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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Estimates

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Wednesday, 27 June 2018

Members in attendance: Senators Brockman, Singh, Watt.

HEALTH PORTFOLIO

In attendance

Senator McKenzie, Minister for Sport, Minister for Rural Health, Minister for Regional Communications

Department of Health

Executive

Ms Glenys Beauchamp PSM, Secretary

Professor Brendan Murphy, Chief Medical Officer

Ms Caroline Edwards, Deputy Secretary, Health Systems Policy and Primary Care Group

Ms Penny Shakespeare, Acting Deputy Secretary, Health Financing Group

Daniel McCabe, Acting Deputy Secretary, Corporate Operations Group

Whole of Portfolio

Mr Charles Wann, First Assistant Secretary, Financial Management Division

Outcome 1

Ms Caroline Edwards, Deputy Secretary, Health Systems Policy and Primary Care Group

Dr Nick Hartland, First Assistant Secretary, Health Economics and Research Division

Dr Alison Morehead, First Assistant Secretary, Primary Care and Mental Health Division, Primary Care and Mental Health Division

Mr Charles Maskell-Knight, Principal Adviser, Long Term Health Reform Taskforce

Mr Chris Bedford, Assistant Secretary, Primary Health Networks Branch, Primary Care and Mental Health Division

Ms Janet Quigley, Assistant Secretary, Primary Care, Dental and Palliative Care Branch, Primary Care and Mental Health Division

Outcome 2

Ms Caroline Edwards, Deputy Secretary, Health Systems Policy and Primary Care Group

Dr Nick Hartland, First Assistant Secretary, Health Economics and Research Division

Dr Alison Morehead, First Assistant Secretary, Primary Care and Mental Health Division, Primary Care and Mental Health Division

Mr Charles Maskell-Knight, Principal Adviser, Long Term Health Reform Taskforce

Mr Chris Bedford, Assistant Secretary, Primary Health Networks Branch, Primary Care and Mental Health Division

Ms Penny Shakespeare, Acting Deputy Secretary, Health Financing Group

Mr James Downie, Chief Executive Officer, Independent Hospital Pricing Authority

Ms Olga Liavas, Acting Chief Executive Officer, Independent Hospital Pricing Authority

Outcome 4

Ms Caroline Edwards, Deputy Secretary, Health Systems Policy and Primary Care Group

Dr Nick Hartland, First Assistant Secretary, Health Economics and Research Division

Dr Alison Morehead, First Assistant Secretary, Primary Care and Mental Health Division, Primary Care and Mental Health Division

Mr Charles Maskell-Knight, Principal Adviser, Long Term Health Reform Taskforce

Mr Chris Bedford, Assistant Secretary, Primary Health Networks Branch, Primary Care and Mental Health Division

Mr David Weiss, First Assistant Secretary, Medical Benefits Division

Ms Adriana Platona, First Assistant Secretary, Technology Assessment and Access Division

Ms Janet Quigley, Assistant Secretary, Primary Care, Dental and Palliative Care Branch, Primary Care and Mental Health Division

Outcome 5

Professor Brendan Murphy, Chief Medical Officer

Dr Anthony Hobbs, Deputy Chief Medical Officer

Ms Sharon Appleyard, First Assistant Secretary, Office of Health Protection

Ms Sarah Norris, Acting Assistant Secretary, Health Protection Policy Branch, Office of Health Protection

Dr Masha Somi, Assistant Secretary, Immunisation Branch, Office of Health Protection

Evidence from Mr Downie was taken via teleconference—

Committee met at [09:01]

CHAIR (Senator Brockman): It being 9.01 am, I declare open this meeting of the Senate Community Affairs Legislation Committee on 27 June 2018. The committee is in continuation from its hearing on 29 and 30 May 2018, and will further consider particulars of the proposed expenditure for 2018-19 for the health portfolio. The committee may also consider the annual reports of the Department of Health and agencies of the health portfolio. The Senate has agreed to an extension for the tabling date for the committee's report to 13 July, 2018, and the committee has fixed 8 August 2018 as the date for the return of answers to questions taken on notice at this hearing. Senators' written questions on notice should be submitted to the secretariat by 4 July 2018. Questions taken on notice at the committee's previous hearings are due by the date originally fixed—that is, 16 July 2018.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Any such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings: any question going to the operations or financial position of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. 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.

The Senate has resolved also that an officer of the department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy, and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May, 2009 specifying the process by which a claim of public immunity should be raised, which will be incorporate by Hansard:

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

Department of Health

CHAIR: I welcome Senator the Hon. Bridget McKenzie, representing the Minister for Health, and officers of the Department of Health. Ms Beauchamp, welcome. Minister, do you wish to make an opening statement?

Senator McKenzie: No, I don't.

CHAIR: Great. In that case we will kick off straight away. Let's try to step through the program as much as possible, although we will go to outcome 2 as soon as our teleconference official is available.

Senator WATT: Is that where IHPA comes up, in outcome 2?

CHAIR: Yes. If possible, Senator Watt, can we start with outcome 1.

Senator WATT: Sure.

Ms Beauchamp: Excuse me, Chair; the official is actually waiting to be called.

CHAIR: We will give it a couple of minutes and then we had better get started elsewhere. Otherwise, we'll run out of time.

Ms Liavas: I am the acting CEO of the Independent Hospital Pricing Authority. Our CEO is in Ireland at the moment.

CHAIR: I understand.

Senator WATT: We are trying to connect to him.

CHAIR: If we can't connect relatively soon, given that we are fairly time-limited this morning, I think we probably should get started. You might need to take some questions on notice, but, hopefully, the teleconference hook up will work at some point. Given that we do have a representative from IHPA here, Murray, I think we may as well get started.

Senator WATT: Can you give me 30 seconds. I'm just working out some other questions and which outcome they best fall under. I have some additional questions. I'm just trying to work out the best outcome. Now that we have the outcome 1 people, we could possibly start on those and come back to the IHPA. I've got some questions, probably for Professor Murphy, about breast cancer treatment costs. Is that an outcome 1 matter?

Ms Beauchamp: Yes.

Senator WATT: Okay, let's kick off on those while we are waiting for the videoconference. Professor Murphy, can you tell us about the government website for the transparency of breast cancer treatment costs? If you are not aware of that, is there anyone else who can tell us?

Prof. Murphy: When you say 'government website' are you referring to the proposed transparency website that the out-of-pocket costs committee is developing at the moment?

Senator WATT: I think that's the one. I understand that the minister, last week, announced a new website for transparency of breast cancer treatment costs.

Prof. Murphy: Yes. It is not limited to breast cancer. He was speaking at a breast cancer forum and indicating that the Ministerial Advisory Committee on Out-of-Pocket Costs is very well advanced in developing a transparency solution, as I indicated at previous estimates, designed to provide consumer transparency about all

aspects of private medical practice—consultation fees, admitted patient service fees and fees for things like radiotherapy. So I think he was alluding to the fact that this solution more generally would meet the needs of cancer patients and breast cancer patients as well so that they could find information about each stage of their treatment. One of the concerns expressed to us by cancer patients is that they have an accumulation of costs. They may choose to have a private breast surgeon and they then get referred on to a private radiation oncologist and then a private medical oncologist and they may end up with an accumulation of fees. So the solution is that people will be able to check the information at each stage of their treatment journey. They may choose to continue in the private sector but choose a different private provider or, in some cases, they may choose to go into the public sector. This is our long-term solution in terms of transparency of private medical fees. Breast cancer will certainly benefit from that, as will other cancers—as will all private medical treatment.

Senator WATT: Will that website include the cost of treatment outside hospitals—GPs, specialists, tests and scans?

Prof. Murphy: The committee hasn't produced its final advice to the minister yet. At the moment, certainly, we are considering in scope non-admitted medical fees—but probably not, in the first instance, those of general practitioners because the concerns have mainly been expressed to the committee and our initial efforts are addressing non-GP specialist costs.

Senator WATT: Will it include details on fees charged by individual providers?

Prof. Murphy: Again, we haven't finally settled with the expert panel how it will be expressed. But the clear intention is that a consumer will be able to compare and contrast specialist fee approaches to enable them to choose their specialist. It will include either a fee table or some data on previous fees charged. We are working through those situations at the moment. But the intent is that, to the extent that you can provide it in a simple way, consumers will get enough information to get a pretty good guide to what they will be charged and to be able to compare specialist with one another.

Senator WATT: Will it be tailored to each patient's insurance status? For example, will they be able to enter the details of their insurer or product and see the expected gap charges?

Prof. Murphy: It is unlikely that we could have every permutation and combination of insurers. The idea is likely to be that we would provide general and reasonably broad information. Specific patients may have to contact their insurers, but we will be providing them with the information about how to do that.

Senator WATT: Okay. And I should have put on record that we welcome this website; we think it is a good thing. Has the Ministerial Advisory Committee on Out-of-Pocket Costs reported to the minister?

Prof. Murphy: Informally we have, but we are not due to produce a formal report until the end of this calendar year.

Senator WATT: So the committee did not advise the minister on this particular website?

Prof. Murphy: The minister has been informed about the progress of the committee and the minister was aware that this website is under active consideration by the committee. That, I think, would have advised his discussion with the breast cancer stakeholders.

Senator WATT: Were you made aware of the announcement before it was made?

Prof. Murphy: The minister's office asked me about progress and I said the committee would be comfortable to give some indication of what we were developing.

Senator WATT: It wasn't so much that the minister was seeking your advice, it was more a heads-up that he was going to make an announcement?

Prof. Murphy: No. He was seeking advice about whether that was an appropriate thing to announce in a public domain at this stage.

Senator WATT: Is there any reason, then, for the delay in getting this going given the minister has made the announcement of the model for breast cancer?

Prof. Murphy: Like many things in health, it is very complex. To provide information to consumers that is comprehensible and to have every single specialist doctor engaged requires a lot of consultation and working through. We want to get this right, so we are spending significant time with the medical stakeholders and with consumers. We don't want to set up something that is not functional. So it is going to take some time to get it right.

Senator WATT: Chair, I understand that we have Mr Downie available by phone and that the videoconference won't work. So let's go back to the IHPA matters.

CHAIR: Mr Downie, thank you very much for joining us at such an unpleasant hour and on your holiday. Senator Watt has the call and will ask you some questions.

Senator WATT: Thanks, Mr Downie. We appreciate you doing this on holidays, in the middle of the night and overseas. The videoconference is not working, so we are going to proceed with a teleconference instead. Ms Liavas is in the room. I will address some questions to you initially, Mr Downie, but obviously Ms Liavas can jump in at any point too. I understand that the Independent Hospital Pricing Authority is building quality incentives into its pricing framework. Can you give us a quick update on that program of work?

Mr Downie: There is three pieces of work to incorporating safety and quality into the national efficient price. The first one is sentinel events. That came into effect on 1 July 2017. From that date onwards, there has been no Commonwealth contribution to episodes that include a sentinel event. The second comes into effect on 1 July 2018 and there is a reduced payment for any episode that includes a hospital required complication. And the third part is hospital readmissions, which IHPA is currently consulting on, and there was no time frame set for that in the addendum. We will be seeking feedback from stakeholders over the coming weeks and months on that.

Senator WATT: With regard to your work program for 2018-19, can you briefly tell me about the role IHPA has had in improving efficiency in the public hospital sector and what impact that has had on price?

Mr Downie: Since 2012 we have seen a significant slowing in the growth of hospital costs if we measure that using the national weighted activity units. Prior to 2012 the annual growth rate in unit costs was around four per cent per annum. Since 2012 we have seen that growth rate slow significantly to an average of around one per cent per annum over the last four or five years. That is not just due to activity based funding. A range of different factors have influenced that. But we have certainly seen activity based funding and the national efficient price contribute to a national slowdown in the growth of hospital costs in terms of unit costs. Activity growth is still sound; it is still growing. But the national efficient price is growing much more slowly than had been anticipated at the beginning of the agreement.

Senator WATT: Is there anything specific you can tell me about IHPA's role in pricing in emergency departments and the effect this has had on waiting times and access?

Mr Downie: We price activity in emergency departments using the classification system called the urgency related groups. I am not aware of, and we do not have, any data to link our pricing work to waiting times. That is not something IHPA looks at in our remit. Waiting times are often a function of volume, and volumes are set by the states and territories as system managers and purchasers of activity in public hospitals.

Senator WATT: Mr Downie, how long have you been in the role?

Mr Downie: I have been acting CEO and CEO for just over three years.

Senator WATT: How often do you meet with the minister and his office?

Mr Downie: I have met the current minister once. The chair and I met Minister Hunt in May last year. Sorry, there was a second meeting. The deputy chair and I met with the minister in January this year.

Senator WATT: So there have only been two meetings that you have been part of with the current minister?

Mr Downie: Yes.

Senator WATT: And what about with his office?

Mr Downie: I meet with his office as needed—not particularly regularly. The last time I met his adviser for hospitals was before the last estimates session.

Senator WATT: How would you describe the tone of the meetings that you've had with the minister?

Mr Downie: They've been like most ministerial meetings, I guess. We meet with state ministers regularly as well. There was certainly nothing to note.

Senator WATT: In your meetings with the minister, had there been any instances where you would say that the minister had not abided by the Statement of Ministerial Standards and, specifically, the need for ministers to behave, in their personal relations with others, with integrity and respect?

Mr Downie: I'm not familiar with the detail of ministerial requirements, but I certainly have had no issues of that nature.

Senator WATT: You believe that, in those meetings that you've had with the minister, he has treated you with integrity and respect?

Mr Downie: Yes, absolutely.

Senator WATT: Are you aware of the media reports that surfaced a couple of weeks ago regarding the minister's behaviour and the tirade he launched at the mayor of Katherine?

CHAIR: Senator Watt, I'm not really sure how the head of the Independent Hospital Pricing Authority has any—

Senator WATT: I'm just asking whether he's aware of those reports. I'm not going to ask him in detail about those reports.

CHAIR: But, as to whether he's aware of those report, I'm not sure how that's a relevant question for estimates.

Senator WATT: It provides some context to my questions, that's all. Are you aware of those reports, Mr Downie? They were the ones where it was alleged that Mr Hunt had told the mayor of Katherine to 'effing get over herself' and went on to say that she needed to make Senator Scullion her 'effing best friend'. You would have seen those reports.

Senator McKenzie: They're on the public record.

CHAIR: I still don't see how this is at all relevant, Senator Watt, so where are you going?

Senator WATT: Mr Downie, has the minister or his office ever sworn at you?

Senator McKenzie: Sorry, Chair: is that a ruling of yours or just a question?

Senator WATT: I'm happy to not pursue those particular reports. Mr Downie, has the minister or his office ever sworn at you—

Mr Downie: No.

Senator WATT: or the chair or the deputy chair of IHPA?

Mr Downie: Not when I've been present.

Senator WATT: So you haven't made any complaints about Mr Hunt or his office's behaviour to members of your board, the Public Service Commissioner or any other Public Service entity?

Mr Downie: No, Senator.

Senator WATT: And you're not aware of any complaints having been made by other IHPA staff about the conduct of the minister or his office?

Mr Downie: No, Senator.

Senator WATT: And none of your staff have raised any concerns with you or other members of IHPA about the way they have been spoken to or treated by the minister or his office?

Mr Downie: I don't think any of my staff have ever met the minister, Senator.

Senator WATT: Professor Murphy, I've got a similar number of questions to you. I'm sure that you, on a reasonably regular basis, meet or deal with the minister in his office?

Prof. Murphy: Yes, Senator, I do.

Senator WATT: How many meetings would you have had with the minister or his office over the last 12 months, roughly?

Prof. Murphy: I can't quite recall, but it would be around 15 or 20, I would imagine.

Senator WATT: Have there been many instances when the minister has sworn at you?

Prof. Murphy: I can't recall any instance of the minister swearing at me.

Senator WATT: So you're confident that the way the minister has treated you has been in accordance with the Statement of Ministerial Standards?

Prof. Murphy: I believe so.

Senator WATT: Ms Beauchamp, you've had good experiences with the minister as well?

Ms Beauchamp: Never. It's been a very respectful relationship. He's given a lot of his time to the department.

Senator WATT: Ms Edwards, can you remind me how long you've been in the role of deputy secretary?

Ms Edwards: Seven months today, I think.

Senator WATT: Were you in a role in the department when the former secretary, Mr Bowles, was the secretary of the department?

Ms Edwards: No, Senator.

Senator WATT: Professor Murphy, you would have been around when Mr Bowles was?

Prof. Murphy: I was.

Senator WATT: Were you present at the meeting that Mr Hunt had with Mr Bowles that's been reported? I think Mr Hunt has fessed up that he abused Mr Bowles. Were you present at that meeting?

Prof. Murphy: I was present at a meeting in relation to cervical cancer. I presume it was a meeting. It was a three-way teleconference, so I was listening in for most of that meeting.

Senator WATT: How would you describe the way that Mr Hunt dealt with Mr Bowles in that meeting?

Prof. Murphy: I would describe the minister as having been extremely concerned about the state of the situation that had arisen. It was a robust discussion. He was very concerned about the clinical situation that had been presented to him by the pathology group at the time. He certainly expressed great concern.

Senator WATT: The reports that have surfaced about Mr Hunt's—

CHAIR: Senator Watt, we give a fair amount of latitude in these hearings, but this is for budget estimates. I'm not really sure that asking Professor Murphy to comment on media—

Senator SINGH: These are things on the public record. I think we can scrutinise whether there's any truth or public interest in what's been reported by the officials.

Senator WATT: I'd ask Mr Bowles, but he left the department because of the way Mr Hunt treated him, so we don't have that option.

CHAIR: Continue with your questions, but I will caution you to remember that this is budget estimates.

Senator WATT: Sure. Professor Murphy, what is it that Mr Hunt said—or the way that he said it—that led to Mr Hunt having to make an apology to the head of Prime Minister and Cabinet?

Prof. Murphy: I presume this is the meeting he was talking about. He obviously had other meetings with Mr Bowles at that time. As I said, it was a robust meeting and he expressed extreme concern that there was potentially a clinical risk, as had been outlined to him by the pathology sector. He was very worried and concerned and he put that in a fairly robust manner to Mr Bowles.

Senator WATT: He was yelling at Mr Bowles?

Prof. Murphy: I don't think he was yelling. He was clearly very concerned and a little bit upset about the situation that had arisen.

Senator WATT: Did he swear at Mr Bowles?

Prof. Murphy: I do not recall any swear words.

Senator WATT: Apart from that, you said he's never sworn at you.

Prof. Murphy: Never, Senator.

Senator WATT: Is that meeting with Mr Bowles the only meeting you've been present at where Mr Hunt has dealt with staff in a robust manner?

Prof. Murphy: Absolutely, Senator—that's the only meeting I've been present at.

Senator SINGH: Professor Murphy, which departmental secretaries were at that teleconference?

Prof. Murphy: Only I and Mr Bowles were on that teleconference.

CHAIR: Can I remind senators that we have someone on the teleconference from Ireland. If we have more questions for—

Senator WATT: I think we can let Mr Downie go to bed.

CHAIR: Go with our sincere thanks and, quite frankly, our sincere apologies—mine anyway! Thank you very much, Mr Downie. Can we release IHPA? We have other people in the room.

Mr Downie: Thank you very much.

Senator WATT: That's fine. I'm happy to move on to other topics.

CHAIR: Representatives from IHPA can go with our thanks.

Senator WATT: Just to close that off, Ms Beauchamp, how long have you been the secretary?

Ms Beauchamp: Since September last year.

Senator WATT: And, in that time, you haven't received any complaints from your departmental officials about the way they've been treated by the minister and his office?

Ms Beauchamp: No, I have not.

Senator WATT: No staff have needed to be moved?

Ms Beauchamp: No.

Senator WATT: That's certainly the IHPA stuff done. Are you happy to roam within outcomes?

CHAIR: I would prefer to step through. I'd prefer to go back to outcome 1.

Senator WATT: Let me work out outcome numbers and program numbers. I think we are done for outcome 1. Let me just double-check that.

CHAIR: I want it on the record, as we move on, that that was a very bad reason to get someone on teleconference from overseas in the middle of the night. I think Labor senators really have to think about that moving forward. I certainly will never envisage doing that again.

Senator WATT: It wasn't our preference to have him on video conference.

CHAIR: Sorry, but you asked him to be there and you knew he was going to be.

Senator WATT: And we didn't know what he was going to say to those questions.

CHAIR: I think you should have a long hard think about that, Senator Watt.

Senator WATT: If we have questions about MRI machines, that would be program 1.3, health infrastructure, wouldn't it?

Ms Beauchamp: Probably program 4.1.

Senator WATT: Okay. In that case I think we're probably done for outcome 1.

CHAIR: We'll release outcome 1, so far as they are not required for later parts of today's proceedings. You go with our thanks.

[09:35]

CHAIR: We'll now move to outcome 2.

Senator SINGH: I want to ask about hospital services. Out of the four strategic priorities in the government's proposed hospital agreement I understand that the very first is: 'Improving efficiency and ensuring financial sustainability', which is clause 2a. Does that suggest that the government's main aim with this agreement is to make savings?

Ms Beauchamp: I think you'll see from the proposal that has been put on the table that there's actually a substantial amount of additional dollars proposed for the new healthcare agreement, so certainly that is not the issue. I think the issue is more about value for money and, as you heard from IHPA this morning, making sure that we are paying for outcomes. I think both the states and territories and the Commonwealth do want to ensure for taxpayers and for patients that the system is sustainable going forward.

Senator SINGH: What does the government mean then by 'ensuring financial sustainability'?

Ms Beauchamp: I mentioned value for money being a key element and paying for outcomes, ensuring that there's no waste in the system. There is in a sense a united sense of purpose with the states and territories to ensure that we are getting value for money under the healthcare agreement going forward. But, as I said, I think there has been a substantial increase in the new health agreement. I think \$130 billion has been put on the table, which is a substantial increase over the existing agreement.

Ms Edwards: The first of the four needs to be read in conjunction with all of those because in many instances what's best for patients and what's actually more efficient are the same thing. For example, we're all about avoiding preventable hospitalisation. Going to hospital is very expensive and it's also a terrible experience for people. That's why we're much more looking at coordinative care and trying to make sure that care is given in the community wherever it can be. So, yes, it makes it less expensive for government, so they can make sure that they're applying their money to the right things, but it's also a better experience for patients, it's better quality care and it really aligns much more with where we're moving with the new agreement.

Senator SINGH: All right. Let's look at some of the other clauses then. Clause 30, for example, states that, if states sign this agreement and then it changes—

Ms Edwards: Sorry, clause 30 of the heads of agreement? Is that what you're talking about?

Senator SINGH: Yes. The new arrangements will also apply to them if things change. For example, if the government puts a better offer on the table, say, to get Victoria and Queensland to sign, it will also apply to the other states who have already signed the deal. Can you just explain that? I'm trying to understand.

Dr Hartland: My experience of Commonwealth-state agreements is that that's a standard clause that the states like to see in any agreement.

Ms Edwards: With this agreement there are all but two jurisdictions at the moment. We're having negotiations going on. We're talking to all states about the key themes, many of which have already been agreed separately to the heads of agreement. The government have made it clear that they think it's a generous and appropriate offer and we're hoping and looking forward to Queensland and Victoria coming on so that we can have a whole-of-jurisdictions discussion.

Senator SINGH: But isn't that clause basically an admission that the deal isn't good enough, so it leaves the door open to make changes?

Dr Hartland: In Commonwealth-state it's very standard if the states don't all sign at the same time for the early-adopting states to put in a clause that indicates that if there were to be a different deal then they'd get the benefits of it. It's not at all an admission from the Commonwealth that the deal may change, and it's not the government's position or anything that we've advanced in our negotiations.

Senator SINGH: The last Labor government's national partnership agreement on improving public hospital services included \$800 million to improve elective surgery waiting times. Is there any specific funding for elective surgery waiting times in this offer?

Dr Hartland: The agreement and funding arrangements envisaged continuation of activity based arrangements, and therefore elective surgery will be funded in the agreement.

Senator SINGH: Was that yes, or no?

Dr Hartland: It's yes. There's funding in the agreement for elective surgery. The states provide an estimate of the elective surgery funding that they need. That's paid throughout the year. As you know, there are reconciliation arrangements to make sure that we pay the right amount for all the activity in public hospitals.

Senator SINGH: Does the department think the current elective surgery waiting times are acceptable?

Dr Hartland: Well, elective surgery waiting times—

Senator SINGH: I can tell you what they are, if you like, but I think you can tell me quicker.

Dr Hartland: We can exchange information.

Ms Edwards: Elective surgery waiting times are really a function of how states and territories run their hospitals. The way the agreement is set out is that when a state or a territory causes a service to be delivered in a public hospital then that triggers the agreement and Commonwealth funds flow. If they do more elective surgeries, we pay more; if they do less, then there's no growth, so we don't pay that growth addition. We're encouraging states to use their resources effectively and efficiently as can be. That's one of the things we're talking about in the quality framework and so on—do as much activity that's really needed for people in hospitals as quickly as possible. And when they do it, then it gets factored into the growth and we pay for it.

Dr Hartland: The median waiting times, in minutes, have been decreasing over the last few years. In 2011-12 they were 21 minutes. In 2015-16 and 2016-17 they've been 90 minutes, and I think the department's happy with the trend we see in median waiting times.

Senator SINGH: Are you?

CHAIR: Sorry: that was waiting times for—

Dr Hartland: This is for emergency departments. Elective surgery statistics—median waiting times—are basically stable.

CHAIR: If we could do an elective surgery waiting time of 90 minutes, that would be very good!

Senator SINGH: Stable: so, does this sound stable, Dr Hartland? One in 10 Australians wait 258 days. Does that sound stable?

Ms Edwards: I'm not sure of the source of that figure.

Senator SINGH: Well, can you tell me—

Dr Hartland: By definition it would be stable if it's been at that point for a period of time.

Senator SINGH: Tell me what 'stable' is.

Dr Hartland: Well, stable is lack of change over time.

Senator SINGH: Well, I just told you a figure; you tell me how long one in 10 Australians wait, if you don't agree with that figure.

CHAIR: Senator Singh, quoting one figure at one point in time doesn't show a trend.

Senator SINGH: I'm asking Dr Hartland to share with the committee elective surgery waiting times.

Dr Hartland: The information I have is that if you look at the 50th percentile in 2012-13 then the number of days waited was 36; in 2016-17 it was 38—so, reasonably stable. In the 90th percentile for 2012-13 it was 265 days. In 2016-17 it went down to 258. With elective surgery there'll always be, unfortunately, a tale of people who have long waiting times. It's a metric that changes a good deal depending on how you measure it.

Senator SINGH: Do you think it's acceptable? That was my original question to you.

Ms Beauchamp: I think those questions should be directed to the hospital system managed by the states and territories. We're reporting on the facts. As to whether that's acceptable or not, you'd have to look at the context of each hospital in terms of the mix of elective, non-elective and other services provided through each hospital.

Senator SINGH: You can't say.

Senator McKenzie: No, that's not—

CHAIR: The question was—

Senator SINGH: Let's move on. Labor's national partnership agreement also included \$750 million to improve emergency department waiting and treatment times, which Dr Hartland just referred to. Is there any specific funding for emergency departments in this offer?

Dr Hartland: The answer is the same, if not only for the reason that I thought you were talking about emergency but misheard.

Senator SINGH: So the answer is yes or no?

Dr Hartland: The answer for both elective and emergency surgery is that activity based funding pays the states for the activity they perform in public hospitals. So, yes, the current agreement provides funding for elective and emergency services, emergency presentations.

Senator SINGH: So there is specific funding for emergency services in this agreement? It's a yes or no question, really.

Ms Beauchamp: The health agreement incorporates a substantial growth factor of up to 6.5 per cent per annum, which is more than four times the population growth. Our expectation is that the states and territories and the hospital system manage the mix of elective, non-elective and emergency within a significant growth factor that's being put on the table, and additional funding, over the course of the next healthcare agreement.

Senator SINGH: There is no specific funding for elective surgery waiting times—

Ms Beauchamp: Sorry, there's a—

Senator SINGH: and instead of just saying that, I get this really long answer.

Ms Edwards: It's a complex situation. When the IHPA, on speaking to Mr Downie, calculates the pricing, they take into account all the specific items done in public hospitals, including elective and emergency surgeries, and as such, yes, there is specific funding in relation to those items.

Ms Beauchamp: Because it's based on the level of activity. As I said, there is \$130 billion going into the next health agreement, so there is real money there.

CHAIR: Correct me if I'm wrong, but I have memory that in previous iterations of funding agreements there was specific money targeted at, for example, emergency services that had very mixed results, in terms of delivering positive outcomes. Is that correct? I think it was the NEAT program.

Ms Edwards: We could take on notice any detail about what's happened.

Senator McKenzie: In the NEAT and the NEST, I think you'll find, in 2013, no-one met their interim targets. And for the 2012 NEST agreements only WA met their targets. They're the facts.

CHAIR: Just while we're on the Tasmanian hospital system, could you step us through the growth in Tasmanian hospital system funding since 2012-13?

Ms Edwards: Yes, Senator. I have here a chart which is the amount paid and proposed to be paid for Tasmania and all the other states under the hospitals agreement. In 2012-13 \$294.1 million was paid to Tasmania by the Commonwealth. In 2013-14 \$299 million was paid to Tasmania. In 2014-15 it was \$333.7 million. In 2015-16 it was \$375 million. In 2016-17 it was \$387.6 million. In 2017-18 it was \$418.6 million. That's projected, obviously.

CHAIR: How far do those projections go forward now?

Ms Edwards: They're projected through to 2019-20 under the current agreement.

CHAIR: So the current agreement goes out to 2019-20.

Ms Edwards: To 2020.

Dr Hartland: The current agreement goes to 2019-20.

Ms Edwards: We also have projections under the assumption of what will happen for the second five years, the additional five years, of the new agreement.

CHAIR: For the growth over that period 2012-13 out to the end of those assumptions, do you have a—

Ms Edwards: It continues to grow. We have a five-yearly increase of 18.4 per cent for Tasmania.

Dr Hartland: You'd have to divide—

Ms Edwards: The prospective five years over the current five years, but it's a steady increase over each year.

CHAIR: So a steady increase, growing each year. Thank you very much.

Senator WATT: The only other question I have in outcome 2 is related to that primary healthcare network in Cairns and some of the issues we were dealing with last time round. Just to recap, the questions I was asking basically concerned the activities of the former chair of the far Northern Queensland Primary Healthcare Network, Mr Twomey, who—among many other roles—had been the campaign manager for the member for Leichhardt, Mr Entsch. Where we got to last time was, I think, you stated that to your knowledge there had not been a grant from that PHN to the Yarrabah community pharmacy.

Ms Edwards: We confirmed with the PHN that there has been no such grant from the PHN.

Senator WATT: For starters, I just wanted to clarify if that information is still correct. One of the things that was stated last time by Ms Cole at the committee was that there had been a complaint. We talked about concerns about the governance of that PHN, particularly about the membership of the board, and that action had been taken around that. I think the board's been reconstituted now.

Ms Edwards: I think there were various things going on. Ms Cole mentioned a complaint—from time to time, we get complaints about various things happening across the 31 PHNs. In relation to that particular complaint, as I recall it—and Mr Bedford might have more information—it's been resolved, and there was no concern verified from the investigation of that complaint.

Senator WATT: What was the nature of that complaint again?

Ms Edwards: I think we'd be reluctant to talk about the detail of the complaint, given it was not substantiated and so on in a public forum. Did you want to say anything general, Mr Bedford?

Mr Bedford: The complaint was around a commissioning process undertaken. It was to do with a mental health element.

Senator WATT: I think you said last time that an unsuccessful tenderer had complained about the tender and obviously made some sort of allegation that the tender was not done properly or something like that. That has now been investigated?

Ms Edwards: Yes.

Senator WATT: So a complaint was made to the department—

Mr Bedford: To the minister who referred it on to the department for investigation.

Senator WATT: The allegations were that guidelines had been breached in the awarding of that tender, or something like that?

Ms Edwards: Something of that nature—this happens from time to time. We take it seriously. We look at them. There was certainly nothing to be concerned about that we could find in this instance.

Senator WATT: So you've investigated it and you're satisfied that no guidelines or policies were breached in the awarding of that tender?

Ms Edwards: No action to be taken as a result. Mr Bedford's reminding me that we haven't finalised informing everybody about this, so I would prefer not to go into any more detail about it.

Senator WATT: My next question was: has the unsuccessful tenderer been advised of that?

Ms Edwards: We're still in the process.

Mr Bedford: We haven't advised them yet formally.

Senator WATT: The investigation has only really just concluded, has it?

Mr Bedford: Yes. My understanding was in the last couple of weeks.

Senator WATT: Are you aware of whether any other complaints to other bodies have been made about that tender?

Ms Edwards: I'm not aware of any.

Mr Bedford: Not to my knowledge.

Senator WATT: Because I understand a complaint has also been made to the Queensland Crime and Corruption Commission about that tender. Are you aware of that?

Ms Edwards: No.

Senator WATT: And you said that it was a tender for mental health facilities in Cairns?

Ms Edwards: I don't think we said that, and we'd prefer not to go—

Senator WATT: Mr Bedford said something about mental health.

Ms Edwards: He said it was about a mental health service. I don't know that we specified the location.

Senator WATT: I'm sort of assuming Cairns, given the general part of the world we're talking about—I couldn't remember whether you'd confirmed Cairns. I was mainly wanting to get you back to get an update on that complaint, so that probably covers that off now as well.

CHAIR: So that's the end of outcome 2. We'll release officers from outcome 2 in so far as they are not required for later outcomes.

[09:53]

CHAIR: We will move to outcome 4, Senator Watt.

Senator WATT: I might start with some matters to do with that drug we were talking about last time—Gilotrif—and the special pricing agreement.

Ms Beauchamp: Have we moved onto 4.3?

Senator WATT: We will have some in 4.1 as well.

Ms Beauchamp: Right, I'll make sure the officers remain.

Senator WATT: Just bear with me one moment—it looks like we've got some other people joining us anyway. Thank you for coming back. Ms Shakespeare, you gave us some useful information last time. Just remind me: is Gilotrif the drug we are talking about? Is that the right pronunciation?

Ms Shakespeare: We tend to use the drug name, Afatinib. I'm not actually sure how you pronounce the brand name.

Senator WATT: Afatinib; okay. Following the last estimates—this concerned the awarding of a special pricing agreement that covered this particular drug.

Ms Shakespeare: This medicine had a special pricing arrangement, entered into under a deed under section 85E of the National Health Act.

Senator WATT: Okay. As a result of the evidence at the last estimates hearing, the shadow health minister referred this matter to the Auditor-General. You'd probably be aware that that's occurred?

Ms Shakespeare: I saw the letter from the shadow minister.

Senator WATT: Has the Auditor-General or his office made any requests of the department to produce documents relating to that special pricing agreement?

Ms Shakespeare: Yes.

Senator WATT: And those documents have now been provided?

Ms Shakespeare: Yes.

Senator WATT: Has anyone within the department been interviewed by the Auditor-General at this point?

Ms Shakespeare: I've spoken with people from the Auditor-General's office.

Senator WATT: Just in a preliminary sense or have they started asking questions about the process leading up to the awarding of this agreement?

Ms Shakespeare: In a preliminary sense.

Senator WATT: Has the Auditor-General indicated to the department that he intends to investigate this issue?

Ms Shakespeare: No.

Senator WATT: What has the Auditor-General said in terms of where this goes from here?

Ms Shakespeare: I haven't spoken with the Auditor-General.

Senator WATT: Or his staff?

Ms Beauchamp: Senator, I spoke to the Auditor-General soon after the referral to the ANAO. We were just having a normal catch-up meeting, and he indicated that Ms Shakespeare would meet with officers of his organisation. It was only very preliminary. He's looking at it.

Senator WATT: Okay. When was the last time there was any discussion with the Auditor-General or his office?

Ms Beauchamp: On this matter?

Senator WATT: Yes.

Ms Shakespeare: I think it was the week before last but I'd need to check.

Senator WATT: I'm not sure if you saw this but last week, on 19 June, Minister Hunt was talking about the PBS and he made some comment specifically about this drug. He described it as 'a new drug for non-small-cell lung cancer'. Are we talking about the same drug here?

Ms Shakespeare: This drug treats patients with a particular genetic mutation of non-small-cell lung cancer, yes.

Senator WATT: I'm not sure whether you saw the *Hansard* but Mr Hunt said to parliament that, in relation to this new drug, the department 'followed all the procedures' and the special pricing agreement 'was only negotiated with the department'. Do you know if that's correct, that it was only negotiated with the department and it had no involvement from him or his office?

Ms Shakespeare: The deeds of agreements that are entered into under section 85E of the National Health Act are negotiated by the department.

Senator WATT: I can't remember whether it was you, Ms Shakespeare, but one of the departmental officials, at the last estimates, gave evidence that you 'stay in regular contact with the minister's adviser about PBS listings that are being negotiated'. We were also told that the company behind this drug 'probably' met with the minister's adviser 'on several occasions' about this listing. Is that still correct, to your knowledge?

Ms Shakespeare: Yes.

Senator WATT: I'm trying to reconcile us having been told at estimates that the company 'probably' met with the minister's adviser 'on several occasions' about this listing with the minister having told parliament that the special pricing agreement 'was only negotiated with the department'.

Ms Beauchamp: The agreement was negotiated with the department. The minister and the department meet with many stakeholders on many occasions about many matters. The minister did not have any involvement in the negotiation around the deed of agreement.

Senator WATT: What about his office?

Ms Beauchamp: I think Ms Shakespeare's answered that, and we did answer that at length at the last estimates.

Senator WATT: So, to the best of your knowledge, the discussions that the company had with the minister's adviser were about the listing of the drug as opposed to the special pricing arrangement?

Ms Beauchamp: We can't comment on the conversations that occur—

Senator WATT: I said 'to the best of your knowledge'.

Ms Beauchamp: To the best of our knowledge, we look at the arrangements in entering and negotiating the deed of agreement. I believe they're not compromised at all. As I said, the department officers, the ministerial officers and the minister meet with stakeholders regularly.

Senator WATT: Can you remind me—we may have dealt with this last time—whether the department did discuss the special pricing arrangement for this drug with the minister's office? I think we had evidence to that effect last time.

Ms Beauchamp: It's not unusual, when there are financial implications, that the minister be informed, like the government, around the financial implications of what's being negotiated.

Senator WATT: That's in general terms. Specifically in relation to this drug, did the department meet with the minister's office to discuss this special pricing arrangement?

Ms Shakespeare: I think I spoke to the minister's adviser by phone. I don't think there was a face-to-face meeting.

Senator WATT: Just on one occasion, as far as you remember?

Ms Shakespeare: As far as I can recall.

Senator WATT: Do you remember whether the minister's office or the department initiated that discussion?

Ms Shakespeare: The department.

Senator WATT: So you, effectively, contacted them to brief up?

Ms Shakespeare: Yes.

Senator WATT: One of the other things we were told at the last estimates was that the circumstances surrounding this special pricing arrangement were 'highly unusual'. Can you remind me what you meant by that?

Ms Shakespeare: I think that has actually been misquoted since the last estimates hearing. If I can read out what was said, from page 52 of the *Hansard* from 30 May, the highly unusual circumstance for this medicine was:

I'm not aware of any other situations where this sort of thing has happened, where a medicine has been recommended with a SPA which was then approved by the pricing authority but has then been prevented to list because other companies have withdrawn their SPAs.

Senator WATT: That's the aspect that you consider to be highly unusual?

Ms Shakespeare: Yes.

Senator WATT: Can you think of any reason why the minister's office took such an interest in the listing of this particular drug?

Ms Shakespeare: I don't think the minister's office took a particular interest in the listing of this drug. We have many, many listings and they're interested in all of them, particularly where there are new treatment options being provided to patients.

Senator WATT: Okay. That's it for 4.3, thank you. As you'll see, today we're mostly trying to tidy up a few things that were left hanging over from the last estimates.

CHAIR: Are we jumping back to 4.1?

Senator WATT: If we could.

CHAIR: Insofar as we can release officers from 4.3, we do so.

Ms Beauchamp: Thank you.

[10:02]

Senator WATT: My questions are about MRIs. Is 4.1 the relevant program?

Ms Beauchamp: That's correct.

Senator WATT: I read with interest the other day that the government has agreed to grant a MRI license to Kalgoorlie Health Campus; is that correct?

Ms Beauchamp: Yes.

Senator WATT: When will the MRI machine be operational in Kalgoorlie?

Mr Weiss: We don't have an exact date for when the licence will be available. I can set out for you what the legislative requirements are for MRI eligibility. The practice must have at least X-ray, ultrasound and CT equipment at the same location; the premises must be registered with a location-specific practice number by the Department of Human Services, and the equipment must be listed on the register; the premises at which the equipment is located will need to become accredited for MRI; and each provider of MRI at the practice must be a specialist in diagnostic radiology and a participant in the Royal Australian and New Zealand College of Radiologists' quality and accreditation program. When the campus can fulfil those criteria, they'll be meeting their eligibility.

Senator WATT: Is there any estimate for how long that will take?

Mr Weiss: I don't have an estimate for it, no.

Senator WATT: But it could be a while? It sounds like there are quite a few hoops to be jumped through.

Ms Beauchamp: Senator, I think that the state government is committed to providing all of that infrastructure, so we'll be progressing work as soon as we possibly can.

CHAIR: Absolutely. And Labor welcomed the announcements.

Senator WATT: Yes, I think it's great

CHAIR: All tickety-boo.

Senator WATT: There should be more of it. Can you remind me: until this announcement in Kalgoorlie, how many MRI licences had been granted since the Abbot government came to power, in 2013?

Mr Weiss: Senator, I believe we responded to this as part of the response to the Senate inquiry. My memory is that there were four licenses.

Senator WATT: Yes, that's my recollection as well.

Ms Shakespeare: That's at page 16 of the *Hansard* for the hearings on 30 May.

Senator WATT: So, four in the last roughly five years. When was the last one granted?

Ms Shakespeare: Not including Kalgoorlie?

Senator WATT: Before Kalgoorlie.

Mr Weiss: I can't give you a date, Senator. I think it was a 2016 election commitment. Exactly when the machine became available, I don't know.

Ms Shakespeare: We can take that on notice.

Senator WATT: Sure. Remind me: how many of the four licenses granted by this government were contained in 2016 election commitments?

Mr Weiss: I believe two were.

Senator WATT: So, there were two prior to the 2016 election and two announced in the 2016 election—and may or may not have now come online—but there haven't been any in the last couple of years?

Mr Weiss: No.

Senator WATT: How was Kalgoorlie chosen to receive the first MRI licence in nearly two years?

Ms Shakespeare: That was a decision of government.

Senator WATT: A decision of government!

Ms Beauchamp: I think the minister—I think it was just before I arrived—asked us to do a review of the distribution and availability of MRIs. We absolutely do get a number of requests from a number of areas around MRIs. With the Senate inquiry as well, this was probably seen as an area of need based on information we also provided through questions on notice and coming out of those inquiries and reviews.

Senator WATT: Okay, but, ultimately, the decision to award this first licence in two years, and fifth in five years, was a decision of government? As you say, there are many areas of need across the country. Why specifically Kalgoorlie rather than any other area?

Ms Beauchamp: I think that other areas are under consideration by the minister and by the government. That will be based on the Senate inquiry, the review that we've undertaken and the submission we've provided to the inquiry.

Senator WATT: If it was a decision of government to award this license to Kalgoorlie—if I'm asking why Kalgoorlie and not the other areas of need, it was because the minister decided Kalgoorlie?

Ms Beauchamp: That contributed to the response and started the response to the work that's been going on around availability and need.

Senator WATT: Sure, but, as you say, there are many areas of need. It could have been somewhere in the Northern Territory or somewhere in Queensland. It seems a bit odd that this is first place chosen—

Ms Beauchamp: I think Ms Shakespeare said that it's a decision of government and that the government and the minister are looking at other areas.

Senator WATT: Beyond the general MRI review, did the department have any input into this decision of government to award a licence to Kalgoorlie?

Ms Beauchamp: In terms of providing factual information and in terms of need, there would have been access to that information.

Senator WATT: Out of the MRI review?

Ms Beauchamp: Yes.

Senator WATT: Let's leave the MRI review to one side. What I'm hearing from you is that the MRI review's happened and it's probably highlighted Kalgoorlie, among other areas, as being an area of need. Let's park that. Aside from that, was any advice provided by the department to government prior to the decision to award Kalgoorlie a licence?

Ms Shakespeare: As we explained at the hearings on 30 May, and as set out in the *Hansard* from pages 16 to 17, the department has been providing advice over an extended period of time—I think since November last year, as we recorded on page 17 of the *Hansard*. There has been very thorough, complex advice provided from the department which has informed government decisions.

Senator WATT: Specifically, was any advice provided to government that a licence should be granted to Kalgoorlie?

Ms Shakespeare: That was a decision of government. The department provided advice about a range of locations.

Senator WATT: Which included Kalgoorlie?

Ms Shakespeare: Kalgoorlie was definitely included in the advice provided by the department to government.

Senator WATT: When was the last advice provided by the department to government regarding potential locations for MRI licences?

Ms Shakespeare: In the last week.

Senator WATT: In the week leading up to this announcement?

Ms Shakespeare: In the last week from today.

Senator WATT: The last week from now. I suppose what I'm asking is: prior to the announcement being made, when was the last advice provided to government putting forward Kalgoorlie as a potential location?

Ms Shakespeare: I'm sorry, Senator, I would need to check, first of all, when the announcement was made and then go back and check when the last advice was—

Senator WATT: If you could take that on notice for me?

Ms Shakespeare: We'll take that on notice.

Senator WATT: Did the department or government consult with either the Western Australian government or the college of radiologists before making this announcement?

Ms Shakespeare: We would need to take that on notice as well.

Senator WATT: Do you know whether the department did?

Ms Shakespeare: The department did not.

Senator WATT: Because it was a decision of government? Right. Did the decision of the government to award a licence to Kalgoorlie have anything to do with federal Labor's announcement 10 days earlier to do exactly the same thing?

CHAIR: I don't think the officials can answer that question. It's a decision of government.

Senator WATT: Minister, what do you reckon? Any coincidence there?

Senator McKenzie: No, not at all. I think that in March the Western Australian minister announced a \$3 million commitment for an MRI machine in Kalgoorlie pending a Medicare licence. I don't know whether the federal Labor Party could take all credit.

Senator WATT: In your whole first term, the government awards two MRI licences. The 2016 election comes along and two commitments are made. Two years go past with no more announcements. Ten days after federal Labor announces a licence for Kalgoorlie, there's a decision of government to do so as well. There's nothing coincidental about that at all?

Senator McKenzie: I think that Western Australia, and particularly Kalgoorlie, has been identified as an area of need.

Senator WATT: For some time, by the sound of it.

Senator McKenzie: Our commitment is the first response to the parliamentary inquiry into the availability and accessibility of diagnostic imaging. I think it's a great announcement, as I'm sure you do, too, Senator Watt.

Senator WATT: Sure. As I say, we—

Senator McKenzie: As you particularly know, Chair, it's something that the local member, Rick Wilson, has been fighting for for a long time.

CHAIR: Yes.

Senator WATT: We definitely think it's a great announcement; that's why we made one ourselves 10 days before the government did. We're very happy with—

Senator McKenzie: Are we fighting about who said it first?

Senator WATT: No, I'm just trying to work out the decision-making process for the awarding of licences. We got a lot of evidence at the Senate inquiry that it's a very ad-hoc process. Magically, there are two commitments made in the context of an election two years ago, and now, magically, there's an announcement made 10 days after the federal opposition makes one. Does that seem like a good process to use to determine where important health facilities are provided around the country?

Senator McKenzie: As I've said, Kalgoorlie was identified as an area of need, and we've addressed that through awarding the licence.

Ms Beauchamp: And, hence, Minister Hunt asking us to undertake a review of the distribution of availability. That's been happening over the past 12 months.

Senator WATT: Minister, do we take from this that the best way for a community to get an MRI licence is for federal Labor to announce one—and then, 10 days later, they might get one from the government?

Senator McKenzie: No. Senator Watt, that's too cute by half. You might say that that's the best way to get an MRI licence, but I wouldn't say that at all. That's why the minister, as the secretary has said, is actually looking at how we arrive at these decisions.

Senator WATT: But this is the first MRI licence that this government has awarded, since the last election, for two years, and it happened 10 days after federal Labor made an announcement. Wouldn't any reasonable observer determine that the best way to get an MRI licence is to come and have a chat with the opposition?

Senator McKenzie: Are you going to back the \$2 billion additional investment into diagnostic imaging that we announced in the budget?

We've gone the MRI licence Kalgoorlie, how about you stumping up for a promise of \$2 billion for diagnostic imaging additional funding that we announced in the budget? Come on the journey, Senator Watt.

Senator WATT: We're always making announcements that the government can follow. In discussions that you had with the minister, or his office, in the lead-up to that announcement in Kalgoorlie, did anyone mention to you that federal Labor had announced an MRI licence in Kalgoorlie—the minister, the minister's office?

Ms Beauchamp: No, not to me.

Senator WATT: What about you, Ms Shakespeare or Mr Weiss?

Ms Shakespeare: No. But I did read about it in the newspaper reports.

Mr Weiss: I was aware of the announcement. It wasn't from the minister's office.

Senator WATT: You read that federal Labor had made an announcement in Kalgoorlie. Then the next thing that happens is that the government makes an announcement. There were no discussions in-between with the minister or his office?

Ms Beauchamp: This has been an ongoing process, indeed, since I've started in terms of the review—

Senator WATT: I'm asking about that period between—

Ms Beauchamp: and I think the minister's press release talks about the first response to the reviews that have been undertaken. We've been providing advice on the availability, the accessibility and the criteria around MRIs for some time.

CHAIR: I think the community affairs committee report came first, so I think we'll take the credit.

Senator McKenzie: I think success has many parents.

Senator WATT: I will get to another one of them in a minute. I appreciate your answer in the general. Federal Labor makes an announcement that there will be a Kalgoorlie licence and 10 days later the government makes an announcement in identical terms. None of the three of you had any discussions in-between times with the minister, or his office, about the fact that federal Labor had made an announcement?

Ms Beauchamp: We don't normally discuss political matters with the minister.

Senator WATT: I'm not sure if you've seen some comments from One Nation Senator Peter Georgiou from Western Australia, who has suggested that the awarding of this licence was all part of a horsetrading deal between the government and One Nation in exchange for One Nation's support for the government's personal income tax cuts. Minister, is that true?

Senator McKenzie: It's a matter of public record that Senator Georgiou has been raising the issue of an MRI licence for Kalgoorlie for a significant period of time.

Senator WATT: He's been raising it for a long time and finally an announcement is made. Is that in any way related to the government's deal with One Nation to get support the tax cuts?

Senator McKenzie: I think with all ideas raised by not only crossbench senators but, indeed, backbench senators and members around Australia to ministers, they're considered by ministers—ideas of MRI licences and other investments by government—and ministers make announcements as appropriate.

Senator WATT: Has Senator Georgiou raised the need for an MRI machine in Kalgoorlie with you?

Senator McKenzie: No.

Senator WATT: Who has he raised it with in the government? You say that he's been raising this for a long time.

Senator McKenzie: My advice is that he has raised that with Minister Hunt and it's a matter of public record.

Senator WATT: In any discussions you were having with colleagues about getting the personal income tax cuts through, was Senator Georgiou's request for an MRI machine raised?

Senator McKenzie: No.

Senator WATT: One Nation's comments that the awarding of this license was part of a horsetrading deal to get their support the government tax cuts, they're actually not right in saying that?

Senator McKenzie: Senator Watt, you're saying the MRI licence was awarded because of your announcement 10 days earlier. One Nation's making other claims. The local member is making other claims—

Senator WATT: You're saying that I was wrong—

Senator McKenzie: I'm sure that Mr Cook from the WA state Labor government will be making claims that it was actually their investment that led to the MRI licence. I'm sure that Senator Brockman, a huge champion of health provisions for regional WA, will similarly say it was because of his advocacy that this license was actually delivered. I think what you will see—whether it was state Labor, Georgiou, Brockman, Wilson or Cook—is that at the end of the day, we've got a great result for the community in Kalgoorlie.

Senator WATT: Sure, but when I suggested that the first MRI licence awarded by the government in two years came 10 days after federal Labor's announcement, you said it had nothing to do with it. Similarly, you're saying that One Nation is wrong?

Senator McKenzie: I just said that I don't think we run around making government decisions based on Labor press releases, but my answer to your question was that the state Labor government and Minister Cook made a significant \$3 million commitment in their state budget, pending an MRI licence. There has been significant advocacy from both WA senators, the local member, Senator Georgiou—

Senator WATT: Is One Nation wrong to say it was part of a horsetrading deal to get its support for tax cuts?

Senator McKenzie: I think Minister Hunt in his own press release made reference to Senator Georgiou, who made significant representations in support of this licence. We have to concentrate on the fact that this is a great outcome for Kalgoorlie and has the support of many people in both the Senate and the broader political landscape.

Senator WATT: As I said, we liked it so much that we announced it 10 days before the government.

Senator McKenzie: There you go.

Senator WATT: We very much support it. Do you that awarding licences on the basis of press releases from the federal opposition or deals with One Nation is a good way to decide who gets life-saving health equipment?

Senator McKenzie: Contributions by state governments to infrastructure? I think that's why we are looking at the review to make sure we are getting a clear pathway forward.

Senator WATT: Why haven't you announced any of the other locations that have been identified as areas of need in this review? We've all known for a long time that there would need to be more MRI machines. Your own department has identified many areas of need, the Senate committee has found the same thing, and you pluck one very deserving location, Kalgoorlie, and give them a licence—nothing to do with federal opposition announcements or needing One Nation support. If it's not about that, why not act on some other areas of need?

Senator McKenzie: I think that is all under consideration by government at the moment.

Senator WATT: Kalgoorlie just happened to be the most in need, because of press releases and Senate votes?

Senator McKenzie: I think the minister made a decision based on strong advocacy and on need.

Senator WATT: When will we get the rest of the response to the MRI review and the Senate inquiry?

Senator McKenzie: I have to take that on notice.

Senator WATT: Can anyone else help?

Ms Beauchamp: I think the timing and the decisions will be matters for government. As we said earlier, we are supporting the government in looking at the legislative requirements and a number of other matters concerning MRI distribution and availability.

Senator WATT: Has the minister's office indicated a desire to make other announcements in the next month?

Ms Beauchamp: That's a decision for the minister.

Senator WATT: Has the minister's office asked for any advice or facts about the need for MRI licences in, say, the electorates of Mayo, Longman or Braddon?

Ms Beauchamp: The minister asks for advice, facts and figures on a range of matters.

Senator WATT: Can we stick to the specifics I'm asking about. What about Mayo, Braddon and Longman?

Ms Beauchamp: There have been no specific requests to me about those areas.

Senator WATT: What about other officials?

Ms Shakespeare: No. The department has not been requested to provide advice by specific electorate. We have provided comprehensive advice about MRI options. That is under consideration by the government.

Senator WATT: So you have provided the minister with a list of suggested locations or areas of need?

Ms Shakespeare: We have provided advice about areas of need based on a range of factors.

Senator WATT: Do any of those areas of need overlap with electorates currently going through by-elections?

Ms Shakespeare: I don't know off the top of my head. I think we would have to sit down and look through. We provided information by LHN, local hospital network, not by electorate.

Senator WATT: What about, let's say, the area north of Brisbane, between Brisbane and the Sunshine Coast. Has that been highlighted as an area of need?

Ms Shakespeare: I would have to take that on notice and check back to the report. We provided comprehensive, Australia-wide advice.

Senator WATT: And North West Tasmania?

CHAIR: I think the official has answered the question.

Ms Shakespeare: The answer is the same. I don't know whether there are particular areas in particular electorates that have been identified as areas of need. We looked at local hospital networks and figures around waiting times and numbers of eligible MRI licences, and that was comprehensive advice right across Australia.

Senator WATT: Is this MRI review that we've been talking about a separate review from the parliamentary inquiry?

Ms Shakespeare: That's what I've just been talking about—the departmental internal review and advice.

Senator WATT: I think I asked you this at estimates: since then, has the department been asked to provide any advice to the government on federal Labor's commitment to grant 20 new MRI licences?

Ms Shakespeare: We did cover that.

Mr Weiss: We covered that at hearings.

Senator WATT: Yes. I'm asking about since then.

Mr Weiss: Since then, no.

Senator WATT: So no advice or factual information?

Mr Weiss: No.

Senator WATT: Thanks for that. That's it for 4.1.

CHAIR: Okay, we release the officers with our thanks.

[10:25]

Senator WATT: Program 4.4, I think, is next—Private health insurance. I always wonder what I should have asked the people leaving the room!

CHAIR: The good questions!

Senator WATT: We'll get you next time!

Senator McKenzie: You might need them one day!

Senator WATT: I might. We might. I'm glad you recognise that!

Senator McKenzie: It's all about cycles!

Senator WATT: Is the department looking at the role of Healthshare in publishing data on out-of-pocket costs and gap scheme participation by surgeons?

Prof. Murphy: Certainly the out-of-pocket costs committee isn't specific. We've looked at a range of alternative website options that have been put up by various people. There are several. None of them are comprehensive, but we've looked at them as examples of what other people have been doing. Beyond that, no.

Senator WATT: Does the department have any concerns about whether there was any breach of privacy in this information being published?

Prof. Murphy: I might ask my colleagues to comment on that. I'm aware of the concerns that have been raised in the media. I don't know that we've studied it in detail. I think the issue is one of how adequate consent was in this situation, but I might ask my colleagues if they've had any analysis of that.

Ms Shakespeare: Senator, your question relates to HealthEngine?

Senator WATT: Yes.

Mr Weiss: We are aware of this, and we know that the minister has asked the Digital Health Agency to have a look at this and, I think, has asked the Information Commissioner to review whether there are any privacy issues around the way HealthEngine used data and its consent arrangements. But beyond that we're not aware.

Senator WATT: You said it's the minister who's asked for it to occur.

Ms Shakespeare: I believe so.

Ms Beauchamp: Through the Digital Health Agency, yes.

Senator WATT: So the department isn't looking at it itself but it's been referred to the relevant agencies?

Ms Beauchamp: That's right.

Senator WATT: Is the department aware that complaints about private health insurance have increased by more than 30 per cent over the past year?

Ms Shakespeare: Are you referring to the ACCC report that was tabled two days ago?

Senator WATT: Yes.

Ms Shakespeare: That report relates to private health insurance operations in the year 2016-17. The more recent statistics, which again I think we went over at the last hearings on 30 May—and I can find you the page references if you like—are that, since 2016-17, the Private Health Insurance Ombudsman's tracking of complaints is that they are now trending down.

Senator WATT: Is it correct that payment of benefits is the principal area of complaint?

Ms Shakespeare: I think that's probably a matter we'd need to refer to the Private Health Insurance Ombudsman, who deals with those complaints but has not been called for today.

Senator WATT: Sure. I think premium increases are now running at about 27 per cent under the term of this government. Does the department consider that those increases are one reason that complaints have risen so sharply?

Ms Shakespeare: The premium increase this year was the lowest premium increase in 17 years. It's possible that the fact that the premium increase was so low this year resulted in fewer complaints than we would usually see in that particular quarter, compared to the previous year.

Senator WATT: You think it's possible that the higher premium increases that people were experiencing in the last few years may have driven more complaints in the same way that a lower premium increase might have led to fewer complaints.

Ms Shakespeare: That may be why the complaints are now trending down, yes.

Senator WATT: Is anyone able to tell me what the capital reserves of the for-profit and not-for-profit insurers are?

Mr Maskell-Knight: Those figures are collated and published by APRA.

Senator WATT: So, we'll be able to obtain them through published documents?

Mr Maskell-Knight: Yes.

Senator WATT: APRA, you said?

Mr Maskell-Knight: Yes.

Senator WATT: Can you tell me what the profile of the private health insurance market is in terms of for-profit and not-for-profit insurers.

Mr Maskell-Knight: We would probably have to take the detail of that on notice.

Senator WATT: Is there anything else you can share, other than what we've talked about, as to the main areas of complaint that were raised through the ACCC report into private health insurance?

Ms Shakespeare: The ACCC report is an annual report that's provided to parliament. It covers a range of areas around private health insurance, so complaints is not the only area covered. I think this year's report also looked at the reforms to private health insurance that were announced by the government in October last year.

Ms Beauchamp: I think the ombudsman details the nature of complaints too, and, as Ms Shakespeare said, they've been down 22 per cent. But what the report says and focuses on is the main complaint in relation to hospital exclusions and restrictions and ambulance cover, because of the ambiguity about who's responsible for ambulance costs for example.

CHAIR: Membership in private health insurance is up by about 50,000?

Ms Shakespeare: I think, in the last quarter, for hospital insurance, there was an increase of about 10,000 members.

CHAIR: I seem to remember a figure of 50,000 quoted in the paper somewhere. Maybe that was over a year.

Ms Shakespeare: It is recorded in *Hansard*. We went through these statistics—

CHAIR: Sorry, we don't need to go back there.

Senator WATT: That's it from me for private health insurance.

CHAIR: One quick one from me, Minister—have you had any advice on the article on the front page of *The Australian* this morning? It was raising some pretty concerning information about potential policy changes in the public health insurance space and the impact that would have on private health insurance.

Senator McKenzie: No, I haven't had any advice to that effect.

CHAIR: Thank you, Minister. We'll move on to 5.3, immunisation.

Senator WATT: Ms Appleyard, are you or one of your colleagues able to remind us which meningococcal vaccines are on the National Immunisation Program and for which population groups?

Dr Somi: Currently funded on the NIP is the meningococcal C vaccine. However, effective 1 July, meningococcal ACWY will be available for children aged 12 months.

Senator WATT: Are there active applications for other meningococcal vaccines to be listed on the National Immunisation Program?

Dr Somi: My understanding is there is a PBAC agenda that is publicly available. Those matters are dealt with in another division.

Senator WATT: Yes, I think Ms Shakespeare was probably the person for that, wasn't she?

Ms Beauchamp: I think she's coming.

Senator WATT: I thought you had disappeared, Ms Shakespeare! I'm just guessing; I don't know if you are the right person. I can ask the question again if you like. Are there active applications for other meningococcal vaccines to be listed on the National Immunisation Program?

Ms Shakespeare: I'm afraid I'll have to take that on notice, Senator. We would need to review the applications to the July meeting of the PBAC. I think there are about 50.

Dr Somi: That meeting agenda is public. There is an application for listing of a meningococcal ACWY for an adolescent population.

Senator WATT: So the status is that an application has been made for listing and it's awaiting a decision?

Ms Shakespeare: The PBAC will be meeting next month, in July.

Senator WATT: Can you remind me, what is the general time frame between a decision to list and the drug actually coming on the market?

Ms Shakespeare: For the PBS we have performance targets in our portfolio budget statement. That's for the listing of medicines on the Pharmaceutical Benefits Scheme. That's 80 per cent listed within six months of agreement on price and listing conditions. That does not apply to the listing of vaccines under the National Immunisation Program. There are separate arrangements for funding through that program.

Senator WATT: What are they, in brief terms?

Ms Appleyard: Often the PBAC will consider a vaccine application and then may request advice from ATAGI, the Australian Technical Advisory Group on Immunisation. Depending on what that advice is, there can often be some correspondence that happens between PBAC and ATAGI. The length of time that takes will be variable, so there's no set time between a PBAC consideration, decision and listing of the vaccine on the National Immunisation Program. It does vary.

Senator WATT: Am I right to remember that several states or territories have set up state or territory based schemes in the meantime for vaccines that are not on the National Immunisation Program?

Prof. Murphy: There have been a couple of situations. The states and territories set up a maternal pertussis program while that was waiting for listing. They also did the same for the adolescent ACWY. That's not unusual. The National Immunisation Program is a partnership between the Commonwealth and the states and territories. Some of them also recently set up under-five immunisation for flu because they believe that that's something that is in their interest. It's not uncommon for the states and territories because they don't have to go through the same process. When you list something on the National Immunisation Program it's listed forever, until a very complicated process of removing it. They have the flexibility to come in and do short-term investments to meet what they perceive to be a gap.

Senator WATT: Which states and territories have established those schemes?

Prof. Murphy: I think for maternal pertussis, all states did that. It's now coming onto the National Immunisation Program, so they will stop. For the meningococcal ACWY it's every state except South Australia.

Senator WATT: For which populations are the state based schemes run?

Prof. Murphy: For the maternal pertussis, it's obviously all pregnant women. For the adolescent meningococcal ACWY I think there were slight variations among the states. We'd have to take on notice what they were, unless Dr Somi knows.

Dr Somi: As Professor Murphy has advised, the states have devised schemes based on the local needs. For example, in WA they introduced a childhood program for children from one to under five. In Central Australia several states introduced programs to cover all Aboriginal people up to the age of 19. It depends on the local circumstances, as Professor Murphy said.

Senator WATT: Do you know the cost of those state and territory based schemes? Is it something you could take on notice?

Ms Appleyard: We could take it on notice, but the states and territories aren't obliged to provide that information to us because of its commercial sensitivity. We may have had the same question about pertussis and provided that response to you.

Senator WATT: Could you see what you could do to come back to us on notice about the cost?

Ms Appleyard: Yes.

CHAIR: I thank all the officials who have appeared today.

Senator WATT: Thanks very much.

CHAIR: This concludes the committee's scheduled examination of the Health portfolio. I thank the minister and officers for their attendance. I thank Hansard and Broadcasting. I thank the secretariat staff sincerely. Senators are reminded that written questions on notice should be provided to the secretariat by 4 July 2018. Officers are reminded that answers to questions taken on notice at this hearing should be returned to the committee by 8 August 2018.

Committee adjourned at 10:40