



29 September 2017

Senator Rachel Siewert
Chair
Senate Community Affairs References Committee
By email: community.affairs.sen@aph.gov.au

Dear Senator Siewert

Inquiry into the availability and accessibility of diagnostic imaging equipment around Australia

The Australian National Audit Office (ANAO) published performance audit reports No.12 of 2014–15, *Diagnostic Imaging Reforms* and No.35 of 2015-16 *Administration of the Radiation Oncology Health Program Grants Scheme* that you may find relevant to the Senate Community Affairs References Committee inquiry into the availability and accessibility of diagnostic imaging equipment around Australia.

Information about what the audits assessed, concluded and recommended is attached. The audit reports are available online at www.anao.gov.au.

Should the Committee require further information in relation to these matters, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing. To arrange a briefing, please contact our External Relations area at

[REDACTED]

Yours sincerely

Grant Hehir

[Report No.12 of 2014–15, *Diagnostic Imaging Reforms*](#) assessed the effectiveness of Health's implementation of the Diagnostic Imaging Review Reform Package, some three years into the five year reform period.

The audit concluded that some three years after the Budget measure was announced, Health's overall implementation of the diagnostic imaging reform package has had mixed results. There has been an overall improvement in patient access to magnetic resonance imaging (MRI) services, including in regional areas; however, almost three times more MRI machines have been granted Medicare Benefits Schedule (MBS)-eligibility than originally estimated, and the cost to Medicare of expanded MRI access is likely to be more than double the original Budget estimate of \$94.5 million. While the introduction of complementary initiatives forming part of the reform package, such as 'appropriate requesting', was intended to help offset the cost of MRI expansion, those initiatives have not been adequately planned or substantively implemented and the anticipated benefits have not been realised. As a consequence, the cost impact of MRI expansion has been significantly greater than advised to government, with long-term implications for the Commonwealth Budget. In this context, the development of cost estimates for the MRI expansion initiative and the department's implementation planning for the reform package as a whole, have not been fully effective.

The ANAO made the following recommendations:

Recommendation No.1 - The ANAO recommends that the Department of Health:

- a) assess progress made to date in its implementation of the diagnostic imaging reform package; and
- b) develop an overall implementation plan to provide strategic direction and a basis for assessing the realisation of anticipated outcomes and benefits.

Recommendation No.2 - The ANAO recommends that the Department of Health develop, as part of its implementation planning, targeted plans which identify proposed strategies and actions to progress key initiatives not yet implemented, including 'appropriate requesting' of diagnostic imaging services and the review of MBS fees for diagnostic imaging.

[Report No.35 of 2015-16 *Administration of the Radiation Oncology Health Program Grants Scheme*](#) assessed the effectiveness of the Department of Health's and the Department of Human Services' administration of the Radiation Oncology Health Program Grants Scheme (ROHPG Scheme).

The audit concluded that since its introduction in 1988, the Scheme has focused on coordinated management of the supply of radiation oncology equipment by the Commonwealth. Health's administration of the Scheme has been based on an assessment process to inform its decision-making on the number and location of machines, and elements of the Scheme's design have sought to influence investment decisions of service providers relating to the type of equipment purchased and the frequency with which equipment is updated or replaced. This audit highlights a number of issues with the department's management of the Scheme which could be addressed administratively—through incremental adjustments reflecting the current program design—or by looking more fundamentally at the Scheme's underlying program design some three decades on. Key

issues requiring attention include: Scheme reimbursement rates, which have not reflected movements in key variables such as interest and exchange rates; the release of departmental information on areas of need, to help inform investment decisions; inconsistencies in Health's approach to assessing complex applications; and the basis for assessing whether scheduled equipment capital allowances reflect the actual cost of purchasing equipment. The department advised the ANAO that it intends to review the Scheme in 2016.

The ANAO made the following recommendations:

Recommendation No.1 - The ANAO recommends that, should the Department of Health continue to administer the ROHPG Scheme in accordance with current program settings, the department should:

- a) periodically review and document reimbursement rates and the underlying variables that inform the calculation of those rates, including interest rates and exchange rates;
- b) publish its areas of need analysis to inform stakeholder investment decisions; and
- c) clarify guidance relating to competing applications, the replacement and refurbishment of equipment, multiple funding sources, and the imposition of bulk-billing conditions.

Recommendation No.2 - The ANAO recommends that as part of its planned review of the ROHPG Scheme, the Department of Health review the underlying program design, including mechanisms to improve pricing transparency.