee begin with any questions on the portfolio and departmental overview on pages 3 to 23 of the PBS. Budget measures listed on pages 24 to 45 can be considered under the relevant outcome as well as any questions on the supplementary additional funding. I call Senator Mason.

**Senator MASON**—Thank you, and thank you to Senator Evans for allowing me to interlope. Good morning, Ms Halton. I have some questions relating to absence management in the Australian Public Service which follows on from the Auditor-General's report of June 2003. I will start with a couple of questions about vital statistics. In the calendar year 2004, what was the amount of sick leave and personal leave that officers in your department took overall, and also for full-time employees?

**Mr Law**—In the year 2003-04, the average number of sick days was 8.35. What was the second part of your question?

**Senator MASON**—Personal leave, which is a slightly broader category, of course.

**Mr Law**—I have total unscheduled absences of 12.66, so the balance of unscheduled absences is 4.31. An unscheduled absence includes things like workers compensation, carer's leave, special leave, bereavement leave and unplanned short-term leave without pay.

**Senator MASON**—How do you monitor that? Do you monitor that regularly?

**Mr Law**—Yes. We monitor that and produce management reports on a monthly basis in terms of feeding back information to line managers about their staff and the leave situation with their staff.

**Senator MASON**—Is it right to say that managers are, in a sense, responsible or are held to account for leave?

**Mr Law**—The primary control point and decision maker for leave is the supervisor of the individual.

**Senator MASON**—Do you benchmark that against other departments and Commonwealth agencies?

**Mr Law**—We do benchmark. As you are aware, there was benchmarking done in the ANO report. We are a member of a benchmarking group where we do compare how we are going and our trends overall with other departments.

**Senator MASON**—Are you happy with how you were going? The figure of 8.35 sick days per year is getting up towards two weeks a year. Certainly personal leave is in excess of two five-day breaks a year. Are you happy with that?

**Mr Law**—In terms of our performance with the rest of the APS, it is probably, overall, a little less than the average, but it would be fair to say that one is never happy and is always looking for opportunities and strategies to improve that performance.

**Senator MASON**—It seems to have gone up just fractionally over the last couple of years.

**Ms Halton**—This is not by way of an excuse, but I think we need to look at the structure of our work force. Well over 70 per cent of our work force are women and a lot of them care for children. If you look at the personal leave component of that—a lot of it would be carer's leave—I think our sick leave performance is in fact below the public sector average.

**Senator MASON**—It is, yes.

**Ms Halton**—So the element of that which is personal leave I think is completely explainable given the structure of our work force. I think our performance actually is pretty good. One of the things that we have taken quite some time to look at in the last couple of years is issues around compensation and issues around how we manage our work force. For example, if someone does go off for a period which is not explained, we intervene quite quickly in those cases. We have taken very deliberate management steps, and I think this is something which is regarded as being not just the province of the business group but also the province of management across the organisation, to actually manage our resources.

**Senator MASON**—Thanks for that. You are quite right: the difference between sick leave and personal leave is greater in your department than it is in others. Thank you for that. That is helpful. Do you collect statistics on absence management—for example the gender, the days of the week that have been taken off, the length of service of people, the work unit that they work in and so forth?

**Mr Law**—That is certainly available to us. It is not a report that we produce regularly, but from a strategic information point of view and looking overall at our performance, it is an area we would have some regard to.

**Senator MASON**—Just as a management tool, Mr Law.

**Mr Law**—It is a management tool, yes. A fundamental primary management tool is regular reporting on actual leave. As the secretary mentioned, we have had a very strong focus with managers on early intervention if there are absences. There are also some control points in our certified agreement. If the manager believes that some leave without a medical certificate is unreasonable, they can request medical certificates et cetera.

**Senator MASON**—Thank you, Mr Law. I do not mean to interrupt, but I understand that it can be, in a sense, a decision of the manager. Ms Halton, I am sure you would agree that that can also be problematic, and it has in some departments proven to be difficult for managers often to say no or to ask the right question. I do not mean to be rude.

**Ms Halton**—No, no.

**Senator MASON**—It is just that it can be difficult.

**Ms Halton**—I know. I think we should be very clear. We have to, of necessity, given our size, say that day-to-day management decisions are the function of day-to-day managers. However, you would not have the correct impression if you did not understand that as an organisation—

**Senator MASON**—You monitor it.

**Ms Halton**—We monitor it.

**Senator MASON**—Yes.

**Ms Halton**—You will see behind me the more senior management of the department. We expect division heads to take a real interest in this and we expect the branches to take a real interest in this. This is not something which is not on the agenda.

**Senator MASON**—Okay. Finally, I asked the Public Service Commissioner the other day about developing guidelines for absence management. I am not sure that my questions were appreciated. Nonetheless, do you think it would be a good idea for the Public Service Commission to develop broad guidelines that the department should follow? I raise this because it costs the taxpayer well over \$300 million a year, which is a lot of money, and I think it is an issue worth pursuing. Do you think it is something that the Public Service Commissioner could do, or could usefully take a role in?

**Ms Halton**—I suppose I am always loath to give the Public Service Commissioner advice via estimates, Senator.

**Senator MASON**—Fair enough.

**Ms Halton**—The counsel that I would offer on this—and it is more of a personal observation—is that all of our agencies are a bit different. The structure of my work force is different, the size is different and the functions are different from every other agency.

**Senator MASON**—Sure.

**Ms Halton**—It is the nature of the beast. It is absolutely appropriate that we conduct surveys, such as the one we have had, which enable us to benchmark our performance. Then you can ask yourself questions. Why is it that I look different in this respect? Is there a

perfectly plausible reason for this or are we, in fact, not managing this adequately? So, we actually do know where we sit in terms of public sector benchmarks, in terms of sick leave versus personal leave, and we know the structure of our work force. We can look at that and see how we are travelling as a department. If there is a problem in a particular area that we can see, we intervene.

**Senator MASON**—Yes.

**Ms Halton**—What does the Public Service Commissioner add to that, if she is to issue guidelines?

**Senator MASON**—Maybe—how can I put this?—boiler plate standards that perhaps can then be tampered with at the organisational and cultural level.

**Ms Halton**—In my view, particularly in the current public sector world, where CEOs have a large range of responsibilities, holding us accountable at the aggregate—how our organisation is travelling—is quite reasonable. If the Public Service Commissioner started giving me more prescriptive guidelines, I wonder whether that would, in a sense, intrude on the management.

**Senator MASON**—Your management?

**Ms Halton**—Yes, the day-to-day management of the department. Without having thought through in great detail what she might write in such guidelines and, as I say, not wishing to give her advice via estimates, an expectation that we look at the issue is quite reasonable. An expectation that we benchmark ourselves against the public sector and, for that matter, decent private sector organisations, is quite reasonable. An expectation that I have that my management team is looking at this issue and managing it is absolutely what I expect.

**Senator MASON**—Sure.

**Ms Halton**—Do I need guidelines from the Public Sector Commissioner? I will think about it and I will talk to her about it when I see her next, if you like.

**Senator MASON**—Thanks, Ms Halton.

**Senator MOORE**—Mr Law, I am sorry, but I missed the beginning of your answers because I was playing with technology, which is a sad thing for me to have to admit. In your answer, did you refer to the length of time that your department has been considering the issue of monitoring leave and how it is taken?

**Mr Law**—Senator, I have been in the department for the last three years and it has certainly been an active issue in that time. One of the difficult areas of this is understanding the drivers of leave. There are a whole range of drivers. One of the very important tools we use is staff survey information about satisfaction, motivation, and whatever. A lot of the literature indicates that they are the drivers of some of this leave. We do a lot of work on those particular drivers right across the board. As the secretary mentioned earlier, in the last few years we have put a lot of work into workers compensation and we have improved our performance markedly by early intervention. We have reduced our overall workers compensation premium costs as a result of that work. We direct our efforts to a whole range of activities in this area.

**Senator MOORE**—In your particular department, I would think that that would be an issue.

**Ms Halton**—That's right.

**Senator MOORE**—For a number of years now, the enterprise bargaining process has included the issue of leave and the way in which it is used. That is my understanding.

**Mr Law**—Yes.

**Senator MOORE**—It has not only been the standard HR; it has been a component of the enterprise agreements and how they are done. Over the last couple of days, I have asked department heads about their balancing family policies. It certainly seems this is an area where the whole family agenda comes to mind. Ms Halton, you mentioned that in some of your responses to Senator Mason.

**Ms Halton**—Yes.

**Senator MOORE**—It seems that the whole area of leave comes into flexibility in the work force and looking at the process. Would you both like to add some comments on that?

**Ms Halton**—Before Mr Law goes into the detail: I made a comment about the structure of our work force. In addition to the gender balance in our work force, we have a very significant number of part-time staff.

**Senator MOORE**—Yes. That is almost the next question, Ms Halton.

**Ms Halton**—Yes. It is the obvious next question. I go around the department and talk to the staff about their experience of working in the department. Our department is incredibly busy and what we do is very important to the nation. Our staff tell us that they like working for us, particularly the women.

**Senator MOORE**—Do they tell you that in the survey?

**Ms Halton**—Yes, they do.

**Senator MOORE**—That was my understanding. There is a methodology for sharing that information.

**Ms Halton**—They do. We have a great commitment to doing the survey and feeding back that information to the staff and to the department so that we can continually improve our management. Offering our staff part-time work is one thing that it is very important in terms of staff satisfaction. Now, we cannot turn every job in the department into a part-time job. Much as some of my FAS colleagues might like a part-time job every so often, it would be genuinely quite difficult to do some jobs in that manner. However, a huge number of our staff work part-time. Some of them job share and some of them just have part-time jobs.

**Senator MOORE**—Your department is one of the highest users of part-time workers in the APS.

**Ms Halton**—Yes, we are. We do not set out to do that as a matter of policy, but finding ways to meet the family needs of our staff and the organisation's needs and finding a happy compromise is a good outcome for everybody.

**Senator MOORE**—Do you want to add to that, Mr Law?

**Mr Law**—I will add some specific issues that are incorporated in our certified agreement about the flexibility that is built into working locations and appropriate access to technology from home, parental leave, purchased leave, those things that have become normal parts of a lot of work places.

**Senator MOORE**—Do you have multi-use rooms on site for emergency child-care issues and feeding purposes?

**Mr Law**—We have available a range of locations that people can use for those purposes. They are not all necessarily labelled as such, but there are quiet areas.

**Senator MOORE**—But there is an acceptance in the work place that those facilities are there.

**Mr Law**—Yes.

**Senator MOORE**—In the return to work agenda that has come from the government, I am looking at what is happening in agencies, particularly large ones such as yours, about recruitment plans that would allow part-time work and the recruitment strategy for people with disabilities. Your department is around the public service average at the moment. Are there plans to increase that in line with government procedures? Also, there are ongoing questions which were asked last time about Indigenous employment, with the change in the way it goes. Do you have that data, Mr Law? Is that your area, in terms of current stats of employment and also any discussion about future plans to enhance employment prospects for people who fit into the return to work program, people who are single parents or people who have some form of disability?

**Mr Law**—One way of answering that question, Senator, is that we certainly do not see those issues as barriers to employment in terms of recruiting.

**Senator MOORE**—Going back through those double negatives, Mr Law, you do not see them as barriers? Fine.

**Mr Law**—That is one way of answering that. We do not specifically go to the market seeking people in those categories.

**Senator MOORE**—Sure. There is no formal targeted recruitment?

**Mr Law**—No, there is no targeted recruitment per se. However, we are very conscience of our performance across the APS. We are very conscious of where we sit with Indigenous employment and disability employment.

**Senator MOORE**—Where are you now, Mr Law?

**Mr Law**—On Indigenous employment, we are at about two per cent of the work force.

**Senator MOORE**—Which is just slightly under—marginally?

**Mr Law**—Yes, marginally—probably on the average overall. As you are aware, with Indigenous employment it is self-identified processes associated with—

**Senator MOORE**—All of these areas are, are they not? It is if the member of staff wishes to identify. Do you have a difference between what people identify and what comes out in survey results? We had evidence from another government department that on people's formal

employment records they have not chosen to identify in any particular groups but in other forms of communication, like employee surveys, they have. There is quite a significant difference in the number of people who indicate that they are Indigenous or have a disability, but they do not formally identify that on the employment records.

**Mr Law**—I would have to check, but I am not certain that we do ask on the staff survey for that demographic.

**Ms Halton**—No, I am pretty confident that we do not.

**Senator MOORE**—I know there are various models.

**Ms Halton**—I would be 99 per cent certain that I am right that we do not actually ask that again in the staff survey. Your point is quite right: we ask people to self-identify. Nobody runs around checking these things. Exactly as Mr Law says, we have a very deliberate strategy around Indigenous staff in the department. Obviously the numbers do fluctuate up and down and there are parts of the agency where we have a greater proportion of Indigenous staff. Obviously there are particular types of work that have tended to attract and enabled us to retain Indigenous staff. But it is something we take very seriously. I think we have talked in the past about our network, which I am a very active supporter of and which I think is a very good initiative to support our Indigenous staff.

I am actually very pleased that we have a number of Indigenous staff who have worked in the department for a long time—people whom we have actively mentored. There are a couple of people I have had work for me over the years in the department as really junior staff and now they are moderately senior staff. They have committed to working with the agency which I think is fantastic. So we do not have on the disability side a deliberate recruitment strategy, but we do ensure that the working conditions and the support that we provide for people are all available. I hope and I think this is the case—

**Senator MOORE**—On your web site you talk very openly about that process.

**Ms Halton**—Yes. I hope and I think it is the case that the work environment that we offer for people is an attractive one for people with disabilities. If our numbers for some reason did take a significant dive, obviously that is something I would take very seriously and would be taking active steps in relation to.

**Senator MOORE**—Ms Halton, in the annual report it does give the composite figures of people. Is it possible to get some information—probably through your area, Mr Law—about the numbers of staff you have who have identified with a disability and if they are at regional or central office level, because there are significantly different recruitment patterns?

**Mr Law**—We can do that, Senator. I will take that on notice.

**Senator MOORE**—And also Indigenous staff under the same capacity. The other area I am looking at is part-time staff and that kind of delineation which is not in the annual report in terms of central office and the regions. The other thing is staff over 50 in terms of looking at people who are at the other end.

**Ms Halton**—We have a lot of staff actually in this category.

**Senator MOORE**—I do not make any comment about the people in the room, but in terms of the process—

**Ms Halton**—This is the relatively spritely crew behind me, Senator.

**Senator MOORE**—On both sides! But the whole process of the government focusing on returning to work is looking at people at all areas going into the workplace. I am particularly interested in where the APS fits in the recruitment and the retention element of those. Are those stats available?

**Ms Halton**—Yes, we can give you those—we are happy to.

**Senator MOORE**—Thank you.

**Senator FORSHAW**—Can I commence by asking a question about the response to questions on notice. We were advised by the committee secretariat on 18 April that there were a large number of questions still unanswered and that the department's response as to the reason for not having answered all of the questions was that there were a large number of questions put on notice. Do you recall that communication to the committee? What is the basis, really, for that claim? There were 211 questions taken on notice.

**Ms Halton**—And there were a significant number provided after estimates, Senator. There are two issues here, one of which is a straight workload issue inside the department. Then there is, as you understand well, the process of getting answers cleared. I can tell you that the last three answers were cleared last night. As someone said to me this morning, as soon as the laptop is fired up we are happy to give them to you. There is not a lot more I can say, Senator, other than the combination of workload and getting answers out of the system. My colleagues will happily tell you that every Monday morning I ask this question. Is this not true, team?

**Senator FORSHAW**—Maybe you should be sitting over here.

**Ms Halton**—They call me 'Senator Halton' every so often, Senator.

**Senator FORSHAW**—It would be interesting, Ms Halton.

**Ms Halton**—I do not know that it is meant that way, Senator.

**Senator FORSHAW**—The number of questions that were taken on notice is not unusual. Indeed, if you look at the number of questions taken on notice over the last couple of years, it is actually less on this occasion than previously.

**Ms Halton**—There are two things about that. A good number of those questions had multiple parts. Some of them are in areas where I would have to say there was a level of complexity.

**Senator FORSHAW**—Sorry, Ms Halton, but they often are.

**Ms Halton**—I accept that.

**Senator FORSHAW**—That is often the reason why they are taken on notice, because they need more work done on them.

**Ms Halton**—Yes, I accept that. As I have indicated, there have also been a range of other questions we have had coming out of the parliament. The only thing I can say to you, Senator, is that, other than that, I chase this every Monday morning and people are very minded to it.

But there is workload inside the department and then there is the process of getting them out of the system.

**Senator FORSHAW**—Was there any sort of particular workload difficulties on this occasion that may have influenced the rate of response compared to other times?

**Ms Halton**—There has been a moment called the budget, Senator.

**Senator FORSHAW**—Yes, but if you go back to the additional estimates last year, in early 2003-04, there was a similar number of questions—222—taken on notice and I am not aware that the same response was put—that is, that delay was caused because of a large number of questions. This is what I am getting at. If it is related to work force pressures or whatever, then we should have been told that rather than that it is just a large number of questions, because it was not compared to previously. Can we move on to some overall portfolio issues. With regard to the new outcomes structure, can you tell us the reasoning behind the changes? What does that reflect about the operations of the department and the allocation of resources?

**Ms Halton**—I will ask my budget people to come to the table. If I can start by saying that, certainly for the three years I have been coming to this estimates leading the department, we have had continued—

**Senator FORSHAW**—That is as secretary to this department?

**Ms Halton**—Indeed.

**Senator FORSHAW**—You have been coming a lot longer than that.

**Ms Halton**—I have indeed, Senator.

**Senator FORSHAW**—So have I.

**Ms Halton**—Indeed. Senators have said to us on multiple occasions, ‘We can’t find this program. We have trouble with this outcome structure. Where do these things sit?’ I think I said this this time last year, when we had the usual levels of frustration about trying to find things. We had a discussion about the fact that we were actually trying to do some work on our outcomes structure to make it more explicable, to write it more to departmental structures. You would be aware that in some cases historically we have taken blocks of outcomes together and we have had blocks of divisions, all of which have been stated here, because the conversation would bounce around because the particular subject of interest would be in a number of different places. So what we have tried to do with this outcome structure is make it much simpler, make it relate to structures and therefore, we hope, make it less impenetrable. But I will ask Mr Clout to talk about that process that we went through.

**Mr Clout**—There were really two main areas of change. One was the change to the number and configuration of outcomes within the department proper. The second change was to split out a lot of the smaller portfolio agencies which under the old outcome structure shared the same outcome as their related division or their related area of the department. Now each of those small agencies has their own outcome which is a much clearer statement of what they do in particular and the outcomes that they are trying to achieve.

That second change brought us into line with practice across whole of government. I think that up until that point we were one of the only, if not the only, department or portfolio that

had an arrangement where small agencies were piggybacking on the outcome of a larger outcome in the department. The first change was part of a process where I think you will start to find that several portfolios will, over the next few years, be reviewing their outcomes, in conjunction with the Department of Finance and Administration, and refining them.

**Senator FORSHAW**—Could you expand on the comment you made about the portfolio agencies having their own outcomes? You are not talking about all the agencies, are you? Can you clarify what that means and tell me which ones they are?

**Mr Clout**—The portfolio agencies that now have their own outcomes are basically those which get an appropriation direct rather than have their appropriation come through the department. I think there are seven portfolio agencies as well as the department that have their own outcomes. In the past there have not been any. They were all sharing an outcome with the department itself. Last year for one year the HIC had its own outcome. It has now been transferred to a different portfolio.

**Senator FORSHAW**—What are the others?

**Ms Halton**—ARPANSA, FSANZ, the PSR.

**Mr Clout**—Page 9 of portfolio statement has a table which maps—

**Senator FORSHAW**—So that is the list on the back of the four-page document that I have—starting with Aged Care Standards and Accreditation Agency down to Professional Services Review?

**Mr Clout**—I am not sure which paper you have, Senator.

**Senator FORSHAW**—Let us go back to page 9.

**Mr Clout**—If it is a reproduction of page 9 it is the Australian Institute of Health and Welfare, ARPANSA, FSANZ, the National Blood Authority, the Private Health Insurance Administration Council, the Private Health Insurance Ombudsman and the Professional Services Review.

**Senator FORSHAW**—Who was involved in the development of the new outcome structure?

**Mr Clout**—The outcome structure was driven by my branch, the budget branch, of the department but carried out in consultation with all of the related areas of the department—that is, all of the first assistant secretaries, the executive, the small agencies and, of course, the Department of Finance and Administration. Ultimately, the decision taken on outcome structure is a matter for ministers. In this case it was the Minister for Health and Ageing and the Minister for Finance and Administration.

**Senator FORSHAW**—When did the process commence?

**Ms Halton**—About two years ago.

**Mr Clout**—That would be correct. In general terms it has been going on since I joined the department, which is approximately two years ago.

**Senator FORSHAW**—Can you be a bit more precise? Was it early 2003?

**Ms Halton**—We had attempted to have a revised program structure for the last budget, but for a variety of reasons it was not achievable in the time frame. Can I tell you exactly when we started before that? It might be 18 months. I can go and have a look.

**Senator FORSHAW**—You can let us know at some later stage.

**Ms Halton**—Sure.

**Senator FORSHAW**—It has been going on for at least 18 months.

**Ms Halton**—At least 18 months. The first time I came as secretary to the department we had a conversation with senators about impenetrability, which I had more than some sympathy for. So we started informally having dialogue in the department not long after that. When we physically started work on this is probably one of those shades of grey. It is hard to spot the line when it turned to—

**Senator FORSHAW**—I am not aware that we were made aware that this work on restructuring the outcomes was being done. I would be interested to know why we were not, if it has been going on for that long.

**Ms Halton**—My memory—and we would have to go back to the *Hansard* and I would wonder whether that would be worth while—is that at one point last year, when there was this conversation about being able to find things, I think we actually did say that we were looking at the structure of the outcomes. Whether we said explicitly that we were reviewing it with a view to changing it, I cannot be sure.

**Senator FORSHAW**—We can check that out. Can you let us know when the work formally started?

**Ms Halton**—I am happy to.

**Senator FORSHAW**—I have some specific questions about where we can pursue issues and where particular programs are located that we are not clear about at the moment. Where would we find population screening programs?

**Ms Halton**—Under population health.

**Senator FORSHAW**—So that is outcome 1?

**Ms Halton**—If you are talking about breast cancer screening and things of that sort.

**Senator FORSHAW**—I have specific questions based on the structure that I have been provided with, which is on the four sheets of paper that I have here and which I gather reflect what is in the PBS. What is the relationship between primary care education and training in outcome 4 and work force, which is identified as an administered item in outcome 9?

**Ms Halton**—GPET is a company that provides training to general practitioners. It is actually the delivered arm of the process of providing qualified general practitioners. Work force is the policy examination of the structure of the work force. It is a whole-of-portfolio issue. GPET actually sits with the primary care division, so the whole question of the structure, role, financing et cetera of primary care sits in one place. That is why GPET is there. How many doctors in total, where they come from, questions around nursing—I could go on—sit with work force, which is a whole-of-portfolio concern.

**Senator FORSHAW**—So Aboriginal and Torres Strait Islander work force issues would come under outcome 9, under that general heading of work force?

**Ms Halton**—There is some specific work done under outcome 7 in relation to Aboriginal peoples.

**Senator FORSHAW**—Indigenous health. So if we wanted to ask questions about work force issues related to Aboriginal and Torres Strait Islanders, where would we do that? Would that be under outcome 9 or 7?

**Ms Halton**—I would take it under 7. I am happy for you to take it at your convenience, providing I know where you would like to take it.

**Senator FORSHAW**—I think it is another senator more than me.

**Ms Halton**—Then at that other senator's convenience, Senator.

**Senator FORSHAW**—I notice chronic health is in outcome 9. Is there any reason it is not in outcome 4, which is primary care?

**Mr Davies**—The chronic disease strategy work is undertaken under outcome 9, in our Health Services Improvement Division, given that the nature of chronic disease prevention, treatment and palliation of chronic disease takes place in primary care settings and in acute settings. In a sense there are many parts of the department concerned with chronic disease issues, but the actual responsibility for the chronic disease strategy, which is a cross-jurisdictional strategy involving the Australian government, states and territories, rests in outcome 9. That does not suggest that other areas are not concerned with chronic disease care.

**Senator FORSHAW**—Just following on from that, is there any reason why maybe it does not have its own outcome?

**Ms Halton**—One of the things that we run into as a problem in this portfolio is that there are so many issues that we could have 40 outcomes and not be done. What we have tried to do is reflect, for example under outcome 9, that there are a range of issues that pervade the portfolio and so they are germane, exactly as Mr Davies has said, to primary care, to acute care and to long-term care. So it is important that we have strategies that span those areas and that there is a part of the outcome structure that reflects them as a part of the department, which has that as their responsibility—to make sure that we are tackling chronic disease in all of those settings.

**Senator FORSHAW**—Let me put it to you this way: if you look at outcome 9, the administered items there— chronic disease treatment, e-health implementation, health information, international policy engagement, mental health, palliative care, community assistance, research capacity, rural work force and work force base—what intrigues me is that there is a separate outcome for acute care, which is outcome 10, but what I think everyone would acknowledge are two extremely important areas—chronic disease treatment and mental health—are sort of lumped in with a range of other administered items, for example work force issues and research capacities. It seems to me, at least on the surface, and giving it some thought, that they might deserve their own outcomes in the same way as acute care has an outcome. I am just wondering if that is a reasonable proposition?

**Ms Halton**—I suppose, Senator, that it comes down to size. I mean, acute care is a multibillion-dollar enterprise and it comes down to how you group activities of the portfolio and then—

**Senator FORSHAW**—It is a multibillion-dollar exercise, but it is largely administered by the states. I know you pay a lot of money.

**Ms Halton**—We do.

**Senator FORSHAW**—You give back a lot of taxpayers' money that is collected from taxpayers in the states to help those states administer their hospitals. Some of us say that it is not enough, but that is a political argument. I understand the point you are making, but I think you understand what I am saying.

**Ms Halton**—I do.

**Senator FORSHAW**—In terms of key national medical issues, mental health and chronic disease are—

**Ms Halton**—They are very important issues, I agree, Senator.

**Senator FORSHAW**—Some would argue—I think I would argue—that they are deserving of their own outcome.

**Ms Halton**—I suppose there are two things about that. One, an outcome structure is a device to organise and marshal information and, let us be honest, the flow of Senate estimates. Does the fact that there is not an outcome that says 'Chronic Disease' reflect any lower interest or focus on that issue? Absolutely not. There is a simple judgment call to be had about how many outcomes you have in a portfolio. And because the things that are grouped under outcome 9 all have as their organising principle that they pervade the work of every part of the department actually, those things are grouped together.

**Senator FORSHAW**—Why does private health insurance have its own outcome under the new structure?

**Ms Halton**—I suppose because private health insurance is a different piece of work. It is different in its nature. It does not, again, have the same sort of organising principle that I have just enunciated for outcome 9. It is a different thing, whereas all these other things have common elements, which is why they are grouped together.

**Senator FORSHAW**—Private health insurance is not really a complicated policy area, is it? It is administered generally by the HIC.

**Ms Halton**—No, it is not.

**Senator FORSHAW**—Or Medibank Private.

**Ms Halton**—No, Senator. That is not—

**Senator FORSHAW**—It was.

**Ms Halton**—No. Private health insurance has never been administered by the HIC. The policy process of setting the arrangements around private health insurance is actually quite large and quite complicated and is a significant focus in one of our divisions—a significant focus.

**Senator FORSHAW**—So it is more significant, is it, to have its own outcome than, say, chronic disease or mental health?

**Ms Halton**—In mental health we have, in fact, relative to the states—and this is a relative statement—less of a role than we have in respect of private health insurance. It is a very important policy role, but it is a shared space between us and our state colleagues. We have an important role in financing parts of mental health but, again, we are not the majority player in mental health. For private health insurance we are the majority player and we are very significant financiers.

**Senator FORSHAW**—I know you are significant financiers, but you are significant financiers, obviously, of the Pharmaceutical Benefits Scheme. Does it have its own outcome independent of, for instance, Medicare?

**Ms Halton**—We do not have an outcome that says ‘Medicare’, Senator. We have publicly financed health insurance grouped under Medicines and Medical Services.

**Senator FORSHAW**—Yes, outcome 2.

**Ms Halton**—Yes. And we have the private health insurance subsidies and all of the policy and regulatory activity that goes to that under outcome 8.

**Senator FORSHAW**—I know where they are. I am intrigued about what seems to be the status, if you like, and I am trying to understand how private health insurance can get its own outcome under this new structure. But anyway, we will move on. Where should we ask questions about enhanced primary care and associated allied health services?

**Ms Halton**—EPC? Outcome 4.

**Senator FORSHAW**—Thank you. Medical indemnity is in outcome 10, which is acute care, where it is described as underpinning care in public hospitals and diagnostic services. Why is it in outcome 10?

**Ms Halton**—Medical indemnity and the issues in that respect arose out of cover provided to doctors—most particularly, as you are aware, obstetricians and gynaecologists, who are at the cutting edge of that whole issue. It has always been very closely associated with doctors’ willingness and ability to continue their practice in respect largely of hospital practice.

**Senator FORSHAW**—But public hospitals? Isn’t the issue more about private hospitals?

**Ms Halton**—Acute care deals with hospitals more broadly.

**Senator FORSHAW**—Yes.

**Ms Halton**—The large proportion of medical indemnity issues relate to doctors’ practice, and a lot of that practice is in public hospitals. It may be in respect of privately provided services, but they are actually provided in public hospitals.

**Senator FORSHAW**—But it is also related to the delivery of just primary care, is it not?

**Ms Halton**—No. That is not the majority issue.

**Senator FORSHAW**—You are obviously saying that you believe that it is more appropriate under outcome 10 than, say, outcome 4.

**Ms Halton**—Yes, definitely.

**Senator FORSHAW**—Under outcome 9 there is no administered item around health quality and safety. Is there any particular reason why not, and where could we ask questions about health quality and safety?

**Ms Halton**—You can ask that under outcome 9.

**Senator FORSHAW**—Is there any reason why it is not specified in the list of administered items?

**Ms Halton**—Without going through it in detail, I will have to come back to you on that, Senator. Are you happy to tackle that question under outcome 9?

**Senator FORSHAW**—Sorry, I missed the last bit.

**Ms Halton**—Are you happy for us to answer that question under outcome 9 or I will get the officer—

**Senator FORSHAW**—As long as we can ask it and have it answered—

**Ms Halton**—Yes, you can.

**Senator FORSHAW**—And know where we can ask it, that is fine, at least at this stage. What flows from that for the future is another issue. And you will come back to me on why it is not specified as an administered item? Thank you. Where can we deal with oral and dental health? Which outcome?

**Ms Halton**—We do not actually have responsibilities in respect of oral and dental. There is a small element in respect of Indigenous.

**Senator FORSHAW**—We have asked questions in the past many times about the dental scheme or the lack of a dental scheme.

**Ms Halton**—Can you give me a bit more of a hint in terms of what sort of questions?

**Senator FORSHAW**—We have asked questions about policy issues.

**CHAIR**—What sorts of questions do you have—

**Senator FORSHAW**—Hang on. In the past we have asked about the government's cessation of the dental program. If we want to ask questions in that area, where could we ask them?

**Ms Halton**—The Dental Health Program would have historically sat under the Acute Care Program because that was an element of what we provided to the states in respect of hospital financing. The reason I ask you, Senator, is that there is obviously a range of issues in respect of dental, one of which is the work force and that would be relevant to program 9. There is the Indigenous element. Then there are elements in respect of primary care, which would be in outcome 4.

**Senator FORSHAW**—So we will just have to work our way through that. I will leave it at that. I just make the point that through these estimates we may find that we have not asked a question in the right area, so as long as we can have an understanding that we will be able to come back to it—

**Ms Halton**—That is fine.

**Senator FORSHAW**—And that people will be available.

**Ms Halton**—Yes. That is not a problem.

[9.57 am]

**CHAIR**—We now move to outcome 2, Medicines and medical services.

**Ms Halton**—Senator Moore, we have looked at the staff survey and what I had not remembered is that there is the Indigenous question. There is not the disability question, which is probably what I was thinking of from memory.

**Senator MOORE**—But there is a question.

**Ms Halton**—There is not a significant difference.

**Senator MOORE**—There is not?

**Ms Halton**—There is not. We have checked.

**Senator MOORE**—Thank you. Can we get a copy of the staff survey?

**Ms Halton**—Of course.

**Senator MOORE**—I do not think we have got that before.

**Ms Halton**—I am happy to give you one. We did one a year or so ago. We did change the questions very slightly this time. Do you want both or just the most recent one?

**Senator MOORE**—Just the most recent. What is the expectation of how often the survey will be done?

**Ms Halton**—Every 12 months.

**Senator MOORE**—Then you will look at the results and the questions will evolve to see whether there is a change.

**Ms Halton**—As you well understand, issues emerge that we want to investigate a little more closely. There are issues that we want to watch in terms of what we need to manage within the portfolio. It is an evolving thing, but there are core questions that we keep.

**Senator MOORE**—So which is the branch responsible for that, Ms Halton?

**Ms Halton**—Our people branch.

**Senator MOORE**—Thank you for that.

**Senator CHRIS EVANS**—Can I ask some questions about the Medicare safety net. In doing so, I indicate that Senator McLucas cannot be with us this morning. She was planning to but, unfortunately, she could not make it. In advance, I apologise for not having her background knowledge of these issues. So if I am asking the bleeding obvious I apologise in advance. I have a hole in my knowledge of these matters, having been out of the system for a while. Some people would say that I am no less ignorant than normal or more ignorant than normal. I just want to be clear from the start about the Medicare safety net budget measure. I see that it is planned to come into force on 1 January 2006. That means, I presume, that you will be paying the safety net at the existing levels until that date. Is that right?

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—Do you have the costings for what you now anticipate that to cost you up until January 2006? If so, where do I find them?

**Ms Blazow**—Yes, it would be reflected in the budget papers. I do not have that with me at the moment. We can probably get it for you quite easily.

**Senator CHRIS EVANS**—Where is it reflected in the budget papers? The budget will contain half the year in one and half the year in the other.

**Ms Halton**—It is not disaggregated in the budget, but the aggregate of the two years is reflected.

**Senator CHRIS EVANS**—What I am saying is that that does not tell me anything.

**Ms Halton**—We can get you—

**Senator CHRIS EVANS**—What I would like to get, if we could arrange it today, are the figures which show what the cost of the Medicare safety net under the current system will be up until December 2005.

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—In general, do you have any figures of where we are up to now in terms of cost?

**Ms Blazow**—I certainly have the figure for the end of the first calendar year, which was \$166 million spent between March and December of the first calendar year of the safety net. I do not have a disaggregated figure beyond that, but we can get that for you in terms of the second calendar year which would be made up of a part year for this coming financial year and a part year for the previous financial year.

**Senator CHRIS EVANS**—I want to take you through some of the changes. Obviously there have been quite considerable changes in the estimations of the costs of this measure.

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—I want to take you through the detail of that. Are we able to do that?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—If we are not, I would rather delay it and do it later.

**Ms Halton**—No, we can do that, Senator.

**Senator CHRIS EVANS**—I was going to start with the gross, but maybe we will have to start a bit closer to home. Clearly there has been a major cost blow-out in the projections of the safety net. I want to take you through the various projections. You cannot at the moment tell me what the projection for the rest of this calendar year is.

**Ms Blazow**—I would need to go back and do extra work because it is the difference between the calendar year and the financial year. The safety net works on a calendar year and yet all of our official estimates work on a financial year basis. So to break it up in terms of the calendar year operation of the safety net, I would need to take that on notice and do a little bit of extra work.

**Senator CHRIS EVANS**—Do you have a figure for the expected savings for the new system compared with the current system over a full financial year?

**Ms Blazow**—Not over a full financial year. I have it only in aggregate for the four years of the forward estimates.

**Senator CHRIS EVANS**—I am interested in the comparison of what you think we would be paying if we had not made the change and what we will be paying when we do make the change.

**Ms Blazow**—I have the figure for the whole out-year period which has been announced in the budget context. The change makes a saving of \$499 million over the entire out-year period from 2005-06 forward for four years.

**Senator CHRIS EVANS**—But you are not able to break that down for me at this stage?

**Ms Blazow**—No, I would have to take that on notice. That is a level of detail that I do not have in my head.

**Senator CHRIS EVANS**—Are we able to get that today?

**Ms Blazow**—Yes, I am sure we could get that today.

**Senator CHRIS EVANS**—It will inform other questions I want to ask you.

**Ms Blazow**—We are just looking in the budget papers.

**Senator CHRIS EVANS**—It was not immediately apparent to me.

**Ms Halton**—At the bottom of page 28 of the portfolio budget statement I think that figure is what you are looking for.

**Senator CHRIS EVANS**—I had a win with DEWR because the figures for the welfare reform package were not there, so I was vindicated.

**Ms Blazow**—It is in the *Budget at a glance* document. Have you got that one?

**Senator CHRIS EVANS**—Not with me, no.

**Ms Halton**—On the second page of this one it is about halfway down.

**Ms Blazow**—I can read it if you like.

**Senator CHRIS EVANS**—Is this the second of three pages?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—‘Improving access to Medicare’?

**Ms Halton**—That is it.

**Ms Blazow**—You can see in the far right column the \$499 million saving.

**Senator CHRIS EVANS**—Yes.

**Ms Blazow**—There it is disaggregated across the four out years.

**Ms Halton**—So it starts at \$50.7 million and goes to \$136.1 million.

**Senator CHRIS EVANS**—Do I take this to mean that in the budget year 2005-06 you expect to save \$50.7 million?

**Ms Halton**—Correct.

**Senator CHRIS EVANS**—So in half a year this year you expect to save \$50 million. In 2006-07 you expect to save \$136.1 million and so on up to a total of \$499 million over the four years. Is that right?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—What figures would we compare to reflect that reduction? Last year's budget? No. MYEFO? When was the last accurate projection of the out years?

**Ms Halton**—PEFO.

**Senator CHRIS EVANS**—PEFO, was it?

**Ms Blazow**—Again it is the calendar years versus the financial years and the calendar year is the acquittal period for the safety net. We could have the financial year 2004-05, but it would not necessarily give an accurate comparison with 2005-06 because of the calendar year effect.

**Senator CHRIS EVANS**—Usually you just say accrual accounting to confuse me, but now you have a new one.

**Ms Halton**—We understand that the Charter of Budget Honesty actually did provide those figures.

**Senator CHRIS EVANS**—As you know, a whole range of figures have been produced on the Medicare safety net, most of which have been abandoned. I am trying to be clear as to what is a fair starting point.

**Ms Halton**—The Charter of Budget Honesty is a good starting point.

**Senator CHRIS EVANS**—You say that the Charter of Budget Honesty is still held as being the most accurate prediction of—

**Ms Halton**—At that time, yes.

**Senator CHRIS EVANS**—Now?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Of the current scheme?

**Ms Halton**—Of the current scheme before the threshold.

**Senator CHRIS EVANS**—The scheme runs for another seven months. So you are telling me the Charter of Budget Honesty remains the best guide to your projections of the costs of the current scheme up until 1 January 2006.

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—For those who said the Charter of Budget Honesty did nothing, here is the first blow. So that will be the starting point for the costs. You say now that if I look at that and the budget figures for the out years for this program and deduct one from the other I should end up with the figures that are contained in the document *Budget at a glance*.

**Ms Halton**—Or the PBS at page 28.

**Senator CHRIS EVANS**—So the budget forecast figures from the Charter of Budget Honesty reflect the savings from the measures that will be introduced from 1 January 2006 if the legislation is carried?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—Those same figures, as you rightly point out, are reflected at page 28 of Health and Ageing's budget portfolio statements?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Is someone able to tell me how the major savings between the two programs are driven? I know the income thresholds are different. There have been some changes for obstetrics. Can someone give me a broad description of what is going to save the money in the budget? Where is the money going to be generated for the budget measures—by stopping people entering as early, by stopping people entering the system, by paying them less? Can someone describe that for me?

**Ms Blazow**—People accrue a higher out-of-pocket cost before triggering their safety net benefits. That is the impact of the thresholds. If you raise the thresholds, people incur out-of-pocket costs and receive no benefit on those until they reach a higher threshold. They trigger their safety net benefits at a later point.

**Senator CHRIS EVANS**—Have you done an estimation of the number of people who would enter the system under the current system vis-a-vis those who will enter the system under the new system?

**Ms Blazow**—Yes, we have.

**Senator CHRIS EVANS**—Can you give me those figures?

**Ms Blazow**—I might take a little while to find them, but we do have them. Can I take it on notice and come back to you? Someone can find them while we are talking.

**Senator CHRIS EVANS**—I want it to flow. When you get the information you can work out what you want to ask. I was sure you would have prepared for these questions. I did not think that they would come as a complete shock to you.

**Ms Blazow**—But it is quite complicated.

**Senator CHRIS EVANS**—I know it is. That is why I am taking you slowly through it. I am having trouble getting my head around it. After six days of estimates it gets even slower.

**Ms Blazow**—In the calendar year 2006 the current scheme with the \$300 and \$700 thresholds would have resulted in 2.5 million families or individuals—in other words, people who are married and attract the benefit in their own right or have not declared themselves to be part of a family, singles and families that have declared themselves to be a family—qualifying. Whereas with the higher threshold of \$500 and \$1,000, 1.5 million singles and families would qualify. There is a change of approximately one million claiming units.

**Senator CHRIS EVANS**—So one million fewer families and/or single people will enter the threshold under your projections?

**Ms Halton**—They are people. This is the total estimated number of people. So it is fewer claiming units but more people; is that right? That is the estimate of the number of people. The estimate for claiming units is 940,000 and then you have to come up with a way of scaling up claiming units into real people.

**Senator CHRIS EVANS**—I am happy to talk about real people.

**Ms Halton**—So are we really, but it is an estimate. You need to understand that it is an estimate. We cannot actually quantify it.

**Senator CHRIS EVANS**—So your 1.5 million is based on a formula you have for rounding up claiming units to people?

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—So we are talking about 1.5 million based on 940,000 claiming units. The 2.5 million is based on how many claiming units?

**Ms Halton**—The 2.5 million is based on 940,000 claiming units. The 1.5 million is based on 566,000. You made a comment earlier about the numbers having bounced all over the place. This is enormously confusing. I have to say that people swap between individuals, claiming units, the year they are talking about and so on. It is hardly any wonder that the numbers seem quite fungible. This is by definition at its base incredibly complicated and then you add the year we are talking about and everything else across the top of it. It is no wonder it is confusing.

**Senator CHRIS EVANS**—It has occurred to me over the last few months that it is not an exact science. I take your point that people move between the two et cetera. Effectively, in rough terms we are talking about 2.5 million people versus 1.5 million people under the system.

**Ms Halton**—Correct.

**Senator CHRIS EVANS**—Have you got a breakdown of how many get ruled out under each threshold?

**Ms Halton**—We do not have it with us. That is an aggregate figure.

**Senator CHRIS EVANS**—Could you take that on notice?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—I am sure that the Democrats and other senators will be interested in this because it has been part of the debate concerning the setting of the thresholds last time. I am sure when the legislation comes on again it will be a key issue.

**Ms Halton**—Yes. To be absolutely accurate I will read it into the record. The claiming units figure for 2006 current thresholds is 940,000. The claiming units for 2006 revised thresholds is 566,000. That is the accurate unit of measurement, albeit something that is hard to make accessible.

**Senator CHRIS EVANS**—I might regret asking this question because it looked like we just had a simple answer. Are we comparing apples with apples? If the current system stayed

in for 2006 you would have 2.5 million people claiming, but under the new system there would be 1.5 million.

**Ms Halton**—It is apples and apples.

**Senator CHRIS EVANS**—We are not caught with half years?

**Ms Halton**—There is no fruit salad here.

**Senator CHRIS EVANS**—Good. So the savings for 2005-06 for half the year of \$50.7 million mean that, effectively, on those numbers, you would expect to save about \$100 million on the full year?

**Ms Halton**—We do not have that disaggregation with us.

**Senator CHRIS EVANS**—I notice that it goes up in the out years. Can you tell me why that is? Is that because you expect more people to make the thresholds as the costs—

**Ms Blazow**—There are growth factors of course such as the rate at which people are using Medicare would be increasing, and there is the ageing population. There are various factors that mean that there is growth constantly.

**Ms Halton**—Fees go up.

**Senator CHRIS EVANS**—Are the thresholds indexed or planned to be indexed?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—They are. So that is not a factor in the growth then.

**Ms Halton**—There is an increase in medical fees and then there is the indexation of the threshold.

**Senator CHRIS EVANS**—Are you saying to me that the indexation may not cover all increases—

**Ms Halton**—It is not indexed by the increase in medical fees.

**Senator CHRIS EVANS**—No. What is it indexed against? CPI?

**Ms Halton**—Yes, CPI.

**Senator CHRIS EVANS**—So you are telling me rightly that there could be a gap but effectively it is designed to keep the thresholds roughly at the level.

**Ms Halton**—Yes, that is right.

**Senator CHRIS EVANS**—But if medical expenditure increases at greater than the CPI—

**Ms Halton**—I cannot guarantee it; that is my point. It is not indexed by the increase in medical fees.

**Senator CHRIS EVANS**—So some of the growth may be explained by the gap.

**Ms Halton**—It may be.

**Senator CHRIS EVANS**—But you are saying other things like the ageing of the population—

**Ms Blazow**—Ageing of the population, yes.

**Senator CHRIS EVANS**—What about greater public awareness? Is that an issue?

**Ms Halton**—We already have very high levels of registration—very high.

**Senator CHRIS EVANS**—I will come back to that in a little while. We go from 136 in the first full year to 150, so that is \$14 million—I am just trying to understand—and then another \$11 million next year. I am trying to understand what the main drivers of the increasing costs are.

**Ms Halton**—As a proportion, what is that?

**Senator CHRIS EVANS**—It is not huge, no.

**Ms Halton**—It is not huge, and that is principally a function of ageing of the population utilisation. As you would well understand, Senator, even though you might be a bit rusty in the portfolio, we know that utilisation rates go up. That has been a feature of health utilisation period, and add that together with an ageing population. So we had to have factors for all of those things in our estimates.

**Senator CHRIS EVANS**—I am just trying to understand if there is anything else driving it in a general sense.

**Ms Halton**—Not principally.

**Senator CHRIS EVANS**—Okay. As a general question, how confident are we about these figures now?

**Ms Blazow**—This is not an exact science; it is true. These are projections. However, we do take comfort that at the time of the PEFO we revised the figure for 2004 as to how much we would spend having access to additional data on the profiling against the thresholds by family tax benefit status and so forth—all of the factors. Our revisions at the PEFO predicted that we would spend \$164 million during 2004 for the safety net and we actually came in within two per cent of that at \$166 million. So we felt that at that time it looked like we were pretty confident about the estimates and the sorts of things we were factoring in.

**Senator CHRIS EVANS**—What date was the PEFO?

**Ms Blazow**—In October or September.

**Ms Halton**—There is a statutory date after an election is called.

**Senator CHRIS EVANS**—Yes. I am just trying to press my memory. I have it here somewhere.

**Ms Halton**—I am informed 10 September.

**Senator CHRIS EVANS**—So 10 September is the PEFO. So did you work on that with Finance?

**Ms Blazow**—Yes, that is correct.

**Senator CHRIS EVANS**—And you were fairly confident from that stage that you had sort of nailed it given the experiences you had. When you said you came within two per cent, just refresh my memory what you said? Do you mean for this financial year?

**Ms Blazow**—For the 2004 calendar year.

**Senator CHRIS EVANS**—The 2004 calendar year?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—Why are we using calendar years versus financial years?

**Ms Blazow**—Because it is the acquittal period for the safety net.

**Ms Halton**—Safety nets run in calendar years. Lost in the mists of time, Senator.

**Senator CHRIS EVANS**—It is not just a conspiracy against senators trying to follow this thing?

**Ms Halton**—It is actually a conspiracy against bureaucrats.

**Senator CHRIS EVANS**—So it is for the calendar year 2004, but you did not feel that you had really nailed that until September 2004?

**Ms Blazow**—Yes, and that is because in the early stages of the new safety net there were a number of factors. One was the family registrations, which have already been referred to. It was very hard for us to predict how many families would actually register themselves to be seen as a family unit and we had a higher up-take than we expected. So we had to revise the estimates in line with that new knowledge. The other new knowledge that we gained in those early months was we got much better information on the mapping of families by their status with regard to their threshold eligibility levels—that is, the tax benefit families, the concessional families and then other families who were eligible for the higher safety net. In the early estimating, we did not have good data on that.

**Senator CHRIS EVANS**—Can you put that into simpler terms for me—that is, the mapping of the status? I just was not sure what you meant by that.

**Ms Blazow**—When we did the first estimates for the safety net we had data on people's out-of-pocket costs. We have that data from the Medicare database, so we know everybody's out-of-pocket costs. What we did not know at that time was whether that family, that registered family or that single person was a concessional person or a family tax benefit family or whatever. We simply knew that it was a single person or a family registered at that time.

**Ms Halton**—So which threshold they would sit against.

**Senator CHRIS EVANS**—So you made what? An assumption about which threshold they would sit against and—

**Ms Halton**—There was an estimate done.

**Ms Blazow**—We did estimates about which threshold—

**Senator CHRIS EVANS**—Is it fair to say that that was markedly out?

**Ms Blazow**—We had to update that when we got much better information because of the work—

**Senator CHRIS EVANS**—Can you give me an example though? What are you saying? What sort of estimation did you make?

**Ms Blazow**—We would have estimated how many families we thought were concessional families as it transpired. We also had to make an estimate of what their out-of-pocket costs would have been. So it was a very complex exercise of taking these variables and matching them together to try to work out how many families of a concessional status would qualify and then what would the out-of-pocket costs actually be. There were two things that came as extra information later. One was that the actual out-of-pocket costs changed because the database was updated to a new dataset—a more recent dataset—on actual out-of-pocket costs and the second factor was what was the status of the families in terms of the thresholds for the safety net. We also were able to do much better matching of the two datasets—the out-of-pocket costs to the status of the families. That was the main change in the estimates that occurred at the PEFO time.

**Senator CHRIS EVANS**—Can you take me through those two assumptions? Why did you get better out-of-pocket information?

**Ms Blazow**—Because it was a later dataset. In fact, out of pocket—

**Senator CHRIS EVANS**—So why were you using an earlier dataset?

**Ms Blazow**—Because it was the best we had at the time when we first did the estimates. But with the movement of time, even though the safety net was already operating, we got better data because the out-of-pocket costs data was moving forward.

**Senator CHRIS EVANS**—So what did you use in your first estimation?

**Ms Blazow**—It was 2001-02 data from memory.

**Senator CHRIS EVANS**—What did you use in the second estimation?

**Ms Blazow**—It was 2002-03 data.

**Senator CHRIS EVANS**—Was there a marked difference in the out of pocket?

**Ms Blazow**—Yes, there was. There was a movement in out-of-pocket costs by quite a significant factor between those two years prior to the safety net coming up.

**Senator CHRIS EVANS**—What sort of percentage are we talking about?

**Ms Halton**—We might have to take that on notice, Senator.

**Senator CHRIS EVANS**—You can take it on notice, but can someone give me a rough indication though? Are we talking 10 per cent, 20 per cent, 50 per cent?

**Ms Blazow**—I have just been corrected. Calendar year 2001 was our first dataset and calendar year 2003 was our second dataset. The movement was quite high in out-of-pocket costs.

**Senator CHRIS EVANS**—So you were on quite an old set when you first did it.

**Ms Blazow**—Yes.

**Ms Halton**—Because the work was done some considerable time before.

**Ms Blazow**—We will have to take on notice the movement. There is some uncertainty.

**Ms Halton**—We need to go back and check what the actual assumption—

**Senator CHRIS EVANS**—You can take that on notice, but when you say ‘quite a bit’ are you saying to me 10 per cent, 20 per cent, 100 per cent?

**Ms Halton**—I do not want to speculate, Senator. This is something we need to go back and check.

**Senator CHRIS EVANS**—I will have to look up the dictionary definition of ‘quite a bit’ then.

**Ms Halton**—You can tell us what that means if you like.

**Senator CHRIS EVANS**—I am just trying to get some sense of it.

**Ms Blazow**—It was a significant factor in the increase in the cost, but I cannot tell you a percentage.

**Senator CHRIS EVANS**—If you can give me that figure as soon as possible, that would be helpful, because it helps explain what is happening here.

**Ms Halton**—Sure.

**Senator CHRIS EVANS**—The other variable was the status of the families.

**Ms Blazow**—That is correct and what thresholds they would qualify for.

**Senator CHRIS EVANS**—And this was based on their entitlement to family tax benefits and their entitlements to concessional—

**Ms Blazow**—Whether they were concession card holders; that is correct.

**Senator CHRIS EVANS**—What changed in your knowledge of those factors?

**Ms Blazow**—We had much better data on how to actually identify the extent of people’s out-of-pocket costs with the status of the family—what threshold they would qualify for.

**Senator CHRIS EVANS**—How did you get that better data?

**Ms Blazow**—That actually came out of other projects that were happening mostly around pharmaceutical benefits to validate people’s concessional status by linking the information from Centrelink with information in the Health Insurance Commission. As you know, pharmacies take down information about your Medicare number when you go for a prescription. That is sent off to the Health Insurance Commission which can then check whether you are a concession card holder entitled to the lower copayment or whether you are a general patient not entitled to that copayment. It was that work that helped us understand more about the families in the Medicare dataset and what their concessional status was.

**Senator CHRIS EVANS**—I will come back to that at some stage. One of the assurances we received about the use of that data, of course, was that it was not the first step to a national identity card.

**Ms Halton**—But it has not been. This is all deidentified, Senator.

**Senator MOORE**—All data matchings are.

**Ms Halton**—Yes. I think we should place on the record that this is done by absolutely taking account of the privacy requirements. This is not identified. This is basically a statistical process to come up with an aggregate number. I can assure you—and I know that my

colleague the Privacy Commissioner will be watching every word in respect of this—that we are very careful about this. Can I just make a point in relation to those last questions that you were asking. Yesterday I understand we tabled an answer to a question from Senator McLucas which actually does go through the relationship between the PEFO figures and the disaggregation of the components that go to the change in the estimate. It is question E052-10. Rather than me read it all in again, that is where you can find some of this information.

**Senator CHRIS EVANS**—Madam Chair, could we get a copy of that answer?

**Ms Halton**—I have actually got one here, so I am happy to have it photocopied.

**Senator CHRIS EVANS**—I am sure that the secretariat will have it. I did not know that questions came in yesterday, so I am not sure that I have them.

**Ms Halton**—We have already been through that with Senator McLucas.

**Senator CHRIS EVANS**—I was not making a point. I am just saying that I am not sure that I have it.

**Ms Halton**—This answer does not go through everything you have just covered, but it does give you, I think, a fairly accessible disaggregation of these components.

**Senator CHRIS EVANS**—Of what?

**Ms Halton**—What proportion of the increase came from the increase in registration, what proportion of the increase came from the new data and what proportion of the increase came from the obstetric issue.

**Senator CHRIS EVANS**—I might come back to that when I have had a look at those measures. But it does not give me the disaggregation for the total cost for the out years that we were talking about earlier. We have those now anyway but not for this year.

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Can I go back then to tracking through what you knew about the impact of the Medicare safety net budget measures. I understand, from reading the *Hansard* of last estimates, that Senator McLucas spent a bit of time going through with you how this information is gathered et cetera and what you get. I do not want to go over all of that. To summarise, just to make sure that I am up to speed, as I understand it you get a weekly report from the HIC which is deidentified and which includes the details about the costs of the Medicare safety net. Is that a fair summary?

**Ms Blazow**—The report is about families registering. That was significant all through 2004. We were monitoring how many families were actually registering. The report includes the families that have reached their thresholds—the thresholds that are relevant to them. It includes the number of families who have substantiated their claims. Reaching the threshold is only part of being entitled. You then have to substantiate your claims by tendering receipts to the HIC to show that you have paid your bills and so forth. It also includes information on how many people were actually being paid safety net benefits.

**Senator CHRIS EVANS**—Is it fair to say that that weekly report gave you all the key data about how the scheme is operating, or do you think there are some holes in that?

**Ms Halton**—There is a lag by definition.

**Ms Blazow**—There is always a lag.

**Senator CHRIS EVANS**—I know there is a lag. You described for me, helpfully, the four things that it gave you.. But are there any holes in that data that you think are critical to understanding what is happening with the cost of the safety net?

**Ms Blazow**—Whatever data you ask for in a report, there is always something else. So it is never a total report. I would not like to say that we knew everything we needed to know, and clearly we did not, because we got extra data later that enabled us to update the figures for the PEFO.

**Senator CHRIS EVANS**—I just want to go through the process of that. The weekly report includes the numbers of families registered, the numbers of those who have reached the threshold, the numbers of substantiated claims and the numbers of those who have reached the safety net threshold—is that right?

**Ms Blazow**—I do not have the report in front of me. I am doing that list from memory. I will just ask somebody if they actually have a report that I could look at while we are answering these questions.

**Senator CHRIS EVANS**—But that is the weekly report.

**Ms Halton**—We do not have it with us, so if we have misled you we will come back and correct the record.

**Senator CHRIS EVANS**—That is fine. It might be useful at some stage to have a look at a weekly report if that is deidentified sufficiently. If you can that would be helpful. How is that then aggregated in reports? I presume, Ms Halton, you and senior officers are not looking at the weekly or daily reports and trying to work out what it all means. Is there an analysis team who give you quarterly reports on major measures?

**Ms Blazow**—That is correct. There is a team that does the estimates. They were not coming to me personally.

**Senator CHRIS EVANS**—Whose team was that? What section?

**Ms Blazow**—It is in our Medicare Benefits Branch. They were looking at the cost estimates as they were moving forward and looking at the numbers of families that were registering and so forth.

**Senator CHRIS EVANS**—What do we call that unit?

**Ms Blazow**—I cannot remember the name of the section off the top of my head. I will have to ask the branch head—the Policy Interpretation and Professional Review Section.

**Senator CHRIS EVANS**—What a mantle.

**Ms Halton**—They are very important clearly, Senator.

**Senator CHRIS EVANS**—That has thrown them right in it, because that really describes what they are supposed to be doing it, doesn't it? Usually they have nice anonymous titles such as 'information branch'.

**Senator HUMPHRIES**—Orwellian titles.

**Senator CHRIS EVANS**—Yes, Orwellian titles. But this actually describes what they are supposed to be doing very nicely. What do they provide, how often and to whom?

**Ms Blazow**—They certainly had the job of receiving those reports and monitoring what was happening with the safety net. They were also providing regular reports to our minister's office. Throughout that early period and while the campaign was operating, our minister was making frequent public statements about the progress of families registering and about the progress of families qualifying.

**Ms Halton**—This was the publicity campaign, not the election campaign.

**Senator CHRIS EVANS**—I was going to ask you how the caretaker period had gone.

**Ms Halton**—Just before you go there, let me be quite clear.

**Ms Blazow**—It was the promotional campaign about the safety net which encouraged families to register.

**Senator CHRIS EVANS**—I understood what you meant, but it is probably just as well to clarify it. How often, in what form and to whom were they reporting?

**Ms Blazow**—They were reporting to the minister's office. It would take various forms—formal briefings written on paper, oral briefings and those sorts of things, and regular updates to the minister's office.

**Senator CHRIS EVANS**—I want to go through those with some clarity. Is there someone who can come to the table who can help us with the detail of that?

**Ms Blazow**—There has been a change in branch head, so the current branch head was not there at the time.

**Senator CHRIS EVANS**—I was not meaning to hold them responsible. It was not for summary trial; it was just to go through what advice was provided and to whom and when.

**Ms Halton**—I think the better way to get a handle on this is that the minister was making public statements about those numbers. There were a series of media releases and statements in the House which reflect those numbers. So they are actually on the public record.

**Senator CHRIS EVANS**—I have got all those. What I want to know is what you were telling him or what you knew.

**Ms Halton**—What is then reflected in those public statements. Obviously we take an interest in public statements that the minister makes, and I can assure you that those public statements were absolutely in concordance with the advice that had been given.

**Senator CHRIS EVANS**—I do not want to be pedantic, but I would like to go back to the question of who provided what advice, when and to whom. I presume it was not just to the minister. I presume you, as the secretary to the department, were informed in some way and that section heads were informed. I just want someone to take me through the process.

**Ms Blazow**—I think it is important to go back to the frame of reference for doing estimates updates. The normal cycle has two key points: the budget each year in May and the additional estimates update in November. I think the financial people talk about a MYEFO at that time. So our normal cycle is to be monitoring and working on our estimates gearing up for a

November additional estimates after we have had a budget announcement. That is exactly what we were doing.

It is also important to remember that this is a new scheme. It came in on 12 March 2004. In fact, for the first couple of months it was tracking under our expenditure estimates. Then the rate of family registrations increased quite remarkably as we moved through the year, and we were then integrating that additional information—the number of family registrations. By then, in June or July, we had started to get the data that we could relate to people's eligibility under the thresholds.

In July we started to notice a trend for the estimates to go upwards. Until then there had not been a trend. In fact, it was tracking below our cash flow estimates. It started to rise about July. Therefore, we were starting to prepare for inclusion in our additional estimates processes any additional information that we could use to update our estimates. Then, of course, we did not go through right to the additional estimates and, in fact, there was a PEFO, because an election was announced. We fed our additional information—the work that we had been doing to monitor the estimates—into that PEFO process through the department of finance. So it happened a little bit earlier than it would have normally happened. We did it in that very late period in August, not very long after we got access to this additional information.

**Senator CHRIS EVANS**—Thanks for that. That is a useful summary, but I do want to take you through those developments in some detail. If you are the right person to take me through them, that is fine. That is a useful summary, but I would like to go back to the start and go through that in detail, if that is all right. Are you the right person to be talking to?

**Ms Blazow**—I think so, yes.

**Senator CHRIS EVANS**—I thought you were looking for someone else to come forward, that is all.

**Ms Blazow**—No.

**Senator CHRIS EVANS**—Can I just get a description of what you were getting? You were receiving the weekly reports. Was someone providing a monthly or quarterly report as well that summarised the weekly reports?

**Ms Blazow**—Internally in the department it was not being done like that. It was being done as regular briefings. As the secretary has said, those regular briefings were going to the minister's office and they were actually coming into the public arena through the minister's statements in the House and in press releases.

**Senator CHRIS EVANS**—The Chair would not allow me to ask you what you briefed the minister, so I cannot ask you about that. While I know it is useful for you to say that that is what he said, that is not actually an area that I can go to, so I have to ask what was going on in terms of the processes inside the department. Are you telling me that there were not quarterly or monthly summations of the weekly data being prepared?

**Ms Blazow**—No, not in that way. It is quite a narrow window. Certainly the section that monitors the estimates was looking at regular information from the systems on what was actually happening to expenditure. As I said, it was tracking below the estimates in the early stages. They were coming through from the Health Insurance Commission, and we were

focusing on the numbers of family registrations, the numbers of people who were reaching the thresholds and the numbers of people who were substantiating their claims to try to monitor what was actually happening. We were doing that very regularly, and we were briefing the minister very regularly about those trends.

**Senator CHRIS EVANS**—Thanks for that explanation. I am just trying to pin you down a bit. I know that you have been very helpful, but I want to get answers to direct questions if that is all right. There were no monthly or quarterly summations prepared; is that right? Is that your evidence?

**Ms Blazow**—Not that I recall. I do not remember that there was a weekly report that appeared on my desk. It was not happening like that. It was more in terms of regular briefings to the minister on the progress of the implementation of the new measure.

**Senator CHRIS EVANS**—What were you getting that informed you about how the safety net scheme was progressing?

**Ms Blazow**—I was seeing the briefings to the minister on the key things that we were monitoring, which were the numbers of family registrations, the numbers of people benefiting, the number of people who had reached thresholds and so forth.

**Senator CHRIS EVANS**—So you were not getting anything in addition to, and you were not checking, what the minister was getting. You were actually just getting what he was getting.

**Ms Blazow**—Yes, exactly. I was seeing them on their way through to him.

**Senator CHRIS EVANS**—But it is fair to say that they were designed more for the minister than for you. Is that what you are saying to me?

**Ms Blazow**—No, I think it is hard to distinguish. They were key features of the scheme that were being monitored, and we were reporting to our minister in terms of the implementation of the new measure.

**Senator CHRIS EVANS**—Can you tell me how many times and on what dates they were done?

**Ms Blazow**—I would have to take that on notice because it was quite frequent and there were various vehicles for that.

**Senator CHRIS EVANS**—Perhaps you could take that on notice—the dates of the reporting and the forms they took.

**Ms Halton**—We will have to clarify, Senator, whether that is the kind of detail we normally provide. I think you have already made the observation that we are not permitted to provide advice given to ministers. I am not clear whether we are permitted to provide dates and numbers.

**Senator CHRIS EVANS**—Traditionally we have been entitled to receive the form of advice and the date of advice but not the contents.

**Ms Halton**—We will clarify that, Senator.

**Senator CHRIS EVANS**—I was actually trying to find out what they told you. You seem more focused on the minister than I am. I am actually trying to find out what the extent of knowledge in the department is. That was my starting point.

**Ms Halton**—I think the point is, as Ms Blazow has indicated, that the process was a process of briefings to the minister which are provided to the senior people in the department.

**Senator CHRIS EVANS**—What I do not quite get here is that the minister is busy and covers a lot of issues. You have a section that is dealing with monitoring the safety net. I would have thought that not all the information would have gone to him. I would have thought that he would get a summary. I am not suggesting that he is not interested in all the detail, but I would have thought that in the chain of command in the department someone was looking at it in more detail, summarising what it meant and providing a report to the section head and the secretary of the key information they thought would be required for those decision makers further up the line. I still do not have a real sense of that. It seems to be that everything was driven by keeping the minister informed, and by virtue of that everyone else knew as well. Is that wrong?

**Ms Blazow**—I do not separate the two processes. The minister was very interested in the new measure. We were certainly obtaining information from the Health Insurance Commission. We were distilling that into briefs that I saw on their way through to the minister. We were keeping the minister informed. It was all part of the same process—keeping the minister informed, keeping ourselves informed. As I said, in the early months the progression was quite slow. The expenditure was actually under the estimates that we had.

**Senator CHRIS EVANS**—How do we track that?

**Ms Blazow**—In all of our systems we have to put in how much we expect to spend against various things by month, by monthly cash flows, and so this section—

**Senator CHRIS EVANS**—Can you take me through the key points in your tracking process?

**Ms Blazow**—What do you mean by the key points?

**Senator CHRIS EVANS**—You say to me that in the early days there was an underspend. When—on which day—and how did you find that out? Which period are we talking about? It is all very general. I am just trying to understand when that changed. Can you take me through it?

**Ms Blazow**—Between March, when it first came in, and May we were tracking under. And do not forget there is also a lag in when the data actually comes through.

**Senator CHRIS EVANS**—That is what I was going to ask you. Does tracking under reflect that there was less take up than expected or does it reflect the lag?

**Ms Blazow**—It means that there was less take up than we expected in those early months.

**Senator CHRIS EVANS**—And that is not explained by the lag?

**Ms Blazow**—We get the data a little bit later than it has actually occurred.

**Ms Halton**—There are two things here—one is what actually happened in a period and the second is when we know about it. What Ms Blazow is saying is that it was both tracking under and that we did not find out about that until later because of the lag in the provision.

**Senator CHRIS EVANS**—When would you have found out? When you say March to May, is that because it is the quarterly figure?

**Ms Blazow**—We are looking in there regularly and we do monthly cash flows, basically, but we would have about a month's delay to see what was actually happening. So if we were lagging on our expenditure in March and April we would not actually see until May that that was happening.

**Senator CHRIS EVANS**—When in May? The end of May?

**Ms Blazow**—I cannot answer exactly when in May.

**Senator CHRIS EVANS**—Can you tell me, roughly, when you get the figures for the previous month?

**Ms Blazow**—There is about a month's delay to see the figures.

**Senator CHRIS EVANS**—Can you take that on notice for me so you can be a bit more precise as to when? I do not mean for every month.

**Ms Halton**—It will not be possible to give you that because we do not get a release of data on a particular date. It is not like some of our things, which have a very deliberate release date. It will have been a function of when it has been provided to us. We think it is about one month, as a general rule. If there is a significant variation around that, I will come back and correct, but that is my understanding.

**Senator CHRIS EVANS**—That is what I am having a bit of trouble getting hold of. What is the trigger here? You have the weekly reports, you have a monthly—

**Ms Halton**—Which are registrations and substantiations, which are different from cash flows.

**Senator CHRIS EVANS**—So you have a monthly cash flow report; is that right?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Could you describe for me in plain English—for non-accountants—what a monthly cash flow tells you?

**Ms Halton**—What you have spent.

**Senator CHRIS EVANS**—What you have spent program by program?

**Ms Blazow**—We talked before about aggregate estimates. Underlying all of those aggregate estimates, we have to apportion them across a period; for example, whether you think a new initiative will start high on the first day or low on the first day and gradually build up, how it will operate in practice. For all of the aggregate figures, we have to apportion them across time. We have done that in terms of cash flows. For the first few months of the new safety net—

**Ms Blazow**—We spent less than we thought.

**Ms Halton**—We spent less than we thought we would.

**Senator CHRIS EVANS**—You spent less than you had anticipated. Do you have an understanding of why that was? Is there an accepted wisdom inside the department as to what that reflected?

**Ms Halton**—No, not particularly. One of the reasons—asMs Blazow has indicated—we were looking at things like registrations was to try to understand what was actually happening.

**Senator CHRIS EVANS**—For how many months were you under?

**Ms Blazow**—We were under for March, April and the start of May. In May, the expenditure started to increase to be greater than our monthly cash flow estimate, but that was not evident to us until June.

**Senator CHRIS EVANS**—Is it fair to say that the May cash flow report was about on your estimation, or was it higher?

**Ms Blazow**—There was a crossover point during May.

**Ms Halton**—But the thing to remember, asMs Blazow has indicated, is that what you do with a budget measure is you predict a cash flow and then there is what would have been the total of expenditure. If you go under what you expected in the first couple of months the fact that you might go over in a month, which you do not find out about until a month later, still does not mean that you have actually exceeded the total cash flow expected for that period.

**Senator CHRIS EVANS**—No. It means that you have not exactly predicted the behaviour.

**Ms Halton**—Precisely.

**Senator CHRIS EVANS**—That is fair enough. I do not think anyone is going to argue differently. Importantly, during May, the early underestimation turned to, what, an overestimation?

**Ms Blazow**—No.

**Senator CHRIS EVANS**—It was about right in May?

**Ms Blazow**—I would not have classed it as an overestimation. It did start to change in mid to late May.

**Senator CHRIS EVANS**—Was your cash flow result for May higher than you had estimated or not?

**Ms Blazow**—By June we knew that our total outcome for May was slightly higher than our cash flow estimate—slightly higher.

**Senator CHRIS EVANS**—What sort of figures are we talking about?

**Ms Halton**—But not for the whole period because we had gone under.

**Ms Blazow**—Yes.

**Ms Halton**—Not for the whole period.

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—Can you give me, month by month, your estimations and your outcomes?

**Ms Blazow**—That is a very detailed question.

**Senator CHRIS EVANS**—You seem to be reading from them, so I thought you might have them there.

**Ms Blazow**—No. We have a graph that shows what was happening to the cash flow. That is what we are looking at. It gives us a time flow. It does show quite clearly that it started to move between May and June, but, as I said, there is always a lag. This is a time graph of what was actually happening, but there is a lag in information coming to us for the reporting.

**Senator CHRIS EVANS**—Are you able to table the graph to assist the committee?

**Ms Halton**—No, I am not, because I think that the graph is misleading. Essentially, as Ms Blazow has indicated—your questions go to the issue of what people understood at a particular point. That is not what this actually reflects and I would not want it to be misinterpreted.

**Senator CHRIS EVANS**—With respect, Ms Halton, we have been given a lot of information that has been misleading on this issue—I am not saying deliberately. We have ended up with a lot of information in the Senate and the parliament that has proved not to be right. I am not sure why we are being particularly precious about this, but I am interested in what your records show of the comparison between the estimation of expenditure on this measure and the outcomes. That graph is not the best representation.

**Ms Halton**—No, it is not.

**Senator CHRIS EVANS**—I am happy for you to give me the raw figures.

**Ms Halton**—We will have to take that on notice, Senator. I am happy to do that.

**Senator CHRIS EVANS**—I would like the estimations, month by month, for this measure, up to the latest figures, and then the outcomes. I am happy for you to indicate as well the date on which you got those outcomes because, as you quite rightly point out, there was a lag.

**Ms Halton**—That is right.

**Senator CHRIS EVANS**—I am very sensitive to that as well. We all know better in hindsight. I would like to know when you knew. If you say about a month, if you want to provide more clarity or if that is all you have, that is fine, but I would like to know, month by month, what the estimation was and what the outcome was.

**Ms Halton**—Certainly.

**Senator CHRIS EVANS**—In May, the crossover point occurs. By the end of May, what sort of percentage over were we? Were we greatly over, not so much, or a little bit?

**Ms Halton**—We do not have that information with us, Senator. We will have to take that on notice.

**Senator CHRIS EVANS**—We have been using terms like ‘not much’ or ‘big bits’ or ‘little bits’.

**Ms Halton**—Not much.

**Senator CHRIS EVANS**—Not much, okay. You will take on notice the more specific details and the committee will proceed on ‘not much’, as normal.

**Ms Halton**—We might have a dictionary of our terms by the time we have finished here, Senator. It is important to understand that you look at a point in time and then you look at the period, and the lag. Even though there might have been a slight kick up for that one month, for the aggregate—and you know about this—then a month later it is still where you thought it should be.

**Senator CHRIS EVANS**—Okay. So what happened in June? Do you want to take me through what happened then?

**Ms Blazow**—It did continue to rise.

**Ms Halton**—Let us be clear. What happened in May is what we knew about in June. What happened in June, we knew about in July. I think we need to be very clear about what happened, versus when people knew. We did not know about June until July.

**Senator CHRIS EVANS**—I think it is fair to say that the Hansard record will reflect that we all know that you are getting this a month later.

**Ms Halton**—Got it.

**Senator CHRIS EVANS**—We can delay the proceedings by making it clear every time we discuss a figure, or we can all accept it. I accept it. I will put it in anything that I say publicly, to reassure you, but can you tell us what you knew about June?

**Ms Halton**—I guess I have been quoted out of context before, Senator.

**Senator Patterson**—I would keep saying it, if I were you.

**Ms Halton**—Sorry, Senator. Could you ask me the question again?

**Senator CHRIS EVANS**—I was hoping to go home on Friday, that is all.

**Ms Halton**—So are we.

**Senator CHRIS EVANS**—I can understand the sensitivities about it, but I think we have got it.

**Ms Halton**—Okay, good. Sorry, can you ask the question again, Senator?

**Senator CHRIS EVANS**—What were the figures for June? You cannot give me the figures and you take that on notice.

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—What did the figures for June tell you in late July?

**Ms Halton**—That there had been an escalation.

**Senator CHRIS EVANS**—What sort of escalation?

**Ms Halton**—It was more than a slight escalation. I do not have a figure and I cannot put a figure on it.

**Senator CHRIS EVANS**—Can you take that on notice, what the figure was and what that represents?

**Ms Halton**—Yes, because I think to use a word is going to get us into trouble, Senator, so we will take it on notice.

**Senator CHRIS EVANS**—Are we talking a 100 per cent escalation or a 10 per cent escalation?

**Ms Halton**—We are not talking 100.

**Senator CHRIS EVANS**—But we are talking a lot more than 10, are we?

**Ms Halton**—I cannot tell that from what I have in front of me, Senator.

**Senator CHRIS EVANS**—Is there anybody at the table who can help you? We do need to understand this and I think we need a bit more precision than ‘an escalation’.

**Ms Halton**—It is a not insignificant proportion, but it is not 100 per cent. It is statistically significant. That is probably all that I can say, based on what I have in front of me. I do not think we will have it here. No, we do not have it.

**Senator CHRIS EVANS**—I would appreciate it if some time during the day we could do a bit better than that, as to what this represents. So it means that towards the end of July, you had figures for June which showed that you had a not insignificant escalation in the cost of the scheme?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Can you tell me what the response to that was? What did it tell you? What conclusions did you draw? What action did you take?

**Ms Blazow**—We took various action. We started to look closely at what was happening with the registrations, as I said. Certainly they were increasing. They were higher than we had expected.

**Senator CHRIS EVANS**—But you knew that. You had those figures.

**Ms Blazow**—Yes, but we started to correlate what was happening with registrations with what was happening with people meeting their thresholds and with people claiming their out-of-pocket costs. We started to bring the whole picture together. As I keep saying, it is a very complex situation.

**Senator CHRIS EVANS**—Who did that work for you?

**Ms Blazow**—The Medicare Benefits Branch would have been doing that work. Of course, as I said, it is routine for us. We work on a regular cycle of updating our estimates. So they would have been preparing for what would be our normal additional estimates cycle. If they were convinced that we needed to amend the estimates, they would have been starting to marshal the information about that and having discussions with the department of finance about doing that. That would not have started occurring until—because of the timelag—probably late July.

**Senator CHRIS EVANS**—Let us be precise about this. When did you know that you would have to amend your estimates to reflect a greater take-up of the Medicare safety net?

**Ms Blazow**—We would have been aware by late July, early August that we probably were going to need to update our estimates.

**Senator CHRIS EVANS**—Can you see whether you can do better than that for me on notice in terms of a date?

**Ms Blazow**—I do not know whether there would be a specific piece of paper or anything like that that would be able to pin down a date more accurately.

**Senator CHRIS EVANS**—So you just had a cup of tea and a chat and it emerged?

**Ms Blazow**—Yes. I was talking with the branch head at the time.

**Senator CHRIS EVANS**—They do not write to you? They do not send you a memo? They do not send you an email? It is that informal, is it?

**Ms Blazow**—No, because the formal cycle of updating the estimates is done at a particular point and then the paperwork gets formalised.

**Senator CHRIS EVANS**—I understand that. In my office, if we spent more than the budget the elected officer responsible might send me an email saying, 'Chris, you better have a look at this because things aren't going as planned.' You are telling me that there was no notification; it was just a bit of a chat around the department.

**Ms Blazow**—It is also important to note that this is all in the context of the total Medicare expenditure. We were underspending on the total of Medicare, too. So we also had to understand the dynamic of what was happening there. As I said, it was all gearing up for the regular process of additional estimates, which does not occur until later in the year, in November. But it was brought forward and done more rapidly last year because the election was called and that required a PEFO to be done. So it was fed into the PEFO instead of into a normal MYEFO estimates process. That did not occur until August.

**Senator CHRIS EVANS**—Can I put the white flag up on that one as well and say that I accept that. I know that. Without being rude, can we get down to specific questions. I accept both those points that you have been at pains to make this morning. Let us take it as read on the *Hansard* on at least three occasions. I would now like some answers to specific questions. When did you know—and did you get any advice at all from your section—that there was a serious escalation in the cost of the safety net?

**Ms Blazow**—I was aware by late July that we were exceeding our cash flow estimates.

**Senator CHRIS EVANS**—But you had not received any formal advice to that effect?

**Ms Blazow**—I was seeing briefings on the matter. I was seeing briefings on the registrations—

**Senator CHRIS EVANS**—Briefings to whom?

**Ms Blazow**—Briefings to the minister and briefings to me. I was aware by late July that we were in excess of the number of family registrations that we had expected and that our estimates of cash flow were being exceeded.

**Senator CHRIS EVANS**—Can you give me the date of the first briefing that indicated you were exceeding your cash flow was provided?

**Ms Blazow**—I cannot, off the top of my head, because this is a constant process that is happening in the office. I cannot recall a specific briefing on a specific date.

**Senator CHRIS EVANS**—That is why I am asking you to take it on notice. I have asked you the more detailed question of the series of briefings, but I would like to establish the first time a briefing was provided to you and the minister which indicated an escalation in the cash flow result, which indicated that you were expending much more than anticipated on the Medicare safety net measure.

**Ms Halton**—We will have to go back and look at the record so that we can be clear.

**Senator CHRIS EVANS**—I would appreciate that. I think we need to get some precision about this.

**Senator ALLISON**—What advice did the government have prior to this that the demand for the safety net was likely to exceed the budget?

**Ms Halton**—There was no advice to that effect.

**Senator ALLISON**—The department received no advice to say that the safety net budget was inadequate and that there was likely to be a cost blow-out—no advice?

**Ms Halton**—Let us be clear when you are talking about.

**Senator ALLISON**—Any time, Ms Halton.

**Ms Halton**—Senator Evans was just asking us a series of questions about at what point Ms Blazow was aware there was a discrepancy between the cash flows and she said ‘late July’.

**Senator ALLISON**—Yes, I understand that.

**Ms Halton**—Yes. So there was no understanding that there was a divergence between expectation and reality.

**Senator ALLISON**—So the department received no advice from anybody at any stage—either at the time the legislation was being put together or beforehand or subsequently, between then and the time in July when this became evident? The department received no information from anyone that it was likely that the safety net would blow out?

**Ms Halton**—Senator, I cannot make an all-inclusive statement about everybody and everything and every piece of advice ever given, because I am not privy to all of that. But I can tell you that the estimates for the safety net were agreed by the Department of Finance and Administration, who are responsible for these things. That was the agreed basis on which the estimates were provided.

**Senator ALLISON**—Could you take that on notice?

**Ms Halton**—I do not think I can because the question is so sweeping. I cannot be responsible for every statement ever made at every meeting and in every context. What I can point you to—

**Senator ALLISON**—You can leave off perhaps the report that was done by the Senate committee which made that suggestion. I wonder whether there were any other documents that were provided to the department or advice given.

**Ms Halton**—I cannot answer a question that is that general. The reality is that we have thousands and thousands and thousands of files. So I cannot give you an answer that is that categorical. What I can point you to is what are the key points of decision making and the key

advices which are given to government which are basically mediated by the Department of Finance and Administration.

**Senator ALLISON**—What does ‘mediated’ mean?

**Ms Halton**—They are determined by the Department of Finance and Administration.

**Senator ALLISON**—I am sorry. I do not understand that role in this respect.

**Ms Halton**—Finance and Administration are responsible for the estimates in terms of deciding, in conjunction with the department and whatever other information they bring to bear, what something is actually going to cost.

**Senator ALLISON**—But the department of finance is not in a position to know whether the budget is adequate for the safety net. You are not suggesting that?

**Ms Halton**—They agreed the figures.

**Senator ALLISON**—They agreed them but on the basis of your advice, presumably.

**Ms Halton**—No. In fact, the Department of Finance and Administration have very clear views about all of our programs and where they are going to end up. We often end up with differing positions and their’s prevails, Senator.

**Senator ALLISON**—So was your position different from that of the department of finance?

**Ms Halton**—I do not know that just off the top of my head.

**Ms Blazow**—For the early estimates—no, they were agreed. I do not know whether there were huge disputes about specific aspects, but they certainly were agreed.

**Senator ALLISON**—It seems to me to be an important point, given the huge blow-out in such a short time frame, as to whether it was the department of finance that had a view about what the safety net would cost and whether the department had a different view.

**Ms Halton**—The published figures are agreed between all of the relevant players.

**Senator ALLISON**—So what went wrong?

**Ms Halton**—As I think Ms Blazow has already indicated, there were three sources for the change, one of which was the much higher registration of safety net.

**Senator ALLISON**—So why was there a higher registration? Have you done an analysis of that?

**Ms Halton**—I could point you back to the answer I just referred Senator Evans to which was tabled in respect of Senator McLucas’s question. In terms of why additional numbers of families are registered, I do not know that we can answer that question.

**Senator ALLISON**—So you have done no analysis of why your prediction or the department of finance’s prediction was so far out?

**Ms Halton**—No. One could speculate about the high level of publicity given by the advertising campaign, but we do not know that.

**Senator ALLISON**—Is it usual for the department not to attempt to find out?

**Ms Halton**—There is a need to understand, when estimates vary, the reason this varied is the higher level of families registering, together with the change in out-of-pockets, together with the obstetrics, which Ms Blazow has gone through. In terms of the obstetrics, do we understand the mechanics around that? I would say pretty much. In terms of the change in the data, we understand the reason for that. In terms of the increased numbers of family registrations and individual registrations, do we understand that? As I have said to you, the variable in the mix that you can see obviously was the level of advertising. Whether that is the only explanation, I would not want to speculate.

**Senator ALLISON**—Why was it not a decision of the department to deal with the obstetrics question? What was the rationale in not approaching the safety net from the point of view of what I understand to be a very significant aspect of the blow-out being attributed to obstetrics shifting costs?

**Ms Halton**—I do not understand your question.

**Senator ALLISON**—You have just said that obstetrics, in your view, was one of the reasons for the cost blow-out.

**Ms Halton**—We have quantified that. That is in the answer that I referred to that Senator McLucas asked us.

**Senator ALLISON**—Why was it decided to increase the threshold rather than deal with the obstetrics problem?

**Ms Halton**—You are asking me a policy question which I cannot answer.

**Senator ALLISON**—Perhaps the minister can answer that.

**Senator Patterson**—That is a question that I will have to refer to Minister Abbott. I will draw his attention to that question in the estimates. Just while I have the floor, Senator Allison may have been somewhere else but Senator Evans asked a series of questions along these lines. I think it would be appropriate, since they have been answered, that we refer Senator Allison to *Hansard*. It makes it quite difficult to go through the whole thing again.

**Senator ALLISON**—I do not think the questions I asked were exactly the same as those asked by Senator Evans. I have not been out of the room. I have been listening.

**Senator Patterson**—I will refer that question to Minister Abbott.

**Senator FORSHAW**—Following on from the questions about obstetrics, has there been any indication that there had been some sort of substantial increase in MRI services?

**Ms Halton**—No, not that I am aware of.

**Senator FORSHAW**—Could you just check that? That is something that I heard anecdotally. I would not want to suggest that it was an authoritative source.

**Ms Halton**—Certainly not that we are aware of. If I am not I will tell you.

**Senator MOORE**—In the answer that we got this morning about the blow-out you referred to the significant increase in obstetrics as being one of the areas. Some 39 per cent of the estimated increase was attributed to that cause. There was significant media coverage last

year of this issue and the process. Was the department involved in any discussion with various groups about how this could be addressed?

**Ms Halton**—There were a number of discussions between the department and a number of players, not the least of which was to understand obstetrics billing practices.

**Senator MOORE**—Absolutely. There seemed to be a real ignorance of how this could happen and the growth pattern that was there. It grew very quickly, from my understanding.

**Ms Blazow**—What happened was that there were obstetrics charges that were not showing on the previous Medicare bills prior to the safety net. So when the safety net came in those charges were put on to the Medicare bills and suddenly became evident in our database.

**Senator MOORE**—And those charges used to be on some other form of payment? It did not appear under Medicare at all?

**Ms Halton**—They were separate. They were in an in-between world.

**Senator MOORE**—And they were not covered at all?

**Ms Halton**—That is correct.

**Senator MOORE**—It was more like an out-of-pocket expense. It was a customer's expense. Through some form of magic obstetrics knowledge the doctors were able to see that this was there and worked with their customers. That seems to be the information.

**Ms Halton**—I have not had a baby recently. I suspect you would have to have been through the experience to know that they were there.

**Senator MOORE**—Has this particular issue been addressed?

**Ms Halton**—Yes.

**Senator MOORE**—In the policy area?

**Ms Halton**—Yes.

**Senator MOORE**—So that was really to get that on record and to give them the chance. Obstetrics seemed to be the major one. But certainly the media seemed to indicate other forms of specialities were also involved in this process.

**Ms Halton**—Can you clarify what you mean by that? Do you mean in terms of things that were off then coming on?

**Senator MOORE**—Yes. The key focus of discussion at our previous estimates looked at the area of obstetrics because that was such a significant costing. It was not peculiar to the obstetrics specialty.

**Ms Halton**—We are not sure about any others.

**Senator MOORE**—So at this stage that policy area has been addressed?

**Ms Halton**—We believe so.

**Senator MOORE**—And to the best of your knowledge, with the work that you are doing within the department, there are no other black holes of that kind?

**Ms Halton**—Of that magnitude?

**Senator MOORE**—Yes.

**Ms Halton**—No, we do not believe so.

**Senator MOORE**—So the issue of things being transferred and costs shifted has been stopped in terms of future activities under the safety net?

**Ms Halton**—Since that particular change in respect of obstetrics we have not seen any other changes. It was a one-off.

**Senator MOORE**—So the graphs that you have had and the research you have done have not shown spikes?

**Ms Halton**—In obstetrics?

**Senator MOORE**—Yes.

**Ms Halton**—No, it has been flatlined since we have had this one-off shift. Am I right in saying that?

**Ms Blazow**—There might have been some small movement in obstetrics as well. I think it might be still moving. I would need to check that. There was a very big move. Whether it is totally flat now I would like to check. There was a very big move that shows in the data very clearly. That was when we introduced the new item and so forth. We addressed it in a policy sense. I would need to check that it is totally flat now. There may still be some small movement as additional doctors use the new item. It takes time for doctors to see the new item there and start to use it. There might still be some movement. I am not sure.

**Ms Halton**—In terms of obstetrics and things that were off coming on, we think we have seen all of that or most of it, as Judy says. There might be a slight take-up of the changed items. So you cannot say categorically we have got the lot of it. But in terms of whether the large part of that change is now reflected, we believe so.

**Senator MOORE**—The current data that you have, with the graphs plotting how it is going, shows the increase that you mentioned is of the magnitude that could be addressed by other factors. It is not something that triggers alarms for you the way this did?

**Ms Halton**—I am not sure what you mean.

**Senator MOORE**—You said that there could be a slight increase in obstetrics which you are going to check. In terms of the quantity—

**Ms Blazow**—Take-up of the item, for example, may be still settling in as a item. I would need to check that.

**Senator MOORE**—I think this is very much a discussion about experience and learning and growing through the whole development of the process. That was very evident and you tracked it and then went through a process. If your data shows that there is a slight increase in this field, what do you then do to go back and find out how that happened?

**Ms Halton**—We actually talk to the profession.

**Senator MOORE**—Do you talk to the college?

**Ms Halton**—That is what we are doing all the time. We talk to the profession at large and then, if necessary, we talk to the obstetricians.

**Senator MOORE**—That is the action out of the process. You see something and that triggers someone in your area to go and talk to the profession and say, ‘This is happening.’ Is there an awareness in the profession about the importance of this discussion?

**Ms Halton**—Absolutely.

**Senator MOORE**—This is an opinion question. Do you think that the experience that was made so public through this process has led to a greater awareness in the profession of how these things are understood and how people react?

**Ms Halton**—I would not say it is opinion. It is my understanding that, on the basis of what the profession has told us, that is the case.

**Senator CHRIS EVANS**—Can I take you back to June.

**Ms Halton**—The observed period or the experienced period?

**Senator CHRIS EVANS**—The June figures show an escalation. We are going to take on notice when we had the first advice, other than a chat amongst officers, that there was a problem. When you got these figures in July was there an understanding then that the escalation was not just a reflection of bumping around month to month? Was it a sense then that you could tell the take-up rate was a bit higher than expected? As I understand, a lot of this was driven by the take-up rate. I know from seeing the minister’s releases they started off being very much focused on, ‘We have had a great take-up rate and we are over expectations’, and then we had releases saying, ‘We are 200,000 over what we thought we would be for the whole year.’ Clearly, even with my maths, if we have 200,000 more people accessing effectively cash it is going to drive your budget awry. Did the June figures that you got in July send you that message?

**Ms Halton**—Did they say that there was a fundamental shift I think is probably a bit strong.

**Ms Blazow**—We wanted to understand it.

**Ms Halton**—We needed to understand what was driving that, Senator. As Ms Blazow has already indicated, because the estimates in this area are so complex, you know, registrations being a function, the rate of registration is a function, all of those things, who registers in terms of entitlement as a concessional versus not, actually trying to understand what is driving those figures I think was probably the interest at that point rather than saying, ‘There is a huge issue here’. There was a view that we needed to understand and unpick this, but there was not a view that people were saying, ‘Right, the whole thing is going to a different place.’

**Senator CHRIS EVANS**—What did the June figures tell you about registrations?

**Ms Blazow**—The registrations were increasing.

**Senator CHRIS EVANS**—And you got those figures?

**Ms Blazow**—Week by week, yes. We would have those figures. I do not have them with me.

**Ms Halton**—The registrations, of course, were still below, at this point, the total number of registrations that were originally estimated. I think, as has been indicated, we expected a

certain number of registrations. I will correct later if I am wrong, but my understanding is that at this particular point we had not hit the number of registrations that we had expected.

**Senator CHRIS EVANS**—For that month or for the total for the year?

**Ms Halton**—For the total for the year.

**Senator CHRIS EVANS**—Can you give me on notice a month-by-month estimation of what you thought the registrations would be and what they were? I know you are getting these figures weekly. I am not necessarily asking for them weekly, but I thought you would have had a monthly report. I am still not perfectly clear whether that is the case or not. I am seeking guidance about whether it is fair to say that the monthly figures is the time to look at the question of the registrations. Is that the right question? I do not want to set you to extra work that does not help us.

**Ms Halton**—This is my point, I suppose. In the first year of any program you are making two sets of estimates: you are making a series of estimates about the total number of people who you think you will get to by the end of the period. You know, what is the number of people you expect to have registered in toto? Then you make an estimate of the rate at which you think they are coming on. You can be wrong on either count. So if you see that registrations are going more quickly, it does not actually mean *prima facie* that your total number of registrations by the time you are done is actually going to have been wrong. This is Ms Blazow's point. If you see something like that, you go, right, is this just faster take-up than we had anticipated still heading towards the number, or is it something else? So the need to unpick the data and find that out was, I guess, the principal issue at that point.

**Ms Blazow**—And the other variable is that family registrations does not automatically mean that the families are going to reach the thresholds, either. So it is a complicated correlation between the families that are registered and families that are reaching the thresholds and the movements in both of those numbers. We were doing the work to try to understand what was actually happening.

**Senator CHRIS EVANS**—I think it is fair to say you have convinced me it is complex, too, so we can chalk that one up, but what I would like to be clear on is: in terms of registrations, when were you getting figures that you thought were a summary of what is happening with registrations? Weekly, monthly? The weekly reports obviously contained that.

**Ms Blazow**—The weekly reports were showing numbers of families registered.

**Senator CHRIS EVANS**—And you did not aggregate that to monthly reports? Did you, at the same time as you got the cash flows, get a summary of the other HIC information?

**Ms Blazow**—There was no consolidated report in that way. There were the two separate processes: the cash flow monitoring and the reports on the separate registrations and qualification against the thresholds.

**Senator CHRIS EVANS**—So if I asked you for that information at the end of April, May, June, July, August, September, you would have to go and research that information?

**Ms Blazow**—Yes, I would.

**Senator CHRIS EVANS**—I guess I was trying not to put you to more work. What format did you have it available to you in that would be easily obtained by the department, short of us looking through every weekly report?

**Ms Blazow**—No easy, accessible format. It was in various forms.

**Senator CHRIS EVANS**—You are saying that the last weekly report you had at the time would have been what you used? Clearly when you got the cash flows in you would have said, ‘What is going on here?’ You said you commissioned some work, you wanted to find out. I would have thought the first thing you would have done is have a look at what is happening with the HIC information that you were getting on a weekly basis. You say to me that was not consolidated in any form. So what did you do, just get the last weekly report?

**Ms Blazow**—The weekly reports were coming into the branch, not to me personally. The branch was analysing those and preparing briefs, which I was seeing. Those briefs were also being provided to the minister. That was happening regularly in relation to the uptake of family registrations and families qualifying, meeting the thresholds and so forth. Separately to that, people were monitoring the cash flows. In the early months there was no concern about the cash flows. In fact, they were under, as we have said. It was much later that the cash flows started to be varied, and then we were also noticing significant increases in family registrations. By late July we could see a pattern of movement in both of those: upwards in family registrations, upwards in families qualifying and upwards in our variation in our cash flow estimates. There was no specific report that drew that to my attention. It was a whole series of work that was happening constantly in the branch.

**Senator CHRIS EVANS**—You have taken on notice what briefings when and how they were conveyed to the minister. Did those briefings include that information about family registrations, i.e. the information that was coming from the weekly reports or was it only about the cash flows, or both?

**Ms Blazow**—No, it was about the family registrations.

**Ms Halton**—Senator, as we have already indicated, we do not talk about the content of briefings, but as I pointed you to, there is a series of statements on the public record that go to issues of knowledge about the number of registrations.

**Senator CHRIS EVANS**—Mainly about registrations, not about cash flows?

**Ms Halton**—Yes, that is right.

**Senator CHRIS EVANS**—What I am asking you is: was the minister briefed about the cash flows?

**Ms Halton**—As you know, we are not in a position to answer questions about what we have briefed ministers.

**Senator CHRIS EVANS**—Were you briefed, Ms Halton, about the cash flows?

**Ms Halton**—In terms of at the end of July, understanding that the cash flow had diverged, yes, I was.

**Senator CHRIS EVANS**—You would say that the end of July is when you first got a handle on the concern?

**Ms Halton**—To be fair, I think probably I became aware of this in early August. I mean, the time from late July to early August is not significant. And I think consistent with the conversation we have just had, this was in the context of needing to understand what the issues were.

**Senator CHRIS EVANS**—But this was triggered, in effect, by the June cash flow?

**Ms Halton**—Yes, received much later.

**Senator CHRIS EVANS**—Received towards the end of July. So the June cash flow, is it fair to say, is the one that sort of caused a bit of alarm or a bit of concern that you were a bit ahead of the game?

**Ms Halton**—I would not use the word ‘alarm’.

**Senator CHRIS EVANS**—I am happy for you to use your own words.

**Ms Halton**—I think that is appropriate. It caused a question to be asked.

**Senator CHRIS EVANS**—A question to be asked. When did the figures regarding the family registrations and families qualifying for the thresholds, which you were receiving weekly, cause you to ask a question?

**Ms Halton**—Not until there was a divergence from the cash flow estimate because, as I have said to you already, the algorithm that combines numbers of families, rates of registration, rates of expenditure and reaching the thresholds and actual out-of-pockets beyond the threshold is, as I think we have already observed, a rather inexact science. So it is only when you see the combination of those things that, because you are still under the total number of families you expect to register, you say, ‘Do I need to now look at this?’

**Senator CHRIS EVANS**—Yes. What I have been trying to get, I think, for the last couple of hours is what advice was provided that brought those two things together.

**Ms Halton**—I think, as Ms Blazow has told you a couple of times, there was no one piece of advice that I can recall—and I do not believe there to have been one in a consolidated place—that said, ‘Here, look at all these combined things.’

**Senator CHRIS EVANS**—When was the first time that was brought together in a piece of advice?

**Ms Halton**—I do not know answer to that, Senator. I will have to have a look.

**Senator CHRIS EVANS**—Perhaps you could take that on notice.

**Ms Halton**—Yes, I am happy to.

**Senator CHRIS EVANS**—It just seems a little counterintuitive that the two were not brought together other than as a bit of a chat among officers. You have said yourself that you were asking the question. You clearly had evidence that things were not quite as predicted, to a point where the escalation, to use your term, caused you to ask a question. It seems to me that is when you bring the two together and say—

**Ms Halton**—You asked whether there was a piece of advice. My point to you is: I actually do not recall a piece of advice. I do recall, exactly as Ms Blazow said, a couple of conversations where we said, ‘Right, what’s going on here?’ in terms of registration rates

et cetera. You do not necessarily translate that intellectual interrogation of the circumstance into a piece of advice.

**Senator CHRIS EVANS**—Ms Blazow, can you give me the figures of family registrations and the thresholds at the end of each month?

**Ms Blazow**—Yes. I can take it on notice. I cannot give it to you right now.

**Senator CHRIS EVANS**—Can you give me an idea now what happened between the May information and the June information? You have previously referred me to the minister's press releases as the source of these things. Therefore, it was obviously prepared for the minister.

**Ms Halton**—Yes, and we do not have it with us today, Senator.

**Senator CHRIS EVANS**—You do not have with you today the numbers of people who are registering for the scheme?

**Ms Halton**—No, I do not think we have it on a month-by-month basis.

**Senator CHRIS EVANS**—So I ought to rely just on the minister's press releases for the time being?

**Ms Halton**—We will take it on notice.

**Senator CHRIS EVANS**—I am just surprised, given that this is one of the key issues, that you do not know. So you cannot tell me what had happened in terms of registrations at the end of June? I can go back to the minister's press releases, I suppose.

**Ms Halton**—Yes. In fact, at the end of June he said that 415,000 people were registered, 93 families and 21,000 singles have qualified for the \$300 threshold, and 25,000 families and 8,000 singles have qualified for the \$700.

**Senator CHRIS EVANS**—That is his press release of 28 June?

**Ms Halton**—Correct.

**Senator CHRIS EVANS**—Did the department provide him with that information?

**Ms Halton**—It would have done, if it was not provided by the Health Insurance Commission.

**Senator CHRIS EVANS**—So you can confirm for me that you provided the information and that the information in his 28 June press release is right?

**Ms Halton**—That is my understanding, Senator. If I am wrong I shall come back to you.

**Senator CHRIS EVANS**—Can you tell me how that differed from your projections for the same period?

**Ms Halton**—Not off the top of my head, Senator. We will have to take that on notice.

**Senator CHRIS EVANS**—I think in March the minister had said that there would be 450,000 people in any one year and within a couple of months you had 415,000.

**Ms Halton**—No, this is where you get yourself confused I think, Senator—or maybe I am misunderstanding you—between units and people, are you not?

**Senator CHRIS EVANS**—I may well be confused about units and people. If you want to correct me that is fine. What are you telling me?

**Ms Blazow**—My understanding is that the original estimate of 450,000 is singles and families, which would mean units.

**Ms Halton**—Not people.

**Senator CHRIS EVANS**—So Mr Abbott went from units to people at some stage, did he?

**Ms Blazow**—Yes. There were always estimates on both counts. They were not always reported in exactly the same way all the time. Sometimes it might have been the pears; sometimes it might have been the apples. Therefore, you have to look carefully at the words around the individual statistic.

**Senator CHRIS EVANS**—Why would you not be providing consistent advice to the minister, other than describing it in terms of pears or apples?

**Ms Blazow**—We were providing consistent advice. From one statement to the next statement there might have been a change in the statistic that was chosen.

**Senator CHRIS EVANS**—So you are confirming for me that Mr Abbott's earlier release actually referred to units and the latter one referred to people; is that right?

**Ms Blazow**—Yes. There was a reporting of people later in the piece as well, yes.

**Senator CHRIS EVANS**—The notes I have here both refer to people, but I would have to go back to the original press release to double-check.

**Ms Blazow**—Yes. Where it says 'people' it refers to the aggregation up of the individual claiming units for all the people in the family. So the word 'people' means the total number of people who would be benefiting, and that means everybody in the family. Where it says 'individuals' and 'families', it tends to refer to the units that were being claimed. That was the language that was used.

**Senator CHRIS EVANS**—So when in March 2004 he says that it will benefit 450,000 individuals and families, that is what you would describe as units?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—So on your formula he was actually talking about, what—just over a million people?

**Ms Halton**—Yes, more than a million people.

**Senator CHRIS EVANS**—It was 2½ to one or something on a rough guess of what the previous figures you gave me were? Do not quote me on that. The conversion of units to people looks to be about 2½ to one or almost three.

**Ms Halton**—I think families are about three.

**Ms Blazow**—I think we used an average of 3.1 people in a family.

**Ms Halton**—So then you have to have a weighted average across the number of singles versus the number of family units.

**Senator CHRIS EVANS**—I think earlier we arrived at the situation where 940,000 units equalled 2.5 million people. That is close enough to about 2½ for me. So when Mr Abbott refers in his press release to 450,000 individuals, we can safely assume that we are talking about over a million people—1.2 million people, something like that?

**Ms Halton**—Probably.

**Senator CHRIS EVANS**—Then his later releases slip to the language of people; is that right?

**Ms Halton**—Yes. I seem to recall that we had a very similar conversation with him as to the one we just had with you about the confusion about units versus people, Senator.

**Senator CHRIS EVANS**—So when you tell me that the only reference you can give me at the moment for these figures is the minister's press release, can you have a look at his June 2004 press release and tell me whether you can say to me that it is totally accurate? I am not suggesting it is not, but I do want to be clear that you are sure he has his apples and his pears right.

**Ms Halton**—My understanding, Senator—again, let me come back and correct it if I am wrong—is that the data that was in these press releases was absolutely accurate. I cannot go through that for you right now, because I do not have all of the source data, and check off each of these ones. But I will say to you that if I am wrong in that respect—and I do not believe I am—I am happy to come back and correct that.

**Ms Blazow**—These were prepared carefully against the reports.

**Ms Halton**—They were carefully prepared at the time to be accurate. So it is absolutely my understanding that that is accurate, but I cannot go back right here and now to all of the source documents.

**Senator CHRIS EVANS**—Because I must say that, on first blush, paragraph 4 of his release does not seem to quite equate with the 2½ times, units to people, when he gets to 415,000 individuals. It is not a big point. At the moment the only source of information I have on this is what you say was in his release. I am not actually picking on Mr Abbott. I am not particularly concerned about his release, other than to say that it is my only source of information so I want to know that you are happy that it is right.

**Ms Blazow**—It has 147,000 claiming units expressed as being individuals and families. Then it says it amounts to almost 415,000 individuals. That is in line with the formula.

**Ms Halton**—I think that is about right. If you took three times 93,000 you would get 270,000, to start with. Then add your 21,000 individuals and take three times 25,000, which gives you 75,000, plus your 8,000. It is a good thing that I am part of the pre-calculator generation, Senator.

**Senator CHRIS EVANS**—I still use an abacus, myself.

**Ms Halton**—I could probably do that, too. I am getting a figure of around 400,000.

**Senator CHRIS EVANS**—Okay. As I say, that is all I have to go on at the moment, so I want to be sure that we are talking about the same things.

**Ms Halton**—Yes; apples, Senator.

**Senator CHRIS EVANS**—Ms Blazow, are you able to tell me what you knew about the registrations at the end of June? Is that the figure that the minister uses there?

**Ms Blazow**—Yes, that would have been what we were receiving in the reports from the HIC. If you look further down, there is also a figure on how many families had registered, which was the other parameter that we were monitoring very closely.

**Senator CHRIS EVANS**—So the minister's press release is a reflection, you think, of what you knew towards the end of June about that?

**Ms Blazow**—Yes. This data would have been taken from those reports that were coming from the HIC.

**Senator CHRIS EVANS**—Can you tell me the date on which you got the information on the May cash flows? On notice?

**Ms Blazow**—I cannot, off the top of my head.

**Senator CHRIS EVANS**—Would you take that on notice?

**Ms Blazow**—I will have to take that one on notice.

**Senator CHRIS EVANS**—You got the June figures in late July and—to quote the secretary—you wanted to ask the question. Did you commission particular work on these issues?

**Ms Blazow**—In terms of commission, yes. I was talking to the branch head frequently about the work they were doing in the section and in the branch to monitor these things. I knew that they were receiving those reports and I knew that they were monitoring the cash flow, that is correct, but, as I said, I was not receiving a regular written report.

**Senator CHRIS EVANS**—So what was the next point at which you considered these issues?

**Ms Blazow**—I think probably we started to then look very seriously in August at what were the factors that were causing this. We were doing the work on the additional information that we had on family status having regard to their thresholds, whether they were meeting the thresholds, whether they were family tax benefit families, whether they were concessional families. We were starting to do a lot more detailed work on that. As I said, that was all about trying to understand what was actually happening with the implementation of the measure. I think that work became quite significant work in August after we became aware that the numbers of registrations was greater and that the cash flow was also starting to move.

**Senator CHRIS EVANS**—So in August, based on the June cash flows, you were doing serious work to try to make sense of it all?

**Ms Blazow**—That is right, to find out what was actually happening. This was a new measure and we were trying to understand the implementation of the measure.

**Senator CHRIS EVANS**—That was done in the section normally responsible for such matters as part of its normal monitoring work?

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—You had not been requested to do any particular specific work?

**Ms Blazow**—No. As I said, our normal cycle would be to provide formal information at the additional estimates time, the MYEFO of November. August would have been a normal cycle for us to start working on that—to understand it.

**Senator CHRIS EVANS**—Did you then start liaising with other departments about what all of this meant?

**Ms Blazow**—I would have to check on that and ask my officers. I know they are in constant contact with the department of finance, for example, on financial matters. They are also in contact with our portfolio strategies division, which coordinates all of these estimates matters. I cannot give you specifics.

**Senator CHRIS EVANS**—Perhaps you could take on notice when officers raised these issues with other departments like Finance and Administration, PM&C and Treasury, and what the nature of that interaction and joint work might have been.

**Ms Blazow**—It would not have been normal practice for us to talk with other agencies at that point in time. It would be more Finance that we would talk to about our estimates.

**Senator CHRIS EVANS**—Would you take on notice the broader question, as well? If the answer is that it was only Finance then that is fine. There is ongoing interaction with Finance?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—Your department is one of the big spenders. You have a lot of Commonwealth money. I presume that Finance likes to liaise closely with you?

**Ms Blazow**—Yes, they do.

**Ms Halton**—It is fair to say that they take a degree of interest, Senator.

**Senator CHRIS EVANS**—They take a good deal of interest in Defence as well, without much success. You do this work in August and you report to the minister on a regular basis on the briefs. When do you get the July cash flow figures?

**Ms Blazow**—It would probably be some time in August. There is that lag that we talked about before.

**Senator CHRIS EVANS**—Yes, that is why I was asking you for the date.

**Ms Blazow**—We do not have it with us.

**Senator CHRIS EVANS**—Could you take on notice for me the date you received the cash flow figures for July?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—At the moment, we will work on the basis of some time in August.

**Ms Halton**—Yes. Late August would be my expectation.

**Senator CHRIS EVANS**—Some time in late August. What did that tell you? I think you have taken on notice the specific answer as to what the figures reflected in comparison to your estimations. But, in a general sense, what did it tell you?

**Ms Blazow**—It continued to move upwards. The cash flows continued to move upwards.

**Senator CHRIS EVANS**—Had it escalated beyond the rate that it had been moving in the June figures?

**Ms Halton**—It continued—

**Senator CHRIS EVANS**—I am happy for you to table the graph, Ms Halton.

**Ms Halton**—No, because it will be misinterpreted.

**Senator CHRIS EVANS**—Why would it be misinterpreted?

**Ms Halton**—The rate, which is the slope of the graph, I actually do not think had changed hugely, to be honest. But it continued to diverge from the original cash flow estimate.

**Senator CHRIS EVANS**—What you are you telling me is that you are not happy to provide the graph because it is misleading, but you are happy to answer my questions on the basis of it?

**Ms Halton**—It is a reminder to me of what we knew, Senator.

**Senator CHRIS EVANS**—I am just a bit concerned, if it is misleading, that you are answering my questions on the basis of it.

**Ms Halton**—Yes, but I know what I know about this, and the interpretation that I can and cannot place on it.

**Senator CHRIS EVANS**—That is why I would like you to give me the figures.

**Ms Halton**—Which we will do, Senator.

**Senator CHRIS EVANS**—I would like those as soon as possible because I think they will inform this debate. Answers such as ‘I do not think it increased by much beyond the previous one’ does not tell me a lot. Had the rate of increase increased as compared to June?

**Ms Halton**—That is a statistical question which I cannot answer.

**Senator CHRIS EVANS**—You do not have anything else with you apart from the misleading graph?

**Ms Halton**—No, so I cannot tell you about the rate.

**Senator CHRIS EVANS**—What conclusions did the department draw when some time, probably in late August, it got the cash flow information for July?

**Ms Blazow**—We concluded that there was a need to update the estimates. The opportunity for that would have been in November, as I said. However, the first opportunity did come with the preparation of the PEFO. We would have provided the information when we were asked—I cannot tell you what date we were asked—to the department of finance to assist them with the preparation of the PEFO.

**Senator CHRIS EVANS**—Could you take on notice for me the date that you gave that information to Finance. Could you also take on notice whether that was the first time you had provided that information to Finance or whether you had already provided some information to them. You say that you had to update the estimates, and I accept that that is part of the normal processes of government; you were probably looking forward to your next round of estimates and wanted to make sure that you were prepared for that. Equally, you are charged

with administering a program that is showing an escalating cost well beyond your original estimates. I assume you had other responses as well.

**Ms Blazow**—Can I just make another point here, and that is that the safety net is, in fact, a part of the entire Medicare benefits program, which is a very, very big program. In fact, the total estimates are tracked as a total estimate and they are varied as a total estimate. Throughout this period, while we were certainly monitoring what was happening with the safety net, we were also monitoring what was happening with the entire Medicare benefits program. The entire program, from memory—I will correct this if I am wrong—was under budget, consistently.

**Ms Halton**—I am sure that is accurate, Senator.

**Ms Blazow**—Then there is the question of whether there will in fact be a need to update the estimate at all.

**Senator CHRIS EVANS**—Sure, that is fair enough, and that is an important context. Sorry, I have lost my train of thought.

**CHAIR**—We will take a short break.

**Proceedings suspended from 11.47 am to 12.00 pm**

**CHAIR**—Before we had the break, Senator Evans was in full flight. I invite him to continue.

**Senator CHRIS EVANS**—I am trying to remember where we are up to. It is probably the case that I will take up a new tack of questioning. I think we are in August, and if you are in Canberra it is cold.

**Ms Halton**—We are in late August.

**Senator CHRIS EVANS**—And you get the figures for July. They tell us that the cash flow situation is continuing to reflect that your spending on the safety net is above expectations. While we have got the context of all the other money that the department spends, we have also got the context of a new government initiative, a huge row in the Senate, amending of legislation, a lot of political concentration on the issue and an impending election. I suspect somebody would have had a look at the figures and worked out what this means.

**Ms Halton**—You would not to concatenate all those contexts and say what it was. I mean: ‘Impending election, yeah, and—?’ The process of reviewing the estimates—and, yes, it was a new initiative; Ms Blazow has talked about that.

**Senator CHRIS EVANS**—One of the things you expressed to me is that the PEFO has to come out of the pending election.

**Ms Halton**—The election has not been called yet.

**Senator CHRIS EVANS**—No, but what I am saying is: you give your context, I will give my context.

**Ms Halton**—Okay, fine. The MYEFO has to come out, but we have not had an election called then—unless I have missed something on the dates.

**Senator CHRIS EVANS**—The point I was making, Ms Halton, is that you have been at pains, on every occasion, to put everything into context.

**Ms Halton**—Yes, fair enough.

**Senator CHRIS EVANS**—I am telling you there is another context, which I am sure you are aware of. You may not have highlighted it today but I do not believe officers are not aware of it, and we can both do context all day or we can just answer the questions. I am happy either way.

**Ms Halton**—Okay.

**Senator CHRIS EVANS**—What I would like to know is what you did when you got the July figures in late August. What did the department do? What response did it set in place?

**Ms Blazow**—I have answered that. We continued to work on finding out why these trends were the way they were. What could we take from the information about family registrations? What could we take from our improved information about how those family thresholds were distributed across the different types of families and what that meant for their out-of-pocket costs and so forth? We continued to analyse what the underlying factors in those trends were.

**Senator CHRIS EVANS**—So all you did was analyse information. Did you provide policy advice? Did you recommend changes?

**Ms Blazow**—It is our normal work. At this stage we were not providing policy advice. The policy was settled; there was a new initiative in train. Our job was to implement how that initiative was rolling out and to analyse the trends in preparation for the normal process of, if we were required to, updating the estimates in November.

**Senator CHRIS EVANS**—Despite the fact that the July figures confirm the questions you had asked as a result of the June figures, it was just business as normal in terms of analysis? No other responses were initiated?

**Ms Blazow**—It was business as normal in terms of analysis.

**Senator CHRIS EVANS**—Did you pull together any piece of work or advice that brought together all that analysis based on the July figures?

**Ms Blazow**—I am not aware of one piece of work at that time, but I have taken that on notice. I will go and check, but I do not recall one piece of work in late July or early August that did that. I believe the analysis was continuing, but it still was not entirely clear to us what was happening.

**Senator CHRIS EVANS**—When did you do the piece of work that said, ‘This is going to cost a lot more than we thought’?

**Ms Blazow**—It came into very sharp focus after an election was called and we were requested for information to feed into the PEFO, which, as I said before, was earlier than our normal time frame to report on our estimates.

**Senator CHRIS EVANS**—So you are saying to me that, if PEFO had not been required, it would not have been brought into sharp focus?

**Ms Blazow**—No, I am saying that our normal cycle was to report formally in the additional estimates process on what was happening with the whole of the Medicare estimates.

**Senator CHRIS EVANS**—I understand that, but you also say you are in constant contact with Finance about how your budget is going.

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—You have got questions being asked. The secretary says she has described it as ‘asking the question’. I am trying to find out when you came up with the answer, and what the answer was. Or did you just keep asking questions?

**Ms Halton**—The answer was published in the PEFO, because that was the formal process.

**Senator CHRIS EVANS**—That was not the answer; that was the full reflection of the problem.

**Ms Blazow**—The answer was: how did we need to amend the estimates?

**Ms Halton**—Yes, that is right.

**Ms Blazow**—The estimates were amended as part of the PEFO.

**Senator CHRIS EVANS**—The only obligation or response you thought was necessary was to amend the estimates.

**Ms Blazow**—That is our normal process; it is what we are responsible for.

**Senator CHRIS EVANS**—It does not trigger any other policy response or consideration like ‘Hey, maybe we got this wrong’? or ‘This is costing a lot more than we thought’ or ‘What is the problem here’? You obviously did with the obstetrics. Senator Moore took you through that; it was obviously a bit of the focus. You actually started dealing with that problem—that is fair to say, isn’t it?

**Ms Blazow**—We certainly try to understand the problem so that we can provide advice to the government, but we would not necessarily trigger a policy response when a policy is already in place and it is during its first year of implementation. Our job at that stage is to report to the government on how that policy is being implemented, and that is what we were doing.

**Senator CHRIS EVANS**—The content of that policy advice had to be that it was running well over estimate.

**Ms Blazow**—I would not say well over at that point in time. As I said, it was quite a short window of time. It was running under for several months. It began to run over. It was evident to us in the June-July period that it was beginning to run over. It was not a matter that was a cause for alarm, if I can put it that way. It was routine to keep monitoring those things.

**Senator CHRIS EVANS**—Who did you bring into that process? There was a newspaper report in July 2004 which allegedly alerted to problems the HIC had identified relating to changed billing practices among doctors, which showed a blow-out to \$1.4 million in the scheme in Victoria in June alone.

**Ms Halton**—Which report was that?

**Senator CHRIS EVANS**—It was in the *Herald Sun* in mid-July.

**Ms Halton**—I cannot say I remember it.

**Senator CHRIS EVANS**—You do not remember it, so you had better take it on notice. I am trying to understand if you have an understanding of where that information would have come from. Was the HIC involved in discussions with you about the costs of the safety net?

**Ms Blazow**—There was separate work occurring around the obstetric issue. I do not remember the specific report that you are talking about, but there were certainly newspaper articles about the obstetric issue. It could be that they were referring to the obstetric issue, and we were certainly talking to the HIC at that time about the obstetric issue to understand what had happened to obstetric billing. We were talking to the profession to understand what had happened to obstetric billing in order to give advice about that particular issue, which was quite a separate issue.

**Senator CHRIS EVANS**—It is a separate issue, but it is part of the problem, isn't it? It was one of the drivers of the increase in expenditure.

**Ms Blazow**—Yes, it was.

**Ms Halton**—That is right. One of the issues here, as Ms Blazow says, is that you have the notion of business as usual. To be honest, I cannot quite recall when exactly we really got a focus on the obstetric issue, but again this goes to the complexity of understanding the estimate. Once you get a bit of a handle on the obstetric issue, that, in and of itself, could have explained the divergence of the year to date and the aggregate of expenditure. We needed to unpick, exactly as Ms Blazow says, what was actually going on.

**Senator CHRIS EVANS**—When did you become alerted to the obstetric issue?

**Ms Blazow**—I think that was in May. I would need to refresh my memory of that.

**Senator CHRIS EVANS**—Perhaps you could take it on notice.

**Ms Halton**—Yes, we will have to take it on notice.

**Senator CHRIS EVANS**—However, I think that must be right. As I understand it, you were having discussions about that with the HIC in June. Is that right?

**Ms Halton**—That would be about right.

**Senator CHRIS EVANS**—Who else did you discuss the obstetric issue with in June?

**Ms Halton**—My memory is that it was with the profession, but we will have to confirm. If I am wrong, we will come back and correct that.

**Senator CHRIS EVANS**—Did you discuss that with the department of finance?

**Ms Blazow**—I do not recall having discussions with them, but we would have to check.

**Senator CHRIS EVANS**—Who else in government would have known that you had a problem with obstetrics and that you were dealing with it?

**Ms Blazow**—The obstetrics issue was widely reported in the press. I do not know who else knew, but I know the matter was widely reported in the press.

**Senator CHRIS EVANS**—We know that ONA relies on its press coverage for its intelligence, but I am asking whether or not you—the department—were informing other departments and liaising with them and informing them about the problem with obstetrics.

**Ms Halton**—We would have to take that on notice. My expectation is that at a more junior level there may have been some discussion about that, but I cannot be certain of that. I also cannot be certain that we can confirm every single conversation that has occurred.

**Senator CHRIS EVANS**—What is this about an HIC audit in June?

**Ms Halton**—You would have to ask the HIC; I am sorry but I do not know.

**Senator CHRIS EVANS**—You did not receive a copy of an HIC audit in June, which looked at these issues and obstetrics in particular? My information may be wrong; I may not be describing the HIC audit correctly.

**Ms Blazow**—Certainly we working with the HIC to understand the billing practices of obstetricians in this context. I do not know about the word ‘audit’, but certainly the HIC was providing us with information on what was happening on various items in the obstetrics part of the table.

**Senator CHRIS EVANS**—I am happy for you to use your own terminology, because I do not want to verbal you. What do you think the HIC was doing? Was that at your request? Were you involved with it? Did they provide you with a copy of whatever it is you say they were doing?

**Ms Halton**—From memory—this may relate to that media report that you referred to but, without seeing it, I cannot be completely confident that I am right—the HIC, on its own initiative, may have done some work in this area. You would have to ask them about that. Possibly you are talking about what they did on their own initiative, as against the conversation we were having with them to put us in a position where we understood what was going on.

**Ms Blazow**—Yes, I recall there were two separate things happening.

**Senator CHRIS EVANS**—Ms Blazow, can you describe the two separate things and your involvement in them?

**Ms Blazow**—The Health Insurance Commission, as part of its normal functions, monitors items in the schedule. That tends to happen at quite a low level and it is a very decentralised process in the HIC. Quite separately, when we became aware of the obstetric issue, we talked to senior officers here in Canberra as a policy process of understanding what was happening with obstetrics so that we could give the government advice. We had not expected those costs on Medicare that had suddenly appeared, and we wanted to understand that better.

**Senator MOORE**—Was that before the machinery of government changes?

**Ms Halton**—Yes.

**Senator MOORE**—Was that when HIC was part of the whole portfolio?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Did you get advice from HIC about these matters?

**Ms Blazow**—Yes, we did.

**Senator CHRIS EVANS**—What date did you receive that advice?

**Ms Blazow**—I would have to take that on notice.

**Senator CHRIS EVANS**—Was there more than one piece of advice?

**Ms Blazow**—It is likely, because it was an iterative set of discussions.

**Ms Halton**—It was a dialogue.

**Ms Blazow**—They probably gave us information, we then had further questions, they then gave us more information and we then talked more. It was like that. It would not have been just one thing.

**Senator CHRIS EVANS**—Perhaps you could give me the dates of the advice you received. Would it be fair to describe this as the HIC doing an audit?

**Ms Halton**—No. I suspect what you are talking about—which the word ‘audit’ may apply to—is something they were doing themselves as part of their ongoing activities, which I think became the subject of some media reporting. It is not something I can profess great knowledge of nor indeed did we ask for it.

**Senator CHRIS EVANS**—What was your understanding of that work?

**Ms Halton**—I actually cannot go to the detail of it. It was something to do with billing practices and it was something to do with particular items. That is all I was aware of.

**Senator CHRIS EVANS**—It was described in the press report—and I do not want to overstate whether this is accurate or not, but for the purposes of the discussion—as regarding evidence of changed billing practices among doctors to help patients reach the safety net faster. It claimed that the report showed that more than 3,000 patients of Victoria slipped into the safety net in only one month and a \$1.4 million blow-out of the scheme in Victoria in June alone. Who would have had access to that sort of information?

**Ms Halton**—We cannot answer that question because that was not work done by us, nor did we commission that work.

**Senator CHRIS EVANS**—No, but who has the information about safety net costs? HIC has got it, you have got it—who else has got it?

**Ms Halton**—No, we need to be clear. The HIC are not the custodian of the estimates. Whilst they might spend money, they are not responsible for monitoring costs. That particular report—and I now think we are talking about the piece that I remember—was something done by the HIC, not at our request. I cannot profess great knowledge of it and therefore it is not something that we can properly comment on. But it was not part of the work that we were doing with them.

**Senator CHRIS EVANS**—No, I have asked you a separate question. I asked you who had access to the information regarding the cash flows of the safety net. They quoted a figure—which may be wrong, which may be made up.

**Ms Halton**—I am pretty confident it is the piece of paper I recall. I was perplexed by that and its source and the fact that it published a figure which we could not understand where it had come from.

**Senator CHRIS EVANS**—Given that you were perplexed by it, I will not rely on it terribly much. Who knew the real figures? Who had access to the real figures? You had it.

**Ms Halton**—The estimates?

**Senator CHRIS EVANS**—No, the cash flows. To get a figure about whether or not the scheme had blown out, you would need to have the cash flows, wouldn't you? I am not saying the newspaper had the correct figures.

**Ms Halton**—We do not think the HIC had the estimates, let alone the cash flows.

**Senator CHRIS EVANS**—That is what I am trying to get to.

**Ms Halton**—That is my point. That is why we were perplexed.

**Senator CHRIS EVANS**—Who had access to the cash flow figures for the health care safety net in the May-June-July period, apart from your department?

**Ms Halton**—Finance.

**Senator CHRIS EVANS**—Is it fair to say the HIC did not have them?

**Ms Halton**—That is my understanding, but, again, I will correct that if I am wrong.

**Senator CHRIS EVANS**—It is fair to say that apart from the finance and health departments, no-one else should have had access to them, anyway.

**Ms Halton**—That is my belief.

**Senator CHRIS EVANS**—I am not launching a leak inquiry, you will be pleased to know. I think the AFP are handling 100 or so of those, so they will pick that one up if it is a leak. But, as you say, you are not sure the information is even correct anyway.

**Ms Halton**—No.

**Senator CHRIS EVANS**—That is not where I am going. I am just trying to understand who had the information. What can you tell me about what you know about the HIC report? It was not commissioned by the health department?

**Ms Halton**—No.

**Senator CHRIS EVANS**—Was it provided to you?

**Ms Halton**—I do not believe so. I think we probably asked when we saw that newspaper article what on earth that was. I think I might have been shown a page of data, which was an example of what it had come from. I do not believe I was shown a report. I do not believe there was one.

**Senator CHRIS EVANS**—Did that data that HIC had include figures on the cost of the Medicare safety net?

**Ms Halton**—No. That is not my understanding. But, again, that is a question you would have to ask the HIC.

**Senator CHRIS EVANS**—I am, but I am asking you.

**Ms Halton**—No to my understanding.

**Senator CHRIS EVANS**—Your evidence was that you think you were shown a page of the report when you inquired what it was.

**Ms Halton**—No, let us be clear: I do not understand there to have been a report. There may have been, but I do not understand there to have been. I understood that what had been leaked, to use your word, was in the public domain—albeit a universe of one, as in a journalist—was some data tables. This is a supposition put to us about what was in the public domain. I do not know that it was founded on evidence, but it was a supposition. What I was shown was a table which was meant to have been a data table—that was it.

**Senator CHRIS EVANS**—And that was not a health and age care department data table?

**Ms Halton**—No, absolutely not.

**Senator CHRIS EVANS**—It was an HIC data table.

**Ms Halton**—Correct.

**Senator CHRIS EVANS**—You are saying to me that they did not have access to your figures on the cost of the—

**Ms Halton**—That is my understanding, but obviously there was some material that was in the public arena.

**Senator CHRIS EVANS**—There are two issues, though: what is in the public arena and what is in the HIC report. The HIC document which you saw did not include information which you regard as health department information inappropriately gained.

**Ms Halton**—Absolutely not; categorically not.

**Senator CHRIS EVANS**—Did the HIC at any stage provide the department with a document report that dealt with this question of changed billing practices and its impact on the safety net?

**Ms Blazow**—We met and discussed it and the focus was on obstetrics. We talked to them about what was happening in obstetrics. We were aware that there was something happening on changed billing practices, meaning that costs previously outside Medicare seemed to be appearing on bills. What did all of this mean? We had quite a lot of discussions with the HIC about that and whether that was acceptable, legal and what it all meant. There were considerable discussions. I do not remember that there was a specific report. It was an exchange, a dialogue, between the two agencies.

**Senator CHRIS EVANS**—Perhaps you can take on notice whether or not they provided you with some documentation; if so, the date. Could you provide me with an answer to when you began discussing with HIC their concerns about those billing practices? Did the HIC discussion result in any action being taken by the department? Is that what helped inform your then discussion with the profession?

**Ms Halton**—At least in part.

**Ms Blazow**—Could you repeat that?

**Senator CHRIS EVANS**—I want to understand the sequence of events. Is it fair to say that the discussions which you had with HIC informed you and preceded your then discussing with the profession how they were responding?

**Ms Blazow**—That is exactly right, yes.

**Senator CHRIS EVANS**—Was the HIC also having discussions with the profession or was that your end of the job?

**Ms Blazow**—That was our end of the job.

**Senator CHRIS EVANS**—Were they in contact with you about what they saw as the nature of changed practice?

**Ms Blazow**—Yes.

**Ms Halton**—We sought information from them.

**Senator CHRIS EVANS**—This is different from what we have been referring to as the audit?

**Ms Halton**—Correct. Own motion on behalf of the Health Insurance Commission, as against us—exactly as Ms Blazow has said—understanding that there may be something there on obstetrics.

**Senator CHRIS EVANS**—What did you seek from them?

**Ms Halton**—To discuss what their information was in this respect, what they were seeing and what they understood to be the case.

**Senator CHRIS EVANS**—Was this prompted by your figures on the cost of the safety net or particular reference to obstetrics?

**Ms Blazow**—No, there were not figures. What triggered it were anecdotal reports, I believe, that people who had been incurring high out-of-pocket costs prior to the safety net were getting a benefit where they had not been getting a benefit previously. It was the reports from people who were using the system.

**Ms Halton**—It was informal reporting on this particular occasion—people telling us about their experience. The point at which we started this conversation—which I think was May; we will confirm that—was that there was not cash flow or other evidence that we had that there had been some significant divergence.

**Senator CHRIS EVANS**—So you started pursuing that with the HIC to understand what was happening. Was that only in the obstetrics area? Was that the only area that you were alerted to at the time?

**Ms Blazow**—That was the area that we were alerted to. We subsequently began the monitoring of a whole basket of items across the schedule to see what was happening on those items. At that stage, in terms of aggregates, there was no major reason to do that. Obstetrics came first. We looked very seriously at obstetrics; there was a policy solution. We also concurrently began to monitor specific items across the schedule to see movements in out-of-pocket costs.

**Senator CHRIS EVANS**—When did you start doing that? Was it in May?

**Ms Blazow**—I will have to take that on notice. It probably did not start until June. I am only speculating.

**Senator CHRIS EVANS**—Take the specifics on notice. Did that throw up any other item that looked to be particularly worrying or showed changed behaviour?

**Ms Blazow**—No.

**Senator CHRIS EVANS**—So it was only obstetrics that stood out as being a change of practice?

**Senator MOORE**—Is that now under control?

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—Can you take me through what you do for PEFO? What does that involve for the department?

**Ms Blazow**—It is the same as any estimates process. The department prepares an estimates report, a derivation of the estimate and all the spreadsheets that are needed. There is a dialogue with the department of finance. They forensically go through that information that we provide and decide whether they believe that it is a true picture of the estimates. Eventually they will sign off on an estimate and provide that advice to government for inclusion in the formal documentation, which in this case would have been the PEFO document.

**Senator CHRIS EVANS**—When did you start your work on the PEFO?

**Mr Clout**—The preliminary work on the PEFO would have started as soon as the election was announced. Staff in my branch would have started canvassing with staff in all other divisions, including Ms Blazow's division, for any items they believed would need their estimates updated for a PEFO. All of that information is gathered together, it goes into various spreadsheets that we use and it is sent over to the Department of Finance and Administration. We then go into a dialogue with them if they have any further questions or any additional information requirements. We end up with an agreed position on whether there should be a change to the estimates for each program; if so, what it should be. Our role is to then enter those changes to the estimates into the budget management system. The department of finance validates them and they are published in the PEFO. The work would have commenced as soon as the election was announced. There would have been quite a mad scurry because there is a statutory time on the PEFO—it has to come out very quickly.

**Senator CHRIS EVANS**—As the final timing of the elections are only ever known to the Prime Minister but there is a reasonable public expectation about roughly when an election will be held, is preliminary work done so you do not end up in a mad rush? Do you start putting stuff together before that?

**Mr Clout**—We start to identify areas that we think may need to be updated. Sometimes that is accurate; sometimes there are other items and sometimes areas that we thought needed to be do not. However, if we approach the department of finance too early, they often say: 'Calm down, let's not start working on this yet. Let's wait and see when we actually have a date.' You can go through a process of agreeing with them what a new estimate might be but, if you are a month or two months wrong with the election date, you have to start over.

**Senator CHRIS EVANS**—What was your section's role in the Medicare safety net? Did you get an update from Ms Blazow's section? Is that how it works?

**Mr Clout**—I was on leave at the time, so I am going on what I believe would have happened. If I am wrong, I will correct the record, but the usual process would have occurred whereby information was provided by Ms Blazow's division to officers in my branch, who then would have approached the department of finance, probably in a batch of 70 or 80 other estimates variations.

**Senator CHRIS EVANS**—Can you explain what 'approach the department of finance' means?

**Mr Clout**—We have a range of pro-formas in the form an Excel spreadsheet. We identify which program we think has an estimates variation due, what we think that variation should be, the reasons for the variation and the assumptions behind it—if there are assumptions—to explain the nature of the variation and the extent of it. When there is a large batch of spreadsheets—and in a case like a PEFO or a budget update there would be—we put them onto a CD and someone drives up the road to the department of finance and delivers it to them. From my understanding of the way the department of finance works, they would then distribute it amongst themselves to the desk officers involved. They would then go through what has been proposed and start a dialogue with individual officers back in the department of health about additional information or explanations.

**Senator CHRIS EVANS**—Is it a fair description to say that the work on it is done by you and your section, or inside Health, in the first instance. You say, 'We've got four-months experience of this program. We have had a look at it and we think we will have to raise our estimate. This is our best estimation,' and you then send it over to Finance for verification. Is that a fair description?

**Mr Clout**—It is a fair description in the general sense that that is the way it works. There are occasions when Finance will approach us in the first instance and suggest that we update some estimates on some programs.

**Senator CHRIS EVANS**—In terms of the Medicare safety net, to the best of your knowledge it worked in the normal way in that you advised Finance?

**Mr Clout**—I would have to take that question on notice. Because I was not in the workplace at the time, I would not like to speculate.

**Senator CHRIS EVANS**—Can you get for me the date you commenced work on the PEFO task and the date you sent to Finance the draft estimates, with particular reference to the Medicare safety net? I am covering the possibility that you might not have sent them all at the same time. What happens? Do they formally advise that they have ticked off?

**Mr Clout**—Yes, they do.

**Senator CHRIS EVANS**—There could be negotiation before that.

**Mr Clout**—There would have been a dialogue. Often that is via email or telephone call, so there would not be a solid record of how many exchanges or transactions we would have had with Finance on this one. There may be some record by way of an email or a note, but usually it is done via phone calls between—

**Senator CHRIS EVANS**—I do not want to verbal them, but Finance have given evidence that they had noted that there may be an increase in costs in the safety net estimates and that they had spoken to the minister in his office a couple of times about that. Would that have been responding to PEFO preparations? Sorry, that is probably not a fair question to ask you.

**Ms Halton**—We cannot comment on that.

**Senator CHRIS EVANS**—It goes back to my earlier question: when did the department begin discussing with, or have interactions with, Finance about the increased costs in the Medicare safety net?

**Ms Halton**—I suppose that, as Ms Blazow has indicated, there is kind of an organic relationship at the lower levels in the department, but the formal process was, exactly as Mr Clout has indicated, when there was the formal requirement for PEFO. As he indicated, that triggers a requirement for a published estimate, rather than this sort of chatter, if I could describe it that way, between departments about the day-to-day running of the place and of business, which is more of an organic process—and done at a fairly junior level, I might add.

**Senator CHRIS EVANS**—Perhaps another question you might take on notice is whether you have any formal record of the department of health advising Finance of a greater than expected expenditure on the Medicare safety net.

**Ms Halton**—There are two comments to make about that. Cash flows are shared so everyone understands what cash flows are meant to be in order to manage the Commonwealth account. In terms of formal process, I think we have already indicated that Mr Clout will provide you on notice when that formal process of us saying, ‘We think we need to update the estimates on these’ actually occurred, so that we can give you that date.

**Senator CHRIS EVANS**—It was a separate and wider question, though, of whether or not, in addition to the PEFO process, there was any advice provided other than in the ‘chatter’, as you describe it, from the department to Finance.

**Ms Halton**—We will have to have a look.

**Senator CHRIS EVANS**—I am at a bit of a loss because we have been lacking in being able to get any precision on things like the date on which you received the cash flow statement.

**Ms Halton**—And we have said we will come back to you on notice.

**Senator CHRIS EVANS**—Yes. My difficulty in narrowing these things down at the moment is that, if I had that date, I would know when you knew and I could then ask you when you thought Finance knew. But we do not know that, so we are still operating in the ether of ‘some time in late August’ to the best of the recollection. If you could take on notice the question about PEFO and the wider question about any other contact with Finance. You will get back to us on the question of when Finance ticked off. Can you give me an indication of what sort of timing. PEFO was published on 10 September, so it could not have taken long.

**Ms Halton**—No.

**Senator CHRIS EVANS**—When did the government call the election? Was it 31 August or 1 September?

**Ms Halton**—It was 31 August.

**Senator CHRIS EVANS**—Based on your evidence, you commenced the PEFO work on 31 August and the documentation was produced on 10 September. Obviously, it was not a leisurely process.

**Ms Halton**—No, exactly. And they signed it off obviously before it went to print. We will find out when it was signed off.

**Senator CHRIS EVANS**—It was a good time to be on leave if you are in that section.

**Mr Clout**—I was going to say: it was actually a very leisurely process for me, but of course not for staff members.

**Ms Halton**—His timing was impeccable.

**Senator CHRIS EVANS**—I cannot see your next application being easily approved.

**Ms Halton**—Any time between now and in two and a bit years he is entitled to take leave. Other than that, we will think about it seriously.

**Senator CHRIS EVANS**—You will get back to me on the date that you prepared the information for the PEFO that went over to Finance.

**Ms Halton**—Yes.

**Senator CHRIS EVANS**—What about the internals of the department? You have got a draft done which says, ‘These are the revised estimates of each of the budget items we are responsible for in health and ageing.’ What happens with those, apart from obviously providing them to Finance for checking? Do they go to the secretary? Do they go to the minister? What is the process inside the department? Do just the variations get distributed to the key decision makers?

**Mr Clout**—The normal course of business is that each of these requests to various estimates are signed off by first assistant secretaries who are division heads. In all cases it is up to division heads to share that information in the form that they see fit to the executive of the department or to the minister or to the minister’s office. There is no formal process within the department with a general budget update to provide a summary of those updates to the executive or to the minister’s office or to the minister.

**Senator CHRIS EVANS**—But again, I presume if there are issues arising from the PEFO that showed a change in performance beyond a reasonable variation, it would be brought to someone’s attention.

**Mr Clout**—The process is that it would be up to individual divisions to handle information like that.

**Senator CHRIS EVANS**—Say the PBS had blown out by 15 per cent, I suppose someone would tell someone else, wouldn’t they?

**Ms Halton**—The total PBS? Yes, I think so.

**Senator CHRIS EVANS**—Who would they tell?

**Ms Halton**—On the total PBS? We have not had the total PBS blow-out by 15 per cent.

**Senator CHRIS EVANS**—No, that is why I chose it. If I said Medicare safety net by 15 per cent, someone would want to correct me and say, ‘No, it was only 14 per cent’ or something like that. I chose the whole PBS as an example. I am trying to understand the process inside the department. You prepare the PEFO. You have obviously got areas that are right on track, that are going to come out perfect—a big tick for the section that got that right. You have got other areas that go, ‘We’re only a bit over or a bit under, so that’s okay.’ And you have got other areas where you have got a variation of 30 per cent of expenditure. Does someone just say, ‘Oh, bugger’, or do they say, ‘I better tell someone about this?’

**Ms Halton**—I am sure they would have said, ‘Oh, darn’.

**Senator CHRIS EVANS**—When would they share that with anyone, or would it just become part of the chatter around the department?

**Ms Halton**—As Mr Clout has said, the owner of that particular component is the first assistant secretary. You will find that the executive knows if there is a significant variation in one area or another.

**Senator CHRIS EVANS**—I would have thought that is right. I also would have thought, given the context of the media speculation about the blow-out in the Medicare safety net and the obstetrics issue, it is not unreasonable to assume that this would be an area of interest to the health department executive.

**Ms Halton**—Correct.

**Senator CHRIS EVANS**—When did the health department executive get advice that the PEFO indicated there was a substantial cost increase?

**Ms Halton**—My memory is that I certainly knew of the figures we were proposing, although I cannot tell you down to the nanosecond when this was. When the PEFO process commenced, there was a point at which we thought we had an estimate of those figures. In fact, I recall that Ms Blazow and I discussed it. It had not, at that particular point, been signed off by Finance. The PEFO had been called for because an election had been called.

**Senator CHRIS EVANS**—So when are we talking about? Do you know the date?

**Ms Halton**—It would have been either at the very end of August or the very beginning of September.

**Senator CHRIS EVANS**—Perhaps you could take it on notice to see if you can do any better than that with the date. I accept that you may not.

**Ms Halton**—It is a conversation. I think it will be hard to tell you the precise date but it was after the election was called.

**Mr Clout**—The election was called on 29 August.

**Senator CHRIS EVANS**—Yes, I was wrong when I said the 31st.

**Ms Blazow**—There is always this little window before the caretaker period starts. So it was not until 29 August that we knew we had to have a figure to fit into the PEFO. While we knew that estimates variations were likely, it really concentrated the mind on the figure—because you have to declare it into the PEFO, go to the department of finance and undertake

the process that Jamie has described—and that occurred in that very tight window at the end of August.

**Senator CHRIS EVANS**—You say ‘the window’, but the window for what? I know there is a window for a lot of funding decisions for things such as railways in outback Australia.

**Ms Blazow**—There is a formal process around the PEFO after an election is called is my understanding and how long there is until the PEFO is published. It is all specified.

**Ms Halton**—There is a statutory date by which the Secretary to the Department of Finance and Administration has to produce PEFO. We are obliged, in the residual period before he has to go to the printers, to get these things agreed.

**Ms Blazow**—That is correct.

**Senator CHRIS EVANS**—I thought Ms Blazow was referring to a window benefit the calling of the election and the caretaker period.

**Ms Blazow**—No, I meant the statutory requirements for publishing. It is a very tight deadline.

**Senator CHRIS EVANS**—We have discussed that, and it was published on 10 September. I presumed that meant the guidelines. The election was called on 29 August but I do not think the government went into caretaker mode until 2 or 3 September.

**Ms Halton**—No, I do not think it was that long. I think it was only a day or two. I am advised it was 5 p.m. on 31 August, from the bleachers.

**Senator CHRIS EVANS**—That is where I got the 31st from. But that was not the window you referred to, Ms Blazow?

**Ms Blazow**—No. I was referring to the requirement for a published estimate to go into the public arena. As I have said, we were working towards November and suddenly it was much more compressed.

**Senator CHRIS EVANS**—Thanks for that, but what I am saying is that on 29 August the department was aware that the Prime Minister had called the election. You then had to meet the timetable for PEFO. We are not sure of the exact details of that but clearly that was produced on 10 September.

**Ms Halton**—Yes. It was a Sunday. We said we will come back to you on notice. We would not have gone to Finance on the first day of that week, because there would have been a process of internally finishing the remaining business of government, if you see what I mean, but I would imagine we would have mid that week or late that week. We will come back to you with the date. We would have gone to Finance sometime in early September in order to meet their printing deadlines.

**Senator CHRIS EVANS**—But you did not do much before the election was called, because you were never quite sure when you could start. Effectively, the calling of the election meant you had to get on with it and get it done to meet the deadline of signing it off between you and Finance and we know it was published on 10 September.

**Ms Halton**—Correct.

**Mr Clout**—That was in the general course of business. You do not normally start with Finance too much ahead of time. From memory, Finance was working back from a date of about 10 or 11 September. They would have had a requirement for us to agree to all costs by around 4 or 5 September so they could meet their desktop and printing deadlines.

**Senator CHRIS EVANS**—Can you take on notice the date you had to work to?

**Mr Clout**—Yes.

**Senator CHRIS EVANS**—Did the department do anything else around that period in relation to the statistical information about the changing costs of the Medicare safety net?

**Ms Halton**—There was not a lot we could do. I do not quite understand. We were going through a process, which I think we have just outlined, but we could not take any action because government was about to go into caretaker mode—if that is what you mean.

**Senator CHRIS EVANS**—Did you advise PM&C, Treasury, Finance, HIC or anyone else that you had an issue with it?

**Ms Blazow**—No, the department did not at that point. We were very focused on getting the figures prepared for the PEFO. I do not recall that I contacted any of my colleagues in other departments to discuss that. We were in a normal process of preparing a figure and getting it signed off by the department of finance for publication in a document. That was concentrating our efforts, quite clearly.

**Senator CHRIS EVANS**—But you are going to take on notice—you are still not able to tell me—the date on which you got the July figures on the cash flows? We say late August, so I presume that, unless it was the last day or two of August, that means you had got that prior to the election being called?

**Ms Halton**—Probably. We will have to check, but probably. It probably would not have been much before the election was called, but we will have to check the date.

**Senator CHRIS EVANS**—So we are at the disadvantage at the moment that we do not have any of that specific information. I think we have discussed the fact that the July figures received at the end of August confirmed the escalating costs of the program? There was an awareness that, prior to the PEFO process commencing, it was likely that you had an increase in costs coming out of those estimates—that is, the PEFO was not the first indication to you that this was going to be an issue in terms of increased costs in that program?

**Ms Blazow**—But it is the difference between the work of attempting to understand what was happening with the trends—and that was progressing throughout August, but that came to a head when the election was announced on 29 August. We knew that we would therefore have to feed that in, not into the normal additional estimates process but into a PEFO, so then we had to do a spreadsheet, derive what we thought was going to be a revised estimate and communicate with Finance about that. So the work that we had been doing throughout August to understand what was happening in the program was used as the basis for that additional work, to feed into the PEFO.

**Senator CHRIS EVANS**—You said ‘do the spreadsheet’. Is that the key thing that shows you what is happening?

**Ms Blazow**—For example, when the estimates are prepared there is always a spreadsheet behind. So the things that we were learning—about the increased family registrations, the profile of the families against the threshold eligibility, the increased out-of-pocket costs, the impact of the obstetrics situation—would all have had to be fed into the spreadsheet to arrive at a revised estimate. That would have been communicated with Finance. Finance would have checked all of those assumptions so that they were satisfied that they were correct for signing off the material to go into the publication PEFO.

**Senator CHRIS EVANS**—I think this fits into a question that you have already taken on notice, but I would appreciate it if you could give me the date on which that spreadsheet was generated. Was a spreadsheet containing that information done prior to the preparation of the one for the PEFO process?

**Ms Halton**—The spreadsheet exists.

**Ms Blazow**—Yes, the spreadsheet is a constant tool.

**Ms Halton**—Yes, it is a constant tool; it does not just appear one day. The spreadsheet generating the estimates is a constant in the operation of these areas of the department.

**Senator CHRIS EVANS**—So you could push a button any day and get it if you wanted it?

**Ms Halton**—You can push a button and get a figure out of it, yes—the process of updating the assumptions that underpin the production of the estimates. People play with models all the time. It is the point at which you are going to get agreement from Finance that this version, this conjunction of assumptions and drivers, genuinely does represent; therefore, the answer you get when you push the button is the answer which is going to form the published estimates. It is at that point that we have an estimate, if that makes sense.

**Senator CHRIS EVANS**—Yes, you have an estimate that is ticked off by Finance, but you are telling me that you have the ability to generate an estimate at any one time by pushing the button, because you are constantly updating the information. Am I right, or have I misinterpreted what you have said?

**Ms Blazow**—We do have that ability, but we would not feed assumptions into a spreadsheet just for the curiosity of feeding assumptions in. The assumptions have to—

**Senator CHRIS EVANS**—But you might if you got a report that said your estimates were way over and the costs were escalating.

**Ms Halton**—No.

**Ms Blazow**—The first thing you do is try to understand what is changing about the assumptions that you might have put in the estimates when you first did them. If you knew you had some assumptions there, you say: ‘Okay, what we expected to happen is not exactly what is happening. Why is that? Which are the things that are causing the change to occur?’ So the preliminary work—I believe this was happening through August—was to understand the rates of family registration, the out-of-pocket costs, the changes in billing in obstetrics, profiling the families against their thresholds et cetera, to try and understand how that varied from our original assumption.

**Ms Halton**—To go on from that, I have sat on both sides of this equation both in this department and when I was in the department of finance many years ago. You have a bunch of assumptions that underpin the previous estimates; there they are. They generated a particular series of figures that have been published. Then you get a series of bits of information—exactly as Ms Blazow has just outlined—which you become aware of over a period. You say: ‘All right, why is that not as we thought? Let’s go back and look at all these different assumptions. What evidence do we have, or what do we think, in respect of this whole basket of assumptions?’ You form a view progressively over time.

In this case, we take that basket of assumptions and a view we have formed iteratively and we then go and discuss it with the department of finance. That is basically what happens in this context in the PEFO process. We say: ‘All right, we are now required to update this estimate. Let’s look at the assumptions as they were and this bucket, which we think may now be the appropriate way to formulate the estimate. We need to discuss with you each of these assumptions.’ The point at which we agree on all of these assumptions, the estimate that produces forms the agreed figure which is published in PEFO. That is the formal process we just discussed of the timetable.

**Senator CHRIS EVANS**—I accept that. I am asking you—and I may not put this clearly or elegantly—did you do that prior to doing it for the PEFO process? Did you produce a number, an estimate, inside the department in late August, prior to doing it for the PEFO process?

**Ms Blazow**—I would need to go and ask the staff in the department if they were doing that with their spreadsheets. I really do not know the answer—whether they did or did not do that.

**Senator CHRIS EVANS**—I would appreciate it if you can get an answer; if so, the dates and results that they got. You quite rightly told me that you are doing a lot of work in August, and you have said that you did not start on the PEFO until the election was called. I am to assume therefore that no-one pushed the button, to put it inelegantly, until the election was called. That is the deduction one makes.

**Ms Halton**—In terms of a formal figure, that is absolutely right.

**Senator CHRIS EVANS**—If Finance or you used a figure before that, I would like to know how and when it was generated—or is your evidence to me that there was never a figure generated before that?

**Ms Halton**—I will check. My point to you is that I do not know what modelling work the staff were doing informally. When it becomes a formal object, as in part of the formal process, to say it has no status is to underestimate the importance of a process.

**Senator CHRIS EVANS**—The follow-up question is: with the pushing of the button was the advice on modelling prior to the PEFO get provided to the minister?

**Ms Halton**—We will have to check that.

**Senator CHRIS EVANS**—If so, the date on which it was provided. With the pushing of the button for the output of the spreadsheet prior to the PEFO provided to any other department and what date was it provided on?

**Ms Halton**—We will have to check. You understand that obviously we are not in a position to provide details of advice we have given to the minister.

**Senator CHRIS EVANS**—That is right.

**Ms Halton**—So we have all those caveats on it. We will take that on notice.

**Senator CHRIS EVANS**—What you are telling me, as I see it, is that no-one pushed the button to find out what the bottom line was until the PEFO happened. I am not saying that is not right, but it is a bit counterintuitive that someone does not care enough to say: ‘We’ve had two or three months now of figures which say there’s a bit of a blow out going on. The minister’s out there putting out press releases all the time, there’s a major blue going on with obstetricians and there’s media attention on these issues, but we’re still just having a chat about it. There’s bit of chatter in the department, no-one’s worked out whether it’s a problem or not.’ It just does not seem right.

**Ms Halton**—I guess I have got a bit of an issue with the word ‘problem’. Put the word ‘problem’ to one side. I think there was a growing view that we were going to vary the estimate. We knew we were going to vary the estimate. The process of the work around what the estimate should be is exactly as we have just discussed it with you. Is your question: were there red lights flashing in a way that was shared across departments at a senior level? I do not believe that to be the case. But we will take on notice that process.

**Senator CHRIS EVANS**—Clearly, from the evidence of the estimates committee, there were. Finance officials have given evidence that red lights were flashing inside finance.

**Ms Halton**—Let us not use ‘flashing lights’.

**Senator CHRIS EVANS**—I am just using your words. I am happy to use ‘questions raised’, which was your earlier description. I think you are probably closer to the mark with ‘red lights’. For the sake of not delaying this with an argument about terminology, questions were being asked by senior department of finance officials and had been raised with the minister’s office. That is their evidence to the estimates committee. You tell me, on your evidence so far, that you did not tell them, that health did not tell them. I want to know how they found out.

**Ms Halton**—No, what I said to you is that there will have been lower level chatter. What I have got to go back and see is what work was done in what timetable and what formal advice was provided, as against the traffic between officers. The reality is that there is constant traffic. It is organic.

**Senator CHRIS EVANS**—Sure. But finance officials were raising with the minister on two or three occasions their concern.

**Ms Halton**—They may well have been.

**Senator CHRIS EVANS**—That could have been because they had had a cup of tea with people and there had been some chatter, or it could have been that someone had given them something that said, ‘We’ve got a problem and here it is.’ I would have thought that before you followed that up with the minister to say, ‘We’ve got a problem,’ you would have been fairly sure of your ground, that someone would have provided you with some substantive information before you brought it to the minister’s attention. I do not know whether that was

generated inside finance. I was not at the hearings. I am asking you: was that generated inside health?

**Ms Halton**—We do not think we gave formal advice to finance, but we were going to check on this for you.

**Senator CHRIS EVANS**—I would like to know whether you gave formally advice and whether, to your knowledge, your officers had told finance an estimated figure.

**Ms Halton**—I will find that out.

**Proceedings suspended from 12.57 pm to 2.04 pm**

**Senator CHRIS EVANS**—I would like to start by asking whether we have any sense of when we will be able to get the key statistical information? I know the department has taken some questions on notice, but when will be able to get the key information—which you obviously have—which forms the basis of the graph et cetera in terms of cash flows and take-up rates? This has been the centre of our discussion and, quite frankly, we have been frustrated a bit in that we do not have the basis for the discussion. Are we in a position to get that information today?

**Ms Halton**—No, I do not think we can get that today. People will have to go and find this information.

**Senator CHRIS EVANS**—So should we come back to that tomorrow morning?

**Ms Halton**—We will come back on notice. I will do that as quickly as I can.

**Senator CHRIS EVANS**—I guess what I am indicating to you is that I am not really satisfied that that is enough. This is information that I know you have and that you have said you have. I am happy for some questions to be taken on notice which require some work, but this is key information. Quite frankly, you knew we were going to ask about this. We have asked about this at every other committee. There has been publicity about this this week. There has been a lot of political argument about this stuff. At the moment you have been unable to give me a figure about take-up rate and unable to give me a figure about cash flow in those critical months.

**Ms Halton**—Tell me exactly which of all the questions we have taken on notice you would like answered.

**Senator CHRIS EVANS**—Certainly I would like to know on what basis you have refused to table the graph. You say it would be misleading—that is, cash outflows projections versus the realities. The other key statistic obviously is those measures which you were getting weekly reports on which go to take-up rate and access to the thresholds. It seems to me that you could table a weekly report from the end of each month.

**Ms Halton**—Someone will have to compile that. I think we have already made the point that we do not have an aggregated source of that information.

**Senator CHRIS EVANS**—No, I am happy to take one of your weekly reports from the end of each month, if you like.

**Ms Blazow**—Someone will have to go back into a file and actually find those, get them out and provide them. We do not have all those reports back in the office—

**Ms Halton**—We do not have a place where you can go and get them from. Someone will have to compile that information.

**Senator CHRIS EVANS**—As you described it, someone has to go to a file and pull out the weekly report. That does not sound particularly onerous.

**Ms Halton**—They have to find where it is.

**Senator CHRIS EVANS**—I must admit that I found it a little surprising that the information was not collated at any stage other than the general chat around the department. At the moment the only reference you have been able to give me for any of the information underpinning this is the press releases put out by the minister. You tell me that, to the best of your knowledge, they are accurate, but it seems to me that providing a bit more than the minister's press releases is not an undue hardship to place on the department during an estimates process. This is a topic that has been a matter of public debate for months and that the committee has taken an interest in before. We asked this information of other committees last week. You have turned up, Ms Halton, basically without any of that information, apparently, which surprises me. I am asking you how you can assist the committee and what timeline is reasonable for the provision of that most basic of information.

**Ms Halton**—So you are asking particularly in respect of cash flow projections and actuals?

**Senator CHRIS EVANS**—Yes, certainly for those key months that you have described.

**Ms Halton**—Take-up rates meaning what exactly—the number of people qualifying?

**Senator CHRIS EVANS**—I am asking for the sort of information that you provided to the minister and that is contained in his press releases.

**Ms Halton**—Okay, that is about qualifying. We will make a couple of phone calls and see. The reality is that everyone who is germane to this is here not there in case you ask a question. We will see whether we can give you an estimate of when we can do that by.

**Senator CHRIS EVANS**—Why don't we do this again tomorrow morning so that you can send them off now.

**Ms Halton**—I cannot do that because you are asking a series of questions now and the people concerned have to be here to deal with the questions that you ask us now.

**Senator CHRIS EVANS**—That is what am I saying to you—if it helps, I will not ask you another question about that area to facilitate your officers.

**Ms Halton**—Unless you are going to say that that is the end of this program, those officers will stay here—because it is the same officers dealing with this program in total.

**Senator CHRIS EVANS**—Apart from a few more questions I think we will move on to the PBS fairly quickly. I am sure all 47 officers in the room are vital to each answer, but it just seems to me that this is a bit beyond what is reasonable. I do not think I am asking an unreasonable question.

**Ms Halton**—No, and we have—

**Senator CHRIS EVANS**—We were frustrated this morning on the basis that you have not been able to provide any statistic at all which has not been contained in a press release from

the minister. It is fair to say having an intelligent discussion about this stuff without any information—without a date, without any figures at all—is hard. We have made slower progress on it than I would like because I have not been able to get any basic information at all. We can go on for another few hours doing that, or we can try and strike some sort of agreement about when the committee might have access to that information.

**Ms Halton**—And when the people concerned with this program are no longer required, they will go back to the department and they can give us an estimate of when or if they can do it. I am not aware of what you have asked other departments, but I certainly had not been alerted that you required cash flow projections.

**Senator CHRIS EVANS**—That is right, because you told me you are the only one with it.

**Ms Halton**—I told you that Finance had it too.

**CHAIR**—Ms Halton, maybe you can assist proceedings here somewhat. If you can give us an indication of the issues that will be dealt with by the people who need to deal with this particular issue.

**Ms Halton**—Anything to do with medical benefits requires these people. When we have finished the medical benefits part of this program, those people can go back to the department. Am I right?

**Ms Blazow**—Yes.

**Senator CHRIS EVANS**—Madam Chair, Labor senators will not ask any more questions about medical benefits on the basis that I will seek to have the committee come back to this issue at the start of business tomorrow morning and to see how we have gone in getting some of the information requested of the department. Is that a reasonable way forward?

**CHAIR**—That is possible, but Ms Halton has also made the offer to come back to the committee about a reasonable time frame. If first thing tomorrow morning is not suitable, then the committee should consider what time would be and could be suitable for both parties.

**Ms Halton**—Yes, that is fine.

**Senator CHRIS EVANS**—I am certainly amenable to that. But the officers have been answering questions based on a graph they do not want to table, but the graph plots the information I am seeking. If they do not want to give me the graph, then mark the point at the end of the month and deduce. It just does not seem to me to be that hard. I am not asking a question that requires a massive research effort on behalf of the department.

**Ms Halton**—They will go back and they will check. I cannot make a commitment because I do not know what the size of the exercise is. As soon as they tell me, I will tell you what they tell me.

**CHAIR**—It is a fair request and a fair offer. The committee should proceed and allow those officers involved with anything to do with this issue to leave the building.

**Senator CHRIS EVANS**—Thank you, Madam Chair.

[2.15 pm]

**CHAIR**—We will now move on to the Pharmaceutical Benefits Scheme.

**Senator FORSHAW**—Firstly, regarding the determination that was made by Minister Abbott on 12 August 2004—at least that is the date on the copy I have—preventing the sale of PBS medicines in supermarkets—

**Ms Halton**—The pharmacy location rules issue?

**Senator FORSHAW**—Yes. What is the legal status of that determination?

**Ms Halton**—Under what legislation or—

**Senator FORSHAW**—How, for instance, would it be reversed, if there was a subsequent policy decision to allow the supermarket industry into—

**Ms Blazow**—It has authority under the National Health Act, which is the act that governs the Pharmaceutical Benefits Scheme. The pharmacy location rules, which govern who can be approved to dispense a pharmaceutical benefit, which means a medicine that is subsidised under the Pharmaceutical Benefits Scheme, all happen under the National Health Act. The actual head of authority for the rules is in the act, and then there are specific determinations—secondary legislation, if you like—underneath that act, which then specify particular rules. One of those determinations relates to the rule about pharmacies being located in supermarkets. The location rules have a sunset clause and so does the determination.

**Senator FORSHAW**—Could you just expand on where we are at with the sunset provisions, because, just looking at a copy of the determination, it says that the determination ceases to have effect after 30 June 2005.

**Ms Blazow**—That is correct.

**Senator FORSHAW**—So could you explain to me where that leaves the issue?

**Ms Blazow**—Yes. That is also consistent with the sunset clause in the act for the location rules proper. Both of those things will therefore expire on 30 June 2005, unless there is specific action by the parliament to change the head of authority in the act and then specific action by the minister to renew the determination in respect of supermarkets.

**Senator FORSHAW**—The sunset provision in the legislation expires on 30 June 2005?

**Ms Blazow**—That is correct.

**Senator FORSHAW**—And so does the determination. Can the determination be extended if the act is not amended?

**Ms Blazow**—My understanding is that it cannot, because the authority for the determination is actually contained in the provisions of the legislation.

**Senator FORSHAW**—I would have thought that was the case, but I needed to clarify that. I do not have the act in front of me, but the sunset clause in the act comes into effect on 30 June: what does that mean for the current prohibition on pharmacies being located in supermarkets and the issues that are related to the sale of PBS products—pharmaceuticals—by retail outlets other than pharmacies?

**Ms Blazow**—It means that that actual determination preventing the co-location of pharmacies in supermarkets will cease to have legal force.

**Senator FORSHAW**—So does it follow as a matter of law that supermarkets will then be free to establish pharmacies co-located with supermarkets—or will pharmacies be able to seek to do that? What is this going to mean on the ground after 30 June, in terms of the current position, which is that pharmacies cannot be co-located with supermarkets? From 1 July will there be no restriction, unless, of course, the act is amended? The act would have to be amended, wouldn't it, for the determination to be renewed? What happens if the act is not amended?

**Ms Blazow**—Yes, if the act is not amended. There is amending legislation before the parliament at the moment. However, if there is no passage of that legislation then the determination in respect of supermarkets will expire because the determination has a sunset clause of 30 June. Also, if the act is not amended, there will be no head of power for the minister to renew the determination.

**Senator FORSHAW**—So legislation is before the parliament?

**Mr Davies**—The legislation on to which the determination hangs is the legislation that actually governs the entire PBS distribution system. So the legislation lapsing at the end of June is a non-trivial issue.

**Senator FORSHAW**—It is a non-trivial issue. It is an 'expletive deleted' important issue, is it?

**Mr Davies**—Indeed it is.

**Senator FORSHAW**—I do not want to use the word 'bugger', you see.

**Mr Davies**—My colleague has just informed me that, I gather, the process to extend that underlying legislation for six months is currently passing through. It has been through the House. It is with the Senate.

**Senator FORSHAW**—It is good to see the House of Representatives is doing something while we are up here. I think that clarifies the situation. The Chief Executive Officer of Woolworths, Roger Corbett, last month released a study which is called *Potential savings from pharmacy deregulation*. Of course that supports their position of wanting to open up the market, as it were. In the covering letter from Mr Corbett—and I am looking here at a media release dated 7 May—it says:

A report from ACIL Tasman, an international economics modelling consultancy, has indicated the potential savings that could be made from pharmacy deregulation—savings that would ease the growing pressure on the nation's health budget.

The report was commissioned by Woolworths Limited at the request of Federal Minister for Health & Ageing, Tony Abbott.

Did the minister in fact request this report?

**Ms Blazow**—We are not able to comment on that. We are not present at all the meetings that our minister has with people, so we do not know. You would have to address that question to the minister.

**Senator FORSHAW**—Unfortunately the minister representing the minister is not at the table. It would be handy if I could ask her. Could I ask the minister to come to the table? Thank you. I am happy to repeat the question, Minister, if you would like me to.

**Senator Patterson**—Yes, please, is you are happy to repeat it, because I could not answer it if you did not, and I might not be able to answer it anyway.

**Senator FORSHAW**—As I was saying, a media release was put out by Woolworths Ltd on 7 May regarding the issue of pharmacy deregulation. It stated that ACIL Tasman had prepared a report—I am paraphrasing here—on the potential savings that could be made from pharmacy deregulation. I quote from the media release. It says:

The report was commissioned by Woolworths Limited at the request of Federal Minister for Health & Ageing, Tony Abbott.

I asked the question of the officer: did the minister actually request this report?

**Senator Patterson**—I have two things to say about that. One is: do not believe everything you read in the press.

**Senator FORSHAW**—I did not read this in the press. This is actually a media release issued by the company.

**Senator Patterson**—I did not understand. I thought it was a media report.

**Senator FORSHAW**—No, I said a ‘media release’.

**Senator Patterson**—I will refer that question to the minister. I do not know the answer to it. I will refer him to this part of the estimates. I have someone in the department who is recording approximately when the question was asked so I can bring this to the attention of the minister.

**Senator FORSHAW**—You are not aware whether this report was requested or not, that is what you are saying.

**Senator Patterson**—No, I do not know. I have a large portfolio of my own. I am deeply interested in health, but Mr Abbott does not tell me everything he does or does not do.

**Senator FORSHAW**—Let us not go back over the Medicare safety net.

**Senator Patterson**—There would not be any reason for me to know or not to know. I do not know. I will ask Mr Abbott if he can enlighten you.

**Senator FORSHAW**—There is no need to get too defensive.

**Senator Patterson**—All I am saying is that I do not know the answer.

**Senator FORSHAW**—I know that is what you are saying, but let me make this next point. When a report on this rather important issue is prepared by the leading proponent of pharmacy deregulation, the biggest supermarket chain in this country, and they state that the minister requested them to have a report prepared by an international economics modelling consultancy, it is not necessarily impossible that that request, if it was made, might be known by other ministers of the government. Whether it was done through cabinet or just off the minister’s own bat, I do not know. I am endeavouring to find out.

**Senator Patterson**—I have just indicated to you that I have no knowledge of any such request. I will draw—

**Senator FORSHAW**—You will pass that on.

**Senator Patterson**—Let me finish. I will draw the minister's attention to it. It would not be a normal thing, if such a thing had happened, for me to be told.

**Senator FORSHAW**—Are you aware of the report?

**Senator Patterson**—No, I am not. As I have said to you, I have a lot to do in my own portfolio.

**Senator FORSHAW**—Sorry, I asked you whether or not you were aware of the request for the report?

**Senator Patterson**—No, I am not.

**Senator FORSHAW**—You are not aware of the report?

**Senator Patterson**—No. Something might have passed by, but I would be 99 per cent sure I did not know there was a report and I have not seen the report. I will refer your question to the minister.

**Senator FORSHAW**—Thank you. Is the department aware of the report?

**Ms Halton**—Yes.

**Senator FORSHAW**—It states further in the media release:

The information in this report was presented to Mr Abbott one month ago to provide additional background during the Government's negotiations for the Fourth Community Pharmacy Agreement.

When you say that the department is aware of the report, how is the department aware of the report?

**Ms Halton**—We received a copy of it.

**Senator FORSHAW**—But you were not made aware whether or not the report had been requested by the minister?

**Ms Halton**—I have no knowledge of that, if that was the case.

**Senator FORSHAW**—That would suggest, would it not, that the department itself was not consulted about having this report prepared in the first place—it logically follows, does it not? If you were not aware of the minister making the request then the department presumably was not aware either.

**Ms Halton**—Obviously we were aware that certain large businesses have an interest in this area. What the original motivation for the production of the report was, as in on whose motion, I do not know.

**Senator FORSHAW**—Is it usual practice for the minister to request a private company that is a major stakeholder in the issue and has a particular public position on the issue to prepare a report and not tell the department? Have you ever struck that sort of situation before, Ms Halton?

**Ms Halton**—I cannot quite say that ministers are sovereign beings, but I can certainly say that ministers conduct their business as ministers individually, as they see fit. My experience of ministers is that variously they tell you some and/or all of their approach, and that varies by minister. So my experience is that it is not possible to say that there is a blanket approach that ministers adopt—or indeed that any individual minister adopts. Having worked with Senator

Patterson, I can say that she is different from Minister Abbott, who is different from others—I could go on. All I can say is that I do not know that we were aware—and my colleagues are agreeing with me—of what the source or the original motivation for this report was. I am not aware of the minister having asked for it.

**Senator FORSHAW**—I think that is clear. What request has been made to the department in regard to the context of the report? Have you been asked to provide advice on it? Surely, if it was referred to the department, there was a purpose to your getting a copy of it?

**Ms Halton**—I think we have read it.

**Senator FORSHAW**—What is interesting in the news release from Woolworths is that they actually go on to say what the key findings of the report are. Even someone who had not seen it could have worked out that it is a report that supports their position.

**Ms Halton**—You sound surprised.

**Senator FORSHAW**—No, I do not. What I am surprised about is the process—or what appears to be in some senses a lack of open process here. According to the company, the request was made by the minister for the company to get a report together. The thrust of their comment is as follows: that there is some sort of independent basis to the report, because it has been done by an economics modelling consultancy; that the details of the report have been summarised to the public and the report has been given to the minister, presumably because he requested it; that it has been made public, and now the department has been given a copy of it but not asked to necessarily consider it in any way. That is a fair summation of the situation, so I am trying to understand what the status of the report is.

**Ms Halton**—Its status, I suppose, is the same as that of a significant other volume of material that has been provided to us in relation to pharmacy. You must well understand that this is an area where a lot of people have a lot of opinions and there are a lot of reports.

**Senator FORSHAW**—Yes. Do you know, for instance, whether the minister has made a request to, say, the Pharmacy Guild of Australia, for them to prepare a similar report?

**Ms Halton**—First, I am not aware whether your reading is an accurate reflection of any consultations with the minister or not. Certainly we know that as part of the renegotiation process various people are asked to come to meetings or to do particular things. But I could not say that we have perfect knowledge of this—we have not.

**Senator FORSHAW**—Okay. Do you know—and I assume the answer is probably no and, if it is, would you or the minister take it on notice—whether the Commonwealth footed the bill for the preparation of the report?

**Ms Halton**—I can certainly say that the department has not paid any money in respect of anything to do with that report that I am aware of.

**Senator FORSHAW**—You should know that.

**Ms Halton**—That is right. I am sure that is true of the whole department. No, we have not paid any money.

**Senator FORSHAW**—Could you still take the question on notice—as to whether or not the Commonwealth has in any way provided—

**Ms Halton**—We cannot answer for other people.

**Senator FORSHAW**—I know but, if this minister requested the report, I would like to know. I would like to get a categorical answer as to whether or not any Commonwealth government funds were used to assist toward preparing or to pay for part of the preparation of the report.

**Ms Halton**—We cannot answer for other people, but I would be highly surprised if any other portfolio had made a contribution. We have not made a contribution, and it would therefore be my belief that no Commonwealth funding has been given towards that report.

**Senator FORSHAW**—I would be very surprised too if it had happened. I am not suggesting it did, but it is a logical question that follows, because of the claim by Woolworths that the report was requested by government. There are various types of request, and this is just a logical question, and I would ask for a response to it.

**Ms Halton**—But my point is that we cannot answer for other portfolios. I can only give you an answer for my portfolio.

**Senator FORSHAW**—Yes, but one would hope that in clarifying the answer about whether or not the request was actually made, the minister would include the nature of the request, and that would include the issue of the funding of the report.

**Ms Halton**—Here is a suggestion. We can take it as on the record that we did not provide any funding—

**Senator FORSHAW**—Yes, I know you did not.

**Ms Halton**—and we do not believe that anyone else provided any funding. If we discover any evidence to the contrary, I will bring that to your attention.

**Senator FORSHAW**—I have asked the question, and I would appreciate it if it were conveyed to the minister.

**Ms Halton**—Yes, it will be conveyed to the minister.

**Senator FORSHAW**—Thank you. I understand that the Allen Consulting Group was contracted by the department and by the Pharmacy Guild of Australia to do a report on pharmacy relocation rules. Is that correct?

**Ms Halton**—That is correct.

**Senator FORSHAW**—They provided a draft report with findings. Is that correct?

**Ms Blazow**—Yes, they have provided a report as part of the review of the location rules.

**Senator FORSHAW**—As I understand it, the Pharmacy Guild of Australia were not terribly enamoured of the findings and implications of that draft report.

**Mr Davies**—I will just explain. The report was initially provided in a draft form. It was, as you have pointed out, jointly commissioned by—or the terms of reference were jointly agreed between—us and the Pharmacy Guild. We received a draft report. I believe it was decided in advance, but certainly the way it played out was that that draft report was made available to the department and to the guild to make comments and corrections of points of fact and misunderstanding, and those comments will be taken on board in the final report. The final

report is to be used as part of the again joint guild-government review of the pharmacy location rules, which is required under the terms of the Third Community Pharmacy Agreement.

**Senator MOORE**—Mr Davies, what is the time frame for that joint consultancy?

**Mr Davies**—The joint review?

**Senator MOORE**—Yes.

**Mr Davies**—I think I am right in saying that technically, since it is under the terms of the third agreement, it should be finished during the life of the third agreement, which finishes at the end of this month.

**Senator MOORE**—So it was linked to the term of the agreement?

**Mr Davies**—So that is still very much work in progress.

**Senator FORSHAW**—The Pharmacy Guild have made their position pretty clear. They put out a media release on 16 May. The opening paragraph reads:

The Pharmacy Guild of Australia has dismissed a confidential Draft Report as incomplete, inaccurate and entirely at odds with the terms of reference.

That is pretty blunt. Then in the last paragraph—and this is a quote from Mr Scott of the Pharmacy Guild—they say:

“We have lost faith in the Allen Consulting Group and would not be pursuing the matter any further with them. Instead, the Guild plans to take the matter up directly with the Government as part of the current Fourth Agreement negotiations,” Mr Scott said.

You have just said that the findings of the draft report are being taken into account by the government.

**Mr Davies**—The findings of the final report will be taken into account. The comments of the guild on the draft report will be reflected in the final report. The sequence is: draft report, final report, and review.

**Senator FORSHAW**—But the draft report was done by Allen Consulting Group, wasn't it?

**Mr Davies**—Yes.

**Senator FORSHAW**—And before you get to the final report, the guild say: ‘Look, frankly, this is totally unacceptable.’ They have lost faith in the whole process and indicate that they intend to negotiate with the government directly. As they said, they are not going to pursue the matter any further with the Allen Consulting Group. What I am trying to understand is that it appears that the government is relying upon the draft report and the final report as they come from the Allen Consulting Group, but one of the parties to that initial consulting arrangement has walked away from it.

**Ms Halton**—Senator, it is probably important that Ms Blazow explain what the whole process is here.

**Senator FORSHAW**—That would be handy. I want to know precisely what the government's position is now in terms of the status of this report.

**Ms Halton**—Let Ms Blazow take you through the process, because I think this fits into the process.

**Ms Blazow**—There is a process for reviewing the location rules. The third community pharmacy agreement, which expires on 30 June, required a review of those location rules in the final year of the agreement. That process of review commenced early in July 2004 and is now coming close to the end. Part of a review was commissioning that independent consultant's report from the Allen Consulting Group. That has been happening throughout the final year of the third community pharmacy agreement. At the same time we are now negotiating the terms of the fourth community pharmacy agreement—the next community pharmacy agreement—and the government has provided certain policy parameters for us to talk to the guild about that agreement.

The continuation of location rules will be part of the discussions about what is in the fourth community pharmacy agreement. While we have been having a freestanding process to actually examine the rules and we employed a consultant to report to the joint Commonwealth-guild group, the detail of those rules will be fed into the discussions in terms of the entire outcome of the fourth community pharmacy agreement—what the rules will or will not look like in that agreement, whether they are there and so forth. There are two things happening in parallel, if you like, but they have to come together, because the rules will be captured in the agreement if government chooses to do that as a result of the review.

**Senator FORSHAW**—What were the arrangements for the funding of the initial consultancy?

**Ms Blazow**—The arrangements for the funding were that the Allen Consulting Group was on contract to the department—we were paying for that. There was a joint steering committee between the department and the guild to oversight that consultancy.

**Senator FORSHAW**—It was all being paid for by the department?

**Ms Blazow**—Yes. It is out of appropriations that are provided in this component of pharmacy activity.

**Senator FORSHAW**—What was the cost?

**Ms Blazow**—It was of the order of \$100,000.

**Senator FORSHAW**—What have they been paid to date?

**Mr Rennie**—The final payment has not been made to the consultants. We received the final report on 19 May and we are in the process of making the final payment.

**Senator FORSHAW**—That would take it through to the full \$100,000? They will end up getting paid the total amount, will they?

**Mr Rennie**—The full \$100,000, yes.

**Senator FORSHAW**—How much have they been paid so far?

**Mr Rennie**—I have not got the details of the break-up of that, but there would have been periodic payments leading to this. I think the significant payment is the final report—that is the final deliverable.

**Senator MOORE**—So the final report has been received—it is not a draft report?

**Mr Rennie**—We received a draft back in March and the final on 19 May.

**Senator FORSHAW**—Has the final report been provided to the pharmacy guild?

**Mr Rennie**—Yes.

**Senator FORSHAW**—It is only—what?—only a couple of weeks ago, but have they commented on that?

**Mr Rennie**—We have been meeting with the pharmacy guild. Yesterday was the latest meeting we have had with them about the review of the pharmacy location rules. We have agreed on a draft structure of the review report that Mr Davies mentioned. Included in that is to have an area that talks about the Allen Consulting Group report and there will be comments provided by both the guild and the department as part of that overall review document.

**Senator FORSHAW**—They are back in the cart, as it were—in terms of the report at least? Their first reaction was pretty hostile.

**Mr Rennie**—I think it is true that in their press releases they were not very happy with the outcomes of the draft report.

**Senator FORSHAW**—Will the final report be released publicly?

**Ms Blazow**—That will be a matter for the minister to decide. The process is not finished yet so it has not been released.

**Senator FORSHAW**—I think you have said that the relocation rules are being considered as part of the current negotiations that will lead to the pharmacy agreement. What are the issues encompassed by the pharmacy agreement and the negotiations besides relocation?

**Ms Blazow**—They are many and varied but I will try to give a summary. A key issue is the actual remuneration arrangements for pharmacists who are approved to dispense Pharmaceutical Benefits Scheme medicines—so how much our formulas provide for the dispensing fee, the mark-ups, the margins and so forth. That is quite a significant issue. The government has asked the guild to consider a complete review of those arrangements as part of these negotiations.

The second component is what we call additional money for other professional pharmacy services, for development and for additional community health activities. There is about \$500 million over the next five years that has been allocated for those activities. That covers things like the home medicines reviews that pharmacists do with elderly people in the nursing homes and in their own homes. It covers things like rural incentives for pharmacies to locate and operate in rural and remote areas. It covers incentives for the training of pharmacy people and the quality of pharmacies. It covers innovative activities over the life of the next agreement to examine ways in which pharmacy can be integrated with the total community care and primary care network to deliver professional pharmacy services in that context. The other component of the agreement is of course the location rules, which we have also discussed. There is also specific funding to assist Indigenous people's access to the Pharmaceutical Benefits Scheme.

**Senator FORSHAW**—I understand that the Pharmacy Guild have raised concerns about potential decreased funds under the new agreement.

**Ms Blazow**—Yes, they have raised concerns about the offer, the envelope of funding that is available. The government has looked at the growth in the PBS and the component of that growth that is attributable to the formulas for the remuneration of pharmacies and wholesalers in the supply chain. They have asked us to negotiate within an envelope of funding which reduces that growth line somewhat over the next five years.

**Ms Halton**—But we should be very clear about this: it is not reduced funding. It is not a reduction in the total amount available to pharmacy. On the contrary, there is a real increase in the amount.

**Mr Davies**—I think I am right in saying that the figure is a 30 per cent real increase in the fourth agreement over the third agreement.

**Senator FORSHAW**—That is the total pool of funding.

**Ms Halton**—That is right.

**Mr Davies**—For distributing to pharmacy.

**Senator FORSHAW**—That would presumably mean that there are increased dispensing fees. I understand that is part of the government's proposal.

**Ms Blazow**—Yes, there is sufficient funding available in the offer to maintain the real value of the average dispensing cost to us and supply of every individual prescription. There is also sufficient funding in the offer to maintain a 29 per cent growth in volume of prescriptions over the life of the next agreement.

**Senator FORSHAW**—Sorry to go back to the earlier question, but I would like to clarify this. What is the specific objection if you like from the Pharmacy Guild where they are claiming decreased funds? I understand in the broad that you move some up and that some go down, but what specifically are they saying is going to cause decreased funds?

**Ms Blazow**—There is no decrease from the point we are at that the moment. In fact, there will be a continued volume increase and there will be a continued indexation of the per-script allowance. Those two things are taken care of. However, the government has looked at the growth line in terms of the PBS. That growth line is very much driven by the cost of new medicines coming onto the PBS.

In the past, pharmacy remuneration and wholesale remuneration has been directly linked through percentage arrangements to that growth line. The government have said they wish a new formula to be considered, and they have asked the guild to develop a new formula that does not mirror the growth line in the ingredient costs—if you like, the costs of the medicines—but is more reflective of the costs in the supply chain itself.

**Senator FORSHAW**—Did you say earlier when you expect the negotiations to be finalised?

**Ms Blazow**—The current agreement expires on 30 June 2005.

**Senator FORSHAW**—That is not quite what I asked. When do expect the negotiations to be finalised?

**Ms Blazow**—We are working very hard to finalise this right at the moment, although we are here. We are meeting regularly. Allan and his team are meeting regularly with the guild. I am also meeting with them.

**Senator FORSHAW**—Are you confident that they will be finalised by 30 June?

**Ms Blazow**—I think a lot of authority for that is with the guild. They have been asked to come up and advise government of a new funding formula that they believe will work effectively for the supply of PBS medicines, and they are working very hard to do that at the moment. We are pretty much dependent on them to come back with advice to government in that regard.

**Senator FORSHAW**—Location for pharmacies a major issue. Is that likely to hold up the overall agreement, if there is no resolution on that issue?

**Ms Blazow**—I cannot speak for the guild. They probably have a strong position about the location rules, but I cannot speak for the guild with regard to that.

**Senator FORSHAW**—I am not asking you to speak for them—just to say whether or not they see that as an issue that needs to be resolved together with all the other issues of pricing et cetera.

**Ms Blazow**—I can only report what they have told me. They tell me that the location rules is a significant issue from their point of view.

**Senator FORSHAW**—Is the issue over the patent application from the guild for their e-health system included in the negotiations?

**Ms Blazow**—No.

**Senator FORSHAW**—You mentioned the wholesalers earlier. Back in the 2001-02 budget, there were measures to find savings from the reduction in the wholesalers' remuneration under the PBS. It was noted in the annual report that an amount of \$21,800 was paid to the Hon. John Matthews to chair a review and provide a report and recommendations to the government in relation to that budget measure. Was this report completed? If it was, was it provided to the department or the minister?

**Ms Blazow**—The report was provided to the government, and the matter was considered by government. There was significant controversy about whether or not the savings from that measure could or could not be delivered without impacting on pharmacists. The pharmacists felt very strongly that any savings delivered from that process of that report would impact on their remuneration, and they argued very strongly that position to government. Things were therefore not finally decided at that point in time.

**Senator FORSHAW**—Was the report made public?

**Ms Blazow**—No.

**Senator FORSHAW**—Was there a reason why it was not made public?

**Ms Blazow**—It was a matter that was still before government for consideration. It was a matter that was unresolved.

**Senator FORSHAW**—So the report, presumably, showed that savings could be made. But those proposals were not acceptable to the pharmacy.

**Ms Blazow**—It is a long time since I have read the report.

**Senator FORSHAW**—I am actually trying to say: whatever happened, ultimately, to that report in terms of government action and response or departmental action or response? It seems to have just been provided and then placed in the too-hard basket.

**Ms Blazow**—The government chose not to proceed at that point in time.

**Senator FORSHAW**—Were any other stakeholders involved in that besides the wholesalers?

**Ms Blazow**—It is actually before my time.

**Senator FORSHAW**—Were there any other groups that had an input into it?

**Mr Davies**—I may be corrected on this, but I think the NPSA, the national body representing what are called the full-line wholesalers, were consulted, as a minimum. I am not sure whether they were actually on the review panel—I think we could get the answer to that very shortly—but they were certainly involved to some degree.

**Senator FORSHAW**—You may need to take this on notice. Can you indicate when the government decided that no action would be taken on the report?

**Ms Halton**—That is a little hard to quantify.

**Senator FORSHAW**—As I said, you might need to take that on notice.

**Ms Halton**—The only problem is that it is a little hard to say ‘at that moment’. Could we go away and reflect on that?

**Senator FORSHAW**—Yes, you can. My question followed directly on from the comment that the government decided ‘at that time’—I think those were your words.

**Ms Blazow**—Yes, in part.

**Senator FORSHAW**—I am not trying to be pedantic. I am trying to ascertain whether, at some point in the last couple of years, a decision was made.

**Ms Halton**—It is probably an overstatement to say, ‘It decided,’ because that implies that there is a particular point at which a conscious decision was taken. I do not believe that to have been the case here. I think it sat on the table and then it was effectively overtaken.

**Senator FORSHAW**—That is what I mean: it ended up in the too-hard basket.

**Ms Halton**—I think a better construction is that it was effectively overtaken. But there was not a conscious decision like, ‘Right, put that to one side,’ that I am aware of.

**Senator FORSHAW**—Would you check that?

**Ms Blazow**—Yes.

**Ms Halton**—Yes, we will.

**Senator FORSHAW**—My next follow-up question is: if it is still there and it has not been either completely dismissed or accepted, does it have any currency anymore in the context of the negotiations that are going on now?

**Ms Halton**—It was overtaken by these negotiations.

**Ms Blazow**—Yes.

**Ms Halton**—So the effect of the offer that is on the table is to wrap in completely the government's expectation about the delivery of savings in the amount of remuneration they have on the table. So, at its broadest, it is comprehended in the offer that is currently on the table. At its micro level, it has been overtaken by these events.

**Senator FORSHAW**—But these negotiations are for the pharmacy agreement. Does that pick up the wholesalers?

**Ms Halton**—Yes, it does.

**Ms Blazow**—Yes, it does.

**Ms Halton**—That is essentially my point.

**Senator FORSHAW**—They do not just wait until there is an agreement and then pop it?

**Ms Halton**—No. And that is my point: all of this is now wrapped in the one process.

**Senator FORSHAW**—For my edification, what is the legal basis of the current 10 per cent margin that I understand the PBS pays to the wholesalers?

**Ms Blazow**—The legal basis?

**Senator FORSHAW**—Where does it derive from? What is its history? Is there any legal, regulatory or legislative basis for that figure?

**Ms Blazow**—I am not aware that it is in the act. We incorporate it into our negotiations with the drug company when we are listing a product on the PBS. We negotiate a price with the drug company. We then incorporate a 10 per cent margin for wholesaling, another mark-up for the pharmacist and then a dispensing fee, and that derives the actual price against which the PBS will subsidise the drug. So it is part of that process of deciding the PBS price.

**Ms Halton**—My memory extends—I regret to say!—back to when we used to have a Remuneration Tribunal. My memory is that that broad structure of remuneration—although not every precise detail of where we currently are—including the mark-up was actually part of the tribunal's determination. In other words, I think some of the elements that were originally determined by the tribunal survived forward into the pharmacy agreement process that we now have.

**Senator FORSHAW**—So your recollection is that the 10 per cent had some sort of—

**Ms Halton**—Historical basis.

**Senator FORSHAW**—historical, authoritative basis to it?

**Ms Halton**—We can go back to that and check.

**Senator FORSHAW**—Please do that.

**Ms Halton**—I am happy to.

**Senator FORSHAW**—Is the government saying now that this margin is really a matter for pharmacists and wholesalers to negotiate, or does it anticipate that the 10 per cent carries forward?

**Ms Halton**—We need to be clear that we have always paid the entire amount to a pharmacist. We have never separately negotiated with wholesalers. We have never paid wholesalers. So, whilst there might have been a notional amount attributed, that money has always gone to the pharmacist. With this revised approach, we are saying that we are going to make that transparent—and the negotiation that goes on further down that supply chain.

**Ms Blazow**—That has always been a commercial negotiation between the pharmacists, the wholesalers and the suppliers of the products, regardless of the notional allocation that we make when we derive the subsidised price that goes into the pharmaceutical benefits book.

**Senator FORSHAW**—But, if you wanted to guarantee savings, you could intervene on that issue, couldn't you?

**Mr Rennie**—No, we cannot. As the secretary has just explained, there is no point in a system where the government hands over that 10 per cent in the form of hard cash. The 10 per cent is purely reflected as a notional increase to the price of the product from the manufacturer, and that is what is known as the price to pharmacist, which is published in the schedule. However, we have no knowledge of or control over the actual price that is paid by the pharmacist.

**Senator FORSHAW**—I am not suggesting you should. I am speculating here that you could have a view about that 10 per cent and factor that in to the overall price. Couldn't you could impact upon the margin, ultimately by the price that you pay to the pharmacist, which might be more or less than the 10 per cent—

**Ms Blazow**—We could, but we—

**Mr Davies**—It would be at best indirect, because—again, to echo the secretary—we pay a defined sum to the pharmacist. That is the only defined sum in the whole scheme. We have no knowledge of what happens to that money behind there.

**Senator FORSHAW**—Yes, but the sum you calculate ultimately incorporates an acceptance of the 10 per cent margin to the wholesalers.

**Ms Blazow**—That is correct.

**Senator FORSHAW**—That is what I am driving at.

**Mr Davies**—That is true.

**Senator FORSHAW**—Reports were prepared in the past looking at this issue of remuneration for wholesalers, and the government at least does have the capacity to influence that margin.

**Ms Blazow**—That is correct.

**Mr Davies**—We could change that margin, but we do not know where in the supply chain that price reduction would actually impact.

**Ms Blazow**—Again, the issue is that, if we change it, that impacts on pharmacists' remuneration, because we actually do not have knowledge of how much of that is part of their remuneration and how much is passed on to wholesalers. That is why we have asked the Pharmacy Guild to come up with a revised funding formula that takes account of both their remuneration and the wholesaling remuneration.

**Senator FORSHAW**—With my background, I keep thinking that it is not like the minimum wage!

**Ms Blazow**—You would be right; it is much more complicated!

**Senator FORSHAW**—I know; it is definitely not like that. I will move to calcium tablets next.

**Senator ALLISON**—I may have missed this, but is the new agreement going to include a trial of pharmacies in supermarkets?

**Ms Blazow**—That is not in the discussions at all.

**Senator ALLISON**—So we are not going to see it appear in the agreement?

**Ms Blazow**—It is not in the discussions at all.

**Senator ALLISON**—And therefore would not be in the agreement—or is that being evasive?

**Ms Blazow**—It is not being discussed in the context of the agreement, but the agreement is not mine to decide; it will be the government's to decide. I am not saying that the government is going to have a trial of supermarkets. All I can say is that it is not in the discussions. I only know what I am discussing with the guild.

**Senator ALLISON**—It is not in your discussions. Are you saying that it is not necessarily not in the minister's discussions?

**Ms Blazow**—I have no brief from the government to discuss such an issue with the guild in the context of the agreement.

**Senator ALLISON**—Are there discussions going on outside your involvement or not?

**Ms Halton**—No. I do not believe so.

**Ms Blazow**—Not that I am aware of.

**Senator ALLISON**—That is all I wanted to ask about the pharmacy agreements.

**Senator FORSHAW**—Page 198 of Budget Paper No. 2 states:

From 1 December 2005, calcium tablet preparations will no longer be subsidised under the Pharmaceutical Benefits Scheme. ... This measure is expected to lead to savings of \$35.9 million over four years.

Can you give me some background as to the basis for this decision?

**Ms Halton**—The government decided to put in place a savings measure to put forward a proposal to remove calcium tablets from the schedule.

**Senator FORSHAW**—Yes, I know. That is what I just asked; that is what I just read. I will try and be a bit more specific. Was there a particular reason calcium tablet preparations were identified as a savings measure?

**Ms Halton**—It is in common with any other savings measure—it is not up to us to comment on the internal process of the government's decision making.

**Senator FORSHAW**—I can recall budgets and measures some years ago where various pharmaceuticals were intended to be removed from the PBS schedule and some reasons were given. It may have been that they were very widely available or there was a huge cost associated with them. Drugs were in that group.

**Ms Halton**—The point that is made in Budget Paper No. 2 is that this is very freely available. It is purchased over the counter at a relatively low cost.

**Senator FORSHAW**—Who made the decision? Was the decision made outside the department?

**Ms Halton**—All savings measures are decisions taken by the government.

**Senator FORSHAW**—Did it come from Treasury or was the department involved in putting forward this measure?

**Ms Halton**—We do not comment on the process of the budget.

**Senator FORSHAW**—Were you consulted about the decision?

**Ms Halton**—It is fair to say that things do not appear in Budget Paper No. 2 without us having some foreknowledge of it.

**Senator FORSHAW**—Could you repeat that for me? I did not hear it clearly.

**Ms Halton**—In my experience, things do not appear in BP2 without us knowing about it beforehand. That is not to say it could not happen, but I do not think it does on my watch.

**Senator FORSHAW**—I do not think you needed to add that. It is very clear to all of us that that is what flowed. Are you aware if the Pharmaceutical Benefits Advisory Council was consulted or involved, which led to this ultimate decision to remove these preparations?

**Ms Halton**—Consistent with earlier arrangements in this respect, my understanding—and this is consistent—is that this matter would be referred to the Pharmaceutical Benefits Advisory Council after the decision of the government. That has been the case previously with delistings.

**Senator FORSHAW**—That is one reason I asked the question. Decisions to delete items from the PBS must be referred to the PBAC.

**Ms Blazow**—That is correct.

**Ms Halton**—That is correct.

**Senator FORSHAW**—Was it referred?

**Ms Halton**—It will be referred.

**Senator FORSHAW**—So it was not referred?

**Ms Halton**—No, and that is consistent with the way this has been done in the past.

**Senator FORSHAW**—Do you have any indication of when they will consider it?

**Ms Blazow**—I believe it is on the agenda for the July meeting.

**Senator FORSHAW**—I am trying to recall budgets in recent years. Have there been specific decisions to identify the removal of a particular pharmaceutical from the PBS as a savings measure?

**Ms Halton**—Yes.

**Senator FORSHAW**—In the context of the budget.

**Ms Blazow**—In the past, I think. Not since I have been in this position, but I understand there have been decisions in the past to remove products.

**Senator FORSHAW**—I am not talking about where you might look at a group of pharmaceuticals. I can recall some years ago when about six groups were identified in order to bring about savings measures. Then it may well be up to the PBAC to work out how that measure is implemented.

**Ms Halton**—We would have to go back and check the record, but my memory is that the former Labor government took a number of items off in a budget context. But we can go back and check the historical record for you.

**Senator FORSHAW**—The reason I asked that is that I want to know what scope is there for the PBAC to say to the government, ‘Look, we don’t really think this is a good idea and we wouldn’t recommend it.’

**Ms Blazow**—There is scope for them to give the government their advice in that regard.

**Senator FORSHAW**—And the government would presumably listen to that advice, whatever it is?

**Ms Halton**—We cannot speculate on what the government would do with that advice, or what the advice would be.

**Senator FORSHAW**—Do you know how many prescriptions are currently written per year for calcium tablets on the PBS?

**Ms Blazow**—We would have the information, but I do not know it off the top of my head.

**Senator FORSHAW**—Does anybody know here?

**Ms Blazow**—We are just having a look.

**Ms Halton**—We will see if we can bring that in later on.

**Ms Corbett**—The number of scripts for calcium tablets in the last financial year, 2003-04, was 775,000 at a cost of \$7.6 million. We think that would probably represent about 130,000 individuals, but that is based on an average usage pattern.

**Senator FORSHAW**—You said 130,000 individuals. What can you tell me about who those people are likely to be? Are they, in the main, concession card holders?

**Ms Corbett**—I will ask Dr Primrose to comment on the likely usages of the tablets as our medical adviser to the PBS.

**Ms Blazow**—It is probable that there would be a high proportion of concession card holders, simply because 80 per cent of PBS prescriptions are for concession card holders. I do not know the break up for concession cards of the particular number that Ms Corbett has just provided, but it would be a reasonable assumption to make that there is a high proportion simply because the PBS has a high proportion. This is also a very inexpensive product; it is under the \$28.60 that is normally the copayment for non-concession card holders. I am not saying I know the number, but it would be a reasonable assumption that it is a high proportion.

**Senator FORSHAW**—Maybe it was not that obvious, but I am looking at how the percentage for this pharmaceutical compares to others. In other words: your data would tell you if it was 99 per cent—an extremely high usage by concession card holders—as distinct from the general figure of 80 per cent. Are you able to extract that information?

**Ms Corbett**—The reality with this particular product is that, because the cost is below the general patient copayment level, the cost to the PBS will all be for concession card holders. We will pay a PBS subsidy only for concession card holders; general patients will pay the full cost themselves. And so \$7.6 million and 130,000 individuals reflect what we would have been providing to concession card holders with that particular product.

**Ms Blazow**—The complication would be that there may be some general patients who qualify for safety net entitlements, which would mean that they could also be getting a subsidy against their calcium. That is why I said I think it is a fair assumption that a large number of those scripts would be for concession card holders. But there may also be some general people who have qualified for their safety net entitlements and are receiving a subsidy against those calcium prescriptions.

**Senator FORSHAW**—That is what I assumed. If you have a breakdown for scripts between concession card holders and others, could you provide us with that—how that \$130,000 might be split? In large part this will affect concession card holders more than any other group in the community?

**Ms Blazow**—I have said that I think that is a reasonable assumption.

**Senator FORSHAW**—Do you have any data about compliance rates or therapy dropout once a drug is withdrawn from the PBS?

**Ms Blazow**—I do not know that we do.

**Ms Corbett**—Because there have only been a few occasions on which products have been delisted from the PBS and they have been quite different kinds of products I do not think you can generalise about this.

**Senator FORSHAW**—No, I am not asking you to.

**Ms Corbett**—I am not aware of specific data.

**Senator FORSHAW**—But, because, as you say, delisting is not a usual measure, to undertake that sort of analysis might be useful. For instance, fears are expressed at times when drugs are delisted that it may lead to certain consequences in people's continued treatment and the impact of the increased costs on them. I would have thought that that would

be useful data to collect and assess. You do give some assessment of the impact of the measure clinically and medically rather than cost wise?

**Ms Blazow**—I understand. We can certainly take that on board.

**Senator FORSHAW**—I take it from your answer, Ms Corbett, that no follow-up work is done?

**Ms Corbett**—It is not work that at this stage is planned. It would be quite a complicated piece of research to do. But I understand what you are saying about the possible interest in it and value of it.

**Senator FORSHAW**—On page 201 of Budget Paper No. 2 there is reference to funding being provided ‘to undertake the cost-effectiveness reviews of drug groups listed on the Pharmaceutical Benefits Scheme.’ The government is going to provide \$2.5 million over four years. Will these assessments consider drug groups or individual drugs?

**Ms Blazow**—In the main, individual drugs. However, some of those drugs may be parts of groups. I would not want to pre-empt how many would fall into the various categories, but I think the main focus will be individual drugs.

**Senator FORSHAW**—Can you tell me which ones will be reviewed?

**Ms Blazow**—No, we have not got to that level of detail.

**Senator FORSHAW**—Who will decide that?

**Ms Blazow**—The Pharmaceutical Benefits Branch in conjunction with the Pharmaceutical Benefits Advisory Committee, because it will be looking at which drugs may have been listed on the PBS for some time where there either was never an analysis of their cost effectiveness or where there is a view that evidence for their cost effectiveness may have varied and changed over the years. So it will require Joan’s branch to work closely with the PBAC to identify which drugs they are seeking to do a review of.

**Senator FORSHAW**—Have you established the principles to be used in the review?

**Ms Blazow**—I think the key principles are that the drug has been listed for some time and may never have been subject to a cost-effectiveness review or where there is some evidence that the evidence base for the listing of that drug may have changed with time and it is worth while going back and having another look at that. Those would be the two key principles.

**Senator FORSHAW**—And you will be undertaking consultations with the relevant stakeholders.

**Ms Blazow**—Yes, we have a quite well organised process for consideration of products. The sponsors, as we call them, of those products—which in the main are manufacturers, pharmaceutical companies—have opportunities to provide evidence and comments throughout the process. We will follow those normal procedures.

**Senator FORSHAW**—Who has the final say?

**Ms Blazow**—The PBAC will make a recommendation to government in the normal way. But, as you may be aware, the act is such that the government has certain restrictions on its powers relating to what is recommended by the PBAC.

**Senator FORSHAW**—Yes, I have come across those in the past when assisting people who are trying to get things onto the list. Following through on some other matters in Budget Paper No.2, mandating price lists in pharmacies is going to require that pharmacists display or have available on request a list of the PBS medicines supplied by the pharmacy, together with the price of each medicine. There are some 2000-odd medicines on the PBS. Can you tell us how this is going to be implemented?

**Ms Blazow**—It is not entirely clear yet how it will be implemented. The objective is to make more transparent the range of products that are on the PBS. As you probably realise, some of them have what we call grand premiums—a cost in excess of the PBS listed price. We are aiming to make that more transparent to consumers so that it encourages them to choose the less expensive medicines. We are also aiming to make more transparent the whole array of drugs that are available and, where there are brand options within those drugs, to encourage people to make informed choices. We want to talk with the pharmacy sector about how we will do that. There are various options—whether the information is made available through a government web site, through some other mechanism or at the actual pharmacy level. We are not entirely sure yet how we will implement that, but the objective is clear: to make the pricing more transparent for consumers.

**Senator FORSHAW**—You are going to talk to the pharmacists about it. Will you be consulting any other groups, for instance the profession itself?

**Ms Blazow**—The medical profession?

**Senator FORSHAW**—Yes. They write out the scripts. As we all know—again, I am not making any criticism—the more information that the patient that goes to the pharmacist with the script can have, the better. We know that things have been done over a number of years to try to provide more information through the pharmacists, but it still very much relates to what is prescribed by the practitioner.

**Ms Blazow**—As I said, one of our objectives is to make it much more evident to consumers where a product, a particular drug, has more than one brand available and where the consumer would be required to pay an additional price for that product vis-a-vis the lowest price—what we call the benchmark product—on the PBS, which is available for no more than the mandated copayment. We want consumers to be much more aware of those arrangements than they are at the present time.

**Senator FORSHAW**—Do you envisage that pharmacies will have to develop their own lists?

**Ms Blazow**—Pharmacists already have lists. You can go into a pharmacy now—

**Senator FORSHAW**—Yes, but a list for publication or for making readily available to the customer that comes into their store.

**Ms Blazow**—This is where we have not worked out the details of the measure and how the lists will be made available to the public. But, in fact, right now you can go into a pharmacy armed with your prescription and ask at the counter what the price of that medicine in that pharmacy will be and whether or not there will be a premium. You can ask the pharmacist to dispense the product that has no premium. That is already information that the pharmacist is

quite prepared to provide. But what we want to do is create greater awareness in the community that they have those choices.

**Senator FORSHAW**—This goes to the issue of, for instance, trying to assist consumers to have more information about the prices that are charged in a suburb rather than at an individual pharmacy. We know that a lot of people have their own usual pharmacist that they like going to. But does your development of this proposal pick up trying to deal with that issue of how you could make information available to people so that they were able to compare prices amongst a group of pharmacists for private prescriptions?

**Ms Blazow**—As I said, there are two levels. We could actually do it at an aggregate level and put all the products that are on the PBS on some easily accessible web site, with their brand names, indicating which ones have premiums and which ones do not. We could do that, or it could also be done at the lower level—at the actual pharmacy—or, as you point out, it could be done in the surgery, so that doctors are made much more aware that the brand they normally prescribe actually incurs a premium for the consumer. We are not clear yet about exactly how we are going to tackle all of those things, but our objective is clear—to make this much more transparent for the consumer.

**Senator FORSHAW**—What is the implementation date for this? Is it in the budget paper—I am sure it is. No. When is this due to commence operation?

**Ms Blazow**—It does not have a specific date. It is not a savings measure. It is simply an initiative—that we will be working with various people to try to improve that transparency.

**Senator FORSHAW**—But do you have any expectation about when this might be done? Presumably you are looking at some time in the next six or 12 months or so?

**Ms Blazow**—Yes, certainly. We are currently doing our work programs for all the branches over the next 12 months for the 2005-06 financial year, and it will definitely be built into the work program of the Pharmaceutical Benefits branch.

**Senator FORSHAW**—Let us move to savings from generic drugs. Back in the 2002-03 budget there were several measures to ensure greater use of generic medicines on the PBS. In particular the PBS—and I have a copy of the extract here from that year, but I'm sure you will recall it—states:

The government will enter into an agreement with individual producers of generic drugs to facilitate the use of these medicines in return for reduced prices for manufacturers

It goes on, noting that it was 'expected to generate savings over four years of around about \$110.9 million' taking it through from 2002-03 through to this next financial year—2005-06. Can you give us an outline on the progress on that initiative?

**Ms Corbett**—The initiative has been implemented and has not achieved its savings targets, but it has highlighted a number of important issues for us. We had some negotiation with the industry, as was foreshadowed in the budget, and we discussed memorandums of understanding with them. Some price reductions were achieved, and they did not go as far as was anticipated at the outset. We did do some work in the public awareness campaign for PBS medicines around generic medicines, and we did also make a change in the regulations so that doctor prescribing could not default to an option where no brand substitution was allowed. So

we did do quite a lot of work in a number of those ways, to promote generic medicines. The savings target, as I have said was not met—or it has not been met in the three years to date since that was announced.

**Senator FORSHAW**—Can you give me details of what savings were achieved? For instance in 2002-03 it was estimated to be \$19 million. Do you have figures for that year?

**Ms Corbett**—I do not have the breakdown of those figures with me and I would prefer to take that on notice and get those for you. They were substantially below the target, but I would rather do that carefully on notice.

**Senator FORSHAW**—Does substantially mean less than half what you had expected? Do you recall?

**Ms Corbett**—It was certainly well less than half in the first year, and I believe less than half in the second year, improving in the third.

**Senator FORSHAW**—The second year was \$29.1 million—that was in 2003-04. I take it that you do not have figures for 2004-05?

**Ms Corbett**—No, we do not.

**Senator FORSHAW**—What is the expectation? This was supposed to be \$30.4 million in 2004-05. Is the trend the same?

**Ms Corbett**—My expectation is that it will be a lot less than that target, but I would need to take that on notice.

**Senator FORSHAW**—So well short of the savings intended?

**Ms Corbett**—Yes, that is correct.

**Senator FORSHAW**—If you could get us the specific figures for 2002-03 and 2003-04, that would be useful. If you have them for 2004-05, or an expectation, you could include that. Could you be a bit more specific: what agreements were reached with individual producers of generic drugs. How many agreements were entered into?

**Ms Corbett**—There were a number of memorandums of understanding that were negotiated and a number of companies signed those—at that time I think we had seven or eight companies in the generics manufacturing sector. We never had all of them sign agreements with us, but major companies did sign initial agreements with us and we saw some price reductions. Those price reductions did not go as far as we had hoped that they would.

**Senator FORSHAW**—I know. How many? Can you give me a number?

**Ms Corbett**—I am sorry, I do not have that number with me. Again, I will take that on notice and check the files.

**Senator FORSHAW**—So there were seven or eight generic manufacturers. Surely you have some recollection of whether it was one, six or half of them.

**Ms Blazow**—It would be better if we check the files to give an accurate number.

**Senator FORSHAW**—I know that it would be better to have an accurate answer, but it is also helpful for us to be able to know here today.

**Ms Blazow**—There are always numerous listings on the PBS. We would really need to go and check which of those listings were subject to one of these price reduction agreements with a generic company to make sure that it is an accurate answer.

**Senator FORSHAW**—Can tell me what type of agreements were reached?

**Ms Corbett**—The memorandums of understanding that we reached with the companies were an agreed form of words. I was not at the time directly involved in those negotiations, but I can describe them more generally perhaps when I provide some information to you on notice. We engaged in some negotiation with the companies that reached agreements with us before the form of words was finalised. Beyond that I am afraid that I do not have the specifics with me.

**Senator FORSHAW**—But they were memorandums of understanding—they were not specific agreements that you are talking about, were they? You have used the term memorandum of understanding and have also referred to agreements. An agreement, I take it that, is that they will implement certain action to bring about increased usage et cetera. I would like to know, and you can take this on notice, the number of agreements that were entered into, who they were entered into with, and for which pharmaceuticals.

**Ms Corbett**—I understand the question and I am happy to take that on notice.

**Senator FORSHAW**—This measure was also to ensure that the prescribing software used by doctors enables the use of generic drugs unless the doctor chooses a brand name alternative. Where has that initiative gotten to?

**Ms Blazow**—That measure was implemented. I will describe that measure, because it gets described in various ways. There used to be an arrangement whereby the software used by doctors to write out prescriptions had an automatic default to override brand substitutions—I think there was a little tick box on the form that could be ticked to say that the pharmacist could not substitute one brand for another. So if the doctor wrote the prescription for a particular brand name then the power for the pharmacist to substitute another brand—even though it is exactly the same product—was not there because it was ticked that it could not be brand substituted.

There was a regulation passed which requires, under the National Health Act, prescribers of drugs not to use a software package that had that automatic default. So we were not taking away the power for the doctors to still say they wanted a particular brand dispensed if they knew that their patient had a strong preference or they personally had a strong preference for that product to be dispensed, but it could not default to a no substitution situation. We required the doctors no longer to use software packages that had that default from a particular date.

**Senator FORSHAW**—Can you tell me what savings have been achieved under this particular provision?

**Ms Corbett**—It was never disaggregated from the savings for the measure as a whole.

**Senator FORSHAW**—I understand that was the way it was expressed, as a total amount each year and a yearly amount in the PBS. Was it a substantial proportion of the savings that

were achieved? I would have thought not, but you have to have some idea, wouldn't you, of how effective that was?

**Ms Corbett**—The savings that were identified would have come from the price decreases in generic medicines that would have resulted from the full delivery of the agreements with the industry about those price reductions. That was where the savings came from rather than from the brand substitution aspect. The brand substitution aspect was an important way to affirm the government's policy about brand substitution, an important message to be promoting that in prescribing, and an important way to work with doctors and pharmacists about the brand substitution policy, but it was not itself something that could directly deliver savings.

**Senator FORSHAW**—You did not have the means of measuring that?

**Ms Corbett**—No, there was not a component of savings attached to that. There was an overall savings target.

**Senator FORSHAW**—Is trying to get this measure to be more effective still a priority for the department? I know that it was a four-year plan. Given the public statements by the Treasurer about the sustainability of the PBS overall, is it still a priority for the department to be trying to promote it?

**Ms Blazow**—I will answer it in terms of the government's policy. The government's policy is still clearly to encourage the use of generic medicines wherever that is possible, because generic medicines offer the opportunity for reduced costs on the PBS. So all of these measures were about encouraging the use of generic products. That is what the measures were about, and that is the policy objective behind all those measures. There has also been a subsequent measure in relation to generic medicines. So, if you like, the policy has remained to encourage the use of generic medicines because of their potential savings to the PBS, and there have now been other measures that we are implementing for the government in that regard.

**Senator FORSHAW**—I want to come to those other measures shortly. Are you still actively seeking to enter into agreements with the individual producers of generic drugs? There is still a year to go on the forward estimates that were in the 2002-03 budget on this measure. Is this still a priority? Are we still trying to get agreements with the manufacturers, or is it that you are putting the reference into other measures?

**Ms Corbett**—The answer is yes, we are still trying to get agreement with manufacturers on the best possible price for the government, because that is exactly what we do every time we list a product on the PBS, and the measure that has overtaken the other measure is in fact a very explicit measure about the amount of price reduction that we are expecting.

**Senator FORSHAW**—And this is the 12½ per cent?

**Ms Corbett**—Exactly.

**Senator FORSHAW**—That is a very good point at which to move on from that measure.

**Senator MOORE**—I want to ask about the information campaign—you said in one of your earlier answers that there was one. I want to clarify exactly what the stage of that is. It was one of the things we talked about, the various information campaigns. Budget Paper No.

2 looks at the Pharmaceutical Benefits Scheme information campaign to improve community understanding of generic medicines. I love those when they just have blanks all the way along the years. In reading the explanation, it clearly says that you will continue with community education in this area, but you are expecting it to be funded out of existing departmental resources. Can I get some indication of what that means?

**Ms Blazow**—There are two campaigns. The first one was the very high-profile campaign around the Pharmaceutical Benefits Scheme.

**Senator MOORE**—The general one about the whole scheme where you were using Dr Wright—TV, newspapers, the whole thing?

**Ms Blazow**—Yes, ‘Know your PBS’. There was a component in that to encourage people to make informed choices about their medicines, part of which would be choosing the least cost product and so forth. That was a part of the whole campaign.

**Senator MOORE**—It was a subset of the general information campaign about the scheme.

**Ms Blazow**—That is right. It was a subset of that whole information campaign. In the most recent budget, the government decided to continue the work because, as I said, a high priority is to still encourage consumers to choose generic products.

**Senator MOORE**—And have informed choice.

**Ms Blazow**—That is right: have informed choice. The reason there is no specific allocation of money against the campaign is because it is elsewhere in the papers. We want to use the National Prescribing Service, which is a well-known authority on PBS medicines. They have a whole lot of educational campaigns for doctors and they are moving into the area of consumer education as well, about products on the PBS. We want to work with them under their existing funding arrangements—they have been increased in the recent budget. We are working with them as a new phase. We will work by them in this area of encouraging understanding of generics. For example, one of the key issues is for the community to understand that a generic product is equivalent in respect of its health outcome and so forth to another branded product that preceded it. We really want people to understand that the quality of manufacture is equivalent—all of those issues.

**Senator MOORE**—In Budget Paper No. 2, that last statement about being offset within the existing resourcing of the Department of Health and Ageing—it is actually going to another part, the National Prescribing Service.

**Ms Blazow**—Yes. It will be within the funding contract of the National Prescribing Service. There is additional money made available for them elsewhere in the budget papers to carry on their work in these areas.

**Senator MOORE**—Can you direct me to that?

**Ms Blazow**—The right page?

**Senator MOORE**—Yes.

**Ms Blazow**—I will ask someone to find it for me. It is in Budget Paper No. 2 on page 203 at the top of that page.

**Senator MOORE**—The quality use of medicines program?

**Ms Blazow**—Yes. I need to explain, because there are negative figures there, that the quality use of medicines program overall is a savings measure against the PBS, but there is also a spending component in that program. We model the work that is done under quality use of medicines in terms of investing in that work to deliver slight savings. As you can see, there are slight savings there on the PBS over time—in other words, informing people about their medicines helps us contain the costs of the PBS.

**Senator MOORE**—The figures there are the composite of the savings.

**Ms Blazow**—Yes, this is the net outcome, but there is a spending component in there for the National Prescribing Service. I do not know the figure for that off the top of my head. It is in the order of \$25 million per annum that we pay to that agency to promote the quality use of medicines. I have just been advised it is going up to \$30 million per annum, so it is a significant increase.

**Senator MOORE**—Could you say that again for me?

**Ms Blazow**—The National Prescribing Service allocation is rising to \$30 million per annum under this budget measure. We will be negotiating with them for the next contract to do some work around assisting consumer understanding of the value of generic products.

**Senator MOORE**—That is very useful. In reading the budget papers it was not that clear how those things worked together.

**Ms Blazow**—I agree.

**Senator MOORE**—It might be useful in the future to have some kind of cross-referencing in the explanations. Also, in your clear explanation the generic medicine issue came out very well, but in the explanation under the box it is not mentioned at all. It might have saved a question, you never know. Thank you very much.

**Senator FORSHAW**—Just before we move to the 12½ per cent measure, where in the budget do I find the forward estimates for the PBS?

**Ms Blazow**—For the whole PBS?

**Senator FORSHAW**—Yes. Can I find them somewhere?

**Ms Blazow**—I believe they are there somewhere although I cannot tell you the page number. I am sure someone can.

**Senator FORSHAW**—I have not been able to locate them.

**Ms Halton**—Let us give you the absolutely technically correct answer.

**Senator FORSHAW**—Now you understand why I asked the question: it has an absolutely technically correct answer.

**Ms Halton**—Fair enough. BP1 is the short answer. But Mr Clout can give you chapter and verse.

**Senator FORSHAW**—Can you tell me where?

**Mr Clout**—Yes, it is in statement 6, which is known as the functional statement. That is the closest you will get to forward estimates for the PBS. It is box No. 6.1 in table No. 8, I think you will find.

**Senator FORSHAW**—These are published each year in the forward estimates?

**Mr Clout**—That is correct. This part of the budget papers is the area where the government publishes its spending, according to the functions that are set out in international standards, so that international comparisons between government spending can be made.

**Senator FORSHAW**—Have you got that page open in front of you?

**Mr Clout**—I am afraid you have me at a disadvantage. I did not bring my copy with me.

**Senator MOORE**—Mr Clout comes from the budget area: he probably knows it off by heart.

**Mr Davies**—He has memorised the entire thing.

**Senator FORSHAW**—If I wanted to find out the total amount for the forward estimates for the Pharmaceutical Benefits Scheme over the current year and the three out years, how would I do that from this table?

**Mr Clout**—The best way would be to add the first two rows, which are concessional and general patients—benefits. You need to keep in mind though that that does not include the RPBS for veterans, which is the third row.

**Senator FORSHAW**—Right. So looking at that, the cost for 2004-05 is \$4,302,000,000 plus \$1,073,000,000. I am sorry if this is appearing to be me using very simple mathematics, but if I add those two together—

**Mr Davies**—That makes \$5,774,000,000, doing the maths in my head.

**Mr Clout**—For 2005-06.

**Senator FORSHAW**—Has this been included in previous budgets going back over a number of years?

**Mr Clout**—Yes. It has been done over a number of years. This is a section of the budget papers that is prepared by Treasury, and it does not always align with the budget estimate that appears in our outcome 2, for reasons that we are not always aware of. We usually have a discussion with Treasury each year to understand that.

**Senator FORSHAW**—You have got me intrigued. I would like to understand what it is that you are telling me that you are not quite sure you understand. What do you mean by that statement?

**Mr Clout**—I mean by that statement that this section of the budget papers is prepared by Treasury. We see it on budget night and, from time to time, we might have a different view, according to the way that we account for our appropriation. This is pulled through a different system to our financial system.

**Senator FORSHAW**—Are these forward estimates published anywhere else? They are not in the PBS—and here I mean the portfolio budget statements—are they?

**Mr Clout**—No, they are not. The portfolio budget statements go to just the budget year and the estimated actual for the current year.

**Senator FORSHAW**—Who puts the forward estimates for the PBS together?

**Mr Clout**—The forward estimates for the portfolio budget statements are put together by our department in conjunction with Department of Finance and Administration, so all of those numbers pull out of the AIMS, based on the estimates that we agree with the department of finance.

**Senator FORSHAW**—So in Budget Paper No. 1 we have the figures for 2004-05 and then what is budgeted for 2005-06 and projected for the three succeeding financial years. That is showing an increased expenditure, which one would expect. What are the assumptions that underlie the forward estimates? Are you able to tell me?

**Ms Blazow**—That is probably more in the policy area. We look at the rate of growth in the PBS over previous years. We project that into the future. We look at the average price of products on the PBS and we similarly project and index that into the future. We look at the arrangements for safety nets. We look at the proportion of concessional prescriptions and how that might be changing, if it is. We look at those sorts of factors, and then we project into the future based on our knowledge from the past.

**Senator FORSHAW**—I obviously have not had the opportunity to add up these figures for each of the four years and compare them with the 2004-05 year and, say, previous years. Do they essentially rely upon extrapolating forward from previous trends?

**Ms Blazow**—Essentially, yes. Ms Corbett is agreeing with me, and it is her branch that does the work.

**Senator FORSHAW**—So, if we were to look at these figures into the next four years, would that show a trend which is not varying that much?

**Ms Blazow**—As you would appreciate, we update all the time—at the two cycles of additional estimates and at budget time. At both of those times we have an opportunity to examine our assumptions and decide whether or not—based on knowledge that we have gained since the last time we updated—we still agree that that is the way it is going. So it is constantly moving, because we are updating. Joan, do you want to add anything to that?

**Ms Corbett**—Just that the forecasts that go into the budget papers then add to our underlying trend analysis the impact of the budget measures that have just been announced. So the forward estimates as you see them will take into account, for instance, the 12.5 per cent pricing measure and other significant shifts above the trend line. But the model itself, as Ms Blazow described, looked at the underlying trends, and it is updated.

**Senator FORSHAW**—Is there a trend figure there that you can identify, like a reasonably constant percentage over these four years?

**Ms Blazow**—Yes, there would be an aggregated growth rate which you could work out from the figures. I do not have them in front of me.

**Senator FORSHAW**—I was hoping that you could tell me, rather than me having to do it.

**Ms Blazow**—I think it is something in the order of eight or nine per cent per annum. It is 5.4 per cent real. That is deflated, so it might be in a higher order when you actually compare one figure with the next and work out a percentage growth. But the budget papers are quite clear that it is a 5.4 per cent real per annum.

**Senator FORSHAW**—That is probably where I was trying to get to. Thank you for that. Are the estimates net of patient copayments?

**Ms Blazow**—Yes, because they are the government outlays.

**Senator FORSHAW**—So presumably they take account of the net impact of the copayment increase that came into effect from 1 January?

**Ms Blazow**—Yes, that is correct, and that is what Ms Corbett was referring to when she said that at each update we take account of any policy changes that may have occurred in the budget that has just passed or whatever. So, yes, the current figures would reflect those revised copayments.

**Senator FORSHAW**—This might even be a bit too technical for me, which is probably the case often: did the government's estimate of the savings that have come or are intended to come from that copayment increase include an estimate of the increase in the patients' use of medicines?

**Ms Halton**—Yes, it did.

**Senator FORSHAW**—Do you understand the question I am asking?

**Ms Halton**—Yes.

**Senator FORSHAW**—Are you able to tell me what that estimate is?

**Ms Corbett**—I am sorry, no, not in detail. There is an expected reduction in script volumes immediately following a copayment increase, and we look at that, but I do not have the details.

**Ms Blazow**—Completely from memory, I think it is about a one per cent impact, but I will check that.

**Senator FORSHAW**—Could you check that?

**Ms Blazow**—Yes.

**Senator FORSHAW**—It would be obvious, wouldn't it, that there would have to be some estimate included in the calculations. I think the department has previously told the committee that the forward estimates included in the budget papers do not take into account the impact of medicines going off patent, for instance: is that correct?

**Ms Blazow**—That is correct. We have not been able to predict with accuracy when a new generic product would come to the market, and therefore we do not build specific products into our estimates in that way. As I said, it is simply an aggregated trend analysis looking at what has been happening into the past and then projecting into the future. We do not go back and say, 'We think that drug X is going to have a generic, and therefore that is going to result in something.' Also in the past we have not known what price reduction we would be offered. So it does not work quite like that.

**Senator FORSHAW**—So presumably it would not take into account the listing of generic medicines?

**Ms Blazow**—It would, to the extent that we have been offered generics in the past and they have been offering price reductions. Our trends from the past, as we project them into the

future, would pick up those factors and include them in the projections. But we do not make an analysis that says, 'For the future we think there are going to be five more generic products coming onto the market in the next five years and we think their price reduction will be in the order of five per cent and therefore we will adjust the estimates in that way.'

**Senator FORSHAW**—That is what I was getting at. If the drug goes off patent, it opens up the opportunity for generics. But you do not factor that in?

**Ms Blazow**—We do not factor in those specifics. What has been happening in the past would set the trend line, and we would project that into the future.

**Senator FORSHAW**—Why would you not do that?

**Ms Blazow**—Because it is very hard for us to say. When a new product is coming to market is a commercial issue, and so is whether it is under a licensing agreement with another company and so is whether there is a patent expiry. We do not have all the resources to check all the patents—when they expire, for example. So it is not something that we are able to do.

**Senator FORSHAW**—Do the forward estimates include consideration of new patented drugs that are likely come onto the PBS?

**Ms Blazow**—Regarding newly patented products, it is again a matter of trend line analysis. I understand you to mean new drugs and new technologies?

**Senator FORSHAW**—Yes.

**Ms Blazow**—Yes. Again there is a trend line analysis—there has been a certain pattern of drugs coming to the market in previous years and again we would project that forward into the future. Again we do not have the sort of information that tells us that there is going to be registered in Australia a new cancer drug in the next two years—or whatever.

**Senator FORSHAW**—So you factor in a trend?

**Ms Blazow**—We factor in a trend line.

**Senator MOORE**—Ms Blazow, is that the kind of information no-one has? I am just interested in the kind of linkage between the department, which has the ownership of the policy in this area, and the various pharmaceutical companies. Do they not tell you? You said that, if they do tell you, you can factor it in, obviously on the basis that sometimes they do. Is there not some kind of formal arrangement where they tell you this stuff?

**Ms Blazow**—Some of the information is commercial-in-confidence and very carefully guarded—

**Senator MOORE**—From competitors?

**Ms Blazow**—about when a company will bring a new product to the market.

**Senator MOORE**—So you would not expect that they would want to launch that in a very big way?

**Ms Blazow**—That is right. They want their own commercial strategies for that. For example, even when applications are made for listing on the PBS, it is not something that we make known publicly, because it is so sensitive commercially that a company has brought a

product to us for which they are seeking listing. So it is quite a complex area that is not open to full public scrutiny.

**Senator MOORE**—Just in terms of the processes, we are always interested in this and it is used as a very integral part in the whole costings of future PBS and so on. I just want to clarify this: there is no absolute connection between companies advising you formally that in the near future they are about to bring a product on line. There is nothing like that, but occasionally, as you become aware of it, you can do that. Without their willingness to tell you, for whatever reason, you cannot predict it.

**Ms Blazow**—Can I just say that, even with the ‘occasionally’, our estimates are based on the projection of trends. Once we know that a company is bringing a product to the PBS, for example—it goes to the PBAC; it goes through its process; and it is then decided by the government to list it, if it is recommended by the PBAC—at that point we update our estimates in respect of that particular drug listing. That is how we do that. So, if you like, there is a trend analysis about what has been happening, and that is projected into the future, but every time there is actually a new listing the estimates are updated to take account of that new listing. So, if you like, that means that we are constantly changing the trends, too. Every time we do the update of the estimates, those new listings are similarly taken into account because the trend line is changing. I hope that is clear.

**Senator MOORE**—Yes, I see the trending process.

**Senator FORSHAW**—My screen’s not clear!

**Senator MOORE**—So the trending is looking into what has happened and what you know about, but you do not have any particular knowledge that nobody else in the community would have to help with your estimations?

**Ms Blazow**—We can look at what is happening in other countries about new cancer drugs emerging or whatever, but, again, we do not know when the company that is sponsoring that product is going to bring that product to market in Australia and seek a listing on the PBS.

**Senator MOORE**—And there is no requirement for companies to tell you that?

**Ms Blazow**—No.

**Senator MOORE**—That is what I am trying to get to: there is no actual requirement for them to do that?

**Ms Blazow**—That is right.

**Ms Halton**—And they of course might not be right, in that they might have an objective to get into a particular PBAC meeting and to achieve a listing by a certain date, but that might not be delivered. I have to say that I think in this area the trend approach is actually more robust. If we tried to build up on a case-by-case basis, we would be guaranteed to get it wrong. We would miss a drug or we would overestimate when it was going to get on or whatever else; whereas I think that looking at the trend line is more reliable.

**Senator MOORE**—Sometimes you hear through the media that a particular drug is coming up. The statins group of drugs has received some publicity about that, and my

understanding is that that is coming off in the relatively near future. Is that a pharmaceutical that you are aware of?

**Ms Halton**—We are aware of that, absolutely.

**Ms Blazow**—Certainly, yes.

**Senator MOORE**—And are you using that in your trending?

**Ms Halton**—We do not know what the—

**Senator MOORE**—You do not know the absolute implications of what will happen?

**Ms Halton**—We do not. Again, this is one of those areas where you might get it right; you might get it wrong. If you start to get to concrete estimates of—

**Senator FORSHAW**—My computer is not working. I am hoping that the minister might give me the benefit of her technical expertise!

**Ms Blazow**—Can I just add in respect of the statins that it is well known that there will be a patent expiry in Australia very soon. Therefore, because of the 12½ per cent measure, our costings for the 12½ per cent measure and the savings certainly took into account that there would be a patent expiring and therefore new generics entering that field of drugs, which would give us price reductions for subsidy purposes on the PBS. So that has been specifically factored into our savings in that measure.

**Senator MOORE**—For the basis of your calculations, how did the department find out that that was going to happen? What was the information source?

**Ms Blazow**—For the knowledge that a patent would expire in Australia?

**Senator MOORE**—Yes, knowing the patent would expire and then being able to build in your expectations for the impact that would have?

**Ms Blazow**—I am sorry, I do not have a specific memory of where we learned that there would be a statin patent expiry.

**Ms Corbett**—I think it is fair to say that that information came to us fairly willingly from industry, as it has with some other patent expiries in major categories of drugs. We do not necessarily know the whole pattern of these things, but we certainly were aware of the two major statins that came off patent and in a couple of other categories from the information that the industry willingly provided us.

**Senator MOORE**—Is that just part of normal communications processes you have got with industry? I am trying to work out what role your agency has with industry, which is a very robust industry, and how open that communication is. How is information exchanged—is it earlier in the process with the department than it is with the media? How are you able to build up that knowledge?

**Ms Blazow**—It varies with the situation. There are some situations where the company would not want to come and tell us that they are going to bring a new product, because they want to keep that quite close. They might not come and tell us that they want to go into a licensing agreement with a generic manufacturer, because they want to keep that quite close for commercial reasons. However, for example, when we were consulting during January this

year about the 12½ per cent measure, one of the things that we did was tell them the sorts of assumptions we had made about the products that might be going off patent and coming onto the PBS as new generic products. The industry was very generous in their knowledge in this regard and gave us their view of whether our assumptions were correct. They actually shared some knowledge with us about other products that were likely to go off patent, and that enabled us to revise our estimates. So it depends on the circumstances at a particular point in time and what the companies are prepared to share with us, given the commercial environment that they are working in.

**Senator MOORE**—Is there a collaborative relationship between the department and the industry?

**Ms Blazow**—Yes.

**Ms Corbett**—Yes, very strongly.

**Senator MOORE**—And that would be the way you would describe it—'a collaborative relationship'?

**Ms Blazow**—That is right.

**Ms Corbett**—Yes.

**Senator MOORE**—You have free communication?

**Ms Blazow**—Yes, very. It is very open. We have had several joint initiatives with the industry about our processes—the PBAC process is a good example where both the industry and the department were concerned about the time that it took from a PBAC recommendation to the actual listing. We sat down with the industry, examined everything that had to happen and we worked on a streamlining of that process. Mr Davies was a participant in that project.

**Ms Halton**—If I can make a comment on that, this is obviously a very difficult area and quite contested in terms of the outcomes industry would like. There are processes we have to go through. I have given a strong personal undertaking, as have the respective ministers I have worked with in the time, that we will actually work in good faith and in a proper way with the industry. There are processes we have to go through, but enabling each other to do our respective jobs and genuinely listening is important. They may point to—and often quite rightly—where our processes might not be as transparent or as quick as they should be or there might be some other glitch. Similarly, we can give them information about how they can improve their engagement with the process. I think in all seriousness we genuinely try and do that in open way. It does not mean that we are always going to agree with them and they are not always going to agree with us. But I think, again, that is acknowledged in relationship. Don't you think that is true?

**Ms Blazow**—Yes, I think that is true.

**Ms Halton**—As I always say to the industry, I am always very happy to see them if they have issues that they want to talk to me about—and they do do that. Similarly with Ms Blazow and her people and similarly with Mr Davies, we say that we are always willing to discuss issues with them, and that is something that they avail themselves of.

**Senator MOORE**—Is there a formal consultative mechanism between the industry and the department?

**Ms Halton**—Through Medicines Australia effectively there is. They also tend to convene the odd round table. For example, they convened something recently and invited me to come and talk to people. I was happy to do that. So, yes, there are multiple venues.

**Senator MOORE**—You mentioned coming off patent. It is another government department that holds that patent in Australia?

**Ms Blazow**—The patent holder is the company that invented the product.

**Senator MOORE**—Are patents public documents that you can go and have a look at?

**Ms Halton**—It is at IPA, Intellectual Property Australia.

**Senator MOORE**—So they would be lodged with what used to be the Patent Office but which has a new title.

**Ms Halton**—That is right.

**Senator MOORE**—The patents on all those drug things, like any other kind of business or ownership, are listed there?

**Ms Blazow**—Yes, that is right.

**Senator MOORE**—Is there any immediate link between the department and the patents office so that you are warned when something pharmaceutical is due to come off patent?

**Ms Blazow**—No. As I said, patents are very complex.

**Senator MOORE**—They are very complex.

**Ms Blazow**—It would be a very resource intensive exercise for both the patents office and us to be monitoring every patent as it affected every drug. It is not only the molecules that are patented; the manufacturing processes, the container or the gel that they put around it, and all sorts of things and also patented. It is very complex.

**Senator MOORE**—It is everything that makes up the final product. I was just checking to see whether there is some immediacy, but because of the complexity at this stage there is not. Is that fair?

**Ms Blazow**—We do not go and search patents as a matter of course to find out what drugs, procedures or whatever might be coming off patent in the next amount of time. We are not resourced to do that sort of work.

**Senator FORSHAW**—There are forward estimates contained in the budget, in BP1. Are there any other estimates or projections in regard to the PBS that the government has, or has access to, on which to make an assessment about future costs?

**Ms Halton**—No, the estimates are the estimates. There is not an alternative set of estimates somewhere else.

**Senator FORSHAW**—I suppose I was thinking more about other sets of projections or forecasts of future PBS spending. Are there any others besides those that are public and in the budget?

**Ms Halton**—It depends on what you mean. For example, the *Intergenerational Report* obviously contained a number of scenarios about the impact of ageing. Somewhere in the bowels of it there would have been a number of scenarios about the aggregate of health costs. That does not mean, when you get down to specific projections of health expenditure, and most particularly in this case the pharmaceutical benefits, that there is an alternative set—there isn't.

**Senator FORSHAW**—So other than those in the budget the department has no access to projections or forecasts of future PBS spending.

**Ms Halton**—Not that I am aware of.

**Senator FORSHAW**—You said earlier that the PBS forward estimates do not take account of the impact of medicines going off patent.

**Ms Halton**—Can I qualify that? That is true except to the extent that our costing of the 12½ per cent measure does, because that was a specific measure. We did consult with the industry on that.

**Senator FORSHAW**—That was precisely what my question was about. How did you calculate the savings coming from the 12½ per cent generic pricing measure?

**Ms Blazow**—To start with, it was an election commitment so we have no knowledge of how the very first figure was calculated because it was done in that context. Then when the government was returned it became a measure that we were to implement. Our minister was clear that we were to go out and talk with the industry about the measure. We did that during January of 2005 and as part of those discussions we invited the industry to tell us what they felt were going to be the products that were coming off patent. Within the confines of the commercial-in-confidence issues that the industry is quite sensitive to they were very generous with their knowledge. They helped us to understand how they saw the future of drugs and which ones were coming off patent. They helped us, therefore to develop some estimates around that measure, which were based on that additional information—that intelligence.

**Senator FORSHAW**—You were presented with an election commitment for a price reduction of at least 12½ per cent.

**Ms Blazow**—That is correct.

**Senator FORSHAW**—You go away and work that up. Through the various inputs that you referred to, you end up producing a savings estimate of \$1 billion over five years. Is that right?

**Ms Blazow**—There were actually some more steps. As part of the consultation, industry reported to government that there was one aspect of the policy that they were unhappy about. The government considered the industry's view and slightly amended the policy as the result of the consultation. Since then, the estimate has been revised to take account of that slight policy change as well.

**Senator FORSHAW**—What is the revised amount?

**Ms Blazow**—There was a policy decision. I am trying to think of the time frame, but Joan will remember. Was it in April?

**Ms Corbett**—Actually, it was a little earlier. The minister's announcement on that change of policy was about 7 February.

**Ms Blazow**—It was as a result of the consultation that we undertook that the industry argued that to have a price reduction every time a new brand of product came into a particular group of drugs—as you know some of the groups have many drugs in the group—was unreasonable. They argued to government it should occur only once. The government agreed and, therefore, changed the policy. Therefore, we revised the estimates having regard to that policy change as well.

**Senator FORSHAW**—Okay, and that is referred to in the budget paper. It applies to any listings after 1 April 2005.

**Ms Blazow**—That is correct.

**Senator FORSHAW**—What impact does that have on the savings for the current financial year?

**Ms Blazow**—Nil impact because the earliest that a product can be listed, having regard to that 1 April date, is in our August book.

**Senator FORSHAW**—So it only applies, as it says, to the application from 1 April, but nothing would be approved until after 1 July in any event.

**Ms Blazow**—It is the August book that is, in fact, the key.

**Senator FORSHAW**—In calculating the savings of \$1 billion, what are the total estimated savings over five years?

**Ms Blazow**—The current estimate is in our *Budget at a glance*. The estimated savings are \$1.035 billion.

**Senator FORSHAW**—That is the figure I have, but there was the statement in the budget paper of \$1 billion and it also refers to some other amounts. I want to clarify this: in order to calculate that savings amount, as it related to medicines going off patent, you must have had some information about which medicines were going off patent, wouldn't you?

**Ms Blazow**—Yes, we did. As I said, in the consultation the industry shared with us information that they knew about patents. We were able to incorporate some of that information into our estimates.

**Senator FORSHAW**—Are you able to say how much that amount was, or what proportion of the overall savings was related to that aspect?

**Ms Blazow**—No, I am not.

**Ms Halton**—I suspect this one is not actually disaggregable, if I can use what is probably not a word—

**Senator FORSHAW**—I suspect it is not, but I understand what you are saying.

**Ms Halton**—But you know what I mean.

**Senator FORSHAW**—I do. It cannot be broken up, in other words. That is what you are saying.

**Ms Halton**—I will check the dictionary tonight.

**Senator FORSHAW**—Trust me.

**Ms Halton**—Because there were a series of factors that went to deriving an estimate, to say that each had a quantifiable cost—I am right, aren't I, that we did not attribute an amount to each of those things?

**Ms Corbett**—With the big and major ones, the statins and one other group, we were quite specific about the scale of savings that would come in at the time we expected to see the first generic following the patent expiry. We did that in three or four specific cases. The industry knew that that was endemic to our model, but in the main, for the rest of patents that will come off, it was a generalised amount. It was in that generalised area that we made adjustments when the industry informed us about some patent expiries that we had not been aware of.

**Ms Halton**—It was a kind of scaling up of the aggregate amount, rather than saying there is this and there is that and then adding them up.

**Senator FORSHAW**—I understand what you are saying, but there still has to be a basis at some point in order to get you to that figure.

**Ms Halton**—There was a starting base. In the industry's view it was not accurate. Then there was a discussion about how inaccurate, on the evidence—

**Senator FORSHAW**—I am sure the industry had a view.

**Ms Corbett**—The industry certainly has a different view from our view on this costing to this day, and so be it. What we have done in developing the agreed model for costing this savings measure between the department of finance and the department has been as we have described. It is that model now that has generated the \$1.0375 billion figure.

**Senator FORSHAW**—During the election campaign, the original estimate for this initiative was \$830 million. Then it was costed by DOFA at \$730 million. Now the budget says it will save \$1.035 billion. Can you give me any explanation as to the variations?

**Ms Blazow**—Yes. There was, as I said, additional information that came forward from the industry in the context of the consultation. As Joan said, we did not accept everything the industry said—they still disagree, they still have their own view of the costings. We took some of the information that they provided and incorporated that into our model.

**Senator FORSHAW**—They proved to you that it would save more than originally estimated?

**Ms Blazow**—They had more drugs coming off patent than we were aware of in their model. We accepted that they had much better information than we did about that.

**Senator FORSHAW**—I am sure it was in their interests to have it.

**Senator MOORE**—Now you have that information.

**Ms Blazow**—It was in their interests to argue that it was going to save a lot more than we thought it was going to save. They argued that very hard at the time. We went through a consultation and we talked to each other at great length about those issues. Another factor was that the government then changed the policy slightly. Subsequently, to arrive at this particular estimate the repat scheme was also incorporated, which it was not in some of the earlier figures. This figure also has an additional full out year of savings, which makes a magnitude difference because all the earlier figures were based on a part year effect and then three out years. We have now moved everything forward because we are moving to the current budget period starting on 1 July. That gives us an extra full out year where there are higher savings in that out year. This figure here is the result of all those policy changes, that additional intelligence on what products would go off patent and then the incorporation of the Repatriation Pharmaceutical Benefits Scheme and the extra out year.

**Senator FORSHAW**—We do know that it is going to raise as a savings measure somewhere in excess of \$260 million more than was originally stated in the election campaign.

**Ms Halton**—This is apples and oranges. Going back to the conversation with Senator Evans before, it is not a comparison. If nothing else, the reference period is different.

**Senator FORSHAW**—I was going to ask you where the money is going to be reallocated to? Do you know? What happens to the overall billion dollars of savings? Or is it just a savings measure that comes off the PBS? Will it be used somewhere else?

**Ms Halton**—That is a conversation to be had with the department of finance, in terms of the structure of the overall budget. I can make the observation though that the portfolio in net terms is up and not down.

**Ms Blazow**—You will recall that the election commitment was quite specific about using the savings measure to fund an initiative in the aged care area. As time has moved on the figure has changed as well, but it is still clear that some of the saving will be attributed to the aged care measure.

**Senator FORSHAW**—That is why I asked the question. Now apparently, as I understand it, the price reductions will occur by agreement with manufacturers. Can we interpret from that that not all reductions will necessarily be as much as 12½ per cent—that it will vary depending upon the product and who the manufacturer is and other things?

**Ms Blazow**—It certainly may vary but the government expects a price reduction of at least 12½ per cent.

**Senator FORSHAW**—So it must be at least 12½ per cent in all cases?

**Ms Blazow**—For a new product entering, yes—a new brand of a product.

**Senator FORSHAW**—I think that concludes the questions I have on the PBS.

**Senator ALLISON**—I am at the risk of some of my questions having already been asked. As I have not been in the room, I am happy for you to tell me that they have been dealt with. I want to ask about the reviews that were announced in the budget about the PBAC. Can you outline how that the department will implement the reviews. Is there a process?

**Ms Blazow**—Do you mean the cost-effectiveness reviews?

**Senator ALLISON**—Yes.

**Ms Blazow**—We did talk about this at some length a little while ago.

**Senator ALLISON**—How often will the department be conducting the assessments, given that the PBAC has a regular cost-effectiveness consideration done—around once every three years, isn't it?

**Ms Blazow**—There will be some criteria established about the types of drugs that we would like to review, and in essence they are drugs that were listed long enough ago to not have ever had a cost-effectiveness evaluation.

**Senator ALLISON**—I am sorry, I have jumbled the questions. As I understand it, it takes three years for consideration of cost effectiveness through the PBAC. Will your review have a shorter time frame than that and, if so, how will it—

**Ms Blazow**—I am sorry, I have no idea where you have got the period of three years to consider cost-effectiveness reviews—I do not think it is anything like that. It is much shorter than that. I think Ms Corbett has figures on that.

**Ms Corbett**—If we are talking about the sort of cost-effectiveness analysis that happens with new listings then certainly the amount of time is about 17 weeks from submission until the point at which it goes to the PBAC. Then there is a period of time from when a recommendation might be made until we get it on the list, and that does vary, depending on a whole bunch of processes and price negotiations that need to be gone through at that stage. So that period of time is quite clear. These cost-effectiveness reviews though are a different kind of review from that, and they may take more time, but I would certainly hope they would rarely take as long as three years. The sort of analysis that needs to go into a cost-effectiveness review is something still to be worked through, with some advice from the Pharmaceutical Benefits Advisory Committee. It will depend on whether we are looking at one relatively simple drug with nice clear data or whether we are looking at a whole category of drugs where there is a lot of data and quite a lot of research and analysis that needs to be done in order to come to grips with what the current cost effectiveness is. So they will vary, and we will determine which ones and schedule them on a basis that is agreed with the PBAC, so that we can manage that workload going forward.

**Senator ALLISON**—So you do not see it as being a shorter process than the PBAC's cost-effectiveness process?

**Ms Corbett**—Not necessarily.

**Ms Blazow**—It may be, but it may be quite complex as well.

**Senator ALLISON**—So it may be longer or shorter—you do not have any objective one way or the other.

**Ms Blazow**—That is right.

**Senator ALLISON**—Will you be asking for information from the manufacturers before a review is put in place to determine whether that is required?

**Ms Corbett**—Yes, the manufacturers will be advised if their drug is to be reviewed and they will be invited to submit evidence to that review.

**Senator ALLISON**—Will any of that be public? Will what they submit be made available?

**Ms Blazow**—Our normal process is that we do not make public the evidence that companies bring forward to the PBAC. We will follow our normal procedures.

**Senator ALLISON**—So this review process is to be the same as the PBAC process?

**Ms Blazow**—Yes.

**Senator ALLISON**—The budget papers say the review will apply to medicines listed before manufacturers were required to demonstrate the drugs were cost effective or because there is a view that they may not be cost effective at current prices. How is the view determined which would trigger that review? What process does the department go through that says, 'Let's look at this one'?

**Ms Blazow**—There are two quite clear situations. One is where a product may have been listed so long ago that there was no cost-effectiveness review being done at that time. So we might want to go back and look at some of those.

**Senator ALLISON**—What percentage of pharmaceuticals currently on the PBS would be in that category?

**Ms Blazow**—I would have to take that on notice.

**Senator ALLISON**—Can you give me a rough estimate?

**Ms Blazow**—No, I would not even venture a guess. That question would require us to look back because cost-effectiveness reviews started in the early 1990s. That question would require us to look back and see which products predated that and what actually happened. It may not be that they are not cost effective.

**Senator ALLISON**—I am just trying to understand if it is a tiny fraction or if it is half of the total or in that sort of order?

**Ms Blazow**—I am sorry, but I really would not want to make a guess. The other criterion that might be used is that a drug was listed previously but we know that there is new evidence available now on the use of that drug and the outcomes that it can achieve. Therefore we might wish to trigger a review because we know there is additional evidence available.

**Senator ALLISON**—So how many so far have been identified as being appropriate for review?

**Ms Blazow**—I do not think any have yet. We are just starting.

**Ms Corbett**—And we do want to discuss that with the Pharmaceutical Benefits Advisory Committee before we go forward. We will take their advice about the appropriateness of cost-effectiveness reviews into account before we start this work.

**Senator ALLISON**—And will you start with the most expensive? Presumably you will have a big bucket of them and you will not be able to do them all together. Will you start with those that are the highest cost?

**Ms Corbett**—We will take advice from the PBAC on that too. I assume we will start with some broadly agreed sensible targets where some difference can be expected through the outcome. We will take advice on how to do that.

**Senator ALLISON**—When it is decided which batch or which one you start with, will there be a public announcement about that?

**Ms Blazow**—I do not think we have thought through whether there will be a public announcement. I think we will really need to talk with Medicines Australia. That again would be an issue that the companies may have a view on, and we will need to talk to them about that. As I said, it is not normal for us to make a broad public announcement that a company has applied for a listing, for example. That information is considered to be commercial-in-confidence. They may, similarly, view a decision to review their product as something they would like us to treat quite sensitively. We will need to talk with them about that. Someone has brought forward our annual report, and there is actually a percentage of the PBS that has been subjected to cost-effectiveness evaluation. In fact 46 per cent of PBS listings have been subjected to cost-effectiveness evaluation.

**Senator ALLISON**—So roughly half have not been?

**Ms Blazow**—Yes.

**Senator ALLISON**—So those were not a priority. I want to ask about cost recovery. The budget documents say that the department will commence consultation with a view to implementing cost recovery for admin of PBAC and PBS listing from 2007-08. What is the reason for proceeding with cost recovery for PBAC assessment?

**Ms Blazow**—That policy decision was made on the grounds that listing on the PBS is of considerable commercial benefit to a pharmaceutical company and that it is therefore reasonable to ask them to contribute to the cost of the processes involved in that listing process.

There are quite clear government guidelines on putting in place a cost recovery arrangement. I cannot remember their name off the top of my head—Joan may be able to help me—but they are well-established guidelines and they do require quite extensive consultation and examination of feasibility and costs with the industry that will be affected. We will be embarking on that process very shortly as part of our work program post budget.

**Ms Corbett**—The guidelines are called the ‘Commonwealth cost recovery guidelines for agencies’. They do map out four stages that we must work through in developing a framework. We are expecting our consultations with the industry to commence in November this year.

**Senator ALLISON**—So what is different now from two years ago, when this was not necessary?

**Ms Blazow**—What is different is that the government has taken a policy decision to move towards cost recovery for the costs of listing products on the PBS.

**Senator ALLISON**—I cannot recall whether it was the ANAO or the Productivity Commission, but one or other of those criticised full cost recovery for the TGA. Why is it that

the PBAC is now being considered when it is not said to be appropriate? I think it was the ANAO.

**Ms Blazow**—You are asking me to comment on a policy decision that has been taken by government. I do not think I am able to do that.

**Senator ALLISON**—Minister, can you advise whether perhaps cabinet has said something about the rationale for full cost recovery? Why now and why not previously?

**Senator Patterson**—What do you mean ‘cabinet has said’? Cabinet does not say things.

**Ms Halton**—The decision to choose to cost-recover the PBAC is a matter for government. In this particular case it is my understanding that the guidelines that have just been referred to were issued following the Productivity Commission review of cost recovery. So these guidelines are actually the government’s response and the government has now taken the decision, in the context of the PBAC, to cost-recover, consistent with those guidelines and following the Productivity Commission review.

**Senator ALLISON**—As I understood it, they were quite critical of the TGA applying for cost recovery. What is the difference?

**Ms Halton**—I cannot make any comment in respect of other comments passed by agencies or otherwise. All I can tell you is that the government has taken a decision consistent with their guidelines in this area.

**Senator ALLISON**—Minister, I asked a question about cabinet because the officer has indicated that this is a policy decision, which is why I am asking you. Given that this is not your principle portfolio, I thought you might have recalled some conversation about what the rationale was for full cost recovery.

**Ms Halton**—To be fair to the minister, this is an ERC decision.

**Senator ALLISON**—ERC?

**Ms Halton**—The Expenditure Review Committee, of which this minister is not a member.

**Senator ALLISON**—So the health minister is a member of that committee?

**Ms Halton**—No, the health minister is required to attend the committee.

**Senator ALLISON**—So who is on the committee?

**Ms Halton**—The Treasurer, the minister for finance—

**Senator ALLISON**—So I should raise this with the Treasurer. Is that what you are saying?

**Ms Halton**—I am saying that there was a decision taken by the government, through the budget process, which comprises decisions considered by the Expenditure Review Committee that they would apply these guidelines in respect of a decision to cost recover for the PBAC.

**Senator ALLISON**—But if it is a policy decision, you are saying, ‘Don’t ask officers; ask the minister concerned.’ I am asking you whether that means it is the Treasurer that we approach on this. It is a moot point. Don’t worry about it. What is the process that is intended to be put in place in order to implement that cost recovery scheme?

**Ms Blazow**—We will follow the guidelines, which Joan can outline. It is quite a step-by-step process.

**Ms Corbett**—Stage one requires that we determine how cost recovery will be introduced and identify which costs are recoverable and which costs are excludable. It also requires the implementation of a mechanism for ongoing monitoring of any cost recovery and the review time frame for any cost recovery arrangements. Stage two involves the development of an appropriate fee structure, an IT system and financial issues associated with the cost recovery. Stakeholder consultation will be ongoing through the stages and then we develop procedure manuals, web site information et cetera. So it is all really quite specifically mapped out in these guidelines what we must go through. Our target is to have the system in place from July 2007, as the budget measure announced.

**Senator ALLISON**—But there are still some uncertainties about what will attract cost recovery and what will not.

**Ms Corbett**—Yes, that is all to be worked through in the consultation process. We will take the advice of various interested parties into account, the industry in particular, in developing that.

**Senator ALLISON**—So the \$10.5 million in 2007-08 and 2008-09 in savings from this measure are calculated on what?

**Ms Corbett**—It is based on a broad estimate based on the sorts and numbers of submissions that we have.

**Senator ALLISON**—Is it high or low? If you decide to go full cost recovery on everything, would it be a saving of \$10½ million? Where does that fit in terms of the uncertainty of the application?

**Ms Blazow**—The guidelines require that, for example, the costs in Joan's branch that relate to policy advising of the government cannot be recovered under the process for listing.

**Senator ALLISON**—Yes, but you know that already.

**Ms Blazow**—We have to go through a discussion with the industry so that it is totally transparent and that they understand what costs we are attributing to the process of listing a drug versus our other roles in advising government of policy—that is just an example. That consultation process is a matter of making that transparent and then, based on an agreement that we will reach and that everybody is comfortable with, we will determine what the actual cost of listing on the PBS will be.

**Senator ALLISON**—What is negotiable? You have already pointed to one, which is pretty obvious.

**Ms Blazow**—We will have to be able to show the industry—

**Senator ALLISON**—It should not attract cost recovery, but what are the ones that might or might not do so subject to the consultations?

**Ms Blazow**—For example, there are submissions and then there are submissions. Some submissions are much more complex than other submissions. It would be a matter of working out a fair and reasonable set of fees based on the amount of work that is involved with

individual submissions. For example, it is complex and we need to go through that discussion with the industry, working up the costs and working up the scale based on various classifications of submissions before we can arrive at a scale of fees.

**Senator ALLISON**—There may be a variable charge for lodging a submission?

**Ms Blazow**—There may be, yes.

**Senator ALLISON**—How will you assess that variability? Will you make estimates of the amount of time that will go into it? How do you actually arrive at it?

**Ms Blazow**—That would be one way, but again we have to work that through and then sit down with the industry and talk to them about it as well.

**Senator ALLISON**—Is it acceptable to the department to do a quote for having seen a submission? Or do you just do a cost plus arrangement where you send a bill at the end of the process and it is what it is? Or do you do something else?

**Ms Blazow**—I envisage that it will not be us sending a bill at the end of the arrangement; I believe it will be established at the outset what the fee for a particular submission will be and that will be transparent to the company. They will know exactly what classification their submission is in and how much they will incur by lodging the submission.

**Senator ALLISON**—Will you keep timecards of staff effort on these? How do you judge it?

**Ms Blazow**—I do not think we are that far advanced yet.

**Senator ALLISON**—Will the generics be charged at the same rate as other pharmaceuticals?

**Ms Blazow**—Generics generally have a lesser type of submission because they are not a new product entering the field. I cannot say that at this point in time.

**Senator ALLISON**—By virtue of that, it will be yes.

**Ms Blazow**—By virtue of the fact that they are a generic, which means they are a copy of another product that is already listed, it is likely that they will, therefore, fall into a lesser category.

**Senator ALLISON**—If a company's submission is rejected, do they get a refund?

**Ms Blazow**—These are issues we have not thought through yet.

**Senator ALLISON**—What if they have to submit again for some reason? Do they have to go through the whole process and the whole cost again?

**Ms Blazow**—Again, these are issues that are still open for discussion.

**Senator ALLISON**—I suppose my next question would have the same answer: what about the safeguards that might exist for reimbursement of PBAC fees if the submission is successful or unsuccessful at various points through the process? If, for instance, the submission is not accepted when it gets to the executive or the cabinet, but it has been through the PBAC, will that be a consideration in terms of whether there is—

**Ms Blazow**—We do not know yet. Those are issues that are still open.

**Senator ALLISON**—Have you some idea of the general order of cost recovery and what this is likely to mean, if there can be a typical example? Can you give us some clue as to—

**Ms Blazow**—No, it is too early.

**Senator ALLISON**—So we do not know if it is a million dollars or tens of thousands of dollars?

**Ms Blazow**—No, we do not. I would not like to put a figure, because we have a lot of work to do as part of the consultation. If I put a figure, it is highly likely to be very wrong.

**Senator ALLISON**—Won't pharmaceutical companies simply add that—and all the uncertainty about whether or not they have to resubmit and so forth—to the cost? In the instance of the cost-effectiveness debate, won't they just add that into the cost? It is hard to see how the taxpayer will be a winner out of this \$10 million and how it will not just be topped up at some other part of the process.

**Ms Blazow**—They are commercial companies, so they need to recover any costs. They do have costs in bringing a drug to market. Under this proposal, one of those costs will be the cost of seeking a listing on the PBS. In terms of the taxpayer, the taxpayer is paying those costs now, because they are paying for our team, for example. It is just not as transparent.

**Senator ALLISON**—So you cannot give any guarantees that the taxpayers will not be paying that \$10.5 million a year back in increases in the PBS?

**Ms Blazow**—No, I cannot, because they are commercial companies. They have to recover costs of bringing products to market and this will be a cost of bringing a product to market.

**Senator ALLISON**—I am trying to establish whether or not this is a net saving. It is probably not—is that what you are saying?

**Ms Blazow**—A net saving in terms of the total economy?

**Senator ALLISON**—Yes.

**Ms Blazow**—It is money going around, if you like.

**Senator ALLISON**—Will the cost recovery fees that you determine be done under the Productivity Commission guidelines?

**Ms Blazow**—I do not know about the productivity guidelines, but certainly we will do it under those guidelines that Ms Corbett quoted.

**Senator ALLISON**—As I understand it, they were spelt out in that recent report on cost recovery in government services.

**Ms Blazow**—I am not sure about the relationship of those specific guidelines to the Productivity Commission. Do they publish those guidelines?

**Senator ALLISON**—I am sorry—

**Ms Blazow**—I have just been advised that they are DOFA guidelines. I think the secretary has clarified that those guidelines were a government initiative as a result of some of the comments from the Productivity Commission.

**Ms Halton**—We cannot make any comment on the exact mapping of those guidelines to what the Productivity Commission recommended. We can say that the guidelines promulgated by DOFA and adopted by the government are the ones that we will utilise.

**Senator ALLISON**—It would be useful if we could have some understanding of the difference between the two sets of guidelines. I suppose we can work it out ourselves if you provide them, but—

**Ms Blazow**—I am not aware that the Productivity Commission has any guidelines. The only guidelines I am aware of are the ones that are government policy and that we will be using, which are the ones published by DOFA.

**Senator ALLISON**—Perhaps you could check that, because my advice is that there were guidelines spelt out in the Productivity Commission's report on cost recovery.

**Ms Halton**—That is actually a matter for the Department of Finance and Administration. We operate under the—

**Senator ALLISON**—I do not think it is. I am asking whether this department is operating under those guidelines.

**Ms Halton**—We are not.

**Ms Blazow**—No, we are operating under the DOFA published guidelines, which is government policy.

**Senator ALLISON**—I am asking whether or not they are substantially different.

**Ms Halton**—And I am saying that that is not a matter for us. It is a matter for us that we adopt guidelines promulgated by the government.

**Senator ALLISON**—So who do you suggest I ask, Ms Halton?

**Ms Halton**—Finance. It is a matter for Finance.

**Senator ALLISON**—Finance will tell me that it is Health, because whatever they have adopted is a Health matter.

**Ms Halton**—No, they will not. At the end of the day, the consistency or otherwise with guidelines they have promulgated where they were advised to the government is a matter for them, not for us.

**Senator ALLISON**—Is there any risk that making the PBAC dependent on income from fees charged to companies will undermine the transparency and independence or perceived independence of the PBAC? Have you thought about that?

**Ms Halton**—Our experience in having cost recovery arrangements in place in a number of parts of the portfolio is that there is no danger of that.

**Senator ALLISON**—And there is no danger of changing behaviour—for instance, if there is an understanding that the pharmaceutical company is paying the full cost? Are there any efficiency pressures on the process? Are we likely to see cost blow-outs because of that?

**Ms Blazow**—In terms of the independence of the PBAC, can I just add that it is the legislation, the National Health Act, which specifies the format and make-up of the PBAC, so that is done under legislation, totally separately. In regard to expectations of companies: yes,

they may put more pressure on us to be more efficient, because they are contributing to the costs. That is probably correct. But they already put significant pressure on us and, as I said before, we have had a number of projects with them working jointly on improving our processes to improve our timing on listings and the transparency of the process to the companies et cetera. So I think that process will continue.

**Senator ALLISON**—We look forward to seeing the outcome of what you do.

**Proceedings suspended from 4.51 pm to 5.05 pm**

**Senator ALLISON**—Ms Blazow, I want to ask some questions on the quality use of medicines program.

**Ms Blazow**—Yes.

**Senator ALLISON**—How much is expected to be saved per year by the use of that program?

**Ms Blazow**—I will have to ask my colleague Allan Rennie. I do not have all the details of the figures, but I am sure that he either will have them or will be able to take it on notice and get them very quickly for you.

**Senator ALLISON**—Can you explain how the savings are made?

**Ms Blazow**—Yes. The savings are attributable because, by promoting the quality use of medicines in the community and by promoting doctors to prescribe medicines correctly and appropriately, we actually prevent wastage on the PBS and we prevent wrong use of medicines. So we see it as an investment in the sustainability of the PBS in the long term. So we invest money in doing these sorts of educational programs in order to contain costs on the PBS and stop wastage on the PBS in the longer term.

**Senator ALLISON**—Are you able to measure that?

**Ms Blazow**—Yes, we do measure it. In fact, the whole program has just run through its first four years, and we were able to do an evaluation and prove to government that it was a wise investment, a good investment, so the program has been extended into another four-year cycle with some additional money. Allan, the question was about the actual amount of savings.

**Mr Rennie**—There are \$160 million in PBS savings in the budget over the next four years over the forward estimates.

**Senator ALLISON**—Are there pluses and minuses in that \$160 million or are they all savings as such?

**Mr Rennie**—That is the savings. The net amount of that \$160 million—Ms Blazow mentioned \$30 million a year being the outlays, so—

**Senator ALLISON**—Those outlays are administrative?

**Mr Rennie**—They are administrative outlays.

**Senator ALLISON**—Does this program take into account the—if you like—underutilisation of some medicines? For instance, it is my understanding that about 30 per cent of men and 27 per cent of women over 24 had elevated blood pressure but only a third of

those were in fact being treated for the condition. So does this program also seek to improve access for those who need particular medicines?

**Ms Blazow**—The measure is not a straight savings measure. As we have explained, it has both positive and negative parts in the money. As I said, it is an investment in the wise use—

**Senator ALLISON**—But that is what I asked, and you told me that the \$30 million was administrative.

**Ms Blazow**—Yes, that is the investment part. That is the administered funds that actually go into investing to educate the community and provide better information for doctors about the use of medicines. For example, if there was evidence of products to deal with blood pressure that doctors would find useful, and they could apply that to their patients, yes, the education program would pick that up. We would actually encourage doctors to prescribe appropriately. So, if a medicine were indicated, we would encourage doctors to do that. But we do not go and quantify how many people under the age of whatever are not using particular medicines.

**Senator ALLISON**—So that \$30 million—the outlay, as you describe it—includes medicines that might otherwise not have been prescribed, had you not made part of the program—

**Ms Blazow**—Yes, that is right.

**Senator ALLISON**—I understand. I know you have probably extensively covered the 12½ per cent question on the generics—and, as I ask these questions, tell me if they have already been answered. I just wonder: is it correct that the amount paid by the government through the PBS for a branded medicine is the same as the bioequivalent generic medicine once it goes off patent?

**Ms Blazow**—Yes, that is correct. The word ‘brands’ is difficult because in fact the generic products in Australia also have brand names—they are known by their brand names. So let us talk about a product once the actual drug has gone off patent. A new brand will come in that we would call a generic brand. They may offer us a price reduction and, as a result of that, the amount to which we will subsidise under the Pharmaceutical Benefits Scheme will reduce to that new level following the price reduction, and that means that for all other equivalent products in that group we would subsidise only to that level. So the subsidy falls. That is how we get the savings from generic products entering, because they offer us a price reduction for their listing on the PBS and then all other equivalent products come down in terms of the subsidy that we make available for those products.

**Senator ALLISON**—So there is an initial saving when the branded drugs come off patent and then a later, further saving of 12½ per cent on whatever the generic figure is.

**Ms Blazow**—No. When something goes off patent there is no automatic price reduction until a competitive product, ergo a ‘generic’, a new brand of the product, comes to the PBS and says: ‘I now want to list my new brand. I am a competitor to that product. I am a generic. I am a new brand. I wish to come onto the PBS, and I will offer this price reduction.’ Therefore, our subsidy levels would fall to that new price, that lower price, and all other equivalent products would therefore only receive that subsidy from then on.

**Senator ALLISON**—Has any work been done by the department on the 12½ per cent measure in terms of the impact of generics—the likely uptake of them—on existing ones? Do we have a clear picture about this 12½ per cent and whether at the end of the day we will end up with more or fewer generics being manufactured? The industry argues that there are fewer incentives now to introduce generics.

**Ms Blazow**—In terms of generics coming on, yes, it is true that there are quite a number of medicines that will be going off patent over the next five years, and we have factored those in, as I explained before. So there will be generic products entering the PBS. The price reduction will apply to those and we will get the savings that we have estimated. We get the savings regardless, simply because the prices are coming down. In terms of the uptake of those generics—

**Senator ALLISON**—You only get the prices coming down if you have generics manufacturers interested in doing so.

**Ms Blazow**—That is correct.

**Senator ALLISON**—If no-one is interested then you keep paying what you have been paying, presumably, on the branded product.

**Ms Blazow**—That is correct.

**Senator ALLISON**—So my question is, I think, a pertinent one: will this measure discourage or encourage generics to enter the market? What work have you done to establish that?

**Ms Blazow**—We believe—and I believe the industry agrees with us in this assessment because we consulted with them during January—that there will be quite a number of new generic entrants to the PBS over coming years.

**Senator ALLISON**—I am sure there will be quite a number. But you must have spent some time in looking at this measure in particular as a factor. Does it encourage more? If you had not introduced it could we have expected more generics on the market or not?

**Ms Blazow**—I am not sure what you mean.

**Senator ALLISON**—Can you give assurances that that 12½ per cent measure will not diminish the number of generics that might have otherwise entered the market?

**Ms Blazow**—It is not our view that this measure will diminish the number of generics. We are expecting a significant number of generics to come forward.

**Senator ALLISON**—How did you form that view—on what advice, on what data, on what information?

**Ms Blazow**—We consulted with the industry during January. As I said before, both parts of the industry, the Generic Medicines Industry Association and Medicines Australia, actually considered that we underestimated—and I think they probably still do consider that we underestimated—the impact of the measure in terms of the number of products that would come forward and the savings that we would deliver. So we have been quite conservative.

**Senator ALLISON**—Medicines Australia say that you underestimated the number of generics that would come on?

**Ms Blazow**—Yes.

**Senator ALLISON**—What did you estimate initially?

**Ms Blazow**—It all related back to their estimates, and they were very public at the time about what they considered to be the savings that this measure would generate. Part of that was that they believed that we had underestimated how many generic products would come forward. The Generic Medicines Industry Association agreed with Medicines Australia in that regard. So we were actually consulting with the industry, and the industry was putting a position to us about that.

**Senator ALLISON**—The industry has been very critical of this measure. Why would it suddenly say, ‘Yes, this is a great idea; it will improve the uptake of generics’?

**Ms Blazow**—The industry have been critical of the measure because they disagreed with the amount of savings. They said the savings were too high, and of course the measure involves a reduction in the amount of subsidy available for products. They were not entirely comfortable with that situation.

**Senator ALLISON**—Is there a document—I am sorry if it is in the annual report or in the budget or somewhere—where you have made an estimate of the number of branded medicines coming off patent that will be replaced by generics, or at least will have a competitor in a generic brand? You have actually put a figure on that, have you?

**Ms Blazow**—It is quite a complex situation. We actually covered quite a lot of this territory before.

**Ms Halton**—We went through the way the estimates were constructed previously.

**Senator ALLISON**—Okay, it should be easy to answer.

**Ms Halton**—It actually takes quite a long explanation. We covered this with the Labor senators before.

**Senator MOORE**—We covered some similar questions earlier.

**Senator ALLISON**—Nonetheless, is there a document that describes what you anticipate to be the case with generic uptake that is available to see?

**Ms Blazow**—We have not publicly said we expect drug X, drug Y and so forth to go off patent and, therefore, deliver a price reduction because, as we explained before, a lot of that will be commercial behaviour. However, there have been some significant groups where it has been quite public—for example, the statins are going off patent.

**Senator ALLISON**—How do we test your claim that yours was in fact an underestimation according to the industry? You said earlier it is an underestimation.

**Ms Halton**—Ultimately the proof will be in the pudding, and the process we went through—

**Senator ALLISON**—We cannot prove anything, Ms Halton, if we do not have any figures, if we do not know what we are judging.

**Ms Halton**—The ultimate proof will actually be in the construction of the final expenditures. Essentially, as Ms Blazow has indicated, the industry believed that the original

estimation in respect of the impact of the measure was wrong. There was a process of talking with the industry and going through in great detail their understanding of what was actually happening in the marketplace, and we have covered this already. It transpired that their expectation was it would be for higher entry and penetration than we were expecting, and so the revised basis of the estimate took account of a series of things—including not only the changed reference period but also the industry advice about things coming off patent and their knowledge of players who are coming into the market and bringing generics into the market.

**Senator ALLISON**—Let me put it another way: do you expect all of those brands coming off patent to be replaced by—it is not quite the word, but you know what I mean—a generic brand which will—

**Ms Blazow**—For the competitors to come in, yes.

**Senator ALLISON**—Thank you, they are the right words—come in for each one which comes off patent?

**Ms Halton**—Yes.

**Senator ALLISON**—And the industry confirmed that to you?

**Ms Blazow**—Yes, they believed we had underestimated the extent to which new competitors would enter the market.

**Senator ALLISON**—If you said there was going to be a competitor for each of them, how is that an underestimation?

**Ms Halton**—The thing that was quantitatively different between what they told us and what we have assumed, and that we knew, was the information they gave us about what it required for a new operator to come into the market. The point they made, and it is a perfectly logical point about commercial behaviours, was that a new provider or a new manufacturer has to come to market with a basket of goods; they do not just come with one or two. My memory is they told us that if they were going to come into a market, about 40 products were what they would bring to the market. In other words: one or two new players—and that was at least their expectation; it was more likely to be more—would each bring in 40, or of that order, products to match. So it is some of the stuff that is literally about to come off, but also products that are already in the market. In terms of understanding the commerciality of these arrangements, this was the thing which was not underpinning our assumptions which they brought to the table and talked us through in great detail.

**Senator ALLISON**—Thank you for that. I will have a look at the transcript. I want to move to the HIC figures on the drop in prescriptions filled during the first quarter of 2005. I know there have been a number of reasons canvassed as to what that fall is due to, but have you done an examination of them?

**Ms Blazow**—We are starting to do that examination, and I am certainly able to tell you; I will also hand over to Ms Corbett. I am able to tell you that quite a high proportion—I cannot remember the figure off the top of my head, but Joan may have it in her briefing—were products that fell under the general co-payment because of the increase in that co-payment, which meant that we were no longer capturing data on those products in the HIC database. So

those prescriptions fell out of our data set completely. That was quite a high proportion, but I will ask Joan to give you more detailed information.

**Senator ALLISON**—So you have evidence that people were not filling their scripts because they could not afford them?

**Ms Blazow**—No, I did not say that. I said that the increase in the co-payment meant that, for a number of products on the PBS, the prices fell under that co-payment and therefore there was no longer a subsidy for those products, which meant that all that data fell out of our data set.

**Senator ALLISON**—That would be reasonably easy to calculate, would it not?

**Ms Blazow**—Yes; that is why I am asking Joan whether she has the figures with her.

**Ms Corbett**—I do not have specific figures on the number of co-payment drugs that have come down. We were expecting a drop in the script volumes. In fact every year, irrespective of the size of co-payment increases—whether they are just indexed or whether there is a one-off increase—we always see a peak in script volumes and then a drop-off in January and February. There are a number of reasons this year for that drop-off to have been larger than in the previous year. One that we think may have played a role is the withdrawal of Vioxx from the market in late 2004.

**Senator ALLISON**—Vioxx is quite an expensive drug, isn't it?

**Ms Corbett**—It is reasonably expensive but there is also quite a high script volume. We think that some people may well have switched from that prescription treatment to other treatments, including over-the-counter treatments.

**Senator ALLISON**—Which are lower cost?

**Ms Corbett**—Which can be lower cost, certainly. Indeed, most of the over-the-counter treatments for those kinds of conditions are cheaper products. Then there is also the impact of the drugs that came under the co-payment. There are a number of those drugs. I do not have the figures with me as to how many drugs came under that co-payment, but we could get you that figure. There were quite a significant number of drugs that came below \$28.60 and previously were not below the co-payment.

**Senator ALLISON**—That presumably would not affect the concessional scripts, which are at a very low rate anyway.

**Ms Corbett**—That is correct. That would not have affected them, but the overall scripts.

**Senator ALLISON**—They fell by seven per cent in that quarter. Are you in a position to know what the cause of that might be?

**Ms Corbett**—As I have said, we think the factors include people getting scripts from their doctors early and filling them just before the co-payment rise—we think there is some of that—so that they can coast themselves through January and February at least. We think that some of it is about shifting patterns of drug use, particularly such big events as the Vioxx one; and we think that some of it—not for the concession card holders but for the other parts—is the co-payment story. In the past when there has been a one-off increase in the co-payment above the indexation rate, we have seen a depressed script volume in the first few months and

then quite quickly it comes back to a normal trendline. So we will be watching to see if that is the case this year.

**Senator ALLISON**—Will you come up with some data on the size of the reduction in the number of prescriptions filled as a result of people choosing not to fill scripts because of cost problems?

**Ms Corbett**—I do not know that we can get that. Our data is not going to tell us that this person did not come onto the PBS because they did not fill a script. We are going to have to make an estimation from the general pattern of numbers.

**Mr Davies**—I think there are two reasons why that is difficult. As we have heard, one is the phenomenon of scripts, certainly for general patients, coming into that \$24 to \$28 bracket. They may well have been dispensed but they would be invisible to the HIC and us. The other, more general point is that data on the number of prescriptions out there anyway that are written by doctors but then not subsequently taken by the patient to the pharmacy for dispensing is very hard to come by. So it would be difficult to have a ‘before’, let alone an ‘after’, to make that comparison. So there are two things going on there that make the estimation you mentioned very difficult.

**Senator ALLISON**—Is there not a program to track prescribing for individuals so that we get a picture of what the prescribing habit has been over time?

**Mr Davies**—HealthConnect, the government’s national e-health initiative, is—

**Senator ALLISON**—Is that an aim of that program, to be able to take that sort of data?

**Mr Davies**—Yes, it is away into the future but it will become a reality. And then it will be only for those individuals who choose to avail themselves of that facility.

**Senator ALLISON**—Would the department want to be able to track the scripts that are not filled?

**Mr Davies**—I cannot anticipate the department’s future needs, but one can envisage that data being, on an anonymous sample survey basis, intrinsically interesting information to have. It is certainly information that we do not have at the moment. It is policy-relevant information, if you like.

**Senator ALLISON**—And information about the consequences of people—say, with blood pressure or some other condition—not filling scripts, perhaps leading to hospitalisation or—

**Mr Davies**—Since we do not know the extent of the behaviour, it is obviously—

**Senator ALLISON**—So NHMRC is not doing any work on this?

**Mr Davies**—I cannot answer that; I do not know whether any colleagues can. I do not know NHMRC’s portfolio of work in that area. Obviously it would be a matter of concern to the individual’s GP if they were doing that.

**Senator ALLISON**—So is what has happened broadly in line with the modelling that was done last year by the National Centre for Social and Economic Modelling?

**Ms Blazow**—That is an independent organisation. I am not sure what you mean.

**Senator ALLISON**— I just wondered whether it is as was predicted by that modelling, but you do not know.

**Ms Blazow**— I cannot comment on that.

**Senator ALLISON**— That is all I have on the PBS. Thank you.

**Senator FORSHAW**— Can we go back to the discussion we were having earlier about the forward estimates and the increases in the expenditure on the PBS over that time. You took me to the table in Budget Paper No. 1. We have done a rough calculation on the level of increase from 2004-05 to 2005-06; a seven per cent increase from 2005-06 to 2006-07; a 9.9 per cent increase from 2006-07 to 2007-08; and then a 10.6 per cent increase from 2007-08 to 2008-09. Does that reflect your understanding of the increases? In other words, are my calculations accurate? Perhaps you do not have that information in front of you.

**Ms Blazow**— Did you take one figure on another and work out the percentage?

**Senator FORSHAW**— Yes.

**Ms Blazow**— That would not necessarily be the real growth, because you then have to deflate it by what is happening to prices over that period. The budget paper says quite clearly that the real growth is, from memory, 5.4 per cent. I think we covered that; Jamie can look it up for me again.

**Senator FORSHAW**— Was that 5.4 per cent per year?

**Ms Blazow**— Real growth as an average over the period, yes. To get a real growth figure, you have to look at the actual figure and then you deflate it for what might be happening, such as price increases.

**Senator FORSHAW**— Yes, the inflationary effect on the prices.

**Ms Blazow**— Yes. And the net outcome of that is to have a real growth figure that is not just money going up because the prices are going up.

**Senator FORSHAW**— Do you have that real growth figure for each year?

**Ms Blazow**— It is published here as an average.

**Senator FORSHAW**— Can you tell me what it is for each year? I will concede, for the point of discussion, that we have just added the two amounts together.

**Ms Blazow**— We have just read the footnotes on this table and it is what is called nominal, which is one figure on the other figure just worked out as a percentage, not the real figure, which has to be deflated.

**Senator FORSHAW**— What figures do you have there? Can you tell me?

**Ms Blazow**— They are similar to yours—let me assure you of that.

**Senator FORSHAW**— That is good. I like those figures if they are the same as mine. In any event what that shows, subject to deflating for real growth, is these percentage changes. The point I really wanted to get to was what the growth is in the PBS cost before taking account of the savings measures—in other words, if the savings measures were not there.

Those figures of the amounts expected to be saved each year are identified in the budget papers and the PBS. We have done calculations as well, and that give me these figures: 10 per cent for the first year; 10.5 per cent for the second year, which is 2005-06 to 2006-07; 13.8 per cent for 2006-07 to 2007-08; and, from 2007-08 to 2008-09, 14.8 per cent. Assuming, for the purposes of this discussion, that the first set of figures is right, are my calculations accurate?

**Ms Blazow**—I have not done what you have done. You have obviously added back in all of the savings measures from the budget to the line.

**Senator FORSHAW**—Yes. Although I have to confess: I have not done it.

**Ms Blazow**—Someone has.

**Senator FORSHAW**—Someone has helped me to do that.

**Ms Blazow**—They have added it back in to arrive at a new line of forward estimates and then worked out year on year the percentage growth. I have not done that, so I cannot confirm whether those figures that you read out were correct.

**Senator FORSHAW**—Let us assume they are, because it is a pretty straightforward calculation. What that tells us is that the growth in the PBS expenditure in nominal dollars is up to 15 per cent in the fourth year and is actually growing from 10 per cent to 15 per cent, the increase over that period of time. Is that correct?

**Ms Blazow**—As I said, I have not done the figures, so I cannot confirm that that is a correct figure. But your methodology to get a nominal increase is a correct methodology. It is showing that the PBS is growing, yes.

**Senator FORSHAW**—It is growing, but it is also showing that it is growing substantially. We hear a lot of comment about that, and there has been discussion about what is happening to it, for all the reasons that we are here. But without those savings measures that is a pretty substantial rate of growth, isn't it? Over the four-year period—I am not trying to play with statistics here—the level of growth on that calculation and presumably even in real terms is somewhere around a 50 per cent increase in the level of increase.

**Ms Blazow**—The government has been quite clear in respect of its strategy for all the measures. There is a whole series of individual measures on the PBS. Its strategy has been very clear that it wants to maintain sustainability and affordability of the PBS into the future so that all Australians can continue to benefit from that. Therefore, there are a number of measures right across the PBS in all sorts of ways that are aimed at achieving that overall objective. The driver for that objective has definitely been that the PBS has been growing at a very high rate compared with other areas of health spending. That is out there and very public.

**Senator FORSHAW**—I know it is out there. We hear all sorts of figures. I have just given you a set of figures. The percentage increase is calculated on the forward estimates, as we have acknowledged, not taking into account factors to produce a real growth. My proposition is not out of the ballpark, is it?

**Ms Blazow**—No.

**Senator FORSHAW**—Fifteen per cent a year is a huge interest.

**Mr Davies**—If you look back over the past 10 or 15 years, you will find that in nominal terms those rates of growth are not in any sense unusual. Pharmaceuticals are a very important, costly and increasingly significant part of our health system.

**Senator FORSHAW**—I think you have indicated that you would have a look at the increases in the forward estimates in real terms. Could you provide that to us?

**Ms Blazow**—Yes. It would be a disaggregation of the average that is shown in Budget Paper No. 1 to apportion it across individual years. We can take that on notice.

**Senator FORSHAW**—If that can be done for the net figure and the nominal figure—if the savings measures that are identified here were not—

**Ms Blazow**—It is totally hypothetical because the policy decisions have already been taken in respect of the savings measures.

**Senator FORSHAW**—It is hypothetical in one sense but in another sense it is not, because the reason the savings measures are in there are to arrest the growth of the PBS. Therefore, it is certainly useful and important to know what that growth would otherwise be without these savings measures. That is why I asked for the information.

**Ms Blazow**—There are both savings measures and spending measures for the PBS and we would need to do the whole picture, so it is quite a complex thing.

**Senator FORSHAW**—I will leave it with you.

**Ms Blazow**—It is not something we have done to date.

**Senator FORSHAW**—Would you have a go at it and see what you can do?

**Senator ALLISON**—I want to turn to Medicare funding for IVF programs.

**Ms Blazow**—General practice activities are in a different outcome. Specialist activities with the exception of diagnostics are in my outcome.

**Senator ALLISON**—I will try you with a question. Has the department undertaken any investigation of the factors that contributed to the increase in government rebates for IVF services over the past 10 years? If it has, could a copy of that be provided?

**Ms Blazow**—We are currently in the process of looking at that. There are a number of factors. Certainly more people are using IVF. The age profile of women using IVF is changing and we are currently analysing that. Of course, recently the safety net has come into play, and additional benefits are being paid now for IVF where those out-of-pocket costs qualify for a safety net. We are currently talking to the profession about the trend lines in IVF and working through what might be happening in that situation.

**Senator ALLISON**—What groups have you consulted with?

**Ms Blazow**—Our normal process for this is to talk with the Australian Medical Association, subcommittees and specialist groups. There is a group called NASOG, the National Association of Specialist Obstetricians and Gynaecologists, and we have had some discussions with them about what might be happening in the IVF area.

**Senator ALLISON**—Are you talking with consumer groups?

**Ms Blazow**—No, so far we have not talked with consumer groups, although I think one of my staff has been trying to make contact with a consumer group and it has been quite difficult. I am not sure if she is still in the room, but when I spoke to her not long ago she was trying to make contact and unsuccessfully so.

**Senator ALLISON**—When do you expect to finish that investigation? Will it be public or is it just an internal document?

**Ms Blazow**—No, this is an internal examination of what might be happening with these.

**Senator ALLISON**—Have you also been asked to examine possible restrictions on access to rebates for IVF?

**Ms Halton**—This is where we get into an area where we are being asked questions in relation to policy advice we might have given, and that is obviously not something that we can comment on.

**Senator ALLISON**—Okay. Which groups would be consulted on questions of changes to access, if any?

**Ms Blazow**—There can be various processes if government is choosing to consult about changes. There could be a formal consultative arrangement or one that is separately set up on an ad hoc basis to look at a specific issue or there could be an examination of the evidence around a particular arrangement. For example, we have our Medical Services Advisory Committee where we look at particular procedures from time to time and the evidence base for those procedures in relation to the subsidy. Or we could go to what we call the MBCC, the Medicare Benefits Consultative Committee, out of which there are a whole series of committees looking at particular parts of the Medicare benefits table to give us advice on the structure of the items, the amounts of rebates that we pay and the scheduled fees on those items. So there are various approaches and we can do various things to consult with people.

**Senator ALLISON**—I will have to use hypotheticals here because this is apparently a policy decision. Will you use all of those approaches if that is what you are doing?

**Ms Halton**—That would be a decision for government.

**Senator ALLISON**—Whom you consult?

**Ms Halton**—Yes.

**Senator ALLISON**—When will we know who will be consulted?

**Ms Halton**—In what event?

**Senator ALLISON**—In the event that there is an investigation of reduced access to IVF for certain age groups or—

**Ms Halton**—That is a hypothetical question which I do not think we can answer; it is not a circumstance.

**Senator ALLISON**—It is actually not hypothetical. You said it is policy and for that reason you are not able to be specific, but I am asking about consultation.

**Ms Halton**—In terms of what is on the public record at the moment in respect of IVF, as the minister has announced there will be a review to report to the government. That review

has not been formally constituted yet. If and when that is finalised and its terms of reference are announced then that will be a matter to be considered in that context. We cannot anticipate a decision which is not yet taken.

**Senator ALLISON**—Can you indicate if the department has data on the proportion of Australian women accessing IVF services?

**Ms Blazow**—We would have data on the number of women using IVF services with Medicare rebates, and we could calculate that as a proportion of Australian women. We do not have that with us, but we could take that on notice.

**Senator ALLISON**—Are you able to understand the trends over, say, the last 10 years?

**Ms Blazow**—Yes, we are. We would have the data ever since the items were introduced onto the schedule.

**Ms Halton**—Providing it is Medicare rebated.

**Senator ALLISON**—Yes, I understand. And the range and average number of IVF cycles undertaken by an infertile woman?

**Ms Halton**—We cannot go to the clinical condition of the woman and the reasons for the utilisation of IVF, which can be a number, but we can look at data in respect of an individual.

**Senator ALLISON**—And will you pull that data together for this review?

**Ms Blazow**—We can certainly see how many IVF cycles have occurred, because there is in fact a particular item that indicates that a cycle has occurred, and we can see how many of those rebates were provided to individual women. It is totally de-identified, we do not know who the women are, but we know that that was the same woman. So we can provide information on the average number of cycles being undertaken with Medicare rebates by individual women, but I would need to take it on notice.

**Senator ALLISON**—Can you put together a picture over that 10-year period? Will you know the age of that individual, even though she is not identified?

**Ms Halton**—That would actually be quite a large statistical exercise. I think in theory we could do it, but that is a big set of data to manipulate. It would be a very big exercise.

**Senator ALLISON**—But given that the indications are that if there is a restriction on access it is going to be age related, I would argue that it would nonetheless be important data to have.

**Ms Halton**—You are now into the area of theoretical—

**Senator ALLISON**—I am, but I want to know whether it is possible to get this data.

**Ms Halton**—It is technically possible, yes.

**Senator ALLISON**—It is all technically possible, I suppose.

**Ms Halton**—Yes, it is technically possible.

**Senator ALLISON**—Did you say that the terms of reference for the review were not completed?

**Ms Halton**—The review has not been announced yet, so the membership or the terms of reference are not finalised.

**Senator ALLISON**—Will the terms of reference be made public?

**Ms Halton**—That is my expectation.

**Senator ALLISON**—And the time frame for the review?

**Ms Halton**—Again, that is not something that has been finalised so we cannot make any comment.

**Senator MOORE**—I know that there was great media coverage of this issue and I know that you have an effective media monitoring service—which I may be asking about later but I am not sure. In one of the minister's statements he actually quoted departmental advice. This was referred to in the *Weekend Australian* on Saturday, 30 April 2005. The article said:

HEALTH Minister Tony Abbott conceded yesterday his department's claim that women only needed three IVF treatments on average to become pregnant was wrong.

**Ms Halton**—There was some confusion in this respect about what had been said by whom to whom, if you see what I mean.

**Senator MOORE**—There often is.

**Ms Halton**—Indeed. In this area the statistical issues are quite complicated. Without boring you with the detail, the information that was put into the public arena was actually not wrong; there was a misinterpretation as to what it actually meant. I do not know what he actually said—

**Senator MOORE**—That was how it was reported.

**Ms Halton**—In fact the information that was put into the public arena was perfectly statistically accurate, but, as is often the case with these things, people over-read the meaning of the statistic.

**Senator MOORE**—Senator Allison was talking about the various places where data can be obtained. Is the place where you would get data on this type of issue in the department or is it with the Australian Institute of Health and Welfare? What kind of places keep data that could be fed into this debate?

**Ms Halton**—There are a number of sources of data in this respect. AIHW actually does have a publication which, consistent with all other AIHW publications, we regard as being quite reputable and reliable. As Ms Blazow has indicated in response to Senator Allison's questions, obviously we have access to the Medicare data, which can be interrogated. That is not of itself in the public arena. Certainly the AIHW publication is a good place to start, and then there are the various journal articles et cetera.

**Senator MOORE**—Is there any kind of clearinghouse for health information?

**Ms Halton**—Again, it depends on what you mean. There is information for doctors in relation to clinical practice.

**Senator MOORE**—Yes, I mean that kind of professional information.

**Ms Halton**—The short answer to the question ‘is there one place you can go?’ is probably, no.

**Prof. Horvath**—For patients and consumers the department’s Health Insight Web Site is probably the most reliable source. There is a lot of data there. The difficulty in this area is that the terminology, even the term ‘cycle’, between different practitioners is not used in the same way. That is confusing.

**Senator MOORE**—It is one of the issues that come up constantly in terms of an authoritative place where people can go, particularly now with internet access.

**Prof. Horvath**—Health insight is most probably for consumers and patients the most reliable source. It has a very high rate of hits as a result.

**Senator MOORE**—Has there been an internal investigation of Medicare IVF procedures in the department?

**Ms Halton**—We have looked at IVF, consistent with a whole lot of other stuff that we looked at. ‘Investigation’ is a strong word.

**Senator MOORE**—Yes; examination, review?

**Ms Halton**—‘Review’ is not a good word. No, we have not had a review.

**Senator MOORE**—But it is something the department monitors—keeps an eye on?

**Ms Halton**—Yes.

**Senator MOORE**—Which section of the department?

**Ms Halton**—Ms Blazow’s. Ms Blazow is the girl of the moment, today.

**Senator MOORE**—I wonder how you have time, Ms Blazow.

**Ms Halton**—She wonders, too.

**Senator MOORE**—How many people in your division?

**Ms Blazow**—It covers both the Pharmaceutical Benefits Scheme, parts of the Medicare benefit scheme and the hearing services program. From memory, it is over 300 people.

**Senator MOORE**—So it is a significant division.

**Ms Blazow**—Between 200 and 300; I have not counted them recently.

**Senator MOORE**—In case any of them have gone missing—on all that leave that Senator Mason talked about. Was there any particular request given for you to review this information in line with the process that came out with the media statements?

**Ms Halton**—We cannot, obviously, comment on particular requests we have had.

**Senator MOORE**—The chair will clarify what I can ask and what I cannot ask. I know that you cannot provide details of any information or advice you provide. My understanding, listening to Senator Evans this morning, is that you can tell us if you did provide information. So it is more like a yes/no situation. Is that right, chair?

**CHAIR**—That is about right.

**Senator MOORE**—Have you provided particular information or processes to the minister's office leading up to the budget on the issue of IVF?

**Ms Halton**—I cannot comment, Senator.

**Ms Blazow**—I have just been handed an annual report.

**Senator MOORE**—I have seen that one.

**Ms Blazow**—My division is listed in terms of the staff in the department and, as at 30 June 2004, I had 326 staff.

**Senator MOORE**—We are looking forward eagerly to the next one, so we can see what is happening.

**Ms Halton**—We hope you like the design. At least it is pleasing to the eye.

**Senator MOORE**—So in terms of the availability of answering questions on this issue, you cannot give information about particular requests for briefings or requests for data about IVF to any other part of the government in the last 12 months?

**Ms Halton**—I cannot answer.

**Senator MOORE**—Was the department involved in any meetings about the issue in the last 12 months? Were any interdepartmental meetings called about the issue of IVF?

**Ms Halton**—We have discussed it with the profession.

**Senator MOORE**—In this case, what constitutes the profession?

**Ms Blazow**—We have met with the AMA and we have met with the specialist group, the NASOG group.

**Senator MOORE**—Nurses?

**Ms Blazow**—No.

**Senator MOORE**—Consumers?

**Ms Blazow**—No, we have not met with consumers.

**Senator MOORE**—I have just been reminded of the answers that were provided to Senator Evans this morning about other aspects. We might have to work through and see whether we agree that this was the process—that dates of advice and form of advice can be given; answers can be given about if advice was offered and when it was offered, but not the content of the advice. I am just clarifying that. Chair, I think it is important to clarify that. My understanding this morning, in response to questions from Senator Evans about the whole Medicare rebate discussion, is that it was agreed that requests for advice, and dates of when advice was provided can be shared but not, naturally, what was in the advice.

**Ms Halton**—We have to get that confirmed ourselves, Senator. I have said I will take some advice myself.

**Senator MOORE**—I will just put the questions and, if you get the answers in response to what Senator Evans was asking, then we will be able to get an agreed position for the future. You will understand the flow.

**Ms Halton**—Yes.

**CHAIR**—I think we also have to be very mindful of the cost of doing some of those exercises too.

**Senator MOORE**—Absolutely.

**CHAIR**—If we are just going to trawl through diaries to find out the dates and times of meetings but no information then it serves no useful purpose.

**Senator MOORE**—In that case, Ms Halton, we would understand, but the purpose is to seek in terms of the degree of importance of this issue.

**Ms Halton**—I understand.

**Senator MOORE**—Was there a request for advice about the IVF issue leading up to the budget process in the three or six months prior to the actual budget decision? Were there requests about this particular issue from Finance, Treasury or PM&C to your department in the three to six months leading up to the budget?

**Ms Halton**—Subject to the clarification on that other issue, we will provide you with an appropriate answer.

**Senator MOORE**—In terms of the advice provided to the minister for the cabinet submission, were you requested to be part of that process leading up to the budget process?

**Ms Halton**—May we just refer to the earlier answer?

**Senator MOORE**—Yes, absolutely; I think that follows through with exactly the same process.

**Ms Halton**—Fine.

**Senator MOORE**—Thank you, Senator Allison. Leading in with your questions, I think that finalises that issue for us as well.

**Senator ALLISON**—I have a couple of further questions. This review is obviously not going to be done by NHMRC. Is it something to be handled in the department?

**Ms Halton**—No. It has been announced that there will be a panel of eminent medically qualified and/or other eminent people who will actually undertake a review. Professor Horvath will be a member of the group, but the remaining membership is still being finalised. That independent process of review will give advice to the minister.

**Senator ALLISON**—Will it include eminent current practitioners?

**Ms Halton**—Because the membership is not actually finalised, I cannot say that categorically, but I suppose I can say that my expectation is that there will be persons of reputation in this field on the review. At the end of the day, I am not the decision taker, so I cannot say to you that that will be the final outcome, but that is my expectation.

**Senator ALLISON**—Will there be someone on this panel who would represent, for want of a better word, the ethical position?

**Ms Halton**—I suppose it depends what you mean by ‘the ethical position’.

**Senator ALLISON**—It might be someone who is not a medical practitioner but who might want to talk about ethics, morals and so on—a churchman, for instance.

**Ms Halton**—I do not know that that is one of my expectations, but, as I say, it is not resolved yet. I can say that I would be very surprised if there is not a practitioner of eminence and experience in this respect. I do not know that it is my expectation that there will be a churchman, but I am not the decision taker.

**Senator ALLISON**—So it is not ruled out?

**Ms Halton**—Nothing is ruled out or in at this point until a decision is taken.

**Senator ALLISON**—Can you say whether the review will look at the impact of the age of the woman on success rates?

**Ms Halton**—Again, until the terms of reference and the membership are finalised, I cannot say anything with any degree of categorical assurance. One might have an expectation that that would be a clear issue to be examined, but, again, I cannot give you a categorical answer.

**Senator ALLISON**—Will the panel have the support of a secretariat of some sort in the department, or how will that operate?

**Ms Halton**—We have yet to resolve exactly what the support arrangements are. I would expect that we would provide a secretariat service to that review. That would be perfectly normal. But, again, when it is announced and when the chair is finalised, that would obviously be a dialogue to be had with the chair about the appropriate means of supporting that review.

**Senator ALLISON**—Will there be any relationship at all with the NHMRC?

**Ms Halton**—Again, that is yet to be clarified. It may well be that the NHMRC is asked to provide some advice, but that, I would imagine, would be something that the review group would discuss at one of their early meetings.

**Senator ALLISON**—Will the terms of reference spell out the quality control processes?

**Ms Halton**—Would you just extend for me what you mean by ‘quality control processes’—in respect of what?

**Senator ALLISON**—In respect of the review they do.

**Ms Halton**—Do you mean the quality of their work, not quality in respect of IVF?

**Senator ALLISON**—There must be something that guides them in what they do.

**Ms Halton**—The terms of reference.

**Senator ALLISON**—So the terms of reference are the quality control, for want of a better descriptor?

**Ms Halton**—In a sense—and also, one would imagine, their own internal drive for their reputation and good name.

**Senator ALLISON**—So will that panel be announced?

**Ms Halton**—Yes.

**Senator ALLISON**—And we will know who is on it?

**Ms Halton**—Yes.

**Senator ALLISON**—And its report will be public?

**Ms Halton**—That will be a matter for the minister's consideration. It will be a report to the minister and he will need to consider the handling of it.

**Senator ALLISON**—Thank you. That is all I have for outcome 2.

**Senator MOORE**—I have a couple of issues for output 2. The first one relates to community health centres and access to Medicare. It has been drawn to our attention that there is some discussion about access to Medicare by GPs working in community health centres in Victoria. Are you aware of that?

**Ms Halton**—This may be a primary health care issue if it is one particular service that I am thinking of—

**Senator MOORE**—Yes, in my series of questions there is one particular health care service in Victoria.

**Ms Halton**—Can you tell me where it is?

**Senator MOORE**—It is in Victoria. I thought I had where it was. I will follow up on that. Our questions were whether this was relating to any other states. The only issues that have been drawn to our attention are to do with a community health service in Victoria.

**Ms Halton**—I bet I know which one.

**Senator MOORE**—Would you prefer to put that into primary health?

**Ms Halton**—Yes, I think so.

**Senator MOORE**—I am happy to do that. That will be tomorrow, so it gives us a chance.

**Ms Halton**—If you can get the particular details before this afternoon, we can do some digging around for you?

**Senator MOORE**—Yes. I want to move now to the Professional Services Review. Is it the right outcome for that?

**Ms Halton**—The PSR, yes.

**Senator MOORE**—We talked about the Professional Services Review agency before. We have heard concerns that it is being downsized. Is that true? Is there going to be a reduction in the number of people working in this particular agency?

**Ms Halton**—We have here the font of all knowledge, Mr Webber.

**Mr Webber**—Could you repeat the question?

**Senator MOORE**—Is it true that the Professional Services Review agency is being downsized?

**Mr Webber**—Yes, we have.

**Senator MOORE**—Why? Is that the result of a restructure or a change in focus? What is the rationale for downsizing and how much is it being downsized?

**Mr Webber**—We had to offer voluntary redundancies to seven people. We now have a staff in Canberra of 16.

**Senator MOORE**—If I add the seven to 16, was that the full structure of the agency?

**Mr Webber**—Yes, it was.

**Senator MOORE**—I think I can do that—that is 23. That was the previous structure?

**Mr Webber**—Yes.

**Senator MOORE**—The current working structure is 16?

**Mr Webber**—Yes.

**Senator MOORE**—Have those voluntary redundancies been taken up?

**Mr Webber**—Yes, they have all been taken up.

**Senator MOORE**—What was the background to the decision to downsize? Was it a restructure, was it a change in focus—what was it?

**Mr Webber**—It was essentially because our rate of referral from the HIC had dropped off significantly.

**Senator MOORE**—So it was a business case—it was a lack of business?

**Mr Webber**—Yes, it was a lack of business.

**Senator MOORE**—Over what period of time had the rate of referral dropped off?

**Mr Webber**—In 2002-03 we had 52 referrals, which is about what the organisation had been having on average over the preceding years.

**Senator MOORE**—That was about the average?

**Mr Webber**—Yes, that was about the average and that was our expectation. In 2003-04 it was 38. This financial year it is only seven.

**Senator MOORE**—Obviously the department looked at why that was happening. What was the feedback you got? That is a significant drop; it is not minor drop.

**Mr Webber**—It is not a minor drop, no.

**Senator MOORE**—It is a plummet.

**Mr Webber**—Yes.

**Senator MOORE**—Do you know why?

**Mr Webber**—We are totally dependent on the HIC for referrals.

**Senator MOORE**—You only get work through referral, don't you—you are not a proactive agency in anyway?

**Mr Webber**—No, we are reactive to the HIC.

**Senator MOORE**—Did you have any discussions with the referring agency about what happened?

**Mr Webber**—We have had lots of discussions with the HIC. Their explanation is that they have restructured their process.

**Senator MOORE**—That was it—they had restructured how they operated?

**Mr Webber**—How they generate referrals to us.

**Senator MOORE**—Can you tell me what the new process of referral is that would result in a drop of 52 to seven over two years in the same professional group?

**Ms Halton**—It is not appropriate for us to talk about the process of an agency which is in a different portfolio.

**Senator MOORE**—Even though you are the implementing agency for that decision?

**Ms Halton**—Yes, but it is their process.

**Senator MOORE**—Sure.

**Ms Halton**—What I can tell you is that I have asked Professor Horvath to take a particular interest in what has changed in respect of this process. I have asked him to work with the PSR and with the Health Insurance Commission so he can give me some assurance that we are getting an appropriate level of scrutiny in the review. That is an ongoing process, and certainly by next estimates I hope I would be in position to tell you where we have got to with that.

**Senator MOORE**—In that sense, it would be your position, as the agency, to give us a report about the change, as opposed to asking another agency what is what.

**Ms Halton**—Yes, that is right. You could still asked the Health Insurance Commission what they have been doing in this respect, but what I am telling you is that, having been made aware of this issue which I was not aware of that long ago, I have asked Professor Horvath to take an interest in the matter. We would be in a position to talk more about our perspective on that.

**Senator MOORE**—Okay, we will refer that to the next estimates.

**Ms Halton**—Yes, that is fine.

**Senator MOORE**—Mr Webber, you gave me some stats. Do you keep records on the types of cases that are referred? You have bulk numbers over those years of 52, 38 and most recently seven. Within that, do you keep stats on what type of case it is, whether it is fraud or overservicing or that kind of thing?

**Dr Webber**—We do not deal with fraud at all.

**Senator MOORE**—Not at all?

**Dr Webber**—No, that is dealt with by the HIC. We are only dealing with overservicing or what we deem as inappropriate practice, and that covers a huge gamut of things.

**Senator MOORE**—It is an interesting phrase, isn't it: 'inappropriate practice'. Do you keep records of how many were for overservicing and how many were for what constitutes inappropriate practice?

**Dr Webber**—It is a difficult concept, because the HIC generates its referral on the basis of overservicing in as much as it generates a referral on the basis of the statistics available to the HIC, and they are only dealing with the stats. When we get the case, we actually have access to the medical records and we have a look at what is going on. Over the years we have only

found appropriate practice in a very small number of cases; in most of the cases we examine we find inappropriate practice, and that covers a whole range of things.

**Senator MOORE**—For instance?

**Dr Webber**—Was there adequate clinical input into the service? Was it properly recorded? Is it an appropriate service? In other words, was it medically necessary? And also, did it fulfil the criteria set out in the MBS book?

**Senator MOORE**—They are the kinds of headings you would use?

**Dr Webber**—They are the broad things that we look at.

**Senator MOORE**—I am particularly interested in the 80-20 rule and the number of patients—I keep wanting to say clients or customers—a doctor sees in a period. Can you tell us how many of those cases in the last few years were 80-20 rulings?

**Dr Webber**—Bear in mind I have only come into this job in the last three months. I am informed that it is 29.

**Senator MOORE**—Over what period of time?

**Dr Webber**—I would imagine that is since the legislation came in.

**Senator MOORE**—That is 29 in total?

**Dr Webber**—Yes.

**Mr Davies**—It is since January 2000.

**Senator MOORE**—When was the service set up?

**Dr Webber**—I believe the legislation came in during November.

**Senator MOORE**—It was in that period so that would be since the start then, Mr Davies.

**Mr Davies**—That is correct.

**Senator MOORE**—Since the agency has been in operation, there has been 29 investigations for what people called the 80-20 rule. Can you tell us how many professionals lose their Medicare numbers as a result of these investigations? How many people have been punished as a result of your investigations? The absolute punishment is to lose your Medicare number, is it not? Who makes that determination? Do you make a recommendation from the agency, or do you actually make the decision?

**Dr Webber**—The process is we obtain a referral, we investigate it—and that is a peer investigation—and then that committee sends a report to a separate body that makes it a sanction decision.

**Senator MOORE**—For the record, what is the name of that body?

**Dr Webber**—It is the determining authority.

**Senator MOORE**—Has it been affected by the reductions?

**Dr Webber**—Not as yet, because there is a fair time lag so there is a bit of a flow on.

**Senator MOORE**—And the determining authority makes a decision based on the report provided by your agency?

**Dr Webber**—That is correct.

**Senator MOORE**—Are you able to tell us how many people have been sanctioned as a result of the investigations that the review agency has done? Is it that the kind of information you have?

**Dr Webber**—I have to take that total on notice, I am afraid.

**Senator MOORE**—Sure. But it is an appropriate question to ask you?

**Dr Webber**—Absolutely.

**Senator MOORE**—So if we can get that from you. It would be useful if we could have whether the loss was based on overservicing or on what you determined as inappropriate behaviour. They are two big groups.

**Dr Webber**—Difficult.

**Senator MOORE**—You would not have kept whether the investigation was stimulated by overservicing or by inappropriate behaviour?

**Dr Webber**—Most of it started by overservicing. I can give you a breakdown of 80-20s and the others.

**Senator MOORE**—Okay, 80-20s and the rest. It would be good if we could get that information. Since the agency started would be useful.

**Dr Webber**—Okay.

**Senator MOORE**—I have very straightforward questions on home medicine review. It was first introduced in 2001-02, as you know. It was funded over a four-year period. My understanding is that it has been re-authorised for one year in 2005-06. Is that how you see it? At this stage it has only been forward funded for one year.

**Ms Blazow**—There are two parts to the home medicines reviews. One part is about the GPs that do the referral, and the other part is the payment of professional pharmacists who go to the person's home or the aged care home and do the review. I think it is the GP component that has been renewed to date. The other component, the pharmacy component, is actually part of the pharmacy agreement.

**Senator MOORE**—But they came in together as part of seeking to provide this better service. The GP component, at this stage, is only funded for one year.

**Ms Blazow**—That is true. Mr Singh knows all about it.

**Mr Singh**—That is correct. The funding has been renewed for one year.

**Senator MOORE**—Do you know how much the GP component of the program costs Medicare each year?

**Mr Singh**—I do not have that number with me, but I can tell you that as at 31 March the total of 2,281 services had been claimed. Obviously we do not have information for previous years.

**Senator MOORE**—And they are services to the GP side?

**Mr Singh**—That is right.

**Senator MOORE**—Do you know, from the other side of the program, how many services have been claimed? This is a proactive part of people going into the home.

**Mr Singh**—That is right. It is a collaborative effort between the pharmacist and the GP.

**Mr Rennie**—As far as the pharmacists go, since the start of the program, 73,000 home medicines reviews have been conducted by accredited pharmacists.

**Ms Blazow**—That is not the residential component; that is just home medications.

**Mr Rennie**—That is only the home medications, not the residential.

**Ms Halton**—Not, of course, that nursing homes are not people's homes, though.

**Mr Rennie**—No, but there is a separate program.

**Senator MOORE**—Absolutely.

**Ms Blazow**—The community homes as opposed to residential.

**Senator MOORE**—The 2003-04 figure is \$2.354 million.

**Ms Blazow**—Is that total, both components?

**Senator MOORE**—My understanding is that it is the total for that program, it is the full program.

**Mr Singh**—The GP item was introduced on 1 November 2004, so if it is 2003-04 then it must be the pharmacist side.

**Ms Blazow**—Can you tell us the source of the figure? We are not sure.

**Senator MOORE**—I will find that for you and come back to it. Is there a review period for program, a formal review process?

**Ms Blazow**—The pharmacy component is part of the agreement. We are going through a discussion about the next agreement.

**Senator MOORE**—That is subject to the particulars of the pharmacy agreement.

**Ms Blazow**—That is right. As I said before, there is a component of the money that is on the table, that is being discussed, which is certainly about continuing this program—it is an excellent program—and also allowing growth throughout the next cycle of the pharmacy agreement. That is not an issue. The government is very committed to this program. Your question was: is it subject to a specific review?

**Senator MOORE**—Yes. This particular program is one of the special cooperative programs that were introduced as a benchmark.

**Mr Rennie**—There have been two components to the review. The GP component has been undertaken by Alan's area, and the pharmacy has been undertaken by our area in cooperation with the Pharmacy Guild, and that report is expected shortly.

**Senator MOORE**—Is that review part of the wider pharmacy agreement or is it specialised on this particular issue?

**Mr Rennie**—That will inform the next community pharmacy agreement but, as Judy has mentioned, there is funding set aside, in expectation that it will be continued, but there might need to be refinements.

**Senator MOORE**—So it is actually a bit of both: it is part of the pharmacy agreement because it is working with the pharmacy industry?

**Mr Rennie**—That is right.

**Senator MOORE**—But within that parameter of what is happening with the negotiations there is the commitment that this particular program will operate into the future anyway?

**Mr Rennie**—That is right.

**Ms Blazow**—The review will inform the detail, if we need to revise the way we are making payments or something like that.

**Senator MOORE**—So, regardless of what happens in the pharmacy review, in the pharmacy agreement there is an expectation that this will happen?

**Ms Blazow**—Absolutely.

**Senator MOORE**—What about the GP side—has there been a review of how the GP side of this particular program is operating?

**Mr Singh**—I believe there has. I believe it was undertaken as part of the budget process.

**Senator MOORE**—It was just an internal review as part of the budget?

**Mr Singh**—It would have been done by external consultants, given that it was a lapsing program.

**Senator MOORE**—There is an expectation that the program will continue because of the expectation on the pharmacy side. The reason we are asking questions about this is that in the budget papers it has only been extended for one year. So we are interested that a program that was originally for four years has now only got a one-year process. Is there any rationale for that that you are aware of?

**Mr Singh**—Again it is the link to the pharmacy side of things, so we are going to try to get them on the same cycle.

**Senator MOORE**—So the commitment continues to the program—it is just a matter of trying to link up the process?

**Ms Halton**—Basically it is silly to have what is effectively one program with two different lapsing cycles.

**Senator MOORE**—So it is not a delay in reviewing?

**Ms Halton**—No.

**Senator MOORE**—It is more an attempt to coordinate the review process?

**Ms Halton**—Yes.

**Senator MOORE**—So when we come back for the next round of estimates, if everything goes to plan they will have been—

**Ms Halton**—Brought together.

**Senator MOORE**—I will make a note to come back to that.

**Ms Halton**—Yes.

[6.18 pm]

**CHAIR**—We will move now to outcome 6, hearing services.

**Senator CROSSIN**—It is not often you get good news at estimates, but I do want to draw the committee's attention to page 106 of the PBS. In my office we were thrilled to see that additional funds have been provided to Indigenous people who are CDP recipients, so that they can access Australian Hearing.

**Ms Halton**—You were not as thrilled as we were, but it would have been close.

**Senator CROSSIN**—It probably makes the last four or five years at estimates worth while. No doubt the review your department did assisted. We do not often get good news at estimates. My colleagues will probably whip me later for being so positive.

**CHAIR**—You have just lost your preselection.

**Senator CROSSIN**—That could be true too. But I do think it is a recognition by the department that these were people who were essentially work for the dole and were severely missing out on these services.

**Senator Patterson**—Do you mean recognition by the government rather than the department?

**Senator CROSSIN**—I could not quite bring myself—

**Senator Patterson**—I know you could not.

**Senator CROSSIN**—I had to say 'the department'.

**Senator Patterson**—I just want to make the record clear: it is the government's budget.

**Senator CROSSIN**—I am sure you made that decision based on the expert advice that you got from the department, in this instance. It is a fair statement by me. I cannot go too far, Minister.

**Ms Halton**—We have noted your very kind comments. We were delighted; it is a really good outcome.

**Senator CROSSIN**—I think it is too. I will be interested next year to follow up how many recipients have taken up that offer and whether or not the \$10 million was enough. You might have to double it in the future. But it certainly was a good outcome. The budget allocation this year for the Office of Hearing Services is around the \$268 million mark—is that correct?

**Mr Kingdon**—\$261 million.

**Senator CROSSIN**—That is the administrative appropriation?

**Ms Halton**—The total estimated resourcing for that outcome is \$268,837,000, but it is a question of what is included in that, which is the policy advice in the program management element as well. I think Mr Kingdon is telling you what the appropriation bill No. 1 component is.

**Mr Kingdon**—The \$261 million is the amount of money that is allocated for clients.

**Ms Halton**—Not mere bureaucrats but the other bit.

**Senator CROSSIN**—So the bit that is allocated to the bureaucrats is the \$7.6 million—is that correct?

**Ms Halton**—Yes—the policy advice and the program management.

**Senator CROSSIN**—Are we missing someone or has somebody moved from your department? Is Ms Fenely—

**Ms Halton**—She has been our manager in South Australia for some time.

**Senator CROSSIN**—Does she come to Indigenous health—

**Ms Halton**—No, you are thinking of Ms Evans, who was the first assistant secretary of OATSI.

**Senator CROSSIN**—And now?

**Ms Halton**—She has not yet taken up the position but she has gone to be the Deputy Director of the Global Fund for HIV-AIDS and tuberculosis in Geneva.

**Senator Patterson**—It is a great loss to us.

**Ms Halton**—It is a great loss but we are delighted to have a senior Australian who has extensive experience in our portfolio take on such an important role.

**Senator CROSSIN**—Okay.

**CHAIR**—It is nice to be missed.

**Ms Halton**—Yes.

**Senator Patterson**—I will give you an example with the COAG trial in Wadeye. I took Ms Evans there because I was concerned about health and, within no time, we had a doctor and two health workers as a result. Her knowledge of the Indigenous community and health is just amazing. She will be really missed. I hope that she reads this *Hansard*, because both sides miss her. You miss her because she is not here answering questions, and I miss her because I dealt with her both in this portfolio and the one I have now. Hopefully World Health will be better for her going there.

**CHAIR**—Congratulations to her on her appointment.

**Senator CROSSIN**—Yes, she had a very good knowledge of Indigenous communities. With all due respect, she was probably one of the very few public servants, when you mentioned strange places—

**Senator Patterson**—She quietly knew—

**Senator CROSSIN**—She knew where they were.

**Senator Patterson**—And had been there. That is not the only thing. There are a lot of bureaucrats who visit these places very frequently. She was one, but there are others.

**Senator CROSSIN**—Perhaps I should not say ‘strange places’. I should say places that have Indigenous names that are hard to get—

**Senator Patterson**—Unusual names.

**Ms Halton**—And which are of the beaten track and which you do not normally go to.

**Senator PATTERSON**—You have to visit in tiny planes.

**Senator CROSSIN**—Has the Office of Hearing Services introduced any new mechanisms for monitoring the ethics or the practices in the hearing sector in either the public or private arena?

**Mr Kingdon**—We have no new practices but we have been taking a much closer look at the complaints that we are receiving and looking for systemic patterns. One of the problems—and I think I expressed this at the previous estimates—is that you can have a complaint but it is very hard to prove that complaint conclusively. But you can have a pattern of behaviour from, say, a particular practitioner which would lead you to believe that, if they are not doing something wrong, then they are certainly creating misunderstandings. These are things we are now following up very closely with individuals.

**Senator CROSSIN**—What is the nature of some of the complaints that you might get?

**Mr Kingdon**—It would range from a lower level complaint of someone being ill-mannered to a higher level complaint that they had been required to take a top-up device or not been told about the top-up or that they could never get the device to fit well. They may have been derogatory about the government provided hearing aid. There is a range of things.

**Senator CROSSIN**—Do you have a particular policy or a set of procedures that you use to deal with complaints and to monitor the ethics or the practices of services?

**Mr Kingdon**—We have contractual arrangements with the providers. These are quite explicit about what you can and cannot do, and within that there are shades of behaviour. Quite often when someone claims that they were not told about the free device they have just forgotten. Just because someone complains, you cannot assume that the complainant was right. But we are noticing when that occurs on more than one occasion, and we can certainly identify, if nothing else, that there has been a misunderstanding. We can then deal specifically with the practitioner and take appropriate action to ensure that that does not continue.

**Senator CROSSIN**—Do you keep a log, or a record, of these complaints so that when the CSO next comes up for negotiation that is taken into consideration in the renegotiation period?

**Mr Kingdon**—Yes, in accrediting our practitioners we always look at the record of how many complaints they have had. If they have had a series of complaints then we look into whether their accreditation is appropriate.

**Senator CROSSIN**—Does the office have an estimate of how much Australians are spending on hearing services and equipment?

**Mr Kingdon**—Do you mean privately?

**Senator CROSSIN**—Not just services funded by your office but the national holistic expenditure. Have you done any research on that?

**Mr Kingdon**—We do not know what the private market charges. That is not really our business. We are there to contract to provide services that the government gives to entitled

people. With the people who are entitled to an aid, we can roughly work out the amount paid. If a person is paying for a top-up, that information is recorded. It is not a mandatory field, so it is not a particularly accurate figure, and I am currently looking at a system change so that we do get a more accurate figure on how much people are paying.

**Senator CROSSIN**—Out of the services that you fund, do you have any estimate of the level of unmet need for hearing services?

**Mr Kingdon**—No, we do not. We know that the waiting times are relatively short—on average, three weeks—to make an appointment with a hearing provider. That would indicate that demand was not excessive, but we are well aware that the distribution of services is an issue. If you live in a remote or even in a rural town, you may well suffer much longer waiting times or even quite long distances that you would have to travel in order to access a service.

**Senator CROSSIN**—Is there any attempt by the office to try to get a handle on how much unmet demand there is out there, or is it so vast that it is not possible to do that?

**Mr Kingdon**—The difficulty is in trying to determine what demand is. Demand in one sense is people asking for a service. As far as we are aware, there is not a lot of demand. If we talk about need, there may be a high level of need because we know roughly the percentage of hearing loss in the community at different age groups, but even that is a poor indicator because many people communicate very effectively with moderate levels of hearing loss and are just not inclined to want to take up our services. Others certainly do and will benefit. We know that there is a tendency for people to postpone the day when they approach a doctor or a hearing service for a service. So in many ways the difficulty relates to people realising their need and turning that into a demand rather than saying that there is a whole lot of unmet demand out there.

**Senator CROSSIN**—How many vouchers have you issued in the 2004-05 year?

**Mr Kingdon**—To 31 March we have issued 140,503 vouchers.

**Senator CROSSIN**—Do we have an idea of how many of those have gone to Indigenous people? Do you keep that sort of breakdown?

**Mr Kingdon**—I do have that figure. It is a very sad figure. Only 66 of those vouchers have been identified as going to an Indigenous person, but there is absolutely no requirement for somebody to identify themselves as an Indigenous person so I cannot say how accurate that figure is. It is a figure that is lower than that of previous years.

**Senator CROSSIN**—How many vouchers are you budgeting for in 2005-06?

**Mr Kingdon**—We are budgeting for about 215,000 to 220,000.

**Senator CROSSIN**—Do you have any plans or strategies to try to lift that figure for Indigenous people?

**Mr Kingdon**—Yes, we do. Out of the budget proposal we have some money for the Office of Hearing Services to do some planning for Indigenous services for that particular target group.

**Senator CROSSIN**—How much is that?

**Mr Kingdon**—That is about \$167,000.

**Senator CROSSIN**—The money that is provided to Australian Hearing under the CSO does not include vouchers, does it?

**Mr Kingdon**—No, not under the CSO. I think you raised that in an earlier estimates meeting. What we identified was that Australian Hearing was using CSO money for people who were eligible for vouchers. There had been some misunderstanding so we have corrected that this year. So where a person is eligible for a voucher they will, first of all, extinguish their voucher entitlement. The additional services that a person may require as a complex client will be provided under the CSO. That released about half a million dollars that we were able to allocate to Indigenous services this year.

**Senator CROSSIN**—Let me get this clear in my own mind then. If an Indigenous person goes to Australian Hearing or to one of the providers in Australian Hearing, they will be serviced under a CSO rather than a voucher?

**Mr Kingdon**—No, if a person goes to Australian Hearing as an entitled voucher holder they will be treated under their voucher. If they have complex hearing needs, they will then be brought under the CSO. If they live in a remote community and Australian Hearing goes to visit them then that will be a CSO activity.

**Senator CROSSIN**—So I am assuming that there is a criterion somewhere that will tell me what constitutes an entitled person for a voucher?

**Mr Kingdon**—Yes. I can give it to you, if you like.

**Senator CROSSIN**—Yes.

**Mr Kingdon**—It is a bit of a long list, but I can read it all out.

**Senator CROSSIN**—Just table it at some stage and provide it to the committee.

**Mr Kingdon**—I will table that for you.

**Senator CROSSIN**—Or is it on a web site?

**Mr Kingdon**—It is on our web site, yes.

**Senator CROSSIN**—That is all right. We will hunt it down through your web site. Why are you laughing? Is the web site as complicated as DEST's?

**Ms Halton**—Please!

**Senator CROSSIN**—If we went through the department of health web site, would we find it easily enough?

**Ms Halton**—Yes, I think so.

**Mr Kingdon**—You should do so, because Hearing is a separate item that you would identify on the web site.

**Ms Halton**—And we have had a significant redesign of our web site—at the instigation of our former minister, can I tell you—to make it much more accessible.

**Senator Patterson**—My influence still lingers.

**Senator CROSSIN**—I will not comment; it is too close to dinner! How do you set the specifications for hearing aids and then specify the quality of the standard of hearing aid, say, supplied free to voucher clients needing them? Where is that link?

**Mr Kingdon**—They are set in a Deed of Standing Offer that we negotiate with manufacturers. I think there was a deed established in about 2002. We have just recently completed negotiations with the hearing services manufacturers, and I think only the day before yesterday the minister issued a press release indicating the changes that we will be incorporating in the new devices.

**Senator CROSSIN**—What sorts of things do they include?

**Mr Kingdon**—There are two parts. All the devices will have improvements in their specifications. I can give you some technical detail. There is an improvement to their frequency response adjustment, the provision of dynamic range compression channels, and improved distortion specifications. Those apply to all three types of hearing aid—that is, behind the ear, in the ear and in the canal.

**Senator CROSSIN**—I think you have run out of places to put the hearing aids!

**Mr Kingdon**—You can have a cochlear—

**Senator CROSSIN**—That is true. But that probably does not include this.

**Mr Kingdon**—and a bone-anchored aid, but we do not have those specified. With the behind-the-ear hearing aid, which is in many ways more adaptable for people's needs, we have increased the features. There will now be a switchable or adaptive directional microphone, noise suppression and a feedback management or cancellation system. In normal language, that means that it will improve people's ability to hear conversations in noisier surroundings. We are very pleased with this result, and these aids will be available from 1 October.

**Senator CROSSIN**—So does the private sector play a role in setting this standard for hearing devices?

**Mr Kingdon**—No. We set the standards in consultation with—

**Senator CROSSIN**—The manufacturers; is that right?

**Mr Kingdon**—We worked out what specifications we wanted, and then we negotiated with the manufacturers as to the specifications and the price. They had the opportunity to negotiate with us as to whether they would be able to provide what we were looking for at that price.

**Ms Blazow**—When we set the standards, we take advice from professional audiologists and the National Acoustic Laboratories as well.

**Senator CROSSIN**—That is also what I was trying to get at. I wonder whether setting the quality standard too high reduces the ability of companies to profit from selling these higher standard devices—or do they just raise their costs in a comparable way to your higher standards?

**Mr Kingdon**—I think it is a sort of technology cycle: what was leading edge yesterday is now middle row today. Just as we have seen the prices drop for computers with more and more features, essentially the same thing happens with hearing aids. I am pleased to say that

15 manufacturers signed up to our deed previously and 14 have signed up for this one, so it was not a lack of interest on their part. One would have to assume that you would not sign up unless you felt that there was some commercial advantage in working with us.

**Ms Blazow**—Our job is to get value for money for the government's investment in this area. That is what Tony is saying; we drove quite a hard bargain but that is our job.

**Senator CROSSIN**—I am not suggesting that you were frivolous at all in your expenditure. The PBS says:

Funding provided to Australian Hearing to meet the CSOs can be used to supplement the value of vouchers provided to Indigenous, complex need and remote adult clients.

How do you set the level for the CSO funding, which you say can be used by Australian Hearing to supplement the value of vouchers? Is it an estimate?

**Mr Kingdon**—It was a budget decision as to how much is provided. Historically, that has been around the \$30 million mark but for next year it will be \$34.6 million. That amount is fixed. In the past, we have tended to allow Australian Hearing to determine how that funding is allocated, but since we entered into a memorandum of understanding with Australian Hearing we have determined the breakup of values that we want to attribute to each of those activities that you have just mentioned.

**Senator CROSSIN**—I saw that. The MOU only came through to me yesterday or today—

**Mr Kingdon**—Yes, you should have that, I was told.

**Senator CROSSIN**—Yes; as a response to a question I asked in February. That agreement sets out the link between the money that has been allocated and where you now want to see that money spent.

**Mr Kingdon**—Yes.

**Senator CROSSIN**—So if \$10.2 million is being given to Australian Hearing over the four years to include recipients of CDEP—

**Mr Kingdon**—And over-50-year-olds.

**Senator CROSSIN**—you would expect that to be a line item in their budget and that they would not use it for other discretionary matters.

**Mr Kingdon**—No, we would not expect that. But we would add it also to the \$2 million that we had previously allocated to Indigenous people, so that next year it will bring the figure up to about \$4.3 million or \$4.4 million.

**Senator CROSSIN**—In this coming year I understand that Australian Hearing will be encouraged to focus on providing improved access, services and technology to special-needs groups. I think the PBS says that there will be a particular emphasis on improving access to hearing services for Aboriginal and Torres Strait Islander people. Have they spoken to you about how they intend to do that?

**Mr Kingdon**—We have started discussions with them. We have a formal meeting next week or the week after, I think, and we are going to go through a very extensive planning process with them. We want to be comfortable with how they are going to progress this. I have to say that I think this is a real challenge. I think it has been very hard to get Indigenous

people to take concern for their hearing needs, and we are going to have to do quite a lot of work to stimulate the interest and make sure that the services are available where people need them. I think it will be quite a complex issue. That was one of the reasons—and this might foreshadow one of your questions—why 1 December was chosen for implementation. We think it will take us quite a bit of time to do that planning.

**Senator CROSSIN**—The other issue I want to raise is: what barrier does the cost of getting to these remote communities place on providing that service?

**Mr Kingdon**—One of the barriers—and we are really moving into Australian Hearing's domain—is actually having the appropriately trained staff available to go and do these outreach services. Not everybody wishes to do that, for family commitments and all sorts of reasons. So that will be one of the constraints. Again, we will be talking with Australian Hearing to see whether there are ways that we can access any other resources that will enable us to expand those services.

**Senator CROSSIN**—In the MOU is there an expectation that they will take travel costs out of that additional money that has been provided to them?

**Mr Kingdon**—No, they are part of the cost of delivering the service.

**Senator CROSSIN**—When we talk about \$10.2 million over four years to extend the service to these groups, that also includes the travel costs.

**Mr Kingdon**—It is part of the cost of travelling, yes.

**Senator CROSSIN**—And because you actually contract them to provide the service to you, do you monitor what percentage of costs go towards travel or how they deliver the service?

**Mr Kingdon**—Yes. They have an activity costing model which they now provide to us on a regular basis.

**Senator CROSSIN**—How regular is that? Six-monthly?

**Mr Kingdon**—Quarterly.

**Senator CROSSIN**—One of the benefits of having them at estimates prior to this year was that they would sit alongside the office of hearing so that we could bounce questions off each other, but it is a bit difficult now that they are in week 1 and you are in week 2, so we have to go across two areas. Regarding the funding for the National Acoustics Laboratory, in the PBS it says that in 2005-06 you will be providing the laboratory with funding to enable it to continue its research on hearing issues facing Aboriginal and Torres Strait Islander people. Can you tell me what your priority areas are for this research?

**Mr Kingdon**—I will have to take that one on notice. I will give you a list of the projects and identify our priorities there.

**Senator CROSSIN**—All right. I think in an answer to Senator Harradine last year you said that the next review of the national priority areas will occur in 2005. Is that what you are talking about when we talk about research priorities?

**Mr Kingdon**—We are probably talking about health priorities. There has been a move from some people who would like to see hearing as a national health priority. I think the

advice I gave—I am not sure whether it was me, but it is the advice that we have given people in the past—was that there would not be a review of those priorities until this year and that that request has been lodged with the secretariat. But that is no guarantee that that would necessarily get up.

**Senator CROSSIN**—And that hearing impairment would become a national priority.

**Mr Kingdon**—That is right.

**Senator CROSSIN**—I just wanted to ask you one last question about how much money has actually been allocated for the training of Aboriginal health workers. Is there a particular line item in this year's budget?

**Mr Kingdon**—Not in the hearing services program. I think that would probably be under OATSIH.

**Ms Halton**—There is, under the Aboriginal and Torres Strait Islander health element in the budget decision, an additional allocation of money to basically train doctors, nurses et cetera .

**Senator CROSSIN**—You had contracted Australian Hearing to provide hearing training to health workers. Do they still have that contract?

**Mr Kingdon**—The office of Aboriginal and Torres Strait Islander Health had contracted them, not us.

**Senator CROSSIN**—This is an answer that has come back under outcome 6, that is all. I thought this was the place to ask it.

**Mr Kingdon**—I think last time we shared that.

**Ms Halton**—It is one of those in-between areas.

**Senator CROSSIN**—Should I re-ask that in Indigenous health?

**Ms Halton**—We will make sure that the people coming can go to specifics of that question for you.

**CHAIR**—Thank you very much to all concerned for this afternoon's marathon.

**Ms Halton**—Before we adjourn, can we correct something from earlier on? It is easier to do it on the record now than to do it later.

**Mr Singh**—Previously, Senator Moore, you asked about the uptake of the home medication review item. I inadvertently gave you information for the residential medication review item. The information for home medication review for the current financial year to the end of April is that the number of services is 19,077 and the benefits paid is a total of \$2.2 million.

#### **Proceedings suspended from 6.50 pm to 8.03 pm**

**ACTING CHAIR**—I call the hearing of the estimates committee to order. We are still examining the Department of Health and Ageing and we are on outcome 5, Rural health. I invite Senator Moore to ask some questions.

**Senator MOORE**—There are only a couple of questions under this area but it is my understanding that Ms Halton wished to make some comment to Senator Evans about some of the questions from this morning. I can start on rural health.

**Mr Davies**—I think she is held up for the moment, so please pose the first couple of questions.

**Senator MOORE**—We only have a couple under this particular program. The first one relates to some information that we had about the rural medical infrastructure fund. It is a three-year initiative provided in the DOTARS budget under the Regional Partnerships program. I am interested in what the role of your department is in this process.

**Ms Reddy**—Obviously we are aware of this particular program that is being handled by the Department of Transport and Regional Services. The Department of Health and Ageing are working closely with DOTARS because obviously there are linkages in providing programs into rural and remote Australia. We are looking at linking up with them to ensure that information is passed on to multipurpose services and also regional health services that we fund throughout Australia.

**Senator MOORE**—Does your agency have a formal role, Ms Reddy? Is there a formalised relationship between DOTARS and your department on this issue?

**Ms Reddy**—It is not a formalised role at this stage.

**Senator MOORE**—It is not a formal whole-of-government arrangement?

**Ms Reddy**—No, not at this stage, but we are having regular meetings with DOTARS.

**Senator MOORE**—Were you involved in the design for setting up the project?

**Ms Reddy**—I heard about it in its very early, formative days and knew that it was one of the issues that was going to come through the budget.

**Senator MOORE**—Because it has such a distinct medical focus, I am trying to work out exactly what role your department had in setting up the project and in the design of the project, using the information from the range of rural health experience you have. During the design of the program and the decision making about its location, what role did your department have?

**Ms Reddy**—We were not directly involved in the development of the project but we heard about it in the very early days and were asked to at least provide advice. As to where it will be located, because it is an application-driven grants program—

**Senator MOORE**—The location and who is going to service that has not been agreed?

**Ms Reddy**—No, it will be serviced by DOTARS, ensuring that it is linked through to our particular program.

**Senator MOORE**—Is it your expectation that the relationship will then become more formal in line with other whole-of-government projects?

**Ms Reddy**—Yes. With grants applications processes, there is usually some sort of overarching steering committee or whatever. I am sure that we will get an invitation to be on that.

**Senator MOORE**—That does seem to be the current model and the way it operates.

**Ms Reddy**—Yes.

**Senator MOORE**—Have you allocated specific resources to this program?

**Ms Reddy**—No, we have not.

**Senator MOORE**—But the liaison and the communication is through your branch or division?

**Ms Reddy**—To my branch, Rural Health and Palliative Care.

**Senator MOORE**—That would seem to be appropriate, wouldn't it?

**Ms Reddy**—Yes.

**Senator MOORE**—Have you done any work on what potential this program has to impact on medical services, GP services, in regional Australia?

**Ms Reddy**—The program is yet to be implemented.

**Senator MOORE**—Yes, but in the planning process has there been any work on what the expectation will be or on what the end result of the program will be?

**Ms Reddy**—No. I would probably have to defer to my colleagues in Primary Care Division, if you are talking about possible take-up on the infrastructure to improve access for GPs.

**Mr Davies**—The program, as I am sure you know, is primarily about providing infrastructure to make it easier for GPs to set up and practise in underserviced rural areas. Again, as I am sure you are aware, the government runs a variety of programs through the health portfolio to encourage GPs to relocate to those underserviced areas. In a sense this is very much complementary. This is infrastructure through DOTARS and work force through Health and Ageing, and the two will come together. We hear from rural GPs and rural communities that often the cost or, perhaps more accurately, the level of financial commitment required to set up a practice is one of the barriers. To the extent that this initiative removes one of the barriers, and we can complement it by removing other barriers through financial and other incentives, then there is obviously great potential for synergy between what we are doing and what DOTARS are doing.

**Senator MOORE**—That picks up one of the points, Mr Davies. In terms of the stimulation for setting up this project, it would seem that your agency was the one that had the consultation with the GPs about the encouragement they needed to go into regional Australia. That has been an ongoing priority of your rural health area. It would seem that was one of the links.

**Mr Davies**—Yes. It is due to the subtleties of the department. It is primarily the Primary Care Division who had that dialogue with GPs. You are right. We are constantly in dialogue with GPs and their representative groups and we get very clear messages about the factors that make particular forms of practice attractive or less attractive. We are happy to be able to respond in this way.

**Senator MOORE**—At this stage in the program, Ms Reddy, I know that the relationship is more informal, leading to when it goes into what would be expected to be the more interdepartmental model. Are you aware of any modelling that has been done about the prospective impact of the program?

**Ms Reddy**—No. There has been none to date, to my knowledge.

**Senator MOORE**—From your department, that you are aware of?

**Ms Reddy**—None that I am aware of.

**Senator MOORE**—We had significant discussion with FaCS over the last two days about the whole-of-government approach across departments but also about how within agencies, particularly large ones, there needs to be whole-of-department involvement within the whole-of-government model. This would be one of the proposals requiring rural health expertise and primary care expertise, and there would be an expectation that that would be within your agency—and probably other parts as well. How does that operate within Health and Ageing?

**Ms Reddy**—My branch has cross-departmental responsibility for rural health. We coordinate all the rural health programs in concert with our colleagues in Primary Care Division, and we pull together policy issues on rural health. We are the coordinating group for rural health.

**Mr Davies**—This echoes some of the conversation we were having with Senator Forshaw at the beginning of today's hearing. As we talk about outcomes 5 and 9, both of which are in the same division, they really are about fundamental infrastructure components of the health system, rural health work force, safety and quality. As Ms Reddy has just said, there is a focal point within one division, but that does not absolve every other division from concerning itself with those issues. At Primary Care Division, we expect to worry about work force; we expect to worry about rural health; we expect to focus on quality. But we do have a central focal point in the Health Services Improvement Division, and it is the same in Acute Care and in Population Health.

**Senator MOORE**—The accountability for the coordination is with the Rural Health and Palliative Care Branch?

**Ms Reddy**—That is right.

**Senator MOORE**—I have to have all those things written down so I can get the terminology right. To finalise this particular section, your expectation, looking at your work plan, is that there will be more formal arrangements with other departments on this particular program?

**Ms Reddy**—Yes, there will be.

**Senator MOORE**—At the next estimates we will be able to ask you exactly how that is working and what the budget is and all those things.

**Ms Reddy**—Yes.

**Senator MOORE**—Next time we will be following up. The only other question that we have tonight on rural health is the standard one: the budget provided \$800 million for the Rural Health Strategy last year. Can the department provide—

**Ms Reddy**—\$830 million.

**Senator MOORE**—We have got ‘around \$800 million’, but it was \$830 million?

**Ms Reddy**—Yes.

**Senator MOORE**—That gives me hope that we will be able to get to the core of the question, which is: can the department provide a breakdown of how that funding was allocated and spent in 2004-05?

**Ms Reddy**—Obviously this financial year has not finished yet.

**Senator MOORE**—Imminently.

**Ms Reddy**—Imminently we could, yes. What we need to do is await the end of the financial year. A number of deliverables are within the first year of contract and it may take us a while to pull that information together. We are tracking expenditure at this stage.

**Senator MOORE**—Across each of the programs?

**Ms Reddy**—Yes.

**Senator MOORE**—When the financial year books are closed would we be able to get a formatted arrangement of how it has gone?

**Ms Reddy**—Yes.

**Senator MOORE**—Which program, and how that funding was spent.

**Ms Reddy**—Yes.

**Senator MOORE**—In many ways it is a question on notice because you have to wait.

**Ms Reddy**—That is right.

**Senator MOORE**—Would this particular question now put that into the system so we will not have to send it again?

**Ms Reddy**—Yes. We will take it as a question on notice.

**Senator MOORE**—That is all I have on rural health.

**Mr Davies**—Given the focus that our secretary has already explained to you about meeting the deadline for responding to questions on notice, we may need a bit of leeway on that one.

**Senator MOORE**—You will not be able to start until after 1 July.

**Mr Davies**—There is a month’s delay before we can even start.

**Senator MOORE**—We would expect that. Can we hear from the department after July about how long it will take after that?

**Ms Reddy**—Yes. We can provide that advice.

**Senator MOORE**—We would like an interim response to say, ‘Now that we have the figures, our expected response time will be,’ just so that we know what we can expect.

**Ms Reddy**—We will provide an interim response on time lines and then we will provide the detail of these programs.

**Senator MOORE**—That will be very good, Ms Reddy. Thank you very much. We can move to outcome 9.

[8.15 pm]

**Senator MOORE**—My first round of questions about outcome 9 are to do with the rural work force and additional practice nurses for rural Australia and other areas of need. Would the same branch be looking at that?

**Mr Lennon**—It is primarily an area that is looked after by Primary Care Division. My colleagues here from Primary Care Division can answer that question.

**Senator MOORE**—We put it under outcome 9. Was that inaccurate? I think it is in the budget papers under outcome 9.

**Mr Lennon**—It is either outcome 5 or outcome 9 but it is a work force issue.

**Ms Halton**—The outcome 5 Primary Care people are here, so we can have everyone at the table.

**Senator MOORE**—It is easier, Ms Halton, just to work through them and knock the questions off as they come.

**Ms Halton**—No worries.

**Senator MOORE**—If that can be answered by the outcome 5 people, that would be good.

**Ms Halton**—We have officers here.

**Senator MOORE**—For the questions around this particular program, the additional practice nurses for rural Australia and other areas of need, we refer to Budget Paper No. 2, page 181, which shows what is happening now. What we are interested in is that this program is another one that has been extended—‘reauthorised’ is the term that is used here. We want some clarification about that. Has it been extended at the same rate? Has the program grown? There are a range of figures going in and out. The program has been going for a period of time. The budget has been reauthorised for this particular program for the next four years. What we are trying to find out is at what rate it has been reauthorised.

**Mr Singh**—The program has been renewed with funding of \$112.5 million for the four years from 2005-06 for the PIP practice nurse payment and \$15.5 million to train and support nurses and encourage smaller and more remote practices to participate in making practice nurses available.

**Senator MOORE**—Is that in the same format as the previous allocation? Is that the way it was funded in its previous life?

**Ms Morris**—For the period 2001 to 2005 there was \$104.3 million over four years. That included \$86.6 million over four years to PIP eligible general practices for practice nurses, \$12.5 million for training and professional support of practice nurses, and \$5.2 million for nursing re-entry and upskilling scholarships.

**Senator MOORE**—Page 181 of Budget Paper No. 2 explains that the upskilling program that has been funded in the past under this particular allocation has now been moved to another area.

**Ms Morris**—Yes, it has.

**Senator MOORE**—What impact has that had on the budget for the whole program?

**Ms Morris**—None, I believe. It has just moved to fit in with other training programs within the department. People out in the community will not notice a difference. It is being funded at about the same level, delivering the same outcomes.

**Senator MOORE**—Has it grown? Has it been funded at a growth? It has been extended, but has there been a percentage growth in the funding?

**Ms Morris**—No. The actual level of funding has not increased.

**Senator MOORE**—This program was announced with a great deal of hope because it was a response to a whole lot of lobbying over years, similar to what Mr Davies was saying about enhancing medical services in regional areas. Do you have any indication of how effectively the program has been operating and what the expenditure has been? Has all the money been spent in the last years of the program?

**Mr Singh**—If we are talking about the PIP practice nurse incentives, it has been very successful. Over 75 per cent of rural practices now receive the practice nurse incentive.

**Senator MOORE**—Over 75 per cent have taken up this particular option?

**Mr Singh**—That is right, which is over 1,000 rural practices.

**Senator MOORE**—Over 1,000 individual practices have used the program?

**Mr Singh**—Yes. On expenditure, I do not have the exact figures but we are very close to expending all the money.

**Senator MOORE**—If the program is just being maintained—and to an extent it is being maintained because it is working—what kind of options within the ongoing funding will there be to encourage the 25 per cent of rural practices who have not taken up the offer?

**Mr Singh**—I would assume that there is some scope for growth there, since the previous funding was \$86 million and it is now \$112.5 million for the PIP element. Clearly we are forecasting some increase.

**Senator MOORE**—And that \$112 million is just for the particular—

**Mr Singh**—For the PIP practice nurse incentive.

**Senator MOORE**—It does not take into account the reskilling or anything like that.

**Mr Singh**—That is right.

**Senator MOORE**—That is the key. That is an increase of what percentage?

**Mr Singh**—I am afraid I do not have a calculator in my head.

**Senator MOORE**—Can someone get back to me on that with what that percentage increase is?

**Ms Morris**—Yes.

**Senator MOORE**—I do not pretend to be able to do that kind of stuff quickly. In terms of the work you have done on the program, have there been internal reviews of the effectiveness of this program?

**Mr Singh**—I believe we did do an evaluation. That was conducted as part of the lapsing program review.

**Senator MOORE**—That is a standard mechanism, is it?

**Mr Singh**—That is right. Obviously, we would monitor the take-up from the introduction of the measure.

**Senator MOORE**—The figure you have given me is the number of practices that have taken it up. Is there any indication that the demand for the program has changed in any way, from tracking it through?

**Mr Singh**—I believe that the take-up was quite rapid initially. Obviously, there were a number of practices that already had practice nurses in place and, therefore, were ready to sign up on the first day. Since then the rate of take-up has slowed but it has been fairly constant. I would expect that we would see further growth, though not particularly fast, as more practices continue to make the decision to employ practice nurses.

**Senator MOORE**—Is it your understanding that this is the funding that maintains the program? With the more than 75 per cent of practices that have a nurse, it would not encourage them to get another nurse but it would fund them to keep the nursing services they already have?

**Mr Singh**—That is right. The funding is capped at \$40,000 per practice.

**Senator MOORE**—It has been capped since it was introduced—

**Mr Singh**—That is correct.

**Senator MOORE**—and that cap has stayed the same.

**Mr Singh**—That is right. The funding depends on the amount of activity within the practice in terms of GP consults and so on.

**Senator MOORE**—To meet the requirements of why this service would be operational.

**Mr Singh**—That is right.

**Senator MOORE**—At this stage it is being maintained but there is no indication that there has been either a decrease or an increase in the need.

**Mr Singh**—That is right.

**Senator MOORE**—The National Rural and Remote Health Support Services Program is also in your area. Budget Paper No. 2 at page 196 is where this one pops up.

**Mr Singh**—You wanted to know the percentage increase.

**Senator MOORE**—Yes.

**Mr Singh**—It is 31 per cent.

**Senator MOORE**—From what it used to be funded at to what it is currently being funded at?

**Mr Singh**—That is correct—for the practice nurse incentive over the four years.

**Senator MOORE**—So over four years there has been an increase of 31 per cent?

**Mr Singh**—Yes.

**Senator MOORE**—From looking at the paperwork, this one seems to fall into a similar category as the one before—that is, it is an ongoing program which has now been reauthorised. Is that how the department sees this particular program?

**Mr Lennon**—Yes, that is correct.

**Senator MOORE**—The original funding in the 2001-02 budget was for \$25.9 million over four years. The current funding—that which is being reauthorised—is \$17.2 million over three years.

**Mr Lennon**—That is correct.

**Senator MOORE**—The way I do my figures is very basic. I see that as a lower funding level over the next three years.

**Mr Lennon**—Yes, that is correct. That is because one element—

**Senator MOORE**—That is exactly my question.

**Mr Lennon**—of the program, which involved scholarship assistance for nurses, has been taken out of that particular measure and has been sent across to another measure in this budget. We used to have our rural nurse scholarship program spread across three measures—

**Senator MOORE**—I am sure in previous estimates we have asked you questions about that.

**Mr Lennon**—which is why the additional practice nurse initiative that we were previously talking about also had a reduction of funding, as did this program. It was because there were two elements in those programs involving scholarship programs for rural nurses and those two elements were taken across into another program for scholarship assistance for rural nurses. They have all been consolidated in a single program, which you will see under the rural and remote nurses training support program. You will see an increase there of \$2.5 million a year, which matches the two reductions in the other two programs.

Across the three programs there has been no reduction in funding whatsoever. The government has decided to bring together nurse scholarship programs that operated at various levels; at the undergraduate level and at the postgraduate level. There were also scholarships to assist nurses to re-enter the work force to get their registration back.

**Senator MOORE**—Retraining and reskilling.

**Mr Lennon**—Yes. They have all been brought together in one single program, on the logical basis that bringing them together and enabling them to be moved flexibly about according to need is a much better way of operating the program than continuing to operate them as separate measures or components of other programs. In short, there has been no reduction in funding at all. The funding has been maintained across all of those programs. There has simply been a re-ordering of a couple of the components of the rural nurse scholarship program to put them all under one measure.

**Senator MOORE**—And to be more easily traced?

**Mr Lennon**—To be more easily traced and more flexibly used in terms of future needs and moving money between the various components.

**Senator MOORE**—While you have been able to explain to me that there has been no reduction in funding, has there been any percentage increase in funding under this program?

**Mr Lennon**—The funding has been maintained for the programs at the existing level of activity.

**Senator MOORE**—That is based on how it is being used.

**Mr Lennon**—Yes.

**Senator MOORE**—Was there an internal lapsing program review of this one?

**Mr Lennon**—Yes. There was an internal lapsing program review of all three programs, which is a standard process. Each of those programs came up for consideration in the budget process. There were evaluations done of them all and the funding for each of them was reviewed.

**Senator MOORE**—How many health professionals have been recruited and retained as a result of this program over its life?

**Mr Lennon**—Are you talking now about the rural and remote health work force program?

**Senator MOORE**—The National Rural and Remote Health Support Services Program.

**Mr Lennon**—I will have to take that on notice.

**Senator MOORE**—Is that showing a similar picture to the previous program, which shows a high usage?

**Mr Lennon**—Yes, it has had a high usage. It has been a successful program and, as a result, the government has decided to maintain the funding for it for another three years.

**Senator MOORE**—The previous funding was for four years and the re-establishment of that funding is for three years. Do you know why the original program was for four and it has now been re-established for three?

**Mr Lennon**—I do not think that there is anything particular to be read into that. This time around the government decided on three-year funding.

**Senator MOORE**—Has it been linked to anything else?

**Mr Lennon**—I would have to check that, but I do not believe so.

**Senator MOORE**—Does this particular program have a cap?

**Mr Lennon**—Yes.

**Senator MOORE**—What is the cap figure?

**Mr Lennon**—The funding for the rural and remote health work force program is \$17.2 million over three years.

**Senator MOORE**—In terms of how much any particular service can use, is there a cap on individual allocations?

**Mr Lennon**—It has various components. We look at it flexibly each year.

**Senator MOORE**—Was there any discussion about removing those caps?

**Mr Lennon**—That would be a matter for future budgetary considerations.

**Senator MOORE**—You will be able to provide me with the usage of the program over previous years and also how much money was spent in the last four years. Is that right?

**Mr Lennon**—I am happy to do that, Senator.

**Senator MOORE**—Also how many services used it and that kind of thing.

**Mr Lennon**—Yes.

**Senator MOORE**—Mental health information about the next program is in Budget Paper No. 2 at page 183. When this program was originally introduced in 2001-02—under a slightly different title, but I would imagine that it is still the same core program—funding was provided at \$120.4 million over four years. The expenditure in 2004-05 was \$51.7 million. In the provision for the future, this initiative has been funded for \$38 million in 2005-06, \$21 million in 2006-07, \$21 million in 2007-08 and \$22.2 million in 2008-09. The continuing funding has been cut from \$120.4 million to \$102.2 million. Is there any reason there has been a drop in that funding? Has anything moved between programs, as we have heard from other divisions?

**Ms Kroon**—Yes, that is correct. I think the figure you refer to is the actual allocation of funding.

**Senator MOORE**—Yes.

**Ms Kroon**—Keeping in mind that we are not yet at the end of the financial year—

**Senator MOORE**—Not quite there, yes.

**Ms Kroon**—we do not anticipate that the expenditure in the program will be of that order. The components that are for direct remuneration of GPs are largely through the PIP program. In fact, the expenditure levels are about 15 per cent of what was allocated. That has been a pattern over those four years for the expenditure of that component.

**Senator MOORE**—Fifteen per cent?

**Ms Kroon**—Around that, over all four years. There has now been a transfer of funds from that element of the program to fund new chronic disease management items under the Medicare arrangements. In fact, in the budget, the government has committed \$228.5 million for primary mental health care. That is made up of \$102 million to continue the Better Outcomes program, as you have identified.

**Senator MOORE**—Which is this particular one?

**Ms Kroon**—That is right.

**Senator MOORE**—So \$102 million for this one.

**Ms Kroon**—And \$40.5 million over the four years 2005-09 for the expansion of the Better Outcomes initiative and \$86 million to fund the new Medicare chronic disease items. That will include management of chronic disease for mental health.

**Senator MOORE**—In Budget Paper No. 2, can you show me where those other figures have gone? We have continuing funding under this particular one, Better Outcomes in Mental Health Care Initiative. That is identified. Even though it was in a future budget, what is there is identified. Where can I find the actual change of program where some of the key money has gone elsewhere?

**Mr Singh**—The \$86 million was part of a larger transfer made at 2004-05 additional estimates, so you will not find it in the budget papers.

**Senator MOORE**—I will find it in the previous additional estimates.

**Mr Singh**—That is right—on page 66, in fact.

**Senator MOORE**—What about the \$40.5 million?

**Ms Kroon**—The \$40.5 million was in the budget.

**Senator MOORE**—Under the continued funding, it identifies the \$102.2 million.

**Ms Kroon**—I understand it is not in this budget paper. It was part of the additional estimates process, because this expansion started this financial year.

**Senator MOORE**—Run that by me one more time so I can get the financial years right.

**Ms Kroon**—The expansion of the Better Outcomes initiative, I am told by my colleagues, is in the additional estimates for 2004-05, because the expansion funding was made available this financial year. In fact, it started this financial year.

**Senator MOORE**—So the expansion funding was available for 2004-05.

**Ms Kroon**—Yes, there was a small amount made available this financial year to start to expand.

**Senator MOORE**—Then the total was \$40.5 million and some was expended earlier, but that will carry over into 2005-06.

**Ms Kroon**—The \$40.5 million is for the period 2005-06 through to 2008-09.

**Senator MOORE**—It is actually for four years.

**Ms Kroon**—That gives you the four-year figure, but it is actually \$42.6 million over the five years from 2004-05.

**Senator MOORE**—So what was the actual figure that appeared in the additional estimates?

**Ms Kroon**—That would have been \$2.1 million.

**Senator MOORE**—The \$2.1 million appeared in the additional estimates last year. Can you repeat that for me so I can get a clear idea of the figures?

**Mr Clout**—Budget Paper No. 2 only includes measures that were taken since MYEFO. That is why the expansion under the election commitment measure does not appear in Budget Paper No. 2.

**Ms Halton**—It is not a new measure, Senator. Once a measure has been announced the extension of or expansion of it does not appear as a separate measure.

**Senator MOORE**—It does not appear as a separate measure?

**Ms Halton**—No. When it first appears it is announced as a measure and then it flows through.

**Mr Clout**—If it is announced before additional estimates it goes in the additional estimates document. Once it has gone in there you will not get a measure description in Budget Paper No. 2.

**Ms Halton**—You get a measure description once, basically.

**Mr Clout**—Correct. The reference is page 86 of the 2004-05 additional estimates.

**Senator MOORE**—The first one was page 66 and this one is page 86?

**Mr Clout**—Page 66 was the transfer from PIP to the MBS item.

**Senator MOORE**—Page 66 was the transfer and page 86 was this particular program, which was the expansion of the program.

**Mr Clout**—The expansion. It only has a four-year window from 2004-05 to 2007-08.

**Senator MOORE**—At this stage.

**Mr Clout**—Because of the way that AEs are published, it only goes to the end of 2007-08.

**Senator MOORE**—Yes.

**Mr Clout**—Although I think the final year is in our *Budget at a glance* document which was in the budget kits released on budget night.

**Senator MOORE**—I turn to providing better mental health. We have mental health youth funding, mental health funding for beyondblue and the expansion of the Better Outcomes in Mental Health Care Initiative. Besides that there is the \$2.2 million in 2004-05 and the \$8.4 million in 2005-06. Can you explain to me, Mr Clout, on this *Budget at a glance* document, why we have the clear line with the mental health expansion of Better Outcomes in Mental Care Health? That is across those years. Under the next one, Better Outcomes in Mental Health Care Initiative, it says ‘continue funding’. I know it had been announced previously, but why are there no figures across that line?

**Mr Clout**—The practice with the budget documentation is that for lapsing measures that are being renewed there was already funding in the forward estimates for those, so the *Budget at a glance* document shows you what the impact is on the budget bottom line.

**Ms Halton**—It is the net effect. The net effect here is nothing because the money is technically there.

**Senator MOORE**—Because it came out in the additional estimates beforehand?

**Mr Clout**—No, it is there because the government does allow for it in its forward estimates. It does allow for the continuation of programs that are technically lapsing.

**Senator MOORE**—Yes.

**Mr Clout**—When the government considers and reaffirms its commitment to the program it has a zero net effect because the money was already included in it.

**Ms Halton**—Basically, forward provision is made for lapsing programs. The assumption on the money side is a perfectly pragmatic decision because otherwise if you decide to continue these things and you do not have the money you have to find it. They keep the money going on the lapsing programs, but they then do the review. You may choose not to continue something which is lapsing—fine—but in this case they have, but it shows a net effect on the bottom line of zero.

**Senator MOORE**—Okay.

**Mr Clout**—For the figures for funding allocated to lapsing programs, you look in the Budget Paper No. 2 measure descriptions.

**Senator MOORE**—Yes. Then you have to add them.

**Mr Clout**—The text has the explanation and year on year figures.

**Senator MOORE**—Yes. It does explain, and that is why they have dashes against each of the years above that.

**Ms Halton**—That is right.

**Senator MOORE**—It is exactly the same rationale.

**Ms Halton**—This is an arcane science, Senator.

**Senator MOORE**—Given all those bits of money that add up to the total amount, does it reflect an increase in funding in this area, maintenance of funding or a decrease in funding, in net figures?

**Ms Kroon**—It is a substantial increase to the money available for primary mental health.

**Senator MOORE**—Can you tell me by how much? In none of the papers does the explanation talk about ‘additional’. I want to know what the increase is. Thank you, Mr Singh.

**Ms Kroon**—He has found himself a calculator.

**Senator MOORE**—It is very useful to have on record exactly what, from the department’s point of view, the increase in funding to this element has been.

**Ms Halton**—Can I just note, Senator, that that is an extraordinary, ostentatiously large calculator, which is no doubt for your benefit.

**Senator MOORE**—I am impressed.

**Ms Halton**—I am impressed, too!

**Mr Singh**—Senator, the difference, if we look simply at the \$120 million that was previously allocated for the Better Outcomes in Mental Health Initiative and the \$228.5 million currently available for primary mental health care, is \$108.5 million, which would be an increase of 90 per cent. There is one thing to be aware of: the money that is being transferred to fund the new chronic disease items. It is not possible to quantify which chronic diseases that funding will go towards.

**Senator MOORE**—Have you included the full \$86 million in your calculations?

**Mr Singh**—That is correct.

**Senator MOORE**—So that is questionable.

**Mr Singh**—In fact, that \$86 million is part of a larger increase to fund those chronic disease items. I am just saying that, given the way Medicare works, it is not possible to track the use of those items for individual chronic diseases.

**Senator MOORE**—In terms of having a quantifiable figure of exactly what is being spent on mental health, we can absolutely guarantee the \$102 million and the \$40.5 million.

**Mr Singh**—That is correct.

**Senator MOORE**—There is a component of the \$86 million, but we do not know how much that is.

**Mr Singh**—I would not necessarily characterise it as a component; it might be the full \$86 million. It may well in fact be substantially more than that.

**Senator MOORE**—Because the program that it has gone to is larger. That is the argument?

**Mr Singh**—That is right. We will not know how many people with mental illnesses will end up accessing that program.

**Senator MOORE**—In the current system there is no way of knowing that, because of the way that the Medicare items operate.

**Mr Singh**—That is correct.

**Senator MOORE**—I know that in the department you regularly track the amount of budget that is going to particular areas of health need. Mental health has been acquiring a degree of focus—and I think probably will maintain that into the future—as a result of a number of inquiries that are going on. How do you track the expenditure on mental health when you have a component lumped in with a general program of chronic disease? Practically, how do you do that?

**Mr Singh**—Are you specifically referring to the Medicare items?

**Senator MOORE**—No. I was asking how you actually track expenditure, because one of the things that you look at is how much of the government funding is going to a particular area.

**Mr Davies**—That is a very difficult question to answer. In fact, it is an impossible question to answer because, although much of our discussion in the last 10 minutes or so has been around items that are badged as ‘mental health’, we do not know what proportion of the 100 million GP consultations a year are mental health related. For some Medicare items—more the specialist ones—clearly, if it is a psychiatric item, we know it is a mental health issue. But for the mass of GP items the HIC only knows that somebody has seen a general practitioner. The nature of the transaction and the reason for the person seeing the general practitioner in terms of their underlying disease is between that person and the GP. Anything you see labelled as a mental health program or a diabetes program or any other disease program is only really telling a small part of the story.

**Senator MOORE**—Sure.

**Prof. Horvath**—It is generally accepted that somewhere between 20 and 30 per cent of general practice consultations are primarily for mental health conditions.

**Senator MOORE**—Where does that come from, Professor Horvath? I have heard that, too.

**Prof. Horvath**—I cannot tell you the source. It is also accepted that a large number of all the chronic diseases have a significant mental health component and, as chair of the group that sets the national health priorities, I can tell you we did not make depression a separate priority. It was accepted by all the special committees that, in fact, depression was an integral part of all of those diseases. As my colleague Mr Davies says, it is almost impossible to pick it out, but a very large component of general practice is in fact dealing with people with significant mental illness.

**Senator MOORE**—Wasn't one of the key components of the original funding four years ago to raise the awareness of GPs about these issues of mental health?

**Ms Kroon**—There was a component around providing education and training. Part of that was obviously to provide information to GPs that the Better Outcomes program existed and then to encourage them to participate in training.

**Senator MOORE**—That was spelt out as one of the aims, as a focus.

**Ms Kroon**—Yes.

**Senator MOORE**—Professor Horvath has said that there is an acceptance that a considerable chunk of GP activity is linked with various areas of mental health.

**Prof. Horvath**—Correct.

**Senator MOORE**—In terms of BOMH, Better Outcomes for Mental Health, because of the way the funding streams have changed, have there been any proposed changes to the way the operation is going to work—that is, between the way that particular program was operating beforehand and the way it will operate into the future?

**Ms Kroon**—We are having discussions with the advisory group that has assisted the department over the last four years to implement the Better Outcomes program.

**Senator MOORE**—Does this particular program have its own advisory group?

**Ms Kroon**—Yes, it does.

**Senator MOORE**—There are discussions between the department and the advisory group about the future? An element of funding is there. Are the discussions about how it is going to continue to operate?

**Ms Kroon**—About how it should be implemented.

**Senator MOORE**—Has that been serviced to an extent by the lapsing program review that was done on these programs?

**Ms Kroon**—Could I clarify? Are you asking if we have taken on board any issues that might have arisen?

**Senator MOORE**—Yes.

**Ms Kroon**—Yes. Those issues are being discussed with the advisory group.

**Senator MOORE**—Was the advisory group part of the review process of how the program was working?

**Ms Kroon**—The advisory group were part of the consultation process.

**Senator MOORE**—Did the advisory group hear the results of that review process?

**Ms Kroon**—We talked with the advisory group about the outcomes of the evaluation.

**Senator MOORE**—I just wanted to know that that formally happened. The actual operations and various things that are done as part of this program will continue as before until there are formal changes. This program is continuing to operate, so the things that are already happening will continue, but there could be changes in the next couple of months?

**Ms Kroon**—That is right. In fact, the advisory group has already talked about changes which have been implemented around refining the three-step process to make it simpler.

**Senator MOORE**—When the changes happen, they will be publicised on the web site?

**Ms Kroon**—We will have a process to make sure that GPs and divisions are aware of the changes.

**Senator MOORE**—Can we be made aware of those changes, as well?

**Ms Kroon**—Yes, certainly.

**Senator MOORE**—Is it expected that the current components, like the psychiatric help line for GPs, will continue to be funded?

**Ms Kroon**—Absolutely. That is a really important part of the program.

**Senator MOORE**—Where is the funding for the psychiatric help line for GPs?

**Ms Kroon**—That is part of the Better Outcomes.

**Senator MOORE**—Can we find out how much that costs?

**Ms Kroon**—Yes. If I can take that on notice, we will come back.

**Senator MOORE**—Can you take on notice—and I know this is similar to a question I asked in the previous process—exactly what the expenditure has been over the last years of the program.

**Ms Kroon**—Over the last year?

**Senator MOORE**—The last three years. Is it easily done? It would not need a lot of specialised research. I would think you would have that.

**Ms Kroon**—There are some components that are easier, obviously, to track than others. There will be a lag on some of the items.

**Senator MOORE**—Can you let us know what you can do easily. I do not want to put too much work onto the department, but it would be useful for us to know how the money has been spent in terms of building up the process, particularly as you are moving into the next round.

**Ms Kroon**—Yes, we can do that. Would you like it right up to the end of the financial year?

**Senator MOORE**—Yes, please. My understanding would be that possibly some of that would have been part of the review process, so it should not be too hard to find, I would think.

**Ms Kroon**—I think it is the issue about up to the end of the financial year.

**Senator MOORE**—Is the specific training for the GPs under any kind of consideration for change?

**Ms Kroon**—Do you mean are we thinking about changing the nature of the training?

**Senator MOORE**—Yes. Is the training process one of the things that could change?

**Ms Kroon**—I think we will continue to add elements to the training components, to make sure that we are picking up any issues that are identified.

**Senator MOORE**—That is one of the core program goals, I would have thought.

**Ms Kroon**—It is one of the core aspects, yes.

**Senator MOORE**—Can I go back to an answer you gave me, Mr Singh. I want to be clear that I got it right. The expenditure, the take-up of this program, has been low. About 15 per cent of the funding has been used. Were they your words?

**Mr Singh**—In the Practice Incentives Program elements it is correct to say that take-up, although positive, has not been as high as we would have hoped.

**Senator MOORE**—And in the expansion elements that you referred to, is one of those roles to try and increase the take-up? Is that what you mean by ‘expansion’ in that sense?

**Ms Kroon**—No. The expansion components are largely around increasing the other—what we would call more ‘program’—elements, like education and training, and access to allied health services, and around helping us deal with some of the issues in rural and remote areas. We will be focusing a bit on that.

**Senator MOORE**—But on the particular issue of that quite low take-up, when the previous programs on which you reported had such a high take-up—75 per cent and so on—this one does seem very low. Has there been any study done about why?

**Mr Singh**—This is in fact one of the large reasons that the new chronic disease items have been developed. It was identified in the red tape review a number of years ago that many GPs felt that the service incentive payments through the Practice Incentives Program, including the one for mental health, were overly complex or involved too much red tape. So it was recommended that we find a better way to help manage chronic disease in general practice. While there is money in the Better Outcomes program at that \$102 million level for the expected level of activity for those Practice Incentives Program service incentive payments on mental health, we would expect that there would be some increase in the number of patients covered by GPs using the new chronic disease items for new patients, and there may well be some GPs who switch from the SIP process to the new chronic disease items.

**Senator MOORE**—And you will be tracking that as it goes through?

**Mr Singh**—As best we can.

**Senator MOORE**—Taking on board the provisions Mr Davies mentioned, about how you can actually track it through, yes. I want to get this absolutely clear, because we have gone

through the funding elements a number of times. Just by adding and subtracting, it looked like the continuing funding had been cut back by \$18.2 million over four years. Simplistically, that appeared to be the case. Is that a figure that you see when you do your adding and subtracting?

**Ms Kroon**—What we have said is that, in terms of a commitment to primary mental health care, the figure for the future four years is \$228.5 million, which is a substantial increase.

**Senator MOORE**—Yes, that is what my figures have shown me. From the point of view of the department the funding has remained secure, but the thing to look at is where they are transferred to other parts of the program areas.

**Ms Kroon**—Yes.

**Senator MOORE**—If there are any further questions about that, I will come back to you. What has happened with the GP Computing Group?

**Ms Lyons**—The GP Computing Group is still in existence. It has funding till 30 September.

**Senator MOORE**—This calendar year?

**Ms Lyons**—Yes, this calendar year.

**Senator MOORE**—Funding has been provided for the ongoing activities until September this year. Is it going through a process of looking at a review of a lapsing program?

**Ms Lyons**—Yes, there is a process that is currently being undertaken to review the effectiveness of the projects that that group has been undertaking.

**Senator MOORE**—Is it odd for a program to be funded to a date like September in a year rather than a financial year?

**Ms Lyons**—It is somewhat unusual, yes.

**Senator MOORE**—Can you tell me how much money is left for the services of the GP Computing Group?

**Ms Lyons**—Could I take that on notice, please. I do not have that with me.

**Senator MOORE**—Actually, it would be good to see the expenditure, the activities and what is left, so that we can see what is happening to the program at this point.

**Ms Lyons**—Certainly.

**Senator MOORE**—How many general practices have received broadband directly as a result of this initiative, which was set up to provide broadband?

**Mr Shepherd**—The practices that have received their entitlements for broadband for health as at today totals 998 claims.

**Senator MOORE**—And how many have actually received it?

**Mr Shepherd**—Nine hundred and ninety-eight payments have actually made an installation at this stage, and the total figure is 998.

**Senator MOORE**—Can you repeat that for me.

**Mr Shepherd**—Nine hundred and ninety-eight.

**Senator MOORE**—Have actually got broadband on?

**Mr Shepherd**—Correct.

**Senator MOORE**—Did you use the term ‘claims’ before?

**Mr Shepherd**—The process has two stages. Stage 1 of the process is lodgment. The general practitioners—and of course it is wider than just general practitioners; there are the community controlled Aboriginal medical services, and the program has recently extended to pharmacies—lodge their claims to the telco. The telco then processes the claim and it is lodged with the Health Insurance Commission once it has satisfied the eligibility criteria. The number of claims that have been processed—money that has gone out the door—equals 998.

**Senator MOORE**—That makes it clear.

**Senator FORSHAW**—That represents 998 separate practices?

**Senator MOORE**—Or the other kinds of services.

**Senator FORSHAW**—Yes. There is no doubling-up in this program?

**Mr Davies**—No. I heard you at one point ask how many practices have got broadband.

**Senator MOORE**—Yes.

**Mr Davies**—The figure for those that have broadband is more than that. It is just that we have subsidised 998. There are others who have self-funded.

**Senator MOORE**—As a result of this particular program, 998 medical centres of some kind have had their broadband funded?

**Mr Davies**—Correct.

**Senator FORSHAW**—Are there outstanding claims to be processed by the HIC? Do you have a figure for that?

**Mr Shepherd**—Anticipating this question today, we have collected information from the telecommunications providers that are qualified providers. It is an estimation only, given that each of the telcos give us this figure. We are estimating that by the end of the financial year the numbers would have significantly increased; we are predicting a volume of up to 3,000 to 4,000.

**Senator FORSHAW**—Are you able to provide this information in document form or is what you have just told me the complete summary?

**Mr Shepherd**—At the end of the financial year we would be happy to provide the numbers of claims that have been processed by the Health Insurance Commission.

**Senator FORSHAW**—Yes, but also the number yet to be processed?

**Mr Shepherd**—Correct. We can provide those numbers for you.

**Senator MOORE**—Can we have that via state and RRMA?

**Mr Shepherd**—I would need to investigate that.

**Senator MOORE**—If we can, that would be the preferred way, in terms of the way this program operates.

**Senator FORSHAW**—Have there been claims made that have been rejected? Have there been disputes about whether or not a practice qualified? If you cannot give the answer now, can you provide us with some data on the sorts of issues that may have led to that situation?

**Mr Shepherd**—The program has a process where claims that do not immediately fulfil the criteria fall into an exception category. Each of those claims is assessed on a case by case basis. I do not have the exact figures with me. I am happy to provide you with the number of claims that have been assessed on an exception basis.

**Senator FORSHAW**—If you could give a picture of those that have come in, those that have been accepted and those that may have been rejected, or some issue, that would be good.

**Senator MOORE**—Can you tell us how much has been spent on the program up to date?

**Mr Davies**—You want 998 translated?

**Senator MOORE**—Into how much money.

**Mr Shepherd**—We would need to take that question on notice and give you the final figures at the end of the financial year. My colleague Mr Davies is right, that the figures are 998 times the claims. I do not have that figure at hand, I am sorry.

**Senator MOORE**—Is it a standard claim or does the amount vary?

**Mr Davies**—The amount varies, depending on location.

**Senator MOORE**—That is what I thought.

**Senator FORSHAW**—You cannot have a stab at it, can you, Mr Shepherd, like a rough assessment?

**Mr Shepherd**—That would be a bit hazardous because there is quite a wide variation.

**Senator FORSHAW**—It would not be hazardous at all. It would be a preliminary indication on the basis that we know that as of today there are 998. It is not too much to get to the next step of how much that total of 998—

**CHAIR**—I do not think it is in the interests of this procedure that we are inviting officers to have stabs at figures.

**Senator FORSHAW**—I was trying to be less blunt but I will be blunt, then. We know how many have been granted. I have to say I am a bit surprised that you are not able to tell us tonight how much has been paid out. If we know how many have been successful then surely the information is not that hard to get.

**Mr Davies**—I think the reason why Mr Shepherd is struggling is within that 998—

**Senator FORSHAW**—I do not think he is struggling. I think he is doing very well. I am struggling to get it out of him.

**Mr Davies**—It ranges from urban settings, where it is just hooking up to the existing broadband infrastructure, which is very cheap, to the other extreme, installation of satellite dishes—

**Senator FORSHAW**—Mr Davies, I have not asked you for that break-up. I am just saying there has got to be a total amount that has been paid on this initiative—

**Mr Davies**—Yes, I am sorry. I was thinking you were assuming we could take an average figure and multiply it by 998.

**Senator FORSHAW**—The reason why I asked you the question is that we cannot do that, as you told us that five minutes ago. I am trying to find out how much in total has been paid for this initiative to those 998 practices as of today, and I would like the answers today, if I could.

**Mr Davies**—It is a very reasonable question. If we cannot give it to you now, we will certainly get it to you.

**Senator FORSHAW**—Tomorrow.

**Mr Davies**—Maybe even tomorrow.

**Dr Richards**—The program is being administered by the Health Insurance Commission. We would need to seek that information from the Health Insurance Commission.

**Senator FORSHAW**—Let us have a go; see if we can get it tomorrow.

**Senator MOORE**—The question you took on notice previously, Mr Shepherd, was exactly how many medical practices of different kinds are on broadband. You have given us a total and we have asked to see whether it is possible to get that down by state and RRMA. Once we get the data on how much money has been spent, can we do that by state and RRMA as well? It would seem that would be the same kind of data. How many internet service providers have been announced out of this program?

**Mr Shepherd**—As of today, there are 33 qualified providers who are offering 62 services in total. There are 16 additional providers that are currently undergoing the assessment process. They represent an additional 30 services.

**Senator MOORE**—Is it possible to get that by state and RRMA?

**Mr Shepherd**—Yes, noting, however, the commission limitations around providing that sort of detail, a number of telecommunications companies will offer that information, but some of it is commission sensitive in terms of their coverage areas.

**Senator MOORE**—Absolutely. We will take your judgment on that in the answer if there is that process. We understand that. Is it expected that this initiative will be extended to users of high-speed cable connections? We talked about this before, as the natural progression—that we would have that high-speed facility under the same program.

**Mr Shepherd**—The current scope of this initiative is to business grade broadband services. What you are talking about is a higher grade of service than the current domestic grade.

**Senator MOORE**—The next level up, yes.

**Mr Shepherd**—The purpose of the program is to underpin the connectivity layer of the entire HealthConnect program. We know from the evidence in the trials of the domestic wave

broadband it will not cut it in terms of what providers need to do over that connection. The answer to your question is that the program is pitched already at that level.

**Senator MOORE**—Under the current system, the expectation would be that you should be able to get onto the high-speed process.

**Mr Shepherd**—Correct.

**Senator MOORE**—Following on in many ways, going into the *HealthConnect* process, is that the same group of people?

**Mr Shepherd**—Yes.

**Senator MOORE**—I thought it might be. At previous questioning, we heard that there was an evaluation report on the *HealthConnect* trial in Tasmania that was hoped to be concluded by May 2005. Has that evaluation report been concluded?

**Dr Richards**—That evaluation report has been concluded.

**Senator MOORE**—Is that going to be a public document?

**Dr Richards**—Yes, it is.

**Senator MOORE**—Can we get a copy of that report?

**Dr Richards**—It will be published on the department's web site tomorrow, I understand.

**Senator MOORE**—It seems really appropriate to go onto the web site, does it not, considering what it is about? It will be on the web site tomorrow?

**Dr Richards**—It will be on the web site, if all goes according to plan, tomorrow.

**Senator FORSHAW**—We liked your first answer.

**Senator MOORE**—Considering what we are talking about, we hope it does go up on the web site.

**Mr Davies**—It is nice to hear the *HealthConnect* team questioning the reliability of technology.

**Senator MOORE**—So it should be up. Is it possible to get print copies as well?

**Dr Richards**—Yes.

**Senator MOORE**—We will go to that but we will just see whether you are providing that option as well, and that will be public tomorrow.

**Senator HUMPHRIES**—Senator, if you are finished with health, I have raised some questions about that as well, if I can jump in there. Obviously we will have a look at the documents published tomorrow but I am interested in an indication about whether the *HealthConnect* trial included both doctor to doctor and doctor to patient sharing of information, as well as doctor to pharmacist interaction.

**Dr Richards**—Over the last couple of years there has been both *HealthConnect* and *MediConnect* trials and field tests conducted. The *MediConnect* component of those field tests has been very much focused on the doctor to pharmacist sector. The *HealthConnect* process has been more doctor to doctor and doctor to patient.

**Senator HUMPHRIES**—Was the *HealthConnect* trial in Tasmania a combination of those two programs or was it simply involved with the doctor to doctor element?

**Dr Richards**—There was a *MediConnect* field test in Launceston and a *HealthConnect* trial in Hobart.

**Senator HUMPHRIES**—Are there any evaluations or written assessments available to the committee on the success of *MediConnect* so far?

**Dr Richards**—The document that is being published on our web site tomorrow covers both *HealthConnect* and *MediConnect* trials and field tests.

**Senator HUMPHRIES**—I will have a look at that. Thank you very much, Dr Richards.

**Senator FORSHAW**—On this *HealthConnect* trial in Tasmania, is there any further trial going on or are any other trials to be conducted?

**Dr Richards**—The *HealthConnect* program has moved from a research and development phase, characterised by trials, into an implementation phase. There are still some *HealthConnect* trials under way in various parts of Australia, including Queensland and the Northern Territory. The trial in Tasmania concluded in November last year, but we are working very closely with the Tasmanian government to move to an implementation phase.

**Senator FORSHAW**—Is that full implementation or does that have to be trialled as well? I have been given to understand that there was another trial commencing on 1 July this year in Tasmania.

**Dr Richards**—The Tasmanian implementation of *HealthConnect* will be an organic growth of functionality, so we will not be turning on an all-singing, all-dancing electronic health record system on 1 July. By November we expect Tasmania to have, in an ongoing and sustainable way, the availability of electronic information shared between public hospitals and general practitioners, in the first instance. From July we anticipate working with the Tasmanian government, to implement from November—

**Senator FORSHAW**—Yes, and it will be implemented by a sort of progressive—

**Dr Richards**—And it will be state wide. So additional functionality will be brought online as the capabilities of both the hospitals and the general practitioners are developed.

**Senator FORSHAW**—Does that mean that all the standards and the privacy code arrangements are to be addressed and completed in the period between now and November?

**Dr Richards**—There are known privacy regimes that currently apply to the health sector across Australia. Those that apply in Tasmania are understood in the Tasmanian context. Therefore, as the Tasmanian work evolves, it will evolve within the context of the existing privacy framework.

**Senator FORSHAW**—In Tasmania.

**Dr Richards**—That is correct.

**Senator FORSHAW**—Am I correct in understanding that there was an intention to have a sort of national privacy code in place?

**Dr Richards**—There is a national privacy code still under development. It is being considered by the health ministers, I understand, in July. I cannot forecast the outcome of the health ministers' discussion, but I can say that implementation of *HealthConnect* in different parts of the country will comply with the privacy requirements that currently exist and will be adapted over time as other privacy frameworks—

**Senator FORSHAW**—So the roll-out, if you like, of implementation—and we are talking specifically about Tasmania, which is first cab off the rank—will go ahead, even though the new national privacy code has not been finally developed.

**Dr Richards**—That is correct.

**Senator FORSHAW**—You mentioned that some of the other states are now undergoing trials. Are they evaluation trials?

**Dr Richards**—They are evaluation trials that are concluding.

**Senator FORSHAW**—Is that in all states?

**Dr Richards**—The Northern Territory is scheduled to conclude its trial status on 30 June and move from 1 July into an implementation phase.

**Senator FORSHAW**—What about the other states?

**Dr Richards**—In Queensland the trial is continuing according to its own schedule, and we are currently in negotiations with the Queensland government on moving to an implementation phase.

**Senator FORSHAW**—Can you quickly complete the picture for the rest of the states.

**Dr Richards**—We are in advanced stages of negotiation with the South Australian government on moving into an implementation phase in South Australia. We are in the early stages of negotiation with New South Wales around implementation. In Victoria, Western Australia and the ACT we are similarly in the early stages of negotiation. The appropriation covering *HealthConnect*, as announced by the minister, is intended to cover implementation in Tasmania, South Australia and the Katherine region of the Northern Territory. If you divide \$128 million by four years by eight jurisdictions, you can see that we are attempting to get as far as we can with the existing resources.

**Senator FORSHAW**—With what I think are called the interoperability standards—the privacy code arrangements—will this sort of information be put on the web site?

**Dr Richards**—The interoperability standards are being developed by the National E-Health Transition Authority. As those standards are specified by the authority, I assume that they will be posted on that authority's web site.

**Senator FORSHAW**—Are there any concerns being expressed about moving to implementation phases without having some of these other issues—the national privacy code or the standards, for example—finalised?

**Dr Richards**—The benefit of the national privacy code would be in the sharing of electronic health information across the country. In the stages of implementation that the states are negotiating, that is not having an impact. Clearly, as the program develops, it would

be desirable to at least have a national framework within which everyone understands the rules that apply to the different components of the sector.

**Senator FORSHAW**—I am very green in this sort of technology area, but if you get it implemented in Tasmania and in a number of other states and territories so that it is fairly well implemented before these other major national requirements are finalised, I was wondering what that might mean for actually having to go back and redesign systems and what impact that has on the profession.

**Dr Richards**—The implementation approach that we are pursuing is based on a series of bilateral memoranda of understanding between the Australian government and each of the states, which describes the implementation approach that will occur within that jurisdiction. It also describes the commitment of all the parties to move towards national interoperability standards. At a point in which the standard has not yet been specified, the agreement is that we will do what we can with the standards that exist. If a standard is then specified, there is an agreement that a migration path will be negotiated towards the new standard, to permit that national interoperability.

**Senator FORSHAW**—Is there an implementation strategy document?

**Dr Richards**—Yes, there is.

**Senator FORSHAW**—Is that available to the committee?

**Dr Richards**—It will be on the web site tomorrow.

**Senator FORSHAW**—Thank you.

**Ms Lyons**—The current privacy legislation, both federal and state, is sufficient for the implementation of *HealthConnect*. That covers the national privacy principles and the state and territory privacy legislation.

**Senator FORSHAW**—There is a question that follows on from that but I do not know whether I want to ask it.

**Senator MOORE**—Ms Halton, I have some questions here on quality and safety, so I am checking to see whether this is outcome 9.

**Ms Halton**—Outcome 9.

**Senator MOORE**—Could I run through those with you now?

**Mr Davies**—Could I come back, Senator Moore, to complete an answer on Broadband for Health?

**Senator MOORE**—Absolutely.

**Mr Davies**—The figure of 998 I think we inadvertently described as encompassing GP practices and Aboriginal community controlled health services. It also includes pharmacies. I can give you the breakdown and the costs.

**Senator MOORE**—That is exactly what we are after.

**Mr Davies**—As of 10 May the HIC had processed a total of 998 claims: 657 from general practices, 10 from Aboriginal community controlled health services and 331, the balance, from pharmacies. The amounts paid were: for general practices, \$209,252.29; for Aboriginal

community controlled health services, \$46,416.48; and for pharmacies, \$532,669.59. That makes, I am assured, a total of \$778,338.36 approximately.

**Senator FORSHAW**—You had a very good stab at it, Mr Davies, and hit the bullseye.

**Senator MOORE**—Mr Davies, is there any chance of having those figures by states and RRMA's?

**Mr Davies**—That will take some time.

**Senator MOORE**—I understand that. There is a capability to do that?

**Mr Davies**—It is a step along the way.

**Senator MOORE**—Thank you very much for those.

**Mr Davies**—We will get back to you on the breakdown.

**Senator MOORE**—These questions relate to quality and safety in the wider term. Where does responsibility for health care quality and safety sit within the department?

**Ms Lyons**—It sits within the Health Services Improvement Division.

**Senator MOORE**—How many staff does the department have in this area—in the area and then on the issue? Is there a special unit within the division?

**Ms Lyons**—There is a unit within the division that is a combination of personnel who are attached to the secretariat for the safety and quality council, as well as having a departmental role.

**Senator MOORE**—Do the same staff do both, or are there specialised staff for secretariats but other staff that do project work?

**Ms Lyons**—Yes, they are the same.

**Senator MOORE**—They are composite roles. How many of those are there?

**Ms Lyons**—One.

**Senator MOORE**—It is a genuine unit.

**Ms Lyons**—Yes.

**Senator MOORE**—How much federal money is spent on health care: quality and safety? What is the budget for quality and safety?

**Mr Casey**—In the 2004-05 year the amount appropriated for safety and quality was a total of \$6.635 million. That was available for the Hospital Safety Initiative, under which quality and safety is a subpart.

**Senator MOORE**—Could I get those figures again?

**Mr Casey**—The amount of money available in 2004-05 was \$6.635 million.

**Senator MOORE**—That includes departmental administrative costs. I asked for health care quality and safety, and that was a subset?

**Mr Casey**—Most of this funding is the Commonwealth's contribution to the Australian Council for Safety and Quality in Health Care. That is the major component of this.

**Senator MOORE**—In terms of the expenditure, we have not reached the end of the financial year but are we running to track to spend all the money?

**Mr Casey**—The money that is appropriated goes into a special account and the money that is provided by states and territories goes into the same account. The total amount of funds that is available over the five-year period of this program was agreed at \$55 million, split fifty-fifty. The amount of money that we drew down this year to complete the Commonwealth's contribution to its half was I think \$4.237 million. That means that the Commonwealth has now provided its full \$27.5 million contribution to the Australian Council for Safety and Quality in Health Care.

**Senator MOORE**—What year of the five-year plan are we in now?

**Mr Casey**—We are in the fifth year, but in 2003 ministers extended the term of the current council until June 2006, but without increasing the amount of funds. So in a sense it became a five-year program spread over six years.

**Senator MOORE**—The budget papers say \$1.3 million in 2005-06. I am trying to check which portfolio budget paper that is in. This particular question does not have directions to the budget papers we are referring to. Mr Casey, which page are you looking at in which document?

**Mr Casey**—I was looking at part 2. It is on page 189. This is what I think is described there as the \$1.3 million provided.

**Senator MOORE**—Yes, the Hospital Safety Initiative. That is under the wider program.

**Mr Casey**—Yes. That is a continuation of that part of the program that is not the funding for the Australian Council for Safety and Quality in Health Care.

**Senator MOORE**—That is where the \$1.3 million comes from. Is there any understanding of future funding after this year?

**Mr Casey**—When the government announced the \$1.3 million one-year continuation, it also announced that it would consider future funding in the 2006-07 budget. In July 2004 the ministers set up a review to consider what the future governance arrangements should be for safety and quality when the term of the current council expires. In a sense we are in an interim year, when those recommendations will be taken to health ministers. In the last budget the government announced that they would then consider future funding, when it was clearer what health ministers were looking for.

**Senator MOORE**—When is the current council due to end?

**Mr Casey**—Its term will expire on 30 June 2006.

**Senator MOORE**—From the way you describe it, the ministers will be considering during the next year what plans will be in place after that.

**Mr Casey**—Ministers are due to have presented to them at their July conference a report from the group that was commissioned to come forward with recommendations. In a sense the arrangements for the future will be happening whilst the current council is still in place.

**Senator MOORE**—Is the committee that is currently reviewing the future of the council on a web site—together with their terms of reference?

**Mr Casey**—There is a web site. Professor Horvath, who is a member of that committee, might want to add something further.

**Prof. Horvath**—I am the Commonwealth nominee on that committee. The committee was commissioned in July of last year with Mr Ron Paterson from New Zealand as the independent chair. The committee is made up of Dr Filby from South Australia, Dr Chris Brook from Victoria and myself; also Mary Montgomery from Queensland and Dr Michael Smith from New South Wales. That committee report is in its final stages and its terms of reference are also on the web site, as are the 80 submissions that were publicly called for. The report, as Mr Casey said, will go to health ministers in July of this year.

**Senator MOORE**—So in July 2005 the report will go to the combined group of ministers.

**Prof. Horvath**—Correct.

**Senator MOORE**—With recommendations for what will happen after June 2006.

**Prof. Horvath**—Correct.

**Senator MOORE**—Do I have those dates right?

**Prof. Horvath**—Yes.

**Senator MOORE**—Is the funding cut of \$5.5 million—in terms of the funding to the overall package—linked to the work or the findings of the committee?

**Mr Casey**—Not directly. I think it is a similar answer to the one you received from Mr Clout before. The forward estimates anticipate future expenditure. Because there is no need to contribute for the 2005-06 year to the funding for council—as I said, the contribution has been paid in full—it would then show as a net saving.

**Senator MOORE**—Right.

**Mr Casey**—Because it would be an anticipated—

**Senator MOORE**—Anticipated funding, right.

**Mr Casey**—Yes. It was because the council's term was extended by one year, but without any additional funding commitment from either the Commonwealth or states and territories for that extension.

**Senator MOORE**—In the Productivity Commission *Report on government services 2005*, they looked at the issue of health and safety. There were issues about whether there was a need to set up a national system:

... to measure the frequency of adverse events in a way that allows us to assess how the problem is being managed and to make improvements.

That is a direct quote from that area. Was there any consideration given to using the \$5.5 million to begin having that work done?

**Mr Casey**—I am sorry, Senator, what was the report you quoted from?

**Senator MOORE**—It is the national Productivity Commission *Report on government services 2005*.

**Mr Casey**—The council has funds available to it currently. States and territories have different stages of implementing incident monitoring systems within their jurisdictions, which are seeking to get a better understanding of what is broadly termed ‘adverse events’.

**Senator MOORE**—So they are each doing their own—

**Mr Casey**—There are some incident systems that are looking at not only monitoring when things do go wrong, but looking at when things nearly go wrong—what is called a ‘near miss’. So a number of jurisdictions are now moving to put in place better reporting systems around adverse events.

**Senator MOORE**—That is a responsibility each state is taking up individually?

**Mr Casey**—It is a responsibility of each state and territory.

**Senator MOORE**—My understanding of the Australian council was that that kind of combination organisation was looking at best practice. That was one of the things they looked at—learning the best way to operate and to share knowledge. They had a lot of other functions but that was one. Is the expectation that that best practice and shared knowledge then goes back to support the set-up of systems at the local level?

**Mr Casey**—The various areas that the council has looked at over its term, including the various tools and strategies to improve safety and quality, all go back through health ministers—they report annually to health ministers—and also through their connection with state quality officials, which is a group made up of jurisdictional quality officials who interact with the council.

**Senator MOORE**—It is the other level of consultation in some ways, is it not?

**Mr Casey**—In the sense that the things learnt from this national initiative are designed to be fed back in, to improve health system quality and safety.

**Senator MOORE**—There was an article in the *Australian* dated 18 January 2005 that reported that the department is looking at scrapping the ACSQHC in favour of a new body focused on improving quality through better use of data—a model which is designed to strengthen national efforts. I know I am quoting from a document you do not have in front of you, but were you aware of that media article?

**Mr Casey**—Yes, I think I was.

**Senator MOORE**—Is his statement that the department is looking at scrapping the model to improve end focus in a different way accurate?

**Mr Casey**—No, because I think, as we already said and Professor Horvath has said, ministers agree to a review and to look at future governance arrangements.

**Senator MOORE**—So the review is the process of making any changes?

**Mr Casey**—Yes.

**Senator MOORE**—Is that particular statement from the media pre-empting any decision?

**Ms Halton**—It would be in the category of horse before cart—or cart before horse in this particular case.

**Mr Casey**—Yes.

**Mr Davies**—Given the timing, that was probably a journalist interpreting the department's submission to the review, which was amongst the 90-odd on the web site.

**Ms Halton**—Yes, and certainly there is no preconception we hold in relation to the outcome of this.

**Senator MOORE**—Is the idea of expanding the process to strengthen national efforts intended to include covering the private sector?

**Mr Casey**—I am not privy to all that the review will be recommending, but clearly improved safety and quality in the private sector is as important as the public sector.

**Senator MOORE**—Certainly that was my understanding from skimming, although not reading thoroughly, all the 90-odd submissions. I did not read the submissions in detail but a few of them were calling for that—the extension of this kind of information about quality into the private sector.

**Prof. Horvath**—Perhaps I could assist here. As well as the submissions, we held forums—community group meetings in all states and territories. They were well advertised and well attended. We also had meetings with state health officials and with a whole range of stakeholders. You are correct. In the submissions and in those forums, there was a clear message to the review group that, although the current safety and quality council have done an excellent job in raising the awareness of safety and quality, because of the initial report, which was done 10 years ago, looking at adverse events in hospitals, it focused on hospitals. A lot of the early work of the council was around that, and one of the issues the review group had to take on board was in fact the primary sector. It did so accordingly.

**Senator MOORE**—Would that necessarily need an increase in funding?

**Prof. Horvath**—I could not foreshadow that.

**Senator MOORE**—But it is a function or a task that the current council does not do?

**Prof. Horvath**—Has not addressed specifically.

**Senator MOORE**—There was a statement in the *Medical Journal of Australia* on 21 March 2005 that:

... the absence of recent system-wide data on patient safety ... makes a mockery of the tenets of continuous quality improvement.

Is that a statement that the department supports?

**Mr Casey**—It was a statement in an article—an editorial, I believe. I do not think I can comment on whether the department supports it or otherwise. It is just a statement from an editorial.

**Senator MOORE**—Is there an absence of recent system-wide data on patient safety? Is that an accurate statement?

**Mr Casey**—The current data on patient safety comes from a variety of sources. If the assertion from that is that there is not one place for measuring the whole of the health system in terms of patient safety, it is correct. There is no one place that you can go and say, 'This tells us about health and safety across the whole of the Australian health system.'

**Senator MOORE**—Where do you have to go now?

**Mr Casey**—There would be a variety of places. I guess it depends what you mean by quality and safety. The AIHW report on hospitals will contain information about adverse events in hospitals.

**Senator MOORE**—Do they contain data on ‘almost’ adverse events?

**Mr Casey**—As their report says itself, they cannot claim that it has everything, because the recording of adverse events is dependent on people recording them.

**Senator MOORE**—That is right, and the adverse event had to happen—sure.

**Mr Casey**—Then there is the question of understanding what an adverse event is. Some people, perhaps in the media, always assume it is somebody who has made a mistake, whereas an adverse event may occur when somebody has an adverse reaction to a medication. That could be recorded as an adverse event.

Certainly in the AIHW hospitals report there are tables that deal with adverse events, but they are quite qualified. In relation to the adverse events that can be seen to be contributing towards death, there is coronial information and information from the Australian Bureau of Statistics, but again it is very qualified. I think people interpret some of the reporting as causality, as opposed to looking at whether they may be contributing or whether there may be an event that occurred in somebody’s health episode that does not necessarily contribute but that can still get recorded as an adverse event. There is no one place to go for this information.

**Senator MOORE**—So there is no one place to go. If you are trying to build up a picture of exactly what is happening, you have to go to a number of places.

**Mr Casey**—You have to go to a number of sources.

**Senator CHRIS EVANS**—I notice that Professor Horvath is sitting here and it occurred to me that, as there was a bioterrorist attack on the Indonesian embassy tonight, he might have other responsibilities. I do not know. I was going to ask him whether or not he had responsibilities in that event and whether or not he might seek to be excused or the department might want him excused. It just occurred to me that we have the Chief Medical Officer sitting here dealing with stuff that can wait.

**Ms Halton**—It was at 10.30 this morning, Senator. You may have seen a certain amount of animation at various points, and that was what it was about.

**Senator CHRIS EVANS**—I thought it was the pressure you were under from Senate questioning!

**Ms Halton**—Indeed, Senator. We felt significant pressure, but we managed to deal with this as well.

**Senator CHRIS EVANS**—Madam Chair, can I seek an indulgence and ask Professor Horvath what the department’s Chief Medical Officer’s involvement in the response was. I know it is outcome 1, but it seems to me that it is pretty relevant tonight. What has been the department’s involvement and what are your responsibilities?

**Prof. Horvath**—I do not think that it is appropriate at this time for me to comment about a matter that is ongoing, Senator. As the Secretary mentioned, I have been going in and out with

my mobile phone turned on silent. There is a significant group of people within the department and in the incident room who have been managing the issue, and I have been taking my usual role.

**Senator CHRIS EVANS**—I was not asking you for inside information as to the definition of what the agent was or whatever. I was just interested in what role you and the department play in the response. I know it is one of the sorts of output measurements for the department, so it was more a general question as to what role you would play.

**Prof. Horvath**—Mary Murnane, as deputy secretary, chairs the Australian Health Disaster Management Policy Committee, which is a committee that was formed following Bali and really is one of the most important responses. It is a committee made up of Commonwealth and state officials. I am also on that committee. It was the committee that successfully mounted the very fast response in the case of the Indian Ocean tsunami.

I chair the National Influenza Pandemic Action Committee. These are the two principal committees that respond. We have an incident room within the department of health that is either physically manned around the clock or is on call, depending on the level of alertness, and it works very closely with other government agencies. The level of response of the department depends on the nature of the event.

**Senator CHRIS EVANS**—Was that incident room mobilised this morning?

**Prof. Horvath**—No, it was not.

**Ms Halton**—But it was watching what was going on.

**Prof. Horvath**—It was watching what was going on. It was giving me the information.

**Ms Halton**—If I can elaborate, essentially for relatively small-scale activities—and that is not to underplay the seriousness of this, because Professor Horvath and I have been tick-tacking on this in the course of day—it is our expectation that the immediate response would be handled by the relevant local authorities. But, precisely because you do not know when you first see something of this sort whether it is part of a much bigger picture, we monitor now, through the department's incident room, all of these kinds of activities. If, indeed, it turns out to be part of something much broader, you may need to mobilise a national response or a response across two or three states.

In this case, it looks to be a relatively localised incident. We have been monitoring that. We have been talking to the minister's office, to Foreign Affairs and to a number of other parties, getting information during the course of the day. In cases such as the Bali incident or, more recently, the Indian Ocean tsunami, if there is a need to mobilise across agencies and across governments, the role of that committee that Professor Horvath has just outlined is absolutely crucial in ensuring that we deploy the relevant health resources right across the country, be that onshore or offshore and be that in conjunction with other agencies or not, as the case may be.

I should say that the minister and I were just reflecting to each other when you asked this question that, when I went back to the department when the minister was the minister, we did not have a response capacity. We did not have an incident room. That was set up by us fairly quickly after our arrival at the portfolio.

**Senator Patterson**—After Bali.

**Ms Halton**—I regret to say that the room has rarely been closed ever since. In terms of the role that we play, it is very integrated now with Emergency Management Australia and the defence department et cetera. This incident is relatively localised, but we have been engaged in ensuring that we are talking to Foreign Affairs and others.

**Senator CHRIS EVANS**—Thank you for that explanation. Who handles the medical response: the local ACT health authorities?

**Prof. Horvath**—The actual event was handled by the local ACT response team. They consulted us immediately. The two relevant states, Victoria and New South Wales, have been a part of this ongoing telephonic communication. They wanted to know, if it were to become a larger event, what level of alert they needed to be on.

**Senator CHRIS EVANS**—Effectively, from the Commonwealth health department's view currently, is it because of the isolated nature of the event that you have left it to the ACT authorities and only been involved in consultation?

**Prof. Horvath**—The local authorities have the assets on the ground to manage these things—that is, police, fire, local medical et cetera. They can supply the first response—wherever something occurs in any state or territory the response is local. Similarly, when we organised the tsunami effort, I was on the telephone with my counterparts in the states by 8 am in the morning, and they were the ones who physically put together the team, because they had the assets on the ground.

**Senator CHRIS EVANS**—I recognise that that was a tremendous response, and the speed with which it was done was quite remarkable. I was briefed on that over the Christmas period and it seemed to me that it was a tremendous effort. It is unfortunate that it takes such incidents to inform responses, but we have had a lot of bad experiences lately, I suppose, which have made that all work much better. So that I am clear, what would it have taken to trigger a national response? Effectively, bacteria being distributed in more than one state or—

**Prof. Horvath**—In a sense, a national response was triggered, in that we are aware and we are already holding a watching brief. But the level we respond at depends on the degree of the event, and there are a number of very clear pathways—through EMA, if it is a national or an international event—and a jurisdiction can call for assistance if at any time it is overwhelmed and cannot manage a situation. It alerts us through the COMDISPLAN and other plans that are clearly in place with a series of dropdowns.

**Ms Halton**—The department has devoted a lot of time to this in the last couple of years. We have a much more systematic approach to this now. You made the point that we, regrettably, have had a number of incidents in the last couple of years. That is the case, and it is regrettably the case that on each occasion we learn how to do this better. But I think it is a fair observation that we are in a hugely better position in terms of preparation than we were, say, three years ago. Interestingly, when I compare notes with my colleagues from the US, the UK and Canada, we have taken significant steps compared to a number of those countries. We can now mobilise resources, depending on scale and spread of a particular incident, remarkably quickly.

That is not to say that we are complacent or comfortable. In fact, we are working all the time on improving those planning arrangements. It is something that I certainly take extremely seriously. It is one of those things. Be it pandemic flu, be it a bombing, be it a biological incident or whatever, we have to be in a position to respond. You are aware of the provisions we put in place; for example, stockpiles et cetera. That is basically to ensure that, as Health, we are well positioned to respond.

**Senator CHRIS EVANS**—Yes. It struck me there was no better test than a Boxing Day emergency when everyone had a Christmas hangover.

**Ms Halton**—That is right.

**Senator CHRIS EVANS**—It is a good test of the system in a sense. It is one of the hardest days of the year to find people, I would have thought.

**Ms Halton**—That is right and it worked.

**Prof. Horvath**—In fact, Mary Murnane, who chairs this alphabet committee, was in Perth, and I was in a hole in Bilgola, but we still managed to get a team activated by that afternoon.

**Senator CHRIS EVANS**—That is good, because I do not know where Bilgola is.

**Prof. Horvath**—It is a beach suburb in Sydney. As you say, everybody was suffering from a hangover.

**Ms Halton**—I was on a plane somewhere, but that is the point: regardless of where people were the system basically generated the response.

**Senator CHRIS EVANS**—Yes.

**Ms Halton**—Which is good.

**Senator CHRIS EVANS**—I was watching the tide disappear at Dunsborough Beach. The tide went in and out about four times in a matter of minutes. But, more importantly, in terms of the agent, Professor, it has been described as a biological agent. There is some suggestion that there are links with anthrax. I do not want you to answer the question about what it is, but how do we determine what it is? Who determines that?

**Prof. Horvath**—The agent has been taken to an appropriate facility where its nature and risk component will be assessed as rapidly as possible.

**Senator CHRIS EVANS**—What is an appropriate facility?

**Prof. Horvath**—One of the appropriate laboratories. It is contained, so there is a level of security around it, and I do not think it is appropriate to expand on that.

**Senator CHRIS EVANS**—I am not asking you to. I just want to understand the process. That will then be tested and identified by ACT authorities.

**Prof. Horvath**—Officials, correct.

**Senator CHRIS EVANS**—And they will determine, after testing, what in fact it is.

**Prof. Horvath**—Yes, and if they need assistance from any other agency, then that is available.

**Senator CHRIS EVANS**—Thank you for that.

[9.56 pm]

**CHAIR**—Thank you very much. I think we have now finished outcome 9. We will now move on to outcome 11, Health and medical research.

**Ms Halton**—Senators, can we have some anticipation of what you want to get through tonight? I have people sitting here and I do not want them here until 11 o'clock, only to be told they are not needed.

**Senator FORSHAW**—I have a few questions on a couple of areas in outcome 11 which should not take too long.

**Senator MOORE**—We anticipate finishing outcome 4 tonight. If we have further questions we will put them on notice.

**Ms Halton**—Thank you.

**Senator MOORE**—It is our hope that we are not going to call people back tomorrow.

**Ms Halton**—Thank you for your help.

**Senator CHRIS EVANS**—That means if they are not here for outcomes 11 or 4, they do not need to be here tonight.

**Ms Halton**—Thank you.

**Senator FORSHAW**—Funding for the longitudinal study in women's health: I think my colleague Senator Moore might want to come in on this as well. In the last election the government promised an additional \$3.2 million over four years for the Australian longitudinal study on women's health. Can that \$3.2 million be found anywhere in the budget? Has it been delivered on?

**Ms Halton**—It has been. It is not under this program, but I am scratching my head to think where it should be. We think it may have gone to program 9, Senator, and you have just sent them home.

**Senator FORSHAW**—We are going to do program 1 tomorrow morning.

**Senator MOORE**—She said program 9.

**Ms Halton**—I think so.

**Senator FORSHAW**—Sorry.

**Ms Halton**—Sorry, I misled you. It is not program 9. Tomorrow morning is fine.

**Senator MOORE**—Which program is it?

[9.50 pm]

#### **National Health and Medical Research Council**

**Senator FORSHAW**—Outcome 1. We will leave those questions until tomorrow morning. Are we in the right area here for the National Health and Medical Research Council area—stem cell review?

**Ms Halton**—I can probably help here, Senator.

**Senator FORSHAW**—Yes. The two bills governing human cloning and stem cell research regulation both require reviews to be completed by December of 2005. Is that correct?

**Prof. Pettigrew**—That is correct.

**Senator FORSHAW**—Are those two reviews going to be done simultaneously?

**Prof. Pettigrew**—That is correct.

**Senator FORSHAW**—Are you able to tell me who is doing them?

**Prof. Pettigrew**—No. The decision on the membership of the committees has not yet been settled. It involves consultation between the responsible minister and all the states and territories. That is the process under way at the present time.

**Senator FORSHAW**—When is that likely to be determined?

**Ms Halton**—We hope fairly soon.

**Senator MOORE**—Is this an internal review, Professor Pettigrew?

**Ms Halton**—No.

**Senator MOORE**—I just want to get that clearly on record: it is a formal review?

**Ms Halton**—Yes, it is a formal review of eminences, experts, people of note.

**Senator FORSHAW**—Which minister specifically has the responsibility for these reviews?

**Ms Halton**—Ms Julie Bishop.

**Senator FORSHAW**—That is what I understood, the minister for ageing—assisting the minister for health: is that right?

**Ms Halton**—The minister for ageing.

**Senator FORSHAW**—The minister for ageing, okay. Why is Minister Bishop being given the responsibility?

**Ms Halton**—She is responsible for this policy issue. That was a responsibility allocated to her by the Prime Minister when the ministry was announced. As to why that was the case obviously is not an issue to which I am privy. But this was part of her responsibilities.

**Senator MOORE**—You get a commissioning letter and the Prime Minister allocates various areas within a portfolio. Certainly a minister can also negotiate other issues, but in what is called a commissioning letter the details are set out about which parts of the portfolio you are responsible for.

**Senator FORSHAW**—Yes. I am aware of that general procedure. I am intrigued that it was this particular responsibility for these reviews that was given to the minister for ageing, but so be it. Was there any special reason, or was it just an administrative decision?

**Ms Halton**—Minister Andrews actually had it. When we had our previous minister for ageing—who of course was Kevin Andrews—he had it, so this is, in effect, a continuation of the previous arrangement.

**Senator FORSHAW**—Right. In terms of the expert people who are going to undertake the reviews, does that have to be signed off by COAG, or agreed at COAG?

**Ms Halton**—No. I will be corrected on this, but my understanding is that it is a question of discussion between the Commonwealth and state ministers.

**Senator FORSHAW**—That is what was said a moment ago.

**Dr Morris**—It does not have to go to COAG, but Minister Bishop needs the agreement of the relevant minister in each state and territory before making any appointment.

**Senator FORSHAW**—So it is like COAG?

**Ms Halton**—It is a whole of—

**Senator MOORE**—A health ministers group or something.

**Senator FORSHAW**—Yes.

**Ms Halton**—It is the relevant minister of the state or territory.

**Senator FORSHAW**—It will be completed by December 2005; that is the target date?

**Ms Halton**—That is the requirement.

**Senator FORSHAW**—Another issue regarding NHMRC is the Holt review. Can you tell us where the report by Dr John Holt into cancer treatment is at?

**Prof. Pettigrew**—The review that is being undertaken of that therapy, at the request of the minister, has resulted in an interim report being provided to the minister. The process has taken a little longer than we had anticipated because of the detail and the number of submissions et cetera. The process has been divided into two parts. The first was a review of relevant literature and submissions received by the review. The second part is a review of clinical records, which is being undertaken as we speak. That report will be completed by the middle of the year and provided to the minister.

**Senator FORSHAW**—There is an interim report with the minister now?

**Prof. Pettigrew**—That is right.

**Senator FORSHAW**—There is a further report to come?

**Prof. Pettigrew**—The final report.

**Senator FORSHAW**—The final report, rather.

**Prof. Pettigrew**—Yes.

**Senator FORSHAW**—Can you be a bit more specific about when the report is likely to be released? I am assuming it is going to be released. Is it?

**Prof. Pettigrew**—I cannot comment on the release of the report, as that will be up to the minister, but we are aiming to have the final report to the minister in the middle of the year.

**Senator FORSHAW**—We are in the middle of the year.

**Prof. Pettigrew**—Not quite.

**Senator FORSHAW**—Yes, we are.

**Prof. Pettigrew**—It is difficult to be absolutely precise, but we are aiming for ‘soon’.

**Senator CHRIS EVANS**—The fullness of time.

**Senator FORSHAW**—Did Dr Holt appear before the committee undertaking the review?

**Prof. Pettigrew**—Members of the committee have visited his surgery in Perth and spoken with Dr Holt, several of his patients and other people concerned with that practice. He has been cooperating with the review very fulsomely. Other members of the review team are assisting with the process of review of clinical records and they have spoken recently with Dr Holt on that process and the steps that are being taken.

**Senator FORSHAW**—Moving on with NHMRC issues, I asked some questions on this once before, back in February, and you told us that the full effect of the Uhrig review had not been fully considered by the NHMRC and they were due to meet in March and consider the issue. Can you give us an update on what took place in March and what has transpired since then?

**Prof. Pettigrew**—For several hours the council discussed the issue of the impact of the Uhrig review on the council itself. The result of that was a letter from the chair of the NHMRC to the chair of the interdepartmental committee which had been established to look at this issue, so the council’s views have been put forward to the IDC and that IDC’s report will go eventually to the minister, for government to make a decision.

**Senator FORSHAW**—Is there any indication of when that might take place—how long that process will be?

**Prof. Pettigrew**—I prefer to defer that question to the secretary of the responsible department. The department has been responsible for the interdepartmental committee, so I would rather leave the department to answer the question.

**Ms Halton**—And the answer is that it is not completely clear yet. You understand well, Senator, what IDC processes are like.

**Senator FORSHAW**—I am not sure that I do; but, yes, okay.

**Ms Halton**—It is a question of reconciling a series of different views and getting appropriate input.

**Senator FORSHAW**—So it is a bit of a drawn-out process?

**Ms Halton**—I think it has been a carefully considered process.

**Senator FORSHAW**—I am sure that is what you meant earlier.

**Ms Halton**—Yes.

**Senator FORSHAW**—I just thought I would clarify that for you!

**Ms Halton**—Thank you.

**Senator FORSHAW**—But there has been no time frame identified in which to have this issue resolved? As I understand it—without going too far into those sorts of areas at the moment—there are concerns, and there have been concerns raised, about the impact of the review on the future role of the NHMRC and its independence.

**Ms Halton**—Yes. It is probably important to acknowledge—and Professor Pettigrew, I am sure, would endorse this—that there have been, as you would well understand, a number of changes to the NHMRC in the last few years, not all of which, I think we agree, have been either fully or effectively implemented—or perhaps, in hindsight, they could have been done a little better. So there are a number of things that are coming together here, one of which is in respect of Uhrig, but another is effectively a post-implementation review of the way the Wills review was implemented in respect of the NHMRC structure, and I know this is something that concerns council.

Effectively, what you have is a process that brings together a series of things—the ANAO report, the Wills review, the post-implementation review and Uhrig—and it is an opportunity, taking account of all of those factors, to say, ‘All right, the NHMRC actually is incredibly important,’ and certainly, as a portfolio, we regard it as being a very important component of the health and research landscape in this country. Taking account of all of these things in the landscape and the importance of the NHMRC, what should be advice to government in respect of the structural issues, taking into account—as I say, I am sure that Professor Pettigrew and I are completely as one on this—that our current structure could be improved upon? That process then, of course, has to result in some report or advice to government and then government has to consider that.

**Senator FORSHAW**—The council has provided its views following the March meeting. Is there any chance of you telling us what the views are, Professor Pettigrew?

**Prof. Pettigrew**—The council’s views were expressed in broad terms. They include reminding the committee that the council believes that the integration of the functions which it currently covers should be retained as an integrated structure—that is, covering research, health ethics, providing health advice on certain issues and regulating research involving human embryos—and that those are complementary functions which should be retained together. That needs to be borne in mind in looking at a structure.

The council is of a view that the secretariat for the NHMRC should be given more independence—and comes to a real issue around the governance structure that you might put in place and our relationship with the host department or the portfolio department. Council reiterated its view that it wishes to work very closely in the portfolio with other agencies as well as the host department, or the portfolio, and that the general way in which the council works, which involves the participation of many thousands of stakeholders in the operation of the NHMRC, really needs to be recognised and that strength needs to be brought through in the new governance structure—or not lost in the new governance structure. So the real role of council as a stakeholder body—and its principal committees as stakeholder bodies—really does need to be preserved. That all has to be married together, as the secretary has pointed out, in a structure which will operate effectively and maintain all of those strengths.

**Senator FORSHAW**—Thank you for that. That is all I have on that outcome.

[10.13 pm]

**CHAIR**—Thank you. We can proceed to outcome 4, the Asthma Management Program. We are starting with asthma and then, after asthma, we are going to diabetes.

**Ms Halton**—It is technically outcome 9, but why don’t you give it a go?

**CHAIR**—I do apologise. I thought it was outcome 4.

**Ms Halton**—What in respect of asthma do you need?

**Senator MOORE**—In terms of the Asthma Management Program and the funding that was going to GPs for asthma services.

**Ms Halton**—Yes, it is outcome 9. Why don't you tell us what you would like to know and we will see whether we can answer?

**Senator MOORE**—It is to do with the funding process. It is one of those funds that was previously in place for four years. Very similar questions to the one—

**Ms Halton**—It continued with no change.

**Senator MOORE**—The way I read the papers, though, there is a significant reduction in funds.

**Ms Halton**—I do not believe that to be the case.

**Senator MOORE**—I will go through the figures that I have from the budget papers and then you can tell me why I am wrong.

**Ms Halton**—This is the same as that other issue we were canvassing about consolidation.

**Senator MOORE**—It has been transferred to another area?

**Ms Halton**—Yes. There is no reduction in asthma money—that is the bottom line.

**Senator MOORE**—The original funding was for three years and it was \$48.4 million over four years. The funding in this budget is for \$27.1 million over four years, which, when you divide it out, is a reduction. Can you tell me where the funds that are no longer under this program have gone?

**Ms Halton**—Yes.

**Senator MOORE**—We are going to go through the budget again, are we? I just want to trace them through.

**Ms Halton**—Have you met Superman?

**Senator MOORE**—He has to come forward with the budget. Mr Clout, take me through how I trace this money.

**Mr Clout**—Senator, it is a very similar story to the situation with mental health. Page 3 of Health Fact Sheet No. 2 from the budget for 2005-06, has an explanation which says that \$27.1 million is being allocated over the four years from 2005-06 to continue the Asthma Management Program. In addition, funding of \$27.6 million over four years has been allocated to the Medicare benefits schedule. The \$27.6 million was transferred from PIP funding to the enhanced primary care item on the MBS.

**Senator MOORE**—When you add those figures, there is no funding decrease? It reflects the same level of funding? There has been no increase but no decrease?

**Ms Halton**—Correct.

**Senator MOORE**—Can you tell me how this money has been spent over the last series of years? Has all the money been spent?

**Ms Halton**—We will have to take that one on notice.

**Senator MOORE**—It is very similar.

**Ms Halton**—My understanding is the answer to that question is yes, but in terms of—

**Senator MOORE**—It was a highly publicised program, this one.

**Ms Halton**—Absolutely.

**Senator MOORE**—The doctors that accessed the program when it was in one area will now be able to get the services that were outlined there under the other program's funding?

**Ms Halton**—My understanding is that this is a technical realignment. If that is wrong, we will come back and tell you.

**Senator MOORE**—Right. In terms of awareness raising, extra knowledge—the highlighted activities of this program—the expectation was that they would be fulfilled under the double arrangement now. If there is any change in that, you will let us know?

**Ms Halton**—Absolutely right. That is fine.

**Senator MOORE**—When this program was originally funded, the budget papers talked particularly about money that was going to Diabetes Australia to provide support for syringes and also for enhanced programs in that way. When I look at the budget papers that show the continuation of the program, there is no mention of those kinds of programs and those kinds of funding arrangements with Diabetes Australia. Can you tell me whether that kind of activity continues?

**Ms Halton**—My understanding is there has not been a change in that arrangement. If that is not correct, I will come back on the record and tell you.

**Senator MOORE**—It was specifically spelt out in one set of budget papers.

**Ms Halton**—Yes.

**Senator MOORE**—Your understanding is the program has been well supported?

**Ms Halton**—Yes.

**Senator MOORE**—We spoke at length earlier about the way that the pharmacy agreement is being negotiated at the moment. In those negotiations is there any involvement in working with pharmacists to increase their work in the support, education and general community activity around asthma?

**Ms Halton**—Ms Blazow talked to you about the component that was on the table in respect of innovative activity.

**Senator MOORE**—Yes.

**Ms Halton**—You are aware that pharmacists get remunerated in respect of actual dispensing and also in terms of professional activity, plus innovation. We do not preclude the kinds of things that could be covered under innovation. We know pharmacists have a particular interest in a number of these areas, particularly in respect of chronic disease. Whilst we have not got into discussing the particular things on which we may use the resource, it will not surprise me in the slightest if we end up with those kinds of initiatives.

**Senator MOORE**—It could well be, but there is no requirement that there is?

**Ms Halton**—That is correct.

**Senator MOORE**—I would imagine that the answers for this one would be very similar but I would like to get them on record. They are to do with the National Integrated Diabetes Program. The program was initiated and has been reauthorised and has funding of \$44.2 million over four years. Can you explain to me how the money has been transferred, if the money has been transferred?

**Mr Clout**—It is an identical transaction.

**Senator MOORE**—How much is going where?

**Mr Clout**—Page 3 of Health Fact Sheet No. 2—the same sheet as before—has an explanation. What it does not have is the figure—the amount that was transferred to the enhanced primary care item. It would be in the order of about \$50 million.

**Senator MOORE**—So the explanation there is the same. The funding that has been reallocated specifically under this heading of \$44.2 million over four years has been retained under this heading but the difference has been transferred to enhanced primary care?

**Mr Clout**—I make it \$48 million.

**Senator MOORE**—When you add those two figures together you get a similar figure of \$59.1 million over four years?

**Mr Clout**—Yes. The figure you would get would be the amount that was in the forward estimates, which would be more or less a continuation of the program.

**Senator MOORE**—So there has been no increase but no reduction in this program?

**Ms Halton**—Correct.

**Senator MOORE**—In terms of expenditure over the period of the first round of the program, has all that money been expended?

**Ms Halton**—That is my understanding but, again, if I am wrong we will come back.

**Senator MOORE**—Yes. It would fall under the same heading as the relationship with the pharmacy agreement. It would be under chronic illness.

**Ms Halton**—Precisely.

**Senator MOORE**—And the same kind of expectation?

**Ms Halton**—Precisely.

**Senator MOORE**—Cervical cancer screening for GPs: have I managed to get the right area for that one? I have very similar questions for this one as well, in that it is an existing program which has continued. In Budget Paper No. 2, on page 184, it said the program was initiated in 2001-02 with funding of \$71.9 million over four years. Funding in 2004-05 was estimated to be \$27.8 million. It has been reauthorised but only for 2005-06.

**Mr Singh**—That is correct, Senator. The funding is \$31.6 million for this coming year. The funding is in the forward estimates, but it has not been published in the budget, so that the mechanisms for delivering the program can be examined.

**Senator MOORE**—Can you tell me why this particular program, which was originally for four years, seems to be funded for only one year at this stage?

**Mr Singh**—Certainly. The most substantial component of the funding is an outcomes payment which is paid to practices that ensure a certain level of screening of the women attending the practice. At the beginning of 2004-05 the formula was changed and the number of practices that qualified decreased. We needed to investigate that and put a more appropriate formula in place, which was done in May. Obviously, given the lack of time, we have not been able to fully evaluate whether that has the correct effect. That will be done over the coming financial year, at which point the funding will be re-evaluated.

**Senator MOORE**—This was an internal review of what was happening?

**Mr Singh**—That is right.

**Senator MOORE**—Can you tell me how much was spent on this program in the last financial year?

**Mr Singh**—In 2004-05 \$12.5 million was paid.

**Senator MOORE**—Up until now?

**Mr Singh**—Yes, that is right. We just had the May payment run, so that is the entire financial year. I should point out that there is a last component of that funding which goes to Medicare for consults generated as a result of this incentive to screen women.

**Senator MOORE**—This is a double payment—where you have two major elements of the payment.

**Mr Singh**—There are two elements. I would not necessarily call it a double payment. I do not have the figure for the MBS spend.

**Senator MOORE**—Will you have that at the end of the financial year?

**Mr Singh**—Again, the difficulty is that it is harder to identify the particular services that result from this, but indicatively we would expect that the money had been fully expended.

**Senator MOORE**—We talked at a previous time about the reduction in the number of practices that met the requirements to access this fund. We have had this discussion in the past. Have you itemised what seems to be the difficulty with people using this particular program?

**Mr Singh**—Our investigations suggested a number of factors: one was that perhaps more smears were taken in the public sector than expected; secondly, that the number of women that have hysterectomies who are not sexually active in that age range might have been greater than was expected; and the third major effect was that the time period set was 24 months and many women delayed their screen beyond that period. We have considered the formula in light of those things and come up with something we believe is fair and effective but still—

**Senator MOORE**—Is the new formula now operational?

**Mr Singh**—That is correct. It went into operation in May.

**Senator MOORE**—Can we get a copy of that information about the way it has changed?

**Ms Halton**—Yes.

**Mr Singh**—There is not a report per se but I can tell you that the formula is basically: 50 per cent of women attending the practice between the ages of 20 and 69 have been screened and had a pap smear taken within the past 30 months.

**Senator MOORE**—Is it possible, Mr Singh, so that I can get this absolutely accurate, to get something from you? I suppose it is a question on notice to an extent. I want something in a printed format that shows what the old formula was and what the new formula is. I would like to have that written, because I will not get it—

**Ms Halton**—We will put it on a piece of paper.

**Senator MOORE**—That would be really useful. If there are subsequent questions about how and why, we will get back to you.

**Ms Halton**—That is fine; not a problem.

**Senator MOORE**—It just makes sense.

**Ms Halton**—Senator, at the risk of interrupting your flow, I am conscious that we are trying to get something for Senator Evans.

**Senator MOORE**—Do you have it?

**Ms Halton**—I have it. Can I table that for you.

**Senator CHRIS EVANS**—That would be good. Thank you.

**Ms Halton**—Can I make a comment to you about one of these. It is important, at the risk of labouring the point, to understand the difference between registered families and people actually qualifying. In this table, when you get it, the first two are registrations. That column is actual qualifications for safety net benefits.

**Senator CHRIS EVANS**—Qualifications?

**Ms Halton**—As in ‘You’ve reached the threshold.’

**Senator CHRIS EVANS**—Those who have accessed the benefits.

**Ms Halton**—Yes, and those are cash flows.

**Senator CHRIS EVANS**—Thank you.

**Ms Halton**—Sorry it has taken so long.

**Senator MOORE**—We were particularly concerned about what the department was doing to encourage more doctors to use the services. Is there anything else besides the change in the formula that is being put in place to encourage a greater uptake for, particularly, the screening processes?

**Mr Singh**—Obviously we made some effort to inform doctors of the revised formula.

**Senator MOORE**—How do you do that, Mr Singh? What is the process for telling them it has changed and encouraging them on to the program?

**Mr Singh**—It would obviously depend on the type of measure you were putting in place. On occasions we would be writing to all GPs. We would be placing notices on our web site.

We might ask the GP groups to distribute information through their channels. There is also the practice program payment statement, which contains information on changes.

**Senator MOORE**—Doctors were not accessing it, or the usage was lower than you had hoped in the previous period. You talked about the formula aspects, about the number of patients and how they could put off their tests and so on. Was it the awareness and activity of the patients that was a major issue in terms of why the doctors were not accessing the service?

**Mr Singh**—The doctors were accessing the service. It was simply that a proportion—

**Senator MOORE**—They did not meet the numbers.

**Mr Singh**—of the activity was not being captured in the Medicare system.

**Senator MOORE**—It is an activity based payment, isn't it?

**Mr Singh**—That is right.

**Senator MOORE**—So the background as to how this is done is that doctors commit to meeting a certain amount of testing?

**Mr Singh**—We look at the outcomes through Medicare.

**Senator MOORE**—That is the only measure?

**Mr Singh**—That is right.

**Senator MOORE**—We talked before about the fact that doctors were not being able to access the money, even though they knew about it, and that was because they were not meeting the requirements?

**Mr Singh**—They were not meeting the requirements. That is right.

**Senator MOORE**—I just wanted to get that very clear in my own mind.

**Mr Singh**—Yes.

**Senator MOORE**—I now have some questions that pick up on things that I asked about under mental health—but with a slightly different focus in this particular area. They cross over. Under the questions about the mental health program in outcome 9, we talked about how some of the funding has moved into the chronic disease area and how that is a new initiative. In terms of generally the issue of chronic disease items in the budget, is there a new approach to chronic disease issues in this particular budget?

**Mr Singh**—Not in this particular budget. The money was transferred at additional estimates.

**Senator MOORE**—Additional estimates?

**Mr Singh**—Yes, in 2004-05.

**Senator MOORE**—Is there a new approach since additional estimates?

**Mr Singh**—What we are working on is the introduction of new care planning items that will replace the existing items, make it easier for GPs to use them and cover more patients.

**Senator MOORE**—Is there any new funding to these programs, or is it—as we have heard with the previous questions—more a realignment of funding out of one area into another, picking up the same issues? Is there any new money?

**Mr Singh**—No, these are realignments.

**Senator MOORE**—When will the new process be in place? Is that from 1 July 2005?

**Mr Singh**—We are certainly working towards that date.

**Senator MOORE**—At the moment the money is still from the additional estimates under the old titles, but the actual changes and the reallocation occur from 1 July?

**Mr Singh**—We hope the new items will be available from 1 July.

**Senator MOORE**—I know that in answer to the question about mental health there was a consideration that it was working to the advisory group that was already set up in the area. Was there any other form of consultation with community, clients, or doctors' groups about this approach?

**Mr Singh**—The new items were developed through the normal process, which involves a Medicare benefits consultative committee established by the AMA and which has the four main GP groups on there.

**Senator MOORE**—That is the standard group that is in existence?

**Mr Singh**—That is right.

**Senator MOORE**—Was there any other form of consultation, or was that the major way?

**Mr Singh**—That was the major way.

**Senator MOORE**—Has the department received any feedback from people about this approach—whether it is something they are welcoming, understanding or disagreeing with?

**Mr Singh**—I think it is true to say that a number of allied health groups did express a wish, if this process was undergone again, to be involved in the process. The important thing there is that the development of the items preceded the introduction of the allied health items.

**Senator MOORE**—When you say 'allied health' that would be the various therapists.

**Mr Singh**—That is correct.

**Senator MOORE**—What will the GP mental health item involve? Now the item is going to be set up, what will that involve?

**Mr Singh**—It will not be a mental health item per se. There will be two items which form the main core of what will be available: one will be a GP management plan, the second will be coordinating team care arrangements. The SIP does remain. We are not eliminating the SIPs.

**Senator MOORE**—The current SIP, as it operates, continues.

**Mr Singh**—That is right.

**Senator MOORE**—Can you tell me what the team care process is?

**Mr Singh**—The doctor there would most likely have a management plan in place and therefore would have assessed the patient and made a judgment about the services the patient needs and would have decided that the patient would benefit from services provided by other providers. The team care arrangement is an opportunity to then talk to those providers and determine the services they will provide for the patient, document those and put them in place.

**Senator MOORE**—So then you get a group arrangement?

**Mr Singh**—That is right. In nature, it is not dissimilar to the current multidisciplinary plan item but, effectively, that has been broken in two.

**Senator MOORE**—It is another one that has been realigned, is that right?

**Mr Singh**—To some extent that is correct.

**Senator MOORE**—I did ask in the previous round of questions about the way the money was changing and the way the responsibilities were changing, particularly under mental health. I cannot remember who answered that question, but can I get, just for clarity, exactly how GPs accessing support under what used to be the One Place and now is the Better Outcomes in Mental Health Care area interact?

**Mr Singh**—As you have heard, we expect that all the Better Outcomes in Mental Health Care aspects will remain in place. It will simply be that GPs now have an option to do a GP management plan for patients with a chronic illness, which would include mental health.

**Senator MOORE**—Which could include mental health?

**Mr Singh**—Which could include mental health, that is right.

**Senator MOORE**—Will there be an expectation of specialist training for GPs who access these programs?

**Mr Singh**—No.

**Senator MOORE**—Is there one now?

**Mr Singh**—Only for those items under the Better Outcomes in Mental Health Care.

**Senator MOORE**—If a practice was still accessing funding through the Better Outcomes in Mental Health Care, they would be required to do whatever the required training program is.

**Mr Singh**—That is right.

**Senator MOORE**—But if they were using the support through this new chronic disease one, there is no particular training element linked to that?

**Mr Singh**—No, there is not any formal requirement. I do believe that a number of GPs have undertaken training for the Better Outcomes program and have not gone on to use the service incentive payment very much, so they are obviously incorporating that knowledge into their existing practice, perhaps through existing consultation items. Some of those might choose to use the new management plan.

**Senator MOORE**—Are you aware of any reason why that training element is not being used in the chronic area?

**Mr Singh**—I think it is true to say that the requirement for training, while certainly helpful in helping GPs' understanding of what to do, might also have put off some GPs and therefore might have resulted in that lower uptake, on the mental health side of things, than we would have hoped for. We are certainly intending to work to put some best practice guidelines in place for chronic diseases that would be covered by the new items, so they would still have a best practice model to work with.

**Senator MOORE**—Did that evidence of possible disincentive come from feedback from doctors?

**Mr Singh**—Certainly the red tape review identified the SIPs, including the mental health SIP, yes.

**Senator MOORE**—It was part of the general red tape review?

**Mr Singh**—That is right.

**Senator MOORE**—It wasn't particular research on the previous program?

**Mr Singh**—No.

**Senator MOORE**—I think that has covered all my questions. When we get the information from you showing the different funding arrangements, we may then have some clarification questions, but in terms of what I needed to have on record tonight, that is it. I would like to move on to GP training through GPET. Is that you again, Mr Singh.

**Mr Singh**—Yes.

**Senator MOORE**—How many GP training places were available this year?

**Mr Singh**—Six hundred.

**Senator MOORE**—That was what was advertised as being available?

**Mr Singh**—That is right.

**Senator MOORE**—How many of these were filled?

**Mr Singh**—Five hundred and thirty-two.

**Senator MOORE**—Close! How many of the unfilled places—70-odd—were in rural areas?

**Mr Singh**—That is not as simple a question as it might appear.

**Senator MOORE**—Tell me why it is not simple, Mr Singh.

**Mr Singh**—GPET uses an overallocation model, so the number of places is not entirely fixed, but the indicative number would be 250 rural training places.

**Senator MOORE**—'Indicative' means that would be the number you hope would come from the rural area?

**Mr Singh**—That is right. Perhaps the easiest way to put it is that 72 per cent of the Rural Pathway places were filled.

**Senator MOORE**—This program has been around for a while and we have been asking questions about it. How does this particular usage rate compare with the previous four years?

**Mr Singh**—I do not have the detailed breakdown available. It is lower than last year.

**Senator MOORE**—There has been less take-up?

**Mr Singh**—There has been a lower intake than last year—fewer places were filled—but in the preceding couple of years there were fewer training places available.

**Senator MOORE**—Mr Singh, can we put that on notice, just to get those accurate figures—but I do appreciate your attempt to give us information. There is some question that the decrease in the number of trainees is related to the fact that in the 1990s there were fewer medical graduates. If fewer GPs came out of university training, that might indicate a reason for the lower uptake in this process than you had thought it would be. Is that an argument you have heard before?

**Mr Singh**—I think the argument we have heard is that there is greater competition from specialist training courses for a limited pool of undergraduates. In other words, there are more specialist training places available, including in general practice.

**Senator MOORE**—But as a matter of course within your agency you review how and why places have been taken or not taken? That is part of your job?

**Mr Singh**—That is something that GPET would do.

**Senator MOORE**—And who would do that monitoring with you?

**Mr Singh**—I believe it would be internal to GPET.

**Senator MOORE**—Regarding the GP work force, I have some straight work force data questions. Does the department collect data on full-time equivalent GPs and population ratios—or just on GPs and population numbers?

**Mr Singh**—We would have those pieces of information separately.

**Senator MOORE**—You do have that figure, Mr Singh? Can we get those?

**Mr Singh**—Do you want a GP to population ratio for all of Australia?

**Senator MOORE**—Yes, please. Do you have the population numbers as well? Is that data you keep that is not going to cause a great deal of research? Is that something that should be able to be obtained easily?

**Mr Singh**—We do not have the figures with us.

**Senator MOORE**—No, but are they easily obtained?

**Mr Singh**—We can source them for you.

**Senator MOORE**—Can we get that from you. How is the data collected? Is it done by statistical local area, by RRMA?

**Mr Singh**—We are aware of where GPs are located, so we can slice it in a number of different ways. That would include by SLA and RRMA.

**Senator MOORE**—Can you slice it by electorate?

**Ms Halton**—You understand the issues around electorate data.

**Senator MOORE**—Sure, yes.

**Ms Halton**—The minister has made a decision in respect of annual electorate data, and I think that applies here as well.

**Senator MOORE**—Is that decision still current?

**Ms Halton**—That is my understanding.

**Senator MOORE**—To the best of the ability to have that obtained, can we get that data by electorate?

**Ms Halton**—In the time frame?

**Senator MOORE**—In the time frame, yes.

**Ms Halton**—In the time frame that we publish electorate data, that is an issue for the minister. In terms of national state based figures, it is fine. I am happy to get those. We will do that in a timely fashion.

**Senator MOORE**—How about statistical local area? The minister's decision doesn't relate to that, does it?

**Ms Halton**—SLA is a very small area. Without looking at this, but in anticipation, I suspect there are going to be privacy issues about SLAs.

**Senator MOORE**—Can we get the information and the rationale around the information in the same answer. That would be useful.

**Ms Halton**—Yes, sure.

**Senator MOORE**—What would be the most recent data that the department has? When was the last collection?

**Mr Singh**—The data that is used is Medicare data, so it is ongoing.

**Senator MOORE**—Is accessing that base fortnightly or monthly?

**Mr Singh**—I believe the HIC sends information daily on Medicare claims.

**Senator MOORE**—Which would then be able to be sliced. Recent information shows a low uptake of some of the enhanced primary care/allied health services items, especially dental. The uptake has been quite low. We would like to have a look at this—and this follows on from questions we have asked previously. We received data from the department in response to question No. EO5102, where we received general information about the breakdown of allied health services, the number of services and the cost of services. We received specialised data with a graph. I am after a more recent version of that response.

**Mr Singh**—An update to the table that was provided?

**Senator MOORE**—Yes. As you have already formatted it in that way, would that be something you could provide?

**Mr Singh**—Yes. It is not information I have here, but we can provide that.

**Senator MOORE**—Just in terms of the process—because it spreads out the kind of item, where it was, the number of patients, Medicare benefits paid, average benefit and average out-of-pocket services. What is the expected number of services in this time frame versus the actual number of services?

**Mr Singh**—I can tell you that, as at the end of April, 183,680 allied health and dental services had been claimed. I do not have the expected number with me.

**Senator MOORE**—Can we get that? That would be useful. What we know is that it is lower than expected. This is an area where there has been lots of discussion. Has the department done any review of why this uptake has been so low?

**Mr Singh**—I think it is fair to say that we are monitoring the usage of the items. As you are probably aware, the number of EPC care plans has been growing quite strongly.

**Senator MOORE**—That has picked up, hasn't it?

**Mr Singh**—That is right, but there is a time lag to people then going on to access the allied health items.

**Senator MOORE**—Who does the review? I know you monitor it within the section. In terms of issues like the low uptake, is there any kind of review process? Who would do that? Internally again?

**Mr Singh**—Obviously, we would be doing those sorts of things. We also have a consultative group, with representatives of the allied health and dental professions and GP groups, and that group is looking at the numbers.

**Senator MOORE**—Has the issue of the large out-of-pocket expenses come up as a concern?

**Mr Singh**—No, that has not been raised. I am not sure that we would characterise them as large out-of-pocket expenses. I believe that the information you were provided with suggested that the average for patient-billed services was \$9.09.

**Senator MOORE**—As you would expect, it varies considerably across the different services. Depending on who you are, I would think that some of those are significant, particularly dental treatment. That is the one that leaps off the page.

**Mr Singh**—Sure. I should point out, though, that 87 per cent of all services to the end of December—so compatible with the figures that you have—were billed at or below the scheduled fee.

**Senator MOORE**—When you look at the uptake of the various AHS items available under the program—and they are all listed—and measure them against what is known about community needs, is there anything that particularly stands out for the department?

**Mr Singh**—I do not think so. Obviously, physiotherapy is the very largest part of it, followed by podiatry and then dietetics. I think that reflects the nature of the referrals that general practice tends to make.

**Senator MOORE**—I know that the physiotherapy group—and I forget their name—have been quite vocal with their concerns about the lack of access to services and how the community is unaware of processes and is not valuing their area. Are they involved in the allied health consultative process?

**Mr Singh**—They are.

**Senator MOORE**—And the issues that I have raised are things that they have raised in that process?

**Mr Singh**—That is right.

**Senator MOORE**—Do you see, from the research that I know you have done, that there is any correlation between out-of-pocket costs and uptake?

**Mr Singh**—I do not believe that there is.

**Senator MOORE**—That is not a decision that has been taken by the department?

**Mr Singh**—That is correct. Obviously, there have only been a certain number of months in place for us to evaluate that data.

**Senator MOORE**—How will the new changes to the EPC program, which were directly as a result of the long-awaited red tape review, affect access to these AHS items?

**Mr Singh**—We do not believe that access will be affected at all. In fact, we expect that the number of allied health services will increase as a result of the new items, because they are easier for GPs to use.

**Senator MOORE**—Are you aware that some AHS groups have expressed concern that these changes will, in fact, act to limit access to EPC items?

**Mr Singh**—We are, and I have discussed that with those groups. It came up at the most recent meeting of the consultative group, I think, just a couple of weeks ago. I believe that it is based on a misunderstanding. They have not yet seen the nature of the items and the entry point for the allied health items.

**Senator MOORE**—Did any future action come out of that consultative arrangement—about how the process would work?

**Mr Singh**—A couple of the allied health groups actually came out and supported the changes. The others were willing to wait and see. Both ourselves and the GPs explained the changes to the allied health groups, and the fact that the changes are not cost-neutral in the sense that there is a large increase in the amount of money expected to be spent on care planning certainly went some way to reassuring them.

**Senator MOORE**—So there is an expectation that the care plan will be wider than just medical care.

**Mr Singh**—There is an expectation that more GPs will be undertaking care planning and, as a result, will go on to the team care arrangements and then to making allied health items available for their patients.

**Senator MOORE**—One of the concerns that has been raised in various meetings, and through the media as well, is that busy GPs will go it alone and that it will be an incentive for people who are busy just to look after their own area. Is that something that has been raised with the department?

**Mr Singh**—We have heard that concern expressed.

**Senator MOORE**—And the response?

**Mr Singh**—We do not believe that that will be the case. The fees have been set in consultation with the GP groups, or at least have been recommended, at a level which we believe will preserve the incentive to do both items and therefore get access to the allied health items. I think also that GPs will see a very tangible benefit for their patients in doing the team care arrangements and therefore being able to access the allied health items.

**Senator MOORE**—In relation to the consultative arrangement—and I know that it is a longstanding consultative arrangement—are there formal times for those meetings or are they as required?

**Mr Singh**—They are intended to be about every three months.

**Senator MOORE**—So this last one was the one where you have just mentioned that these items came up. You will know, as a department, in the next three or maybe six months—and we may know through discussion after that—whether those concerns have been validated?

**Mr Singh**—That is correct.

**Senator MOORE**—Is that how you see it?

**Mr Singh**—Yes.

**Ms Halton**—We have a small correction, sorry.

**Mr Clout**—Senator, I gave a figure of \$48 million, which was the amount to the EPC for diabetes. I have reflected on that. I think I have mixed two sets of four-year figures—some 2007-08 figures to some 2008-09 figures.

**Senator MOORE**—Mr Clout, can you have a look at that and come back to us?

**Mr Clout**—I can give you the right number tomorrow.

**Senator MOORE**—That would be really useful in terms of—

**Mr Clout**—It will not be \$48 million; it will be more than that.

**Senator MOORE**—As you explained the process, the actual dollar figure could be different.

**Mr Clout**—The dollars will be different; they will be higher.

**Senator MOORE**—If you could bring me those new dollar figures sometime tomorrow, that would be good. Thank you, Mr Clout.

**CHAIR**—Thank you all for your attendance today.

**Committee adjourned at 10.53 pm**