
The Parliament of the Commonwealth of Australia

Review of Auditor-General's Report No. 19 (2006-2007)

**Administration of State and Territory Compliance with the
Australian Health Care Agreements**

**House of Representatives
Standing Committee on Health and Ageing**

August 2007
Canberra

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Foreword

The Auditor-General, as an independent officer of the Parliament, provides Parliament with an independent assessment of whether public money is being spent efficiently, effectively and in compliance with the standards of accountability and financial reporting.

One of the largest and fastest growing areas of government activity at both the Commonwealth and state level is the provision of health care. The health sector is characterised by complex financial arrangements, a multitude of public and private health providers and millions of episodes of patient care each year. At the core are five year bilateral funding agreements between the Commonwealth and each state and territory to jointly fund free access to public hospitals. These agreements are called Australian Health Care Agreements (AHCAs) and the current ones commit the Commonwealth, states and territories to collectively spend \$100 billion from 2003 to 2008 on public hospital services.

The committee examined the AHCAs closely during its inquiry into health funding. In the report of that inquiry, entitled *The Blame Game*, the committee made a number of recommendations to amend the funding arrangements the AHCAs perpetuate. Thus, it was with great interest that the committee chose to review the Australian National Audit Office's performance audit of the administration of state and territory compliance with the AHCAs. As a result of the review, the committee has made several recommendations to bolster the audit findings.

One of the committee's themes is that public hospitals and health departments need to be more accountable to the community for their performance. Australians expect to receive the best possible health attention when required and wherever

they live. As its final recommendation in this report, the committee proposes that, in the next round of AHCAs, the Australian Government require the states and territories to agree that their auditors-general be empowered to conduct full performance audits of AHCA expenditure within their respective public hospital systems. The work of auditors-general adds value to public sector administration and provides greater transparency and accountability of government to parliaments and the public.

The enthusiasm of my colleagues on the committee to improve the health system has driven the inquiry. I would like to pay tribute to their efforts, particularly the Deputy Chair, Steve Georganas MP, and thank the secretariat for their support.

Hon Alex Somlyay MP
Chair



Membership of the Committee

Chair Hon Alex Somlyay MP

Deputy Chair Mr Steve Georganas MP

Members Hon Alan Cadman MP
Mrs Justine Elliot MP
Mrs Kay Elson MP
Hon Warren Entsch MP
Ms Jill Hall MP
Mr Michael Johnson MP
Ms Catherine King MP
Mr Ross Vasta MP

Committee Secretariat

Secretary Mr James Catchpole

Inquiry Secretary Ms Margaret Atkin

Administrative Officer Ms Lauren Walker



Terms of reference

The House of Representatives Standing Committee on Health and Ageing resolved on 7 February 2007 to conduct an inquiry.

“The Committee resolved to conduct a review of the following Australian National Audit Office performance audit:

Administration of State and Territory Compliance with the Australian Health Care Agreements, Audit Report No. 19, 2006-2007.”



List of abbreviations

ACT	Australian Capital Territory
AHCA/s	Australian Health Care Agreement/s
AHMC	Australian Health Ministers' Conference
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
ANAO Audit Report	Australian National Audit Office, <i>Administration of State and Territory Compliance with the Australian Health Care Agreements</i> , Audit Report No. 19 2006-2007, Commonwealth of Australia, 2007.
<i>Blame Game, the</i>	House of Representatives Standing Committee on Health and Ageing (HAA), <i>The Blame Game: Report on the inquiry into health funding</i> , Parliament of the Commonwealth of Australia, Canberra, 2006.
COAG	Council of Australian Governments
committee	House of Representatives Standing Committee on Health and Ageing
Commonwealth	Australian Government
FAGs	Financial Assistance Grants
Framework	<i>Compliance Monitoring and Assessment Framework</i>
Health	Department of Health and Ageing

MBS	Medicare Benefits Schedule
Minister	Minister for Health and Ageing (Australian)
NMDS	National minimum data set
PBS	Pharmaceutical Benefits Scheme
SPPs	Specific Purpose Payments
states	State and Territory governments



List of recommendations

3. Adherence to clause 6 principles

Recommendation 1

That in negotiating the 2008-2013 Australian Health Care Agreements (AHCAs), the Australian Government require a reporting framework that provides the Commonwealth with regular and compatible data from the states and territories on the number and nature of complaints and allegations they receive about non compliance with the AHCAs.

Recommendation 2

That in negotiating the 2008-2013 Australian Health Care Agreements (AHCAs), the Australian Government offer a structure of financial incentives to allow it to reward those states and territories that significantly exceed benchmarks associated with meeting AHCA objectives.

Recommendation 3

That in negotiating the 2008-2013 Australian Health Care Agreements, the Australian Government include dispute resolution procedures.

6. Conclusion

Recommendation 4

That in negotiating the 2008-2013 Australian Health Care Agreements (AHCA), the Australian Government require the parties to the AHCAs to agree that state and territory auditors-general be empowered to conduct full performance audits of AHCA expenditure within the public hospital systems of their respective states.

