COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Estimates

MONDAY, 1 JUNE 2015

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Monday, 1 June 2015

Members in attendance: Senators Carol Brown, Di Natale, Marshall, McLucas, Moore, Peris, Polley, Reynolds, Seselja, Siewert, Smith, Wright, Xenophon.

HEALTH PORTFOLIO

In Attendance

Senator Nash, Assistant Minister for Health

Department of Health

Whole of Portfolio

Mr Martin Bowles PSM, Secretary

Professor Chris Baggoley, Chief Medical Officer

Ms Liz Cosson, Deputy Secretary

Mr Mark Cormack, Deputy Secretary

Mr Chris Reid, Legal and General Counsel

Mr Andrew Stuart, Deputy Secretary

Dr Wendy Southern, Deputy Secretary

Mr Paul Madden, Special Adviser

Adjunct Professor John Skerritt, Deputy Secretary and National Manager, Therapeutic Goods Administration

Mr Colin Cronin, Assistant Secretary, Audit and Fraud Control

Ms Mary McDonald, First Assistant Secretary, Best Practice Regulation and Deregulation Division

Ms Kate Pope, First Assistant Secretary, Grant Services Division

Mr Lou Andreatta, Assistant Secretary, Grants Process and Policy

Mr Adam Davey, First Assistant Secretary, People, Capability and Communication Division

Dr Richard Bartlett, First Assistant Secretary, Portfolio Investment Division

Ms Alanna Foster, First Assistant Secretary, Portfolio Strategies Division

Mr Simon Cotterell, Assistant Secretary, International Strategies Branch

Ms Janet Anderson, First Assistant Secretary, Acute Care Division

Mr Charles Maskell-Knight, Principal Adviser, Acute Care Division

Dr Andrew Singer, Principal Medical Adviser, Acute Care Division and Health Workforce Division

Ms Kylie Jonasson, First Assistant Secretary, Office of Health Protection

Ms Kerry Flanagan, Director, Australian Institute of Health and Welfare

Mr Andrew Kettle, Group Head, Business and Governance

Outcome 1

Ms Elizabeth Flynn, Acting First Assistant Secretary, Population Health Division

Ms Kylie Jonasson, First Assistant Secretary, Office of Health Protection

Mr Graeme Barden, Assistant Secretary, Health Protection Policy Branch

Ms Kirsty Faichney, Assistant Secretary, Immunisation Branch

Mr Mark Booth, First Assistant Secretary, Primary and Mental Health Care Division

Professor Anne Kelso, Chief Executive Officer, National Health and Medical Research Council

Professor John McCallum, Chief Science Adviser, Dementia Research

Mr Tony Kingdon, General Manager, Research and Operations Group

Ms Samantha Robertson, Executive Director, Research and Operations Group

Mr Steve McCutcheon, Chief Executive Officer, Food Standards Australia New Zealand

Dr Marion Healy, Deputy Chief Executive Officer and Chief Scientist

Dr Scott Crerar, Section Manager, Scientific Strategy, International and Surveillance

Dr Craig Duncan, Manager, Risk Assessment – Microbiology Section

Professor Helen Zorbas AO, Chief Executive Officer, Cancer Australia

Outcome 2

Ms Felicity McNeill, First Assistant Secretary, Pharmaceutical Benefits Division

Outcome 3

Mr Shane Porter, Acting First Assistant Secretary, Medical Benefits Division

Ms Janet Anderson, First Assistant Secretary, Acute Care Division

Mr Charles Maskell-Knight Principal Adviser, Acute Care Division

Dr Andrew Singer, Principal Medical Adviser, Acute Care Division and Health Workforce Division

Outcome 4

Ms Janet Anderson, First Assistant Secretary, Acute Care Division

Mr Charles Maskell-Knight Principal Adviser, Acute Care Division

Dr Andrew Singer, Principal Medical Adviser, Acute Care Division and Health Workforce Division

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

Outcome 5

Mr Mark Booth, First Assistant Secretary, Primary and Mental Health Care Division

Ms Maria Jolly, First Assistant Secretary, Indigenous and Rural Health Division

Ms Meredeth Taylor, Assistant Secretary, Rural, Remote and Indigenous Access Branch

Mr David Butt, Chief Executive Officer, National Mental Health Commission

Outcome 6

Mr Shane Porter, Acting First Assistant Secretary, Medical Benefits Division

Mr Shaun Gath, Chief Executive Officer, Private Health Insurance Administration Council

Mr Paul Groenwegen, General Manager and Deputy Chief Executive Officer

Mr Neil Smith, General Manager, Industry Operations

Mr David McGregor, Private Health Insurance Ombudsman

Outcome 7

Ms Bettina Konti, First Assistant Secretary, eHealth Division

Ms Linda Jackson, Assistant Secretary, eHealth Policy Branch

Mr Matt Corkhill, Assistant Secretary, eHealth System Operations Branch

Ms Kylie Jonasson, First Assistant Secretary, Office of Health Protection

Mr Graeme Barden, Assistant Secretary, Health Protection Policy Branch

Ms Janet Anderson, First Assistant Secretary, Acute Care Division

Mr Charles Maskell-Knight Principal Adviser, Acute Care Division

Dr Andrew Singer, Principal Medical Adviser, Acute Care Division and Health Workforce Division

Ms Elizabeth Flynn, Acting First Assistant Secretary, Population Health Division

Ms Felicity McNeill, First Assistant Secretary, Pharmaceutical Benefits Division

Ms Alana Foster, First Assistant Secretary, Portfolio Strategies Division

Mr Simon Cotterell, Assistant Secretary, International Strategies Branch

Dr Brian Richards, Executive Director, Office of Chemical Safety and Director

Adjunct Professor John Skerritt, Deputy Secretary and National Manager, Therapeutic Goods Administration

Dr Tony Gill, Acting Principal Medical Adviser

Ms Judy Develin, First Assistant Secretary, Regulatory Support Division

Dr Larry Kelly, First Assistant Secretary, Monitoring and Compliance Division

Dr Lisa Studdert, First Assistant Secretary, Market Authorisation Division

Ms Philippa Horner, Principal Legal Adviser,

Ms Nicole McLay, Assistant Secretary, Regulatory Business Services Branch

Ms Yael Cass, Chief Executive Officer, Organ and Tissue Authority

Ms Judy Harrison, Chief Financial Officer

Dr Helen Opdam, National Medical Director

Mr Leigh McJames, General Manager and Chief Executive Officer, National Blood Authority

National E-Health Transition Authority

Chief Executive

Outcome 7: Health Infrastructure, Regulation, Safety and Quality

Program 7.1: e-Health

Mr Peter Fleming

Outcome 8

Ms Penny Shakespeare, First Assistant Secretary, Health Workforce Division

Dr Andrew Singer, Principal Medical Adviser, Acute Care Division and Health Workforce Division

Outcome 9

Ms Kylie Jonasson, First Assistant Secretary, Office of Health Protection

Mr Rob Cameron, Assistant Secretary, Health Emergency Management Branch

Mr Graeme Barden, Assistant Secretary, Health Protection Policy Branch

Dr Gary Lum, Specialist Medical Adviser, Office of Health Protection

Outcome 10

Mr Jaye Smith, Acting First Assistant Secretary, Office for Sport

Mr Simon Hollingsworth, Chief Executive Officer, Australian Sports Commission

Mr Matt Favier, Director, Australian Institute of Sport

Ms Fiona Johnstone, Chief Financial Officer

Mr Michael Thomson, General Manager, Participation and Sustainable Sport

Mr Ben McDevitt AM APM, Chief Executive Officer, Australian Sports Anti-Doping Authority

Mr Trevor Burgess, National Manager, Operations, Australian Sports Anti-Doping Authority

Mr Steve Fitzgerald, Chief Financial Officer, Australian Sports Anti-Doping Authority

Mr Patrick Walker, Chief Executive Officer, Australian Sports Foundation

Committee met at 09:00

CHAIR (Senator Seselja): I declare open this meeting of the Community Affairs Legislation Committee on 1 June 2015. The Senate has referred to the committee the particulars of proposed expenditure for 2015-16 for the portfolios of Health and Social Services, including Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee is due to report to the Senate on 23 June 2015 and has fixed 24 July 2015 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business on 12 June, 2015.

The committee's proceedings today will begin with its examination of the Health portfolio, commencing with the whole of portfolio and corporate matters and the Australian Institute of Health and Welfare. The committee will then continue with the Department of Health and other portfolio agencies as listed on the program. On Wednesday morning at 9 am, the committee will move forward to examine the Human Services portfolio, followed at 4 pm by the Social Services portfolio. Under standing order 26, the committee must take all evidence in public session; this includes answers to questions taken 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 and 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 questions going to the operations or financial positions 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 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 a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions ahead 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 interest immunity should be raised. 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.

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, pp 124-125)

I welcome Minister Nash, representing the Minister for Health, and officers of the Department of Health and the Australian Institute of Health and Welfare. Minister, would you like to make an opening statement?

Senator Nash: No, thank you.

CHAIR: We will go to questions. Who would like to kick us off? Senator McLucas.

Senator McLUCAS: First of all, I thank the department for the answers to questions on notice. I have not actually gone through and ticked off which ones were on time. Mr Bowles, do you recall whether they were on time?

Mr Bowles: I cannot specifically remember; I know they are all in. We probably missed the deadline on a few of them which were a little more complex. I can get you the specific numbers of the times, if you would like.

Senator McLUCAS: The ones to Finance and Public Administration were a little late, but not terribly, so thank you for that.

Mr Bowles: No worries.

Senator McLUCAS: I now go to the budget, unsurprisingly. Who was responsible for planning the health budget lock-up and to whom should I direct my questions?

Mr Bowles: To me.

Senator McLUCAS: Who was responsible?

Mr Bowles: I am the Secretary of the department, so me.

Senator McLUCAS: You personally organised the event?

Mr Bowles: No, but I am the secretary of the department; it is my responsibility.

Senator McLUCAS: Is it correct that the lock-up was held at the Hellenic Club?

Mr Bowles: That is correct.

Senator McLUCAS: Has it always been held there?

Mr Bowles: I believe so.

Senator McLUCAS: When did the department start planning for the lock-up?

Mr Bowles: I cannot remember exactly, but it would be some weeks before the budget day itself.

Senator McLUCAS: What section of the department does that work?

Mr Bowles: The communications part of the department.

Senator McLUCAS: When were the invitations issued?

Mr Bowles: Two weeks before.

Senator McLUCAS: Is that the regular timing for the issuing of invitations?

Mr Bowles: I am not sure—

Mr Davey: It would vary from year to year, but ordinarily we would send out invitations at least a couple of weeks in advance to give people time to know.

Senator McLUCAS: Did the list of invitees differ at all from previous lock-up events?

Mr Davey: No. We typically base the list of invitees on the list we have used in previous years, and update that throughout the year.

Mr Bowles: It would have been updated a little bit just to make sure that we picked up everyone we thought was necessary.

Senator McLUCAS: How many people were invited?

Ms Cosson: One hundred and fifty five people attended the actual lock-up. It was probably just over 200 that we invited. I can give you the exact number later.

Senator McLUCAS: That's okay. What was the time of the lock-up? When did people arrive?

Mr Bowles: People started to arrive at about six for a 6.30 start before 7.30, when the Treasurer stood up to deliver his budget speech.

Senator McLUCAS: Did the minister or the minister's office make any changes to the proposed format for the lock-up?

Mr Bowles: Not to my knowledge.

Senator McLUCAS: Who decided how the lock-up would work?

Mr Bowles: It was decided within the department. I will be up-front and say that we did not manage it as well as we probably could have on the night. I have made that publicly known, anyhow. I have also arranged a range of other briefings for different people since.

Senator McLUCAS: Can you describe how it was not as successful as you would have liked?

Mr Bowles: Personally, I did not understand some of the dynamics that were going on with that, and I could have probably provided a little bit more information at the time. Some of it was quite fluid right up to the end. It was not provided, but it was provided after the event.

Senator McLUCAS: You can confirm that the minister's office made no recommendations to the material?

Mr Bowles: It is a departmental event. We really just did not do what we needed to do. We probably just did not talk to ourselves internally enough on the night to the point where I thought certain things were happening and they were not happening. We ended up in the situation we did, and I take full responsibility for that.

Senator McLUCAS: You thought certain things were happening and they were not?

Mr Bowles: It is just about access to information and the times and what we were ready to give. We ended up where we ended up, unfortunately.

Senator McLUCAS: Were copies of the budget papers made available?

Mr Bowles: No; they were after the event.

Senator McLUCAS: What was the practice last year and in years gone by?

Mr Bowles: I believe that there was a—

Ms Cosson: 'Budget at a Glance'.

Mr Bowles: document called 'Budget at a Glance' that was given out on the night.

Senator McLUCAS: That is different from what is colloquially described as 'the glossy', I understand.

Mr Bowles: I am not sure we have a glossy.

Mr Davey: In previous years, we have produced a glossy which, I understand, is a document that has been provided for a Treasury lock-up. We do not do that every year; it sometimes happens.

Senator McLUCAS: Why did we not do it this year?

Mr Davey: There was no requirement to do one this year.

Senator McLUCAS: Nothing to write about?

Mr Bowles: I gave a presentation that went through the budget in some detail on the night.

Senator McLUCAS: People may have a different view about the level of detail.

Mr Bowles: They may.

Senator McLUCAS: So 'Budget at a Glance' has been produced for quite some time, it is my understanding. Is that correct?

Mr Davey: In the last few years, I think we have produced a document that is a high-level document called 'Budget at a Glance'.

Senator McLUCAS: Where was that decision made in the department not to produce 'Budget at a Glance'?

Mr Bowles: It was produced; it just was not ready. It went out after the event. As I said, we could have done that better.

Senator McLUCAS: It was produced?

Mr Bowles: It has been produced. It is on the web now. It just was not ready for that particular time frame.

Senator McLUCAS: Why wasn't it ready?

Mr Bowles: Again, I would suggest that it is the internal communications of my department where we just were at odds with each other about what needed to be ready for the night and what did not, and a lot of stuff was put up after the event.

Senator McLUCAS: I am trying to understand what you mean by 'at odds with each other', Mr Bowles. Did some people think it was going to be produced and others did not produce it? I am trying to understand.

Mr Bowles: I thought we were ready to produce. We were not ready to produce—that comes together right at the end of the budget process. I thought we were on track; we were not. As I said, I take full responsibility for this.

Senator McLUCAS: Is that because there were changes made at the very end? Why did that happen?

Mr Bowles: The budget is a complex set of issues and, as you would see from the budget papers, there are a lot of moving pieces, and those moving pieces do move right until these documents are produced. It is has ever been thus.

Senator McLUCAS: But we have always been able to get the document.

Mr Bowles: Yes; and, as I have said, I take responsibility for that. I probably did not focus enough on that because I did not realise that was what was done in previous times.

Senator McLUCAS: What was provided to the attendees at the lock-up?

Mr Bowles: I gave the presentation, which went through the detail that was not provided. It was provided in the sense of an overhead.

Senator McLUCAS: It was a PowerPoint presentation.

Mr Bowles: It was a PowerPoint presentation, and I think there was a media release which detailed the ons and offs of the budget.

Senator McLUCAS: Can we have a copy of that media release, please?

Mr Bowles: I can get you that on notice, if you would like. It is on the website.

Mr Davey: It is on the website, but we can provide that.

Senator McLUCAS: And the PowerPoint presentation: you presented that, Mr Bowles?

Mr Bowles: I did.

Senator McLUCAS: Did the minister attend?

Mr Bowles: No.

Senator McLUCAS: At all?

Mr Bowles: No.

Senator McLUCAS: Is that usual?

Mr Bowles: Yes, I believe so. I do not think that the minister has ever attended.

Mr Davey: Not in the time that I have been here.

Senator McLUCAS: Who prepared the PowerPoint presentation?

Mr Bowles: That was in Adam's area somewhere.

Mr Davey: It is prepared internally in the department across a range of different parts of the department.

Senator McLUCAS: Coordinated by your section?

Mr Davey: Absolutely.

Senator McLUCAS: Can we have a copy of that PowerPoint presentation?

Mr Bowles: We can get that for you.

Senator McLUCAS: Thank you. It has been published that the minister gave an undertaking to the AMA that she would go through the budget line by line. Has that happened?

Mr Bowles: I am not sure what the minister has done with the AMA. I have a stakeholder forum shortly in the next couple of weeks where I will be talking with all stakeholders, including the AMA. I am not sure what the minister has done specifically with the AMA.

Senator McLUCAS: Can you indicate to the committee, Minister? Has the minister met with the AMA to go line by line through the budget?

Senator Nash: I am not aware of that, but I can take that on notice for you.

Senator McLUCAS: Can you find out for us? I am sure they are watching.

Senator Nash: I am sorry?

Senator McLUCAS: I am sure that the minister's office is alive to what is happening today.

Senator Nash: I am sure they are too. But, as you would understand, I am just not privy to that, Senator. But I am happy to take it on notice.

Senator McLUCAS: Was the same offer extended to other organisations?

Mr Bowles: As I have said, I have a habit of doing things like stakeholder forums. I had one earlier this year and I have another one, I think, in two weeks' time. I gave an indication to them; when I met with them the first time, I identified the timing. I think it ended up being about the top 26 or 28 stakeholders. We had a forum in February and I said then that I would do another one after the budget. We have that organised at this stage for 25 June and we will do an update on the budget and any other things that are appropriate at that particular time. I suppose that my stakeholder management is a bit different than in the past and I do things in a different way where we actually get them in and we take them through issues. The next one is on the 25th.

Senator McLUCAS: It is a fair way after the budget, though?

Mr Bowles: It is.

Senator McLUCAS: You would expect people to have worked out what is in the budget by then?

Mr Bowles: It is more than the budget. This is about engagement with stakeholders more broadly. Generally budget issues are dealt with at the time on a one-on-one basis if there are any specific issues that we need to deal with.

Senator McLUCAS: Can you tell me which departmental officials attended the budget lockup?

Mr Bowles: I could not tell you off the—

Senator McLUCAS: Not by name.

Mr Bowles: About 50 officials turned up. It was all the deputies, the majority of the first assistant secretaries and a number of the assistant secretaries and others who were helping to facilitate it.

Senator McLUCAS: You would be aware of the criticism that questions could not be answered on the night?

Mr Bowles: I am aware of a range of criticisms in the media. I think questions were answered on the night, although not to everyone's satisfaction all the time, but that seems to be a bit of an issue no matter what forum I am in.

Senator MOORE: You have said that you have your own way of engaging with stakeholders. Can you give us a little information about what your methodology is?

Mr Bowles: Yes. When I came into the health portfolio, I tried to identify different groups of stakeholders. We are in the process of developing a strategic stakeholder framework so that we can understand who our stakeholders are. As you would appreciate, in the health portfolio there seem to be a lot of stakeholders.

Senator MOORE: We have found that.

Mr Bowles: Every time you turn around, there is a new one. But there are clearly a top 20 or 30-type group whom you do need to have some relationship with. So we have identified that group. As I have said, I met with them in February and we have said that we would probably do this twice to three times a year, depending on issues. Basically it is a free forum. It is something that is un-agendaed and unscripted. It is about getting what is on their mind and them getting what is on my mind. It is a free flow of exchange of what is happening at the particular point in time. We did that in February. It was, I think, a very productive forum. The feedback was very positive about that. We will do the next one in June and we will probably do another one later in the year as well. So we will probably do about three of them a year. But I want to actually go a bit deeper as well. That is why we are looking at what I am framing as a strategic stakeholder framework.

Senator MOORE: And they are by invitation only?

Mr Bowles: They are by invitation, yes.

Senator MOORE: And in Canberra?

Mr Bowles: The first one was in Canberra and I think the second one is in Canberra. But it does not have to be in Canberra. It will depend on what is happening at the time. I visit Sydney and Melbourne quite a lot, dealing with stakeholders and so, if there was a preponderance of people there, I would probably go there. But a lot of the stakeholders are represented in Canberra. So it is an obvious place sometimes.

Senator MOORE: So your framework document is being developed?

Mr Bowles: It is being developed. It is not ready yet.

Senator MOORE: Will it be on the web?

Mr Bowles: Ultimately it will, yes.

Senator McLUCAS: I have a final question around the lockup. I understand that detailed questions were not able to be answered. Is that because it was your view that, until the

Treasurer had begun giving his speech, you should not provide that information to stakeholders, or was it because the material was not available?

Mr Bowles: No. It was a mix of a whole range of things. I could not answer some of the specific, detailed questions, and I actually referred a number of the questioners to staff members in the room who could have got that answer at the end. In fact, a lot of people did come up to my staff through the night and my staff were there probably until about half past eight or thereabouts, through the Treasurer speaking. To be honest, most people were asking questions; they were not listening at the time. So people did take advantage of the staff who were there and they did ask detailed questions. My job was to stand up and give the overarching view. Then we took a series of questions from the floor. I answered a number of them and some of them were detailed. I did not answer some of them and I referred some of them to other people in the room, and the staff were there for that purpose.

Senator McLUCAS: Are you confident that all questions that were asked could be answered by the staff that were there?

Mr Bowles: No. I have already said that we could change the process and we will look at a better way of doing it for next year. If people left it at their asking the questions from the floor to me and did not follow up with the people who were in the room who could have answered in detail, I would say that they would have gone away unhappy with some of that. There were opportunities to deal with some of those things. I have said right up-front that this could have been handled better.

Senator McLUCAS: What have you done internally to ensure that this will not happen again?

Mr Bowles: We are doing an internal review of the process and the outcomes of that will inform me about how to take this on next year.

Senator McLUCAS: That is all I have on the budget lockup, thank you.

CHAIR: Senator Smith has some questions on the budget lockup specifically; so I will go to him.

Senator SMITH: A long story short, stakeholders can expect a better budget lockup next year?

Mr Bowles: Yes.

Senator MOORE: That is all that you can say.

Mr Bowles: Yes.

Senator SMITH: Beauty is in the eye of the beholder sometimes.

CHAIR: Senator McLucas.

Senator McLUCAS: One of the series of questions that I have is: I understand there was some contention about was the detail around the flexible funds. I would like to go now through the cuts to the flexible funds, if I could. I do recognise that they are in various parts of the department, but I am going to try to cover all of them here, if that is okay.

Mr Bowles: Maybe not everyone is here on some of the specifics when we get into the details. We will try to deal with them at a high level and, if you have any further questions, we can go to them through the outcomes as well, if you would like.

Senator McLUCAS: Thank you. What is the exact total amount to be cut from the health flexible funds?

Mr Bowles: In the context of the budget over the five-year figure, because there was a little bit in the 2014-15 year as well, it was $596.183 million.

Senator McLUCAS: The budget paper shows it over the years; so that is clear.

Mr Bowles: The budget paper shows a budget measure called 'rationalising and streamlining health programs' which was for a different amount, which was a larger amount of $962.8 million, of which the flexible funds for that are $596.2 million.

Senator McLUCAS: Are those cuts in addition to the $197 million cut through the indexation pause from last year?

Mr Bowles: They are.

Senator McLUCAS: Will all 16 flexible funds co-funded by the department be affected?

Mr Bowles: That is the work that we will do over the next few months, working out exactly how we would attack every single fund through that process or every single program within there. I would expect that the majority will be but some may actually not be. So we will use the next couple of months to do that. As you would probably be aware, we have actually funded a whole range of these programs for the next 12 months for that very purpose, to actually do that. The funds and how the $596 million is actually calculated steps up over the four years. Basically there is a $57.8 million implication for the 2015-16 year and it builds up over the four years. So we have time to have a look at that, and all of the existing arrangements that we have in place can be honoured within that arrangement. We will work on it over the next couple of months to see how we do that.

Senator McLUCAS: I am sorry, can you just go back a step? Did you say $57.8 million in 2015-16?

Mr Bowles: Yes.

Senator McLUCAS: Where do I find that figure in the portfolio budget statements?

Mr Bowles: You probably will not. I have just provided it to you. I do not know whether it is specifically in the budget paper like that. I am just saying that, in order to deal with this over the four years, we are stepping it up over the four years to give us the ability to properly understand where best to take the savings.

Senator McLUCAS: On page 32 of the PBS—

Mr Bowles: I am sorry?

Senator McLUCAS: I am looking at page 32 of the PBS and it is showing me $121.5 million being the cuts for this coming financial year.

Dr Bartlett: As the secretary has indicated, that particular table is a mixture of flexible fund savings and other savings.

Mr Bowles: Remember that I said there is a total of $900 million-odd and $500 million-odd. Of the flexible funds implications of $121.5 million, $57.8 million is the flexible funds.

Senator McLUCAS: So it is $57.8 million in 2015-16?

Mr Bowles: Yes.

Senator McLUCAS: What is the flexible fund amount in 2016-17?

Mr Bowles: It is $117.1 million.

Senator McLUCAS: And in 2017-18?

Mr Bowles: It is $180.8 million.

Senator McLUCAS: And in 2018-19?

Mr Bowles: It is $240.2 million.

Senator McLUCAS: I wonder whether it is possible for you to provide us with a table that disaggregates rationalising and streamlining health programs into the six elements.

Mr Bowles: We will take that on notice and try to do that for you.

Senator McLUCAS: That would be reasonably easy to—

Mr Bowles: It will not be necessarily easy, but we will be able to do it. As you would appreciate, there are a lot of different programs.

Senator McLUCAS: Why is it hard? I cannot understand why that would be hard.

Mr Bowles: There are a whole range of things. In addition to how we are going to try to manage these over the next couple of months to try to detail how this will happen, we also want to look at what is described as the flexible funds and reposition those into a different way to remove any duplication or administrative overhead that might be in there as well. So we are having a look at this in quite a holistic way going forward.

Senator McLUCAS: How did you come to the figure of $57.8 million?

Mr Bowles: It is just that we wanted to slow it down at the start and build it up to make sure that we can make this sustainable in the longer term.

Senator McLUCAS: Is it a percentage of the total cost? What is it?

Mr Bowles: Largely that is what it would have been.

Senator McLUCAS: What percentage was that?

Dr Bartlett: It is a 2.8 per cent reduction, which is compounded through the forward estimates for most but not all of the flexible funds.

Senator McLUCAS: Almost all but not all?

Dr Bartlett: Two that were not included for the calculation are the Indigenous flexible fund and the medical indemnity flexible fund. It is applied otherwise across the remainder.

Senator McLUCAS: Why were they quarantined?

Dr Bartlett: That was a decision of government.

Senator McLUCAS: Minister, was that because the minister indicated that they were not to be cut?

Senator Nash: I am sorry. I was just dealing with an issue on my computer; it is not connected. I do apologise. Can I get you to repeat the question?

Senator McLUCAS: Why did the government make a decision not to cut two of the flexible funds?

Senator Nash: That will be a matter for the minister. I will take that on notice for you.

Senator McLUCAS: It would be good if you could take that, please. So 2.8 per cent compounding comes to about seven per cent overall?

Mr Bowles: As an average, that would be about right.

Senator McLUCAS: As for the total value of funding currently provided against all of the flexible funds, can you go through each of the funds for me and indicate the level of funding?

Mr Bowles: I will start with the four-year figure, the total, and Dr Bartlett can give the rest. The overall total of the flexible funds, including the Indigenous and the medical indemnity, is $11.8 billion. That is over a four-year period. To keep it in context, the $596.2 million figure is a four-year figure; therefore the four-year equivalent, if you like, for all flexible funds is $11.8 billion.

Senator McLUCAS: Could Dr Bartlett provide us with a list of the funds and the amount allocated by year?

Dr Bartlett: Are you talking about the amount within each fund?

Senator McLUCAS: Yes.

Dr Bartlett: I have a list that I can go through, if you would prefer.

Senator McLUCAS: Is it something that you can hand up to us?

Mr Bowles: It is in a broader table. We will try to provide that table to you separately, even before the end of the estimates period.

Senator McLUCAS: That will show allocations for what year? Is that from the 2014-15 budget or is it from—

Mr Bowles: It is in the context of a four-year issue. Basically, because we are looking at it in the context of four years over the forward estimates, we have done everything on that basis. But this is just in a broader table. I will take it on notice and try to get back to you, as I have said, before the end of the estimates period. We will fix the table up and give you as much detail as we can across 16 flexible funds.

Dr Bartlett: The other thing I should say is that I have a table that basically sets out what is happening across the forward estimates period, but these are notional allocations; they are still to be brought forward. So it reflects a notional allocation rather than a final allocation.

Mr Bowles: Because we have stepped this up over the four years, I am very nervous about figures being manipulated and used inappropriately when we have not made final decisions. The issue here is that, across the 16 flexible funds, there is $596.2 million out of $11.8 billion that we are allocating. We have already excluded two funds, but over the next couple of months we want to be able to go through that process. I think the issue here is that we can give you the value of the flexible funds over the forward estimates and how we get to $11.8 billion, but we will only gross up the savings, because we do not want to allocate them in the context of individual programs until we do the work over the next couple of months.

Senator McLUCAS: When you say that you do not want the figures to be manipulated or used inappropriately, what are you suggesting?

Mr Bowles: If we were just to apportion that across the 16 issues, and that is a public document, people will assume that we have already made decisions. We have not made decisions on that and I do not want it to be seen in that way. I am just trying to say that we can

give you the information and look at the flexible funds, and then we can give you the total of the year on year for the $596.2 million unapportioned across the programs. We will do that for you.

Senator McLUCAS: The table will show the uncut flexible funds?

Mr Bowles: Yes, and then the total of the cut. So you will still see the $11.8 billion minus the $596.2 million and whatever the total is. It will not apportion across that because we have not made those allocation decisions at this point.

Senator McLUCAS: What rationale will you use to make the cuts?

Mr Bowles: We will do some detailed analysis over the next couple of months. There will be a range of different factors that we will take into account and we will have conversations with government about that as well.

Senator McLUCAS: Was the cut imposed by Treasury or was it offered up by Health? How did you decide—

Mr Bowles: It was part of the budget process. I cannot go into what happens in a budget process, but it was part of the budget process, and that $596.2 million was a saving from the flexible funds. We are looking at efficiencies across the department in all forms; this is just another one.

Senator McLUCAS: I have been trying to work out what organisation is funded under what program. I have tried to use the Murray motion material that you put up and also the Minchin motion material—one of them; I cannot remember which one is which—and I cannot do it. I cannot work it out and neither can the library. Would you be able to provide me with a list of all organisations that are funded under each of the 16 flexible funds?

Mr Bowles: We will take that on notice.

Senator DI NATALE: It would be very helpful.

Mr Bowles: Yes, we will take that on notice.

Senator McLUCAS: It has consumed me for a long time.

Mr Bowles: As you can appreciate, it is a complex set of issues. We try to keep these in bundles because it changes year on year, depending on the priorities of government; it has done forever, from what I have seen of the program.

Senator McLUCAS: They have not been around for that long.

Mr Bowles: They have been around for quite a few years, ever since they have been in this sort of form.

Senator McLUCAS: Perhaps you could provide for us—

Mr Bowles: We will take that on notice.

Senator McLUCAS: the organisations that are funded under each of the flexible funds and the amount that they are funded for currently.

Mr Bowles: Yes, recognising that it changes quite regularly. But we will have a look at that.

Senator DI NATALE: And not just the organisations but the programs as well. Some of those might cut across organisations. Please provide that as well, if possible. As much detail on—

Mr Bowles: I will have to have a look at it. You are talking about two completely different things now. There are programs of work that, as you say, have multiple groups doing it, or there are groups doing multiple things. It is probably cut in two different ways; that is what you are talking about. We will have a look at what we can do.

Senator MOORE: I am trying to figure out why it is so hard to get that for us. You have already made decisions about the quantum amount that you have to reduce over the period. You are looking at the work now to see how you are going to be doing that and you have said 'in the next couple of months'; that is not six months or 12 months but the next couple of months. I am having difficulty, sharing Senator McLucas's frustration, with why it is so difficult for us to get the documentation on which you are working in terms of what is in those flexible funds from which you are already deciding that money will have to be taken.

Mr Bowles: What I have said is that we have made decisions based on the total amounts of money across 16 funds. We will use the next couple of months to understand that in some detail and make those savings from those flexible funds according to whatever we come up with. On the second issue, with respect to going into the detail, we are just not there yet. I have said that I will take it on notice and try to give you a breakdown of all of the players. This is an exceptionally complex beast. As Senator McLucas said, trying to go through this in some detail is a complex issue. A lot of bodies are funded and a lot of programs are funded. It is not always as simple as saying, 'This goes with this,' because it is a matrix thing that goes all over the place.

As I said, we will take that on notice and see what information we can provide that will give you a better understanding of the different programs and different groups that actually fit under the 16 flexible funds, recognising that we are not there yet as far as the savings go. We want to try to simplify the administration of these funds as we actually think about it as well, which might mean that we will change the construction of these things to try to make it a bit simpler so that we do not have to have these conversations that make it very difficult for everyone to understand.

Senator MOORE: We share that concern, but I am still struggling a little bit to understand why there is not a current document that shows what is in the flexible fund as of June 2015.

Mr Bowles: I have given you my answer and I have taken it on notice. We will provide you with whatever we can in relation to the flexible funds.

Senator MOORE: Before the next estimates?

Mr Bowles: Before the next estimates? When are they—October?

Senator MOORE: Yes.

Mr Bowles: If I take it on notice, I will be trying to get it out by the end of the notice period, I suppose.

Senator McLUCAS: You indicated earlier that the funding of some organisations has been extended for a period. Is it correct to say that currently all organisations funded under

the flexible funds expire on 30 June, accepting that some of them have been extended? Were their contracts going to finish at the end of this month?

Mr Bowles: I do not know the specifics of every one, but there are a range that were coming up for finishing now but not all. Some were probably in the next 12 months, but the ones that were finishing now have largely been extended. If you have a specific example, I could give you a specific answer or I could get someone to find out a specific answer, if you like.

Senator McLUCAS: My understanding—I may be wrong—is that some organisations have been told that their funding, which was to expire at the end of this month, has been extended for six months and some have been told that their funding has been extended for 12 months.

Mr Bowles: That is correct, yes. Some are six and some are 12, depending on what they are. As I have said, we are trying to look at how we do this over the next few months to work out what the sustainable funding is going forward.

Senator McLUCAS: Can we have a list of those organisations whose funding has been extended for six months and a list of organisations whose funding has been extended for 12 months, please?

Dr Bartlett: What is happening at the moment is that these organisations have been notified about extensions for six or 12 months. The reason for that extension is that we are looking to reconfigure the funds, as the secretary has indicated. As part of reconfiguring the funds, we will have to come up with new guidelines and new processes where people apply for funding. Once those processes are completed, everybody will have to reapply. Clearly, when you are looking across 14 flexible funds, you do not want to do them all at once. So we have some that we can do within the six-month period; others will take longer, and that is the 12-month period. That is what we are working through at the moment.

Senator McLUCAS: So the rationale for the six or 12 months is—

Dr Bartlett: It is that we do not want to be in a position where we are running application processes for every flexible fund all at once.

Senator DI NATALE: How did you decide which would be six and which would be 12?

Dr Bartlett: It was a fairly arbitrary decision.

Senator DI NATALE: Did you draw the names out of a hat? What does 'arbitrary' mean?

Dr Bartlett: No. 'Arbitrary' means that you look at it and decide on relative complexity of process to work through and then length of time that we think it will take us to do it.

Senator DI NATALE: What was the process that you used to do that?

Dr Bartlett: A group of us talked about it, talked to the minister's office about it and got agreement about how we would stage this.

Senator McLUCAS: Was it by fund?

Dr Bartlett: It was by fund.

Senator McLUCAS: Organisations funded by certain funds got six months and others that were funded through other flexible funds got 12?

Dr Bartlett: It was done on a fund basis.

Senator McLUCAS: Could we have a list of those flexible funds that were extended for six months? In fact, could we have that now? Is that something that we can do now?

Dr Bartlett: I do not have it with me. We can take that on notice and get you that information.

Senator McLUCAS: Okay. That is a list of eight and a list of eight or—

Dr Bartlett: There are a lot of grants. If you want it by organisation, it is a considerable list; if you are talking about it by fund, that is a much shorter list.

Senator DI NATALE: Yes; the second question is 'by fund'.

Mr Bowles: By the 16 flexible funds?

Senator McLUCAS: Fourteen, really, because two have been exempted or quarantined.

Mr Bowles: We will see if we can get that. You are talking about many different grants specifically in each of those, but we will try to lift it up to the fund level. We are talking about thousands.

Senator McLUCAS: I thought Dr Bartlett was explaining that, of the 14 flexible funds that are in scope for the cuts, some were extended for six months and some were extended for 12 months. Am I misunderstanding that, Dr Bartlett?

Dr Bartlett: Where it gets a little more complicated is that we are looking at potentially reconfiguring the funds. For example, if you are looking at a separate fund that deals with research as compared with the current configuration, you would deal with the two components of one fund differently. So what you have is something that is relatively—

Senator McLUCAS: So it is not as clean as I have just described?

Dr Bartlett: No. It is relatively straightforward, but it is not straightforward by any means. There is a relatively arbitrary decision to be made that 'this goes there and that goes there'. It is not simple.

Senator DI NATALE: On this issue, we gave you guys plenty of notice that we were going to come here and ask these sorts of questions. We gave the department all sorts of notice about the funds, the reduction, the recipients of those funds and so on, and it seems that you do not have any of that information with you today despite that notice.

Mr Bowles: We have just given you detail on the funds. We are talking about thousands of individual grants in some of these funds. We are trying to go through those and allocate the savings of this 596.2 right now. It is this matrix issue that we are trying to work through, and we will get that to you as soon as we possibly can. That is what we said we would do.

Senator DI NATALE: That is what you said you would do when we sent the information, so I just thought you would come prepared. Why is it different when we request that in advance and now, here at estimates—

Mr Bowles: Because we are still working through the issues. As I have said, it is a complex set of issues to deal with this in a matrix context in these funds.

Senator DI NATALE: And we have a lot of organisations that cannot hold their staff at the moment whose programs are in limbo because you are working through these issues.

Mr Bowles: They should talk to us, because I do not believe that—

Senator DI NATALE: They have been.

Mr Bowles: I do not believe that to be true. We have extended for six and 12 months and we have deliberately done that because a number of them did come to us about difficulties around their staffing. If there are more groups out there that are having difficulty with their staffing, they should talk to us.

Senator DI NATALE: How do you put a recruitment exercise out for somebody to fulfil a particular program for six months? You are recruiting a position for six months.

Mr Bowles: I do it all the time.

Senator DI NATALE: You recruit—

Mr Bowles: We recruit for short-term issues all of the time.

Senator DI NATALE: You have an ongoing program that is supposed to be—

Mr Bowles: I have a lot of non-ongoing staff in my organisation.

Senator DI NATALE: These are programs that are ongoing and have no certainty around their funding. They have no idea about whether they should be recruiting staff and we have no clarity about whether or not these programs will continue.

Mr Bowles: The groups concerned have been talking to the department over many months. They continue to talk to the department and, where there have been specific concerns about whether they can or cannot employ staff, we have been talking to them. If there are still some out there that have some concerns about this, they should talk to us as soon as they can and we will work with them to get an answer. We have been doing this for months. Again, it is not a simple exercise; we are working through the thousands of different groups that we are talking about here.

Senator McLUCAS: Let us go to some specifics then. Can you tell me about the Consumer Health Forum; has their funding been extended?

Mr Bowles: They are one of the ones that have been extended for a period. Perhaps there is someone who knows about that particular flexible fund in the room?

Senator MOORE: No-one is

Mr Bowles: No-one is owning up to that one. We will come back to that in the outcomes; we will get the information on the Consumer Health Forum.

Senator McLUCAS: What about Mental Health Australia?

Mr Bowles: Mental Health Australia, I think, is a six-month extension. I think I have had something to do with them; I think that was the group.

Senator McLUCAS: What about the Butterfly Foundation?

Mr Bowles: I do not know off the top of my head, but we will get that information. If you have some specifics—so the Butterfly Foundation?

Senator McLUCAS: Mental Health Australia and Consumer Health Forum.

Mr Bowles: Mental Health Australia and Consumer Health Forum, yes.

Senator McLUCAS: Why have you not got—

Mr Bowles: Because they are in the outcome areas; they are just not necessarily in the room today. We are on whole of portfolio.

Senator DI NATALE: It is just not good enough.

Senator McLUCAS: Have any decisions been made already to cease funding either certain organisations or certain activities under the changes to the flexible funds?

Mr Bowles: In a total sense, all of our existing contracts have been honoured, so nothing has changed in this context at this stage. Once we work out how we allocate the savings over the period, we will work through those issues. If, in fact, there are any or there might be reduced funding, there could be a range of different ways we would look at that.

Senator McLUCAS: I am struggling to understand how you are going to find savings of $57.8 million in the coming financial year when a number of the organisations have been extended for 12 months and a number have been extended for six months. You still have to find $57 million, so how is that going to happen?

Mr Bowles: Some of these are allocated throughout the year. The nature of these funds gives the minister and the government flexibility about when and what is actually funded. They are funded for specific programs, as Dr Bartlett has said. If we were to reconstitute, if you like, these flexible funds in a different way, we would go out to tender, effectively, or go out to the market for the provision of services in a particular space. There is always flexibility within these funds on a year-to-year basis when different things come to an end. We fund a lot of time-limited activities, so we will do something for one year, some for four years and some will probably be ongoing for a long period of time. There is always flexibility in that context to do that. That is why we have kept the numbers low in the first year—so that we can actually deal with that. That builds up over time, as I have said.

Senator McLUCAS: You read out to me those figures that add up to $596 million. Were there any savings in the 2014-15 year?

Mr Bowles: Yes. I think there is about $12 million in the 2014-15 year.

Senator McLUCAS: That is across the whole measure. Are they all in flexible funds?

Dr Bartlett: No.

Mr Bowles: That is across the whole measure, so we would have to—

Senator McLUCAS: So what is the—

Mr Bowles: If you were to add up those four figures, which I have not done, unfortunately, and if there were any in 2014-15—let me just quickly add it up for you.

Senator McLUCAS: Secretary, I am sure that someone else could do that sum for you.

Mr Bowles: Yes, well, there is about—

ACTING CHAIR (Senator Smith): While the secretary is doing that, we will continue to take questions from Senator McLucas. There is a little time for Senator Reynolds and then Senator Di Natale.

Senator MOORE: On flexible funds?

ACTING CHAIR: Yes.

Mr Bowles: On my handy iPhone, it looks like about only $600,000 in 2014-15 for the flexible funds. I will stand corrected when someone actually does the proper calculation, but it is around that.

Senator McLUCAS: Where are those cuts? This is this year, so where do we find those savings?

Mr Bowles: Again, because of the flexible nature, $600,000 in $2 billion of funds is not hard to find.

Senator McLUCAS: What I want to understand is this: was anything cut—

Mr Bowles: No.

Senator McLUCAS: or was it just not gone ahead with?

Mr Bowles: It just would not have been allocated in any form.

Senator McLUCAS: I think I know the answer to this, but my question is this: will there be any reduction in the current level of funding to organisations? Your answer will be: we do not know yet.

Mr Bowles: We do not know in an ongoing sense, no; that is the work that we will do over the next couple of months. A range of contracts will be in place that may go for a longer period than six or 12 months and those contracts will be honoured. We are not about changing things that we already have in place. But, as I have said, literally thousands of things are funded under these sorts of things, and some are just small amounts and some are quite large amounts.

Senator McLUCAS: Did the minister come to the department with a set saving in mind for these funds, or did the department propose the cut in the flexible funds?

Mr Bowles: This was a process that happened through the budget process, so we do not go into that; but it was an outcome of the budget process.

Senator McLUCAS: Once you have gone through a process of working out how you will apply a rationale—which is not yet determined—when will the organisations that are funded through these programs be advised? What is the time frame?

Mr Bowles: The time frame will have to be—particularly for the six-month ones, we need to get them some surety well before the end of the year; so that will be our plan with those. Others will not be until the next budget cycle because they will have funding out to 30 June. As I have said, some will probably be a bit longer and we will just have a look at: do we want to continue those; is there a different way? If we are going to fundamentally rethink the way of the flexible funds to try to reduce administrative overheads and to look at them differently, we will get to the end of contracts and then we will probably go out to the market again in a different way.

Senator McLUCAS: When you say 'well before the end of the year', has a date been identified yet?

Mr Bowles: Not at this stage, no. It depends on the work that we do over the next couple of months. But, once we have worked all these issues through, it is obviously in our interests and the group's interests to tell them well in advance whether it is going to continue, whether it is not going to continue, whether it is going to continue on a lesser amount or whatever.

Senator McLUCAS: Were the organisations that have been extended for six months given any indexation for that period?

Dr Bartlett: Not to my understanding, no.

Senator McLUCAS: What about the ones that were extended for 12 months?

Dr Bartlett: Again, not to my understanding, but I can take that on notice and confirm it.

Senator McLUCAS: Thank you. How many organisations have made contact with the department to express concern about the—

Mr Bowles: I do not have a specific number because they come into many places in the department. But there are a number of them, yes.

Senator McLUCAS: Their concern is around being able to provide their staff with some certainty about employment.

Mr Bowles: I think it is fair to say that that is one of them, but there will be a range of other issues. It is just the broader ongoing issue. Some will be about their staffing; some will be about whether they are going to be part of going forward, if you like. I have just been told that the Butterfly Foundation got a 12-month extension.

Senator McLUCAS: For what?

Senator MOORE: From when to when?

Mr Bowles: I am sorry; from when? I presume that it is from 30 June.

Senator McLUCAS: For what activity?

Dr Bartlett: I am sorry; we are getting bits and pieces, but it is the difficulty of—

Mr Bowles: It is best to talk about that in the outcome because you will have the right people here to talk about the specifics of a particular program. I just wanted to let you know that they have been extended for 12 months. The Mental Health Foundation was for six months. I cannot remember for the Consumer Health Forum, but they will be one of those groups as well.

Senator McLUCAS: Do you have a communication plan in place to show how those cuts will be communicated to the affected organisations?

Mr Bowles: Not at this stage, but that will be part of our process going forward, working out how we deal with this broad range of measures over the next few months.

Senator McLUCAS: I am a little troubled that here we are in June and I do not see what is planned in the department to resolve this very big question. Did this happen very late in the budget process?

Mr Bowles: It happened in the budget process and the budget process ultimately culminates on whatever day in May the budget is announced. With some of those things, we will have indications early. Things change during budget processes. I am not going to go into specific days there when these things happened. I do not think it is fair to say that we have done no thinking; we are thinking. I have just said that we have deliberately put the lower money at the front end. Because of the nature of the funds, we have flexibility in how we can allocate. That gives us 12 months, in effect, to actually look at the broader flexible funds. We want to work out in the next couple of months how we are going to allocate this going forward, and that is the process we are in right now.

Senator DI NATALE: Can I just ask a question on that? There was $197 million allocated in last year's budget. Is the $500 million on top of the $197 million?

Mr Bowles: We have gone over that already, but yes.

Senator DI NATALE: So what is the process for the $197 million?

Mr Bowles: That has been allocated already.

Senator DI NATALE: What was the process for doing that? Surely it is the same principles.

Mr Bowles: It will be the same principles, but we also—

Senator DI NATALE: We would like to hear what process you use for $197 million because it might inform us going forward with the $500 million.

Dr Bartlett: The process used to allocate the 197 was that the minister and the government made a decision about how they wished to allocate the saves and the saves were allocated on that basis.

Senator DI NATALE: Can you expand on that, please?

Dr Bartlett: If you give me a second, I will find something. What we have done and what we are talking about doing this time is something where the save, in effect, compounds over time. What was done last time was not similar to that. So what you got with the last one was a final save over the period, which was $47.2 million in 2015-16, 72 in 2016-17 and 73—I am sorry; I am trying to read my numbers and failing.

Senator DI NATALE: I am sorry; 47 in 2015—

Dr Bartlett: 47.2 in 2015-16, 72 in 2016-17, and 78.1 in 2017-18.

Senator DI NATALE: How were those decisions made?

Dr Bartlett: They were decisions of government.

Senator DI NATALE: I do not mean the actual quantum. How did that translate in terms of reduced—

Dr Bartlett: Again, it is a decision of government. The government has gone through, in terms of allocating specific funds, and has said, 'What are our priorities? We will allocate them this way.'

Senator DI NATALE: So let us look at 2015-16 and the $47 million. What programs were cut?

Dr Bartlett: The Communicable Disease Prevention and Service Improvement grant.

Senator DI NATALE: So what—

Dr Bartlett: It went down by $3 million.

Senator DI NATALE: Communicable disease prevention grant?

Dr Bartlett: Down by three.

Senator DI NATALE: What was that money used for? What was the nature of that program?

Dr Bartlett: It is a range of things related to communicable disease. I am sorry to be flippant or appear to be flippant. I am not being flippant. It is a whole range of projects that fall in the communicable disease area.

Senator DI NATALE: Let's just go on with the headline of how that $47 million was spent.

Dr Bartlett: Health Social Surveys Fund, $0.5 million; Chronic Disease Prevention and Service Improvement Fund grants, $7.1 million; Substance Misuse Prevention and Service Improvement Grants—

Senator DI NATALE: Substance?—

Dr Bartlett: Substance Misuse Prevention and Service Improvement Grants, $7 million.

Senator DI NATALE: So we have an ice task force established, and at the same time we have cut how much from substance misuse?

Dr Bartlett: We have cut $7 million.

Senator DI NATALE: We have this ice task force, because we have a huge problem with the ice epidemic, and we are cutting $7 million out of substance misuse programs? Is that an accurate reflection of government policy?

Dr Bartlett: It is an accurate reflection of this process, Senator.

Senator DI NATALE: Next?

Dr Bartlett: Substance Misuse Service Delivery Grants, $1.2 million.

Senator DI NATALE: So a further $1.2 million from substance misuse programs?

Dr Bartlett: Yes. Leaving a sum in 2015 for substance misuse of the order of $53.7 million.

Senator DI NATALE: Go back. I did not hear the start of that.

Dr Bartlett: Leaving a fund in 2015-16 of $53.7 million.

Senator DI NATALE: So we have had $8.2 million cut from substance misuse.

Dr Bartlett: Single Initial Point of Contact Telephone Advice and Counselling, $10.9 million.

Senator DI NATALE: What does that service do?

Dr Bartlett: It is related to primary care.

Senator DI NATALE: Is that like NURSE-ON-CALL?

Dr Bartlett: You would have to ask the outcome, Senator. I do not know the detail of the fund. Practice Incentives for General Practices Fund, $10 million.

Senator DI NATALE: Thank you.

Dr Bartlett: Health Surveillance Fund, $0.8 million.

Senator DI NATALE: Health surveillance? So we can get more detail on this in the outcome?

Dr Bartlett: You can; it is outcome 7.

Senator DI NATALE: Each of these will fall within a different outcome?

Dr Bartlett: Correct.

Senator DI NATALE: Can you provide a table of these cuts and let us know which outcome they apply to?

Dr Bartlett: I can do that, Senator, or I can just give them to you now.

Senator DI NATALE: We need the table with the reductions in funding—

Mr Bowles: We will have to produce the table for you.

Senator DI NATALE: Would you be able to do that?

Mr Bowles: We can do that, or we can just give you what we have just given you and put the outcome against it.

Senator DI NATALE: My shorthand is not that flash.

Senator McLUCAS: Is it possible, Dr Bartlett, that the document you are reading from—

Mr Bowles: is part of a broader document. We will produce something.

Senator McLUCAS: We could cut and paste it. I would love to have your brief, but if we could just get that portion of the brief that would be extremely useful. Otherwise we end up asking the question in the wrong outcomes.

Mr Bowles: Yes, I appreciate that.

Dr Bartlett: I can just read you out the outcomes for the 10 funds now.

ACTING CHAIR: Please read out the outcomes for the chair.

Dr Bartlett: Communicable Disease Prevention and Service Improvement Grants Fund is outcome 1. Health Social Surveys Fund is outcome 1. Chronic Disease Prevention and Service Improvement Grants Fund is outcome 1. Substance Misuse Prevention Fund is outcome 1. Substance Misuse Service Delivery Fund is outcome 1. Single Initial Point of Contact Telephone Advice and Counselling Fund is outcome 5. Practice Incentives for General Practices is outcome 5. Health System Capacity Development Fund is outcome 7. Health Surveillance Fund is outcome 7. Health Protection Fund is outcome 9.

Senator DI NATALE: So we had $10 million from practice incentives.

Dr Bartlett: Yes.

Senator DI NATALE: I think you jumped to health surveillance—

Dr Bartlett: Health System Capacity Development Fund is $6 million. Health Surveillance Fund is $0.8 million. Health Protection Fund is $0.7 million.

Senator DI NATALE: Let us just go through the process for how these decisions were made. What was the process used to make these decisions?

Dr Bartlett: A decision of government, Senator.

Senator DI NATALE: You had a minister who, with all due respect, would probably have had very little understanding—this is no disrespect to any of the health ministers involved—of the detail of these programs. Are you are saying they went through a whole list of programs and just said, 'All right; let's cut $3 million from here, a million from there?' Is that the process that was used?

Mr Bowles: It will be a process of us sitting down with the minister in the minister's office and going through a range of different programs and meeting the outcomes that government requires.

Senator DI NATALE: Was it advice from the department to government?

Mr Bowles: It would be in consultation with the minister's office and the department, yes.

Senator DI NATALE: So it was advice from the department. So on what basis did the department make these decisions? What was the process that you used to decide which funds would be cut and which wouldn't?

Dr Bartlett: The department did not make a decision. The department was a piece of advice in a process of government.

Senator DI NATALE: So you provided advice to government. I am not asking you about the nature of the advice; I am asking you about what was the process that you used in determining an opinion that would form the basis of advice to government.

Dr Bartlett: Senator, there is a whole series of connections in the statement you are making that assumes that the numbers I have just read out reflect departmental advice. We cannot take you through the advice. We cannot take you through the process.

Senator DI NATALE: You now have another $500 million. You have $197 million that was reduced from these programs, and you have gone through and said to me that you were involved in a discussion with government—

Dr Bartlett: Senator, you are putting words in my mouth again. If you had listened to what I said a minute ago, the government made a decision on the basis of advice.

Senator DI NATALE: Mr Bowles just said that this was a discussion between the department and the government.

Mr Bowles: It is advice to government. That does not mean all of the advice is taken. We provide a whole range of information to government for government to make decisions. That is how the process has always worked.

Senator DI NATALE: But do you understand why I am asking these questions? There is now a range of programs that are sweating on whether they are going to continue to exist and provide services to the community: $500 million worth. With relation to the $500 million, you are saying that you have yet to develop a process; that you need to look at this; that you have not had enough time and so on. We have had $197 million. We have seen the impact of those cuts. We have no clarity about how that occurred—no clarity whatsoever. How can we have confidence that there will be a rigorous process for ensuring that the $500 million worth of cuts to vital programs that are currently being carried out in the community will occur in a way that results in minimal impact on health delivery? How can we have any confidence around that?

Mr Bowles: I have already said that the $596 million is in the context of $11.8 billion, which is 2.8 per cent compounded. Yes, they will impact somewhere through that process. These are, and have always been, decisions of government about where they want to put their priorities. We are talking about a small amount, but—yes, you are right—it does impact on a range of different players. I have also said that all of our current contracts will be honoured. I have said that about four times now.

Senator DI NATALE: It is not the question I am asking.

Mr Bowles: Well, Senator, this is the answer I am giving because it has got to be in context.

Senator DI NATALE: No, you are giving conflicting answers. Now you are saying these are decisions of government. Five minutes ago you were saying you were working on a process for determining how these cuts would occur.

Mr Bowles: To provide government advice on what they will ultimately make decisions on.

Senator DI NATALE: What is the process you are going to use?

Mr Bowles: Again, Senator, the process is: we will go through and we will understand all the different grants, talking to the outcome areas, talking to who owns the grants within the department, we will put that together and we will provide advice to the minister, and the minister—therefore, the government—will make decisions about what is and isn't done in that sort of context. That is how it has always been done. We provide that advice and then government makes decisions.

Senator DI NATALE: What is the process you are going to use to make those decisions?

Mr Bowles: I have just said: we will be working with the program areas who deal with the players all of the time. That is what we have done from time immemorial and we will continue to do that.

Senator DI NATALE: But what is the process you are going to use?

Mr Bowles: I will go over it again. We will sit down with our program areas, who have good detailed knowledge of the programs that they deliver. We will have conversations with them internally. We will then put that together. We will provide advice to the minister. And government will make decisions—some they will agree with, some they will disagree with, and they will challenge us on all of those things, as has been done forever.

Senator DI NATALE: So you are not going to tell us?

Mr Bowles: I have just told you three times.

Senator DI NATALE: You have told us that you are going to sit down and talk with these people. You are not going to tell us what the framework is. You have over $500 million worth of cuts.

Mr Bowles: In the context of $11.8 billion, which is 2.8 per cent compounded over the forward estimates.

Senator DI NATALE: Half a billion dollars in cuts to programs—are you going to tell me that is not going to make a difference on the ground?

Mr Bowles: If you had listened to what I had said, Senator, I have never ever said that.

Senator DI NATALE: There is a range of organisations that are entitled to know what framework you are going to use to effectively end some of the services that are being provided in the community. That is not a big thing to be asking.

Mr Bowles: And I have answered it, Senator.

Senator DI NATALE: No, you haven't answered it.

Mr Bowles: I have answered it. You just don't like my answer.

Senator DI NATALE: You are telling me you are going to talk to them and then you are going to provide advice to government. That is not a process. That is not a framework.

ACTING CHAIR: Order!

Senator DI NATALE: That is not structure.

ACTING CHAIR: Excuse me, Senator Di Natale. Ask your question, allow the secretary to answer.

Senator DI NATALE: We are obviously not going to get an answer on that question.

Mr Bowles: I beg to differ. I have given you an answer. I don't like it characterised that I have not given you an answer. I have answered you in saying how we operate as a department of state providing advice to a government who makes decisions.

Senator DI NATALE: So let me ask you, then, this: is it effectively going to be a similar process to the way the $197 million cut was allocated?

Mr Bowles: That is ultimately how it will go, Senator. That was a decision of government. Yes, it will be a similar process.

Senator DI NATALE: Dr Bartlett, you said they were two entirely different processes only five minutes ago.

Dr Bartlett: What I said is that if you looked at the way in which the saving was split over the three years you are talking about something that does not work the same as this latest one. That was the way the difference was characterised.

Mr Bowles: Dr Bartlett was talking about how we will internally do things. We will use similar but different methodologies—

Senator DI NATALE: Similar but different? Okay.

ACTING CHAIR: Excuse me gentlemen. Senator Di Natale, you, better than most, know how the process works. Do you have a question, Senator Di Natale?

Senator DI NATALE: I might hand over to Senator McLucas.

ACTING CHAIR: We will go to Senator Reynolds now.

Senator REYNOLDS: Thank you very much, Chair. Good morning, Minister and good morning, Secretary. I also have some questions in relation to the flexible fund savings. Thank you for the extra detail from what is in Budget Paper No. 2. Could I walk you through and clarify to make sure that I have got right the extra figures you have provided. First of all, we are talking about $962 million worth of savings. That is in the total rationalising and streamlining of health programs?

Mr Bowles: That is correct.

Senator REYNOLDS: Then we are talking about the $596.2 million, which is the flexible fund component, which is over five years, which started this financial year and then goes out over the forward estimates. Is that correct?

Mr Bowles: That is correct.

Senator REYNOLDS: That is out of a total funding envelope of $11.8 billion?

Ms Cosson: That is correct.

Senator REYNOLDS: The savings for the $596.2 million over the forward estimates starts off at 2.8 per cent. That is compounded down to, I think you said, about seven per cent over the forward estimates.

Ms Cosson: That is correct.

Mr Bowles: That is about right.

Senator REYNOLDS: That is then separate to the $197 million that was announced last year, which has already been worked through.

Mr Bowles: That is correct.

Senator REYNOLDS: As I understand it then, you said there are 16 flexible funds.

Mr Bowles: Yes.

Senator REYNOLDS: Two of which have been quarantined—Indigenous affairs and medical indemnity?

Mr Bowles: That is correct.

Senator REYNOLDS: So the ones you are looking at now are the 14 that are subject to review. Thank you; I just wanted to make sure we were working from the same figures. As I understand it, you said that all current contracts, whether they be still six or 12 months, will be honoured?

Mr Bowles: Yes.

Senator REYNOLDS: So none of those will be affected or have their funding cut under the current contracts? The savings will be staggered over the forward estimates. I think you described it as 'stepped up'. Can you explain that further for us? That seemed to be some of the discussion on questions this morning.

Mr Bowles: Basically what we are trying to do is build up over the forward estimates to give people the capacity to make change to their organisational dynamics, if that is what is required. Ultimately, within the flexible funds, programs start and finish: some are time-limited, some are ongoing, some are for multiple years. We have always got some things finishing, some things starting. They are contestable funds, so we do go to the market and ask for the provision of services for some of them. Over time we have capacity to change how we position the funds to deliver the outcomes that the government wants at a particular point in time.

Senator REYNOLDS: Hence the name 'flexible funds'.

Mr Bowles: Hence the name 'flexible funds'.

Senator REYNOLDS: Is what you have just described the matrix that you referred to earlier on—the complexity of the matrix?

Mr Bowles: Yes.

Senator REYNOLDS: I was trying to follow some of the complexities. If you could explain further.

Mr Bowles: There are something like 2,000 or 3,000 grants that actually sit within the 16 flexible funds. Again, some will only go for short periods but some will go for longer periods. We are trying to look at what is feasible in that sort of context going forward. As you would appreciate, with 16 funds, multiple programs, multiple players within each program, we are trying to look at how we actually do that. In some cases I would suggest what we would find is that we are funding two activities very similar and we might want to look at how we do that into the future. We will have a look at all those sorts of issues.

Senator REYNOLDS: One of the issues you are looking at is not only duplication or replication of very similar services in those funds but also that it is providing some assurance for the taxpayer that they are being run efficiently. So it is also making sure that our money is best spent and not duplicated? Is that a factor as well?

Mr Bowles: Absolutely. We, as a department, have productivity dividends all of the time. It has been that way for a long, long period. We also need to make sure that the programs that we are actually funding are delivered in an efficient and effective way. This is part of the process we are going through now.

Senator REYNOLDS: Is that one of the reasons for stepping, then? Given that you have got 2,000 or 3,000 separate grants it is actually giving you the time to do it in a—

Mr Bowles: Orderly way.

Senator REYNOLDS: A measured, orderly way?

Mr Bowles: That is correct.

Senator REYNOLDS: One of the things you said earlier was that you needed to—I think the words were—tread carefully in relation to this. Can you explain a bit further what you meant by that?

Mr Bowles: I cannot remember the context I used it in now.

Senator REYNOLDS: In response to one of my colleagues you said that publicly you needed to tread very carefully in how you go about this process. I think that is what you were referring to.

Mr Bowles: Yes. I was talking in the context of just applying it proportionally across the thousands of programs or even the 16 flexible funds themselves, that we have not made decisions on that in the out years but obviously from a budget perspective there is a minus $596.2 million across the flexible funds. I am just very conscious that I do not want to actually put something out there that proportionally divvies up a $596 million problem. I am happy to look at here the flexible funds. Here is the $12 billion or thereabouts, here is the saving. It will be applied across those, with those two caveats that we put on earlier.

Senator REYNOLDS: If you did not do that it would actually make it a non-flexible fund rather than a flexible fund, I guess?

Mr Bowles: It would. It might indicate that savings would be found from something that is fundamentally important to us as a department of state, the government and the consumer. We want to be careful about that.

Senator REYNOLDS: In terms of this stepped-up process over the forward estimates and reviewing each of the funds and the grants within that, I want to make sure that taxpayers' money is being expended on each of the programs efficiently. The name 'flexibility' would actually give the government an opportunity to make sure that it is flexible, that they can reallocate savings to other higher priority areas, either within the fund or across funds.

Mr Bowles: That is correct. They are named and they are operated in a certain way for that reason. We do not want to get too hung up on 'flexible' because there are some things that do go for a long time. They are definitely about frontline service delivery. But there are other things in there for which there are different ways to deliver and we want to be sure that we have got the best way. We have the ability to do that now over the life of the program.

Senator REYNOLDS: So this stepped-up process over the next six months, as you said, is critical to work out the process, get the communications out with the organisations and those who will be seeking new funds or extensions. Could you describe a little further that process that you will now be going through to prepare for that?

Mr Bowles: To prepare for how we might deal with the savings across the programs?

Senator REYNOLDS: Yes.

Mr Bowles: Through our outcome areas and through the department we do this all the time. This is not something that is new. We will be working with our policy people, we will be working with a lot of the program areas and we will be working with a lot of the people who are the recipients of these grants about what is a way forward. The reality is: when you deal with these issues and you are making tough decisions around being efficient and effective, not everyone is going to like that. So we work it through. We provide advice to government and government makes those decisions. Ultimately that is the process that has always been in place. We will continue to do that. When we have difficulties with different groups we speak to them and we talk those issues through. That is what happened pre-budget where we have extended it six months and 12 months.

A lot of different groups did have particular concerns. We worked with them to work through those concerns. At the end of the day not all of those groups are happy sometimes with the outcomes because tough decisions are required. That is where we are.

Senator REYNOLDS: Would it be fair for me to take from your answers that this is a flexible funding model and that what the department will be doing is going through and working through the purpose of each of the funds, the funding required for the grants going forward and then providing advice back to government on the best utilisation of those funds so that the highest priorities get the funding?

Mr Bowles: That is correct.

Senator REYNOLDS: Thank you. For example, the quarantine funds, Indigenous and medical indemnity, I presume, have been quarantined because of their high priority?

Mr Bowles: The minister has already said that they are high priority issues. He does not want to find savings out of those; so that is the way we have looked at that. There could be others, as we go forward, and we will recommend some treatment to the minister. She may agree, she may not agree. That is the process that we will go through.

Senator REYNOLDS: By adopting this approach it does allow them to make sure that rather than just having funding the same for everybody going forward, high priorities can be brought forward—

Mr Bowles: That is correct.

Senator REYNOLDS: And be given greater money?

Mr Bowles: The worst outcome would be that we just proportionally do this across the board, because that just does not work. We need to work out what are the things that are, first of all, government priority. Because it is a priority now does not mean it has been a priority before or will be a priority in the future. Things have priority sometimes for specific purposes, sometimes specific time frames. That is how it works.

Senator REYNOLDS: Ultimately, as you said, it is a flexible model. If I am correct, out of $11.8 billion worth of expenditure over the forward estimates—

Mr Bowles: I will have to correct the record on that. I think it is a bit higher than $11.8 billion. I will get the right figure. But it is around the $12 billion.

Senator REYNOLDS: Next year it is a 2.8 per cent saving?

Mr Bowles: Yes.

ACTING CHAIR: Senator McLucas.

Senator McLUCAS: Just following up on your answer, Mr Bowles, then, the minister has already indicated to the department that she did not want the Indigenous flexible fund or the medical indemnity flexible fund to be cut in any way. Some advice has come to you to find this $596 million worth of savings at a very high level. Has the minister's office or the minister provided the department any steer about how you should apply these savings?

Mr Bowles: I have had no conversation specifically at this point about the rest. The current way is: we are allocating. We are allocating it across the years so that we can work out what the appropriate way forward is. Clearly Indigenous is an important issue. From an indemnity perspective, indemnity payments at the moment are what they are. We just have to be careful we do not take money out of there. It is going to happen anyhow.

As for the rest, to be frank, I do not like the notion of 'flexible'. These are pools of money, pots of money, to allocate to priorities and they can be short term, medium term or long term. That is the advice we will work on now. I have not had a conversation with the minister where she has said, 'We need to go this way,' or I have said to her, 'we need to go that way.'

Senator McLUCAS: Can you also take on notice whether or not anyone from the minister's office may have spoken to other parts of the department to—

Mr Bowles: I can take that on notice.

Senator McLUCAS: Dr Bartlett, for example.

Dr Bartlett: There has been no discussion about the specifics of the issue you are raising.

Senator McLUCAS: So we are at the beginning of the process?

Mr Bowles: Yes, that is right.

ACTING CHAIR: Are you finished, Senator McLucas?

Senator McLUCAS: When do you think we will be able to get a copy of not only the table that Dr Bartlett read out, which is around the $176 million cuts, but also the broader table that we talked about—not every item but—

Mr Bowles: You mean the flexible funds one that I mentioned earlier?

Senator McLUCAS: Yes.

Mr Bowles: I presume someone is playing with that now.

Senator McLUCAS: Someone is doing that now?

Mr Bowles: I will check at morning tea where we are up to.

Senator McLUCAS: Thank you very much.

ACTING CHAIR: Senator Di Natale.

Senator DI NATALE: I am done with flexible funds. I have a few questions about some other budget issues. I think it is whole of outcome. I will perhaps ask for some advice on that. Is the PBS co-payment a whole-of-government?

Mr Bowles: Outcome 2.

Senator DI NATALE: These are issues around indexation, co-payments and so on?

Mr Bowles: Yes. It is best to do that in outcome 2.

Dr Bartlett: If you are asking about pharmaceuticals it is outcome 2. If you are talking MBS it is outcome 3.

Senator DI NATALE: I suppose what I have got is an issue that is actually a bit broader than that specific issue. Let me ask the question and you can tell me where I need to raise it. Is the PBS co-payment increase still government policy? Perhaps that is for the minister. That is the 80c increase for concession card holders and the $5 increase for general prescriptions.

Senator Nash: The minister has indicated that she is continuing to have discussions about that.

Senator DI NATALE: Is that still government policy? My understanding is that it is projected forward over the forward estimates.

Senator Nash: The government policy has not changed.

Senator DI NATALE: But it did not appear in the budget papers? Is that right? I just need some clarification.

Dr Bartlett: It does appear in the budget papers.

Senator DI NATALE: It is in the budget papers and carried through the forward estimates. So at the moment there is some discussion. I just wanted to know where we were with that. Can I also ask a couple of questions about the growth in hospital services expenditure? Is that something to ask here again?

Dr Bartlett: Outcome 4.

Senator DI NATALE: You want me to ask that in outcome 4?

Dr Bartlett: Outcome 4, that would be nice, yes.

Senator DI NATALE: I suppose the question around duplication of the health assessments under the MBS will be—

Dr Bartlett: Outcome 3.

Mr Bowles: Sorry, can I just clarify what you meant by that?

Senator DI NATALE: Just the $144 million savings around health assessments that were previously being funded under the MBS but there is a question around duplication because they have been provided by states and territories.

Mr Bowles: Right. Yes.

Senator DI NATALE: So it is outcome 3?

Mr Bowles: Three.

Senator DI NATALE: The John Curtin Medical School, here or in health workforce?

Dr Bartlett: Outcome 8, I think.

ACTING CHAIR: Senator McLucas.

Senator McLUCAS: I have a technical question. On page 32 of the PBS at the bottom there, can someone explain the administered program indexation pause, two years extension? What does that mean?

Dr Bartlett: There were a series of programs whose indexation was paused last budget. In this budget that pause was extended for a further two years.

Senator McLUCAS: That is why it is all in 2018-19?

Mr Bowles: Yes, that is right. It has already been in last year's budget for the first four years.

Senator McLUCAS: Why is it that 5.4 takes the big cut?

Mr Bowles: Obviously it is where most of them are. We would have to get back to you on that. It would be just where the majority of the issues are. It is the extension of what we currently had in place. It is whatever flows through in that particular space.

Senator McLUCAS: Thanks for that.

Senator CAROL BROWN: Can I ask a question?

ACTING CHAIR: Senator Brown.

Senator CAROL BROWN: I am not sure if this is the area but I just wanted to check on government responses to committee reports.

Mr Bowles: It depends on what it is but let us try now.

Senator CAROL BROWN: The minister indicated to me earlier today that the response from government on the pathology service inquiry that the committee undertook is imminent.

Senator Nash: No, I did not say that.

Senator CAROL BROWN: Shortly.

Senator Nash: It is being considered.

Senator CAROL BROWN: It is being considered.

Senator Nash: I have another one that is, shortly, imminently, being considered.

Senator CAROL BROWN: I am interested in the other two, *Out-of-pocket costs in Australian healthcare*, tabled on 22 August 2014, and *Care and management of younger and older Australians living with dementia and behavioural and psychiatric symptoms of dementia*, tabled on 26 March 2014.

Mr Bowles: I will endeavour to get you an answer to those, Senator. I do not have it off the top of my head.

Senator CAROL BROWN: Could you indicate, as much as you can, when that response will be made public and when the response went to government?

Mr Bowles: I do not know specifically. I will find out.

Senator CAROL BROWN: We will include speech pathology services in that.

Proceedings suspended from 10:30 to 10:45

CHAIR: We will resume and continue with the whole of portfolio on corporate matters. Senator McLucas, you have the call.

Senator McLUCAS: Thank you, Chair. Can you advise the committee whether the department is preparing a 2015-19 health strategy?

Mr Bowles: A 2015-19 health strategy? In what sort of context, Senator?

Senator McLUCAS: I understand that we have a health strategy which, I am surmising from this question, expires this year. I am wondering if we are going to have a replacement health strategy.

Mr Bowles: We will have to find out specifically which one you are referring to. We are in the process of developing what we are calling a strategic intent, which is the strategic intent for the organisation. It is more about how the department operates and what are our key priorities and things like that. There is a current document that is expiring; is that what you are saying?

Senator McLUCAS: I am not quite sure. My briefing material is fairly sketchy, if I can put it that way.

Mr Bowles: We will get someone in the background to have a look around and see if we can work out what that specific issue is.

From our perspective, we are looking at changing the notion of strategic plan to strategic intent and looking at, basically, what do we do and how do we do it, and trying to lift it up into quite a strategic one-pager type of thing. We have not quite finalised that yet, but that is what we are doing at the moment. As to whether there is a plan for a plan for a particular thing or organisation—

Senator McLUCAS: I will find out more myself. I will now go to the Medical Research Future Fund. Will all the credits from the Medical Research Future Fund be administered by the NHMRC?

Mr Cormack: The status of the Medical Research Future Fund—you will have seen in the budget papers that there is an allocation, a bit over $400 million over the forward estimates. As you would be aware, the legislation to introduce the fund has been introduced. Once the legislation is passed then the next key steps are to establish the advisory board. The advisory board will then make a series of recommendations to the minister around initially the 2015-16 allocation but also the forward shape of priorities. Those matters have not yet been determined. The mechanism for dispensing any funds that are offered from the Medical Research Future Fund is yet to be determined.

Senator McLUCAS: Thank you. Has any direction been given to the NHMRC to this point in time then about how credits from the fund should be disbursed?

Mr Cormack: No.

Senator McLUCAS: How many people are on the advisory board?

Mr Cormack: The advisory board has not yet been established.

Senator McLUCAS: How many people will be on the advisory board?

Mr Cormack: I just need to check that one for you, Senator.

Ms Anderson: My understanding is that it will be up to eight. As Mr Cormack said, the board has not yet been constituted. It may vary from that number.

Senator McLUCAS: I have not read the legislation fully. Is it in the legislation, the number?

Ms Anderson: No, it is not.

Senator McLUCAS: Who will choose the advisory board?

Mr Cormack: It is a matter for the minister.

Senator McLUCAS: Is that explicit in the legislation?

Ms Anderson: No, there is no reference to the advisory board in the legislation.

Senator McLUCAS: How will they be remunerated?

Mr Cormack: That is a matter for further consideration.

Senator McLUCAS: It has not been decided yet?

Mr Cormack: It has not been determined.

Senator McLUCAS: What background will these individuals have? What experience are you looking for to be on the advisory board?

Mr Cormack: The advisory board will need to comprise people with, obviously, a very good detailed understanding of health and medical research funding and priorities within Australia, but it will be a broad range of skills. This is a very important investment for government. There will be a balance of expertise that will be required to provide the necessary advice on the fund. The specifics have yet to be determined.

Senator McLUCAS: The NHMRC has a board, doesn't it?

Mr Cormack: It has an advisory council.

Senator McLUCAS: An advisory council.

Mr Cormack: That is right.

Senator McLUCAS: Did you contemplate using the expertise of that council?

Mr Cormack: At this stage those matters are still under consideration. Clearly the NHMRC, I would imagine, would play a very significant role. There are still some matters of detail that will be determined once the legislation is passed and the advisory arrangements are put in place.

Senator McLUCAS: I find that a little unusual. This is going to be a $20 billion fund and the legislation has been introduced into the parliament. We still do not have any thoughts about who might be providing that sort of advice about how it is going to be disbursed.

Mr Bowles: I do not think that is what Mr Cormack said. They are matters for the minister and government to determine. Thought has been given; it is just that nothing has been publicly announced at this stage. The legislation has only just been introduced. The management of the fund is not a job for the department or the advisory committee. That is a Finance-Treasury type activity. In the context of disbursements, if you like, on what happens, it will be the advisory committee under the Minister for Health.

Senator McLUCAS: Just so I can be absolutely clear, Mr Bowles: the advisory committee is appointed by the Minister for Health?

Mr Bowles: For the health-related issues, yes.

Senator McLUCAS: Does she consult with anyone else? It is not required in the legislation. I think Ms Anderson has answered that question.

Mr Bowles: No.

Senator McLUCAS: What is the government's definition of medical research?

Mr Cormack: I would have to check the way it is outlined in the legislation. It is noteworthy that the government made some very significant statements in relation to the Commonwealth Science Council's priorities. The Prime Minister made that announcement last week. He outlined nine priority areas for the future of science and research.

Just to give you an example, a flavour of those, the priority areas in the health group are: (1) better models of health care and services that improve outcomes, reduce disparities for disadvantaged and vulnerable groups, increase efficiency and provide greater value for a given expenditure; (2) improve prediction, identification, tracking, prevention management of emerging local and regional health threats; (3) better health outcomes for Indigenous people with strategies for both urban and regional communities; and (4) effective technologies for individuals to manage their own health care, for example, using mobile apps for monitoring and online access to therapies. That is a very recent statement of health research priorities that the Prime Minister made last week and would certainly give you some idea of the areas of activity that could be considered.

Senator McLUCAS: That is not quite the question I asked, Mr Cormack. I have a reason for asking whether the government has a definition for the term 'medical research'. Has that been defined either internally in the department or in the legislation? Is there a definition for 'medical research'?

Mr Cormack: We will just check and get back to you in terms of a specific codified definition either in legislation or in other policy guidelines.

Senator McLUCAS: Is there a definition of 'medical innovation'?

Mr Cormack: If you are looking for very specific legislative or government policy pronouncements of a definitional nature, we will go to the source and provide that advice for you.

Senator McLUCAS: Can I ask whether that is consistent with the NHMRC definition?

Mr Cormack: Without having answered the first two questions, I would not be able to speculate on the third. We will take the third on notice and answer that with reference to the first two.

Senator McLUCAS: Thank you. The 2014-15 health glossy said that fund earnings will be directed to medical research primarily by boosting funding for the National Health and Medical Research Council. Is that still the case? I think you are telling me slightly differently.

Mr Cormack: I am sorry; I just need to check the reference for that.

Senator McLUCAS: The glossy from the last budget said that fund earnings will be directed to medical research primarily by boosting funding for the National Health and Medical Research Council. Is that still the case?

Ms Anderson: In the absence of decisions yet to be made by government as to how these funds will be disbursed, it is difficult to answer that definitively. It is still the expectation of government that there will be funds potentially channelled through NHMRC because they have a very well established infrastructure for the allocation of grants. If there are decisions made which seek to pay some of the funds out in a different process then that will be a matter for government.

Senator McLUCAS: That decision has not yet been made?

Ms Anderson: No.

Senator McLUCAS: A lot of decisions have not been made yet.

Ms Anderson: As you observed yourself, the bill has just been introduced into the House.

Senator McLUCAS: This was indicated in the 2014-15 budget. There is no advisory committee. We do not know what the definition of medical research is yet.

Ms Anderson: No, that is not—

Senator McLUCAS: We do not know who is going to administer it.

Ms Anderson: In relation to the definition, Mr Cormack took that question on notice. We are going to get back to you on that.

Senator McLUCAS: I am surprised we do not have that to hand. Could the credits from the Medical Research Future Fund be distributed to fund medical research capital investments?

Mr Cormack: The precise allocation, both in priority areas and within those priority areas, the type of expenditure, is yet to be determined. As you are probably also aware—I make reference to my earlier answer about the Prime Minister's announcement last week—there is a significant amount of policy direction that has been foreshadowed just in the last week. The specifics of what proportion of the MRFF that is going into infrastructure versus grants is one that is yet to be determined.

Senator McLUCAS: In terms of debits from the MRFF that could compromise financial assistance to a medical research institute, a university, a corporate Commonwealth entity or a corporation—I understand that is in the legislation—what corporations could that include?

Ms Anderson: I cannot summon to mind any examples. It may have been simply to cover off possibilities which are not immediately apparent. I can certainly take that on notice, if you would like some detail.

Senator McLUCAS: So it is like a catch-all in the legislation?

Ms Anderson: The intention was not to exclude anyone deliberately or unwittingly.

Senator McLUCAS: The parliament is actually having to make a decision on whether to approve this legislation. There is a paucity of background material that can be brought to a decision-making process.

Ms Anderson: The legislation is not health legislation. The legislation is owned by the Department of Finance and the Minister for Finance.

Senator McLUCAS: I do not think we should blame Finance for the work that has not been done in Health.

Ms Anderson: No, I just point out that the legislation is not a piece of work, a bill, that has been developed by the Health portfolio.

Senator McLUCAS: I understand that. Are you blaming Finance for bringing it on too early?

Ms Anderson: No, to the contrary.

Mr Bowles: No. There are two separate issues here. There is the establishment of the fund, which is a function of Finance, and the management of the funds within that is a matter for Finance. The distribution, if you like, is a matter for Health through the advisory committee which, as we have indicated, has not been finalised at this particular point.

Senator McLUCAS: But the disbursal process—

Mr Bowles: Is Health.

Senator McLUCAS: is Health.

Mr Bowles: Yes.

Senator McLUCAS: We need an advisory committee. We need some definitions. We need to know how: does it go through the NHMRC? What is a corporation? These are things that the parliament should know in order to make an informed decision about the voting that will occur not too long away.

Mr Bowles: I accept that. We have taken on notice the specific definitional issues. The advisory committee is a matter for the minister and government, as far as appointments go.

Senator McLUCAS: Thank you. Can you provide a list of all the funding measures that are contributing to the MRFF?

Mr Bowles: Ultimately that is a Treasury issue—what goes into the fund. We do not manage or deal with the funding side of it because Treasury are the experts in managing funds, I suppose. As far as the allocation of where they want to put the saves from the health budget, that is ultimately a matter for Treasury. We can take it on notice and talk with Treasury colleagues, but it is their call. The government has been pretty clear that the savings from the Health portfolio go to health spending or the MRFF. But it is ultimately a decision of Treasury.

Senator McLUCAS: In the 2014 budget there was a list of items that were cuts to health that were identified as going to the MRFF. Some of those have been passed by the parliament; some have not. In this budget there are a number of items that are cuts that are identified as going to other health programs or—

Mr Bowles: or MRFF.

Senator McLUCAS: Or MRFF. What I am trying to ascertain is: from your portfolio, what are the items that are contributing funds to the MRFF? The bit is around this 'or'. What is in and what is out? I am asking, please, for a list of sources for the money for the MRFF.

Mr Bowles: As I said, that is a decision of Treasury. That is why it is in that way. We have obviously got savings in our budget. It is up to Treasury how they actually apply those to the MRFF or other health priorities, as you identify.

Senator McLUCAS: Doesn't that make it pretty hard for you to run a department, Mr Bowles?

Mr Bowles: No, because the savings are made, and—

Senator McLUCAS: And they might go over there to the MRFF or you might keep them in your department to run programs. You don't know that. Is that what you are telling me?

Mr Bowles: No. Senator, let me finish, please. As I said, we go through the budget process and we end up with a net figure to deal with the health priorities. That is the normal process. There is a net save, as we have seen, in a range of different areas. It is up to Treasury to determine what goes into the MRFF. The main commitment to date was around the uncommitted funds from the health and hospital funds. That was gone into the MRFF. Treasury would be a better place to ask specific questions around how does the $20 billion get made up, how does all of that operation work. But everything that has been said so far says it is available there and it will be available in the normal terms of the MRFF that were described. But that is a question for Treasury, not a question for Health.

Senator McLUCAS: So you do not have a list of items from the 2014-15 budget—

Mr Bowles: The 2014-15 budget were all of the saves that were identified minus the ones that were off the table, like the co-payment one. That is ultimately a question best asked of Treasury as to how the final make-up of the fund actually happens.

Senator McLUCAS: But from your department's point of view you do not have a list—

Mr Bowles: No, because it is ultimately the decision of Treasury about how they allocate their funds. Through a budget process we end up with a figure, minus the saves, that we have to deal with. Treasury then will allocate the saves either to the budget, to health, to whatever—or the MRFF, in this context.

Mr Cormack: What we need to focus on as a department is the $417 million that is in the budget papers that is identified for ultimate disbursements to the MRFF. That is the task that we focus on. As the Secretary said, the composition of the savings that give rise to the build-up of the capital that enables interest to contribute to those are matters for Treasury. I think that is a pretty clear distinction.

Senator McLUCAS: The cuts announced in the budget around the PBS co-payments—$1.3 billion and $266.7 million from simplifying the Medicare Safety Net arrangements—are still contributing to the MRFF?

Mr Bowles: Same answer.

Senator McLUCAS: Is that a question for Treasury?

Mr Bowles: Same answer. Again, if you look at the PBS arrangements more broadly—which we get into the detail in the outcome area—there are a whole lot of net issues. So there are saves, and then there are spends, and it comes up with a net figure. But ultimately whatever happens with the net figure is best asked of Treasury.

Senator McLUCAS: So your department, Mr Bowles, has no role in the inputs into the MRFF? You are only concerned once the money is coming out?

Mr Bowles: That is correct. We are not finance experts. We are not experts on understanding how to grow a fund.

Senator McLUCAS: I am sure you have plenty of finance experts involved—

Mr Bowles: In that context, but not in the growth of funds. They are things that are managed by Treasury.

Senator McLUCAS: Are there any cuts from this budget contributing to the MRFF?

Mr Bowles: Again, it is a question best asked of Treasury. But, in the budget papers, as you have pointed out, it is either to health priorities or to the MRFF. If you want the specifics of that, that is a question for Treasury.

Senator McLUCAS: We have asked that question of Finance, and they are saying that there are none.

Mr Bowles: There are none?

Senator McLUCAS: There are none.

Mr Bowles: Well, Finance and Treasury work together on the budget and all those sorts of things.

Senator McLUCAS: Why did your budget papers give that option of disbursement?

Mr Bowles: Was it our budget papers, or is it this document here that we are talking about—Budget Paper 2? If it is, that is a Treasury document.

Senator McLUCAS: I thought it was in your PBS.

Mr Bowles: It is in the bottom of most of the savings in Budget Paper 2, which is a Treasury document. We do not have control over those sorts of issues. They have just said, on the bottom of every one of them: 'The savings for this measure will be redirected by the government to fund other health policy priorities or will be invested in the MRFF.' So, again, that is the Treasury one.

Senator McLUCAS: Let's go now to the disbursement, which you do have control over. How will the credits from the MRFF be distributed?

Mr Bowles: That is again what we talked about before, about the advisory group, or committee—whatever we are calling it—which is still to be finalised, as far as membership goes. But ultimately it will be a decision for government, as most of these things are, based on an advisory committee that will be set up for the purposes of determining what is the best allocation of the funds; the $417 million over the forward estimates that has been currently identified.

Senator DI NATALE: Sorry; I was away for that. I am asking about the advisory committee. You have not decided on the final membership?

Mr Bowles: No. It is a matter for the minister. It has not been finalised at this stage and has not been announced.

Senator DI NATALE: Do you have an idea about what sort of number would be on that group?

Mr Bowles: We said it is up to eight, I think, is the number.

Senator DI NATALE: Have you determined what expertise you want?

Senator McLUCAS: This is in my brief.

Senator DI NATALE: Sorry.

Mr Bowles: We have gone over and over it.

Senator DI NATALE: No answers to any of that? You haven't decided yet.

Mr Bowles: No. We said it was a skills base—obviously people with quite detailed experience in research and understanding how all these things work, but a broad range of skills.

Senator DI NATALE: Have you got anything you can send us in terms of who you are trying to recruit to be on the advisory panel?

Mr Bowles: No, we haven't got anything. The matter of the membership of the advisory board is a matter for consideration currently by the minister.

Senator McLUCAS: What is the mechanism for funding to be distributed to states and territories through the COAG reform group?

Mr Bowles: In relation to MRFF?

Senator McLUCAS: Yes.

Mr Cormack: I do not think that is envisaged under this arrangement.

Senator McLUCAS: Not envisaged?

Mr Cormack: I haven't seen reference to that. But this is a Commonwealth measure and it will fund a range of medical and health research priorities identified by the advisory board and consistent with the strategy and advice that they provide to government. I am not aware of any specific reference to a COAG element there.

Mr Bowles: You might see a state government wanting to do something, but that would be a matter for the advisory committee.

Senator McLUCAS: I understand there was a COAG reform fund for making payments to states and territories for expenditure on medical research and medical innovation.

Ms Anderson: I think you may be referring to the options for disbursement, which is in the bill. There certainly is provision there for an allocation to states and territories. Whether that eventuates is a matter for government. There is the capacity there, as we were talking about earlier, when you asked the question about the corporations. It was a provision which enabled a decision to be made; it does not pre-empt a decision.

Senator McLUCAS: Okay; I understand. Also in the legislation, can you explain what is meant by the allowance in the bill for 'amounts to be transferred between the Medical Research Future Fund and the Future Fund to allow for a proper apportioning of common expenses incurred by the Future Fund board in managing the Medical Research Future Fund, the Future Fund, the Nation-building Funds and the DCAF'?

Mr Bowles: I think that is definitely a question for Treasury. As I said, this is not our legislation specifically in the parliament. But all of that—how Treasury manages at the intersection of all their funds—is a matter for them.

Senator McLUCAS: When is the capital in the fund expected to reach $20 billion? Is that a question for Treasury as well?

Mr Bowles: Same thing.

Senator McLUCAS: I acknowledge that this is a future fund and that Treasury is in charge of all of that, but what input did the Department of Health have into the design of the legislation?

Mr Bowles: Again, it is a future fund, so it is mainly a Treasury issue. We get involved in the distribution once the fund has been established and there are earnings from that.

Senator McLUCAS: Sorry; I am talking about the design of the legislation, Mr Bowles, the drafting of the legislation. Was Health consulted in any way?

Mr Bowles: Just let me check.

Ms Anderson: There were officer level discussions inevitably, as these things move through the drafting process. Formal input was through the Cabinet process.

Senator McLUCAS: But was it Health's idea that we need to have an advisory board, or did that come from Treasury?

Mr Bowles: That came out of Health.

Senator McLUCAS: What other inputs were made into the legislation from the Department of Health?

Ms Anderson: It was just a general discussion about what was required in order that there be a clear route for disbursement. There was little technical advice we could offer because, as we have observed, it is a future fund, and that has its own set of mechanisms. The advice that we provided was relatively superficial and had to do with our best understanding of the government's intentions in relation to application of funds to deal with medical research.

Senator McLUCAS: Was there a process of consultation with the medical research community, medical institutes, that Health undertook in order to inform the legislation?

Ms Anderson: No, Senator, although I would say that both the Prime Minister and the former minister for health did have fairly wide-ranging discussions with members from that sector in the lead-up to decisions about the future fund and following that announcement. So there was a fair bit of general conversation about the ambitions for the fund and presumably how it might operate. A number of those conversations did not include officials.

Senator McLUCAS: Did not include?

Ms Anderson: Did not.

Mr Bowles: It is quite important to realise the legislation is about the establishment of the fund. The fund is quite a technical issue for Treasury, about how you establish these things. Once they are established and they start to earn money, if you like, that is when we come into it. We are largely a recipient ready for distribution from there. Again, we are not experts in how these sorts of funds operate and how we earn interest from them and all that sort of stuff.

Senator McLUCAS: I understand that. I want to be assured that there has been a process that has not missed elements that the medical research community might have wanted to appear in the legislation.

Mr Bowles: No. The big issue from the medical research groups, if you like, is the advisory committee and how that ultimately gets established and how we distribute funds from there.

Senator McLUCAS: Can credits from the fund be used to invest in public health research or health services research?

Mr Bowles: That will be a matter for the advisory committee ultimately, but not necessarily restrictions on anything.

Senator McLUCAS: It comes back to my other question, Mr Cormack, about definitions.

Mr Cormack: Yes, that is right. It does. You can assume there will be a fairly broad definition of what things the funds could be expended on. But as Mr Bowles has said, the MRFF advisory board will provide that advice to government and no doubt there will be extensive consultation with the research community in coming up with those things.

Senator McLUCAS: Can philanthropic organisations invest in the MRFF?

Mr Bowles: It depends. Again, it is probably a question best asked of Treasury, how the investment works. But I would not see it necessarily as a negative from a philanthropic perspective.

Senator McLUCAS: In terms of the existing investment in health and medical research through the endowment fund, is this investment quarantined in any way?

Mr Bowles: The investment in the MRFF is separate to that of the NHMRC, yes.

Senator McLUCAS: Totally separated?

Mr Bowles: Yes.

Senator DI NATALE: Can I ask a question on the relationship between the two funds? Is there any relationship between the two funds at all?

Mr Bowles: I suppose in a technical sense no, but the interaction between NHMRC and the MRFF will have to be quite significant over time, I would suggest. But in a technical sense, the NHMRC will continue with their operation. MRFF will come up with money over time and they will have an advisory board to do that. The interplay between the two, I think, is still to be worked out. I am sure that there will be interplay between the two.

Senator McLUCAS: The NHMRC funding is not quarantined?

Mr Bowles: Nothing is technically quarantined.

Senator McLUCAS: You do not expect that over time, with disbursements from the fund, that will affect the input into the NHMRC?

Mr Bowles: That one goes down. It is a policy decision of the government ultimately, yes.

Senator McLUCAS: That is all I have on that.

CHAIR: I will get a sense of timings from senators. We have 25 minutes left for this area. I know Senator Smith has a couple that he wanted to do towards the end, just some wrap-up type questions. How many other senators still have questions in this area, just so I can allocate time?

Senator McLUCAS: Senator Moore has. I have.

CHAIR: Should I go to Senator Moore for a little while?

Senator McLUCAS: That would be good. Thank you. We are trying to finish by the appointed time.

CHAIR: If we can finish before that, that would even better. But we do not have to fill up the whole time. I will go to Senator Moore.

Senator MOORE: Thank you. I have a couple of questions around the small government initiatives that were announced in the budget. I want to get a breakdown of what each measure in the smaller government health portfolio savings of $113 million represents.

Mr Bowles: In there, there are the savings from the functional efficiency review of the department. Let me just find my little place. I won't be a sec.

Senator MOORE: There are a few things listed there in the papers. I would just like to work through them.

Mr Bowles: Yes. The majority of those things listed there came out of the functional efficiency review. The only one that did not was the ceasing of the National Lead Clinicians Group from 1 July. It was $17.2 million. The balance of $96 million, which is a net figure, gives you the $113.1million-ish largely.

Senator MOORE: I had pulled out the Lead Clinicians Group because it is a separate issue. The others were all about structural change.

Mr Bowles: All about the functional efficiency of the department.

Senator MOORE: Have you got those savings broken down as to what you are hoping to achieve against each of the identified areas?

Mr Bowles: Not specifically. Basically $96 million is a net figure. There was $106 million of saves that we are going to work out. I will come to that in a minute. We are going to invest $10 million quite specifically in data and analytics to try and build that capacity. So the net is $96 million.

Senator MOORE: In effect it is a $10 million investment and the rest is a savings?

Mr Bowles: That is correct. There are a large number of, about 90, recommendations, the majority of which are up to me, as the secretary, to determine how we actually position the department. It goes to things like reducing the duplication between what we do and what some of the portfolio agencies do. For instance, we have a lot of interaction between us and—what is it called?

Senator MOORE: You specifically mention TGA.

Mr Bowles: TGA is part of the department. It is basically looking at getting corporate services delivered across. So TGA, despite most people thinking it is a separate group altogether, is actually part of the department. We are trying—

Senator MOORE: Until now they have had separate corporate, have they not?

Mr Bowles: Yes. We are going to integrate that into the department. That is part of the savings.

Senator MOORE: Have you actually identified how much is allocated to that saving?

Mr Bowles: Not specifically at this stage. What we have in this space is a lot of flexibility to work out where we actually find the savings, which is quite—

Senator MOORE: I am sorry for smiling but we just had a long discussion around the flexible funds.

Mr Bowles: This is a slightly different 'flexible'.

Senator MOORE: This is good flexibility.

Mr Bowles: This is good flexibility.

Senator MOORE: Good flexibility, okay.

Mr Bowles: As you would appreciate, the department is quite large. It has a whole range of functions that actually look at other parts of the portfolio, like some of our performance authorities, the Independent Pricing Hospital Authority. What we are trying to do is streamline and arrange those activities over time and actually reduce any duplication that might be there. We, through this functional efficiency review, did a lot of work to try and understand what the alignment issues are in the department, how do we actually prepare ourselves to be that policy adviser and how do we actually develop a structure that will actually help us there.

We are getting close to the answer to that. We are working through that at the moment. We hope to have a new structure, effectively, in place by 1 July. As I said, we do want to get a real focus on data and analytics and economics of health as well because that is a very important part of determining strategic policy, which is the focus we are really pushing. But

we do want to streamline our business systems. We do want to streamline the way we interact with portfolio agencies and the like and to make those savings.

Senator MOORE: Specifically, the little note says that you are going to be looking at the corporate services of TGA.

Mr Bowles: Yes.

Senator MOORE: How many people are involved in that?

Ms Cosson: Sorry, how many people involved in looking at it or how many people?

Senator MOORE: How many people are doing corporate services in TGA now?

Ms Cosson: About 60.

Senator MOORE: TGA is rushing to the table. I am sorry to bring you up early. It is a specific part of this particular question.

Prof. Skerritt: Currently we have a regulatory support division that has two broad functions. It provides a number of corporate services which are core corporate in nature. Since the decision of government last year not to proceed with the joint regulator with New Zealand, the case for having a separate set of core corporate services when we are part of the department just is not there anymore.

Senator MOORE: What is the other purpose?

Prof. Skerritt: The other sorts of purposes within that regulatory services division are functions that relate to our core regulatory functions, for example, regulatory education, where we are educating consumers and health care professionals about our system.

Senator MOORE: You would see that separate to any possible joint duplication? So you would have existing—

Prof. Skerritt: They are regulatory specific, and at the moment therapeutic goods-specific functions. As to the core corporate functions, we have done a mapping of individuals and functions. It is around about 70 or so. Those positions are not disappearing. Instead their reporting lines are changing. So the IT reporting lines—

Senator MOORE: So you have got 70 in the corporate services area?

Prof. Skerritt: We have about 70 who provide core corporate services. A lot of those are in IT because our IT systems are quite complex. Our data—

Senator MOORE: Are your IT systems different to health agencies IT systems?

Prof. Skerritt: At the moment they are, unfortunately.

Senator MOORE: I knew I would get that answer. So you have a separate computer system in TGA?

Prof. Skerritt: We are moving towards having the same computer system. These were developed quite separately because, remember, we were going to leave the Commonwealth of Australia.

Senator MOORE: That is right. Yes, absolutely.

Prof. Skerritt: So we had to.

Senator MOORE: It was not exactly a secession. Nonetheless you were going to leave this process.

Prof. Skerritt: We were going to end up on Norfolk Island which is somewhere between Australia and New Zealand.

Senator MOORE: That is dangerous. You have got 70 people working now in what are corporate areas, including the IT system.

Prof. Skerritt: In core corporate areas.

Senator MOORE: Mr Bowles, how many do you have in corporate services in health?

Mr Bowles: It would be some hundreds.

Senator MOORE: It would be?

Mr Bowles: Yes. We are a large department distributing $69 billion.

Senator MOORE: Can we get that on notice? Can we find out how many you have got in cooperate services, particularly in the IT area?

Mr Bowles: In the IT area, yes.

Senator MOORE: You have got 70, including—

Prof. Skerritt: Not in IT.

Senator MOORE: Can you have a think before you come back in your session—I think it is tomorrow—about how many you have got in your corporate services and how many are doing IT.

Prof. Skerritt: I can actually give you the figures, to save asking tomorrow.

Senator MOORE: What I am trying to find out is: in each element of these savings, how many people are going to be impacted? I know the department will have processes and we will work through that. I want to get a sense of how many people are going to be impacted in their work.

Prof. Skerritt: It is important to realise that the main implication is actually a change in reporting lines, not termination of these jobs. For example, the IT people and the legal branch will now, instead of reporting to one of the first assistant secretaries who reports to me as a deputy, report to the first assistant secretaries who report to Ms Cosson here.

Senator MOORE: It is not much of a saving, though.

Mr Bowles: Let me talk broadly about the numbers, if that is where you really want to go, how many fewer people we are going to have.

Senator MOORE: May have fewer.

Mr Bowles: At the end of the day I do not see any great change in the numbers. If you have a look at what we have done over the last little while, the numbers have actually been coming down. We are this close to the number that we need to take forward. As we go forward in the latter part of the forward estimates, if you like, we will continue to step down. I think that is what you will see. But for the 2015-16 year I do not see any major change because we have actually made a concerted effort, over the last six months in particular, with our recruitment activities, to get to a number that is going to be sustainable for 2015-16. We are roughly around that number now.

Senator MOORE: In the out years—and this is for the whole of the savings—in 2014-15 it is $3.2 million in savings. I would not mind finding out what exactly that means. It may or

may not have anything to do with TGA. But in 2015-16 it is $14.8 million. But it does accelerate in 2018-19 to a proposed saving of $33 million.

Mr Bowles: Yes.

Senator MOORE: As you are moving through.

Mr Bowles: We have largely achieved most of the savings for 2015-16. We would be well and truly on our way to a 2016-17 target already. We are not talking about—

Senator MOORE: In this particular area?

Mr Bowles: Yes, in this particular space. We are not talking about losing hundreds of people or anything like this. In fact, for the next 12 months I think where we are going to land in 2014-15 exactly where we need to be for 2015-16. Then we will work through 2015-16 to be where we need to be for 2016-17. We will progressively deal with these issues. As Professor Skerritt said, as we move these things into the department inevitably there will be efficiencies found. They will be found probably in years three and four. We will just keep working on that. That is effectively what we have been doing for the last six months anyhow.

Senator MOORE: There are no particular numbers in the TGA process which have been specifically identified?

Mr Bowles: No. Because we have our numbers where we need them to be, we will move them in, develop the efficiencies and move forward. You can do that with natural attrition quite easily.

Senator MOORE: Where is TGA located at the moment?

Mr Bowles: They are out at Symonston and Fyshwick.

Senator MOORE: Are the people in this corporate services and data area—

Mr Bowles: Largely in Woden.

Senator MOORE: They are in Woden already?

Prof. Skerritt: Are you talking about the TGA?

Mr Bowles: Sorry, the TGA ones—

Senator MOORE: So your people are in Woden.

Mr Bowles: Yes.

Senator MOORE: I will ask a question about where exactly your property is because that is already identified in this bunch as well.

Mr Bowles: TGA corporates are in Symonston and Fyshwick. Ultimately, once we work it out, they will move with the broader group. We have not finalised a lot of that yet. But the corporate services for Health more broadly are at Woden, in the two buildings we have at Woden.

Senator MOORE: For the foreseeable future TGA will not be relocating; they will actually have a different line of reporting?

Mr Bowles: That is right.

Senator MOORE: Which could be done between the two processes?

Mr Bowles: That is right.

Prof. Skerritt: Currently, we look at real estate on a year-by-year basis. Our leases, for example, with Fyshwick are until 2016 only. So space available across the whole departmental footprint will be a consideration.

Senator MOORE: You are only located in Canberra?

Prof. Skerritt: No. Along with other parts of the department, TGA does have some staff particularly in Sydney and Melbourne, because that is where most of our regulated industry is. It is also where we have a number of our doctors who do the assessment of our medicines applications, because of the narrow recruitment market for doctors in Canberra.

Mr Bowles: We have small numbers in all capital cities.

Senator MOORE: Mr Bowles, on notice, can we get a site map—not the full map—

Mr Bowles: Yes, I understand.

Senator MOORE: of where you have departmental staff now and who they are—not by person but by organisation?

Mr Bowles: We have departmental and then portfolio agencies.

Senator MOORE: That is right. Can we get a list of where you are currently located?

Mr Bowles: The department is pretty much totally at Woden.

Senator MOORE: You moved to Woden and have been there for a long time.

Mr Bowles: Yes. Except for the states and territories people, that is where we are. Then we have portfolio agencies who are dotted all around the place.

Senator MOORE: Can we get that by process, because you refer to reducing the department's property footprint and consolidating staff into current locations.

Mr Bowles: That is right.

Senator MOORE: That is only about bringing staff together; there is not any thought of regional locations?

Mr Bowles: No. In a property context, we will do what is called a block and stack type of thing. We have some vacant spaces in the building but they are not exactly accessible because there might be five here and seven there. We will look at how we actually deal with that. Over time, people will move from TGA into the department. We have some people in Woden in a separate building. We will probably bring them in, because there are only about 120 of them. We will consolidate things like that over time. That saves us lease money.

Senator MOORE: Could I get the departmental sites and also the number of staff at each of them? That would be useful.

Mr Bowles: We will take that on notice.

Senator MOORE: At this stage is there any property plan about divestment of property?

Mr Bowles: In the context, as we move forward, of having to get out of a few buildings, but it is not a property plan per se at this stage.

Senator MOORE: That would be part of the ongoing across-year savings?

Mr Bowles: Yes, that is right.

Senator MOORE: At this stage there is no—

Mr Bowles: If I look at the Woden campus, we are effectively in two major buildings, and there is a third building where we have a small number of people. I would like to think we will have the people out of that small building over the next six months, if not sooner, if we can. It depends on how we can restack the building, if you like, to give us the spaces to do that.

Senator MOORE: You said you are hoping to have a new structure by 1 July. In the same little note in the budget papers it says you are looking at rationalising the structure of the department to more effectively respond to the government's health policy priorities.

Mr Bowles: Yes.

Senator MOORE: Is that structure part of that change?

Mr Bowles: Yes.

Senator MOORE: What does that mean?

Mr Bowles: Effectively, just before last Christmas, I changed the top-level structure a little bit. This is about getting the alignment underneath that now. We are looking at whether there is a better way of aligning ourselves to get the outcomes for government and be a strategic policy adviser to government. The functional and efficiency review helped us in that process. We have been doing our own thinking, obviously, in that process. We hope to be able to finalise that in the next couple of weeks and therefore be ready to go on 1 July. That does not mean monumental shifts, to be honest. We are not talking about major restructures or anything like that. Our current group structure will stay exactly the same. Most of the groups will stay exactly the same but we might change the internal dynamics of some of the different areas.

Senator MOORE: No new program groups?

Mr Bowles: No.

Senator MOORE: It is hard enough to follow it now, Mr Bowles.

Mr Bowles: Trust me; what I am trying to sort out at the moment is how we actually get better alignment, how we can better understand these sorts of issues, and ultimately, quite frankly, how we actually look at our outcome structure to make that a little simpler for you and me. It is not easy.

Senator MOORE: The one thing you can guarantee, Mr Bowles, is that we will still get it wrong!

Mr Bowles: So will I; trust me!

Senator MOORE: In the budget papers there is a very concise description. It leaves open trying to see exactly what it means. But you are not looking at a major restructure of the department?

Mr Bowles: No. I am looking at trying to reconfigure certain parts of the department to get it better aligned to the strategic policy outcomes that government need.

Senator MOORE: That will be by, hopefully, 1 July, to get the structure and then into the next round of annual reporting processes—the outcomes and so on?

Mr Bowles: Yes, that is right. It is easy to do things on 1 July just because of the nature of payroll and how we have to report from there; that is all.

Senator MOORE: What activities in the department are mirrored by agencies like the Independent Hospital Pricing Authority, the Organ and Tissue Authority and other agencies? That is straight out of the budget papers, at point 2.

Mr Bowles: In the department we have the portfolio agencies and we provide an oversight. There was seen to be some duplication in the oversight areas. It does not mean we will not be having oversight. We clearly will. But we want to bring it from a more tactical level to a more strategic level. If we lift that up again, we think we can make some savings in that space. Clearly, the portfolio agencies that are mentioned there are very capable organisations.

Senator MOORE: There is a whole bunch of them.

Mr Bowles: There is a bunch of them. There is a large number of portfolio agencies in my portfolio—a very large number.

Senator MOORE: What does 'mirror' mean in that sense?

Mr Bowles: The view of the functional and efficiency review was that sometimes we do the same sorts of things that the portfolio agencies do. We want to not do the same things but we want to add value, if you like, from an oversight perspective for the minister.

Senator MOORE: Can you share with us what issues are being mirrored or have you not got that far yet?

Mr Bowles: We have not really got that far in a lot of these things. Basically it will be providing the same sort of advice to the minister. If we pick on, let us say, the National Blood Authority, what extra value would we add to the NBA? I think in some cases there is a bit but probably not as much as what sometimes happens. We want to make sure that we are not just doing something for the sake of doing it. We are trying to look at all of the different parts of the department that interact with our portfolio agencies. And if they provide a capable service, which they all do, why do we have to do it again? That is largely what it is. But while that paragraph happens to be the biggest, it does not mean there is much in savings in those sorts of areas. The big savings come from changing corporate services, changing property footprints and things like that.

Senator MOORE: We spoke at length in the last estimates about efficiency, the process of OTA and blood and organ donation being combined. Are there currently positions being mirrored in those two agencies? How far down the track is that?

Mr Bowles: I would not call them 'mirrored' across those two agencies. The efficiencies you can gain there relate to, again, property and corporate, and whether there is a different way of looking at those two things.

Senator MOORE: You cannot tell us how many staff are impacted yet because you are still going through your process?

Mr Bowles: I am saying there are very few staff impacted in the overall context because we have already made the savings to date, to get to a point. My way of operating is that if we have to start a year at a certain point, I want to make sure I am there before we actually start the year. Then we can work out how to do it from there. That is largely where we are.

Senator MOORE: I have written down carefully your words, that very few will be impacted by it. But we still cannot find out what that number of 'very few' is.

Mr Bowles: I would suggest that we will end the year at pretty much the number that is in the statements, which, if I look at the departmental number—

Senator MOORE: These are the numbers prepared by your corporate group?

Mr Bowles: Yes. If we look at the ASL numbers that go through the budget papers, through this book and that are summarised in this, the number is 3,202. We are running at slightly less than that at the moment. So we are reasonably in touch with where we need to be.

Senator MOORE: Mr Bowles, we also talked a little bit last time about SES appointments. There has been a significant change. Can you let me know how many SES appointments have been made involving staff who have been promoted from or transferred from the Department of Immigration and Border Protection?

Mr Bowles: Yes, there are a number of people who have come from Immigration. If I go to the last series of changes that were announced on 13 May—I think that is where a lot of this comes from—there were about 31 moves involved in that process; 21 of those were internal moves or internal promotions. Four of them came from agencies other than Immigration and six came from Immigration in that space.

Senator MOORE: How many at that SES level left Health? How many people transferred out of Health?

Mr Bowles: In that particular move there was only one who left Health in that space. But there are a number of SES who have left—given we are talking about Immigration—since my arrival. There are 13 who have left the department—some retiring, some going to other agencies, including Veterans' Affairs, Human Services and the Department of Finance.

Senator MOORE: So that is at the SES level.

Mr Bowles: Yes.

Senator MOORE: Can we have on notice the information for senior officers as well?

Mr Bowles: From the ELs?

Senator MOORE: Yes.

Mr Bowles: I do not have those numbers. There will be a number who have left; there will be a number who have come.

Senator MOORE: I put it on notice, Mr Bowles. The measure, after all of that, says that funds will either be reinvested into other health policy priorities or the MRFF. Which is it and what percentage will contribute to either of these?

Mr Bowles: I am sorry?

Senator MOORE: With respect to the way you are going to harvest and bring savings, it says the funds will either be reinvested into other health policy priorities or the MRFF. Have you got any idea of what the breakdown of that will be?

Mr Bowles: It is the same answer that I gave to Senator McLucas.

Senator MOORE: Thank you, Chair.

CHAIR: Senator Smith.

Senator SMITH: Secretary, when we started today you were not able to share with us the response rate to questions on notice.

Mr Bowles: No, I was not.

Senator SMITH: Do you have any of that information available?

Mr Bowles: Let me check. I am told it is 89 per cent.

Senator SMITH: The response rate for questions on notice for February 2015 was 89 per cent?

Mr Bowles: That is correct.

Senator SMITH: For October 2014, do you have that figure?

Mr Bowles: Eighty-two per cent.

Senator SMITH: For May 2014?

Mr Bowles: Ninety-one per cent.

Senator SMITH: Do you know how that compares with the response times under the previous government? You may not have it there.

Mr Bowles: I do not have it by previous government. But I would have it by—

Senator SMITH: I can tell you that. For June 2013 it was 13 per cent, for February 2013 it was 19 per cent and for October 2012 it was nine per cent.

Mr Bowles: I was going to say that I have it by estimates; I do not have it by government.

Senator SMITH: I have it by estimates and governments. That is probably my job. Lastly, following on from Senator Moore's questioning, you mentioned that three had left the Department of Health. You mentioned that they had gone to Finance; you rattled off two other departments as well as Finance. Could you give me the numerical breakdown for those that went to the other agencies?

Mr Bowles: I can. This is SES who have left; the point in time is as of now. We have had one who is on temporary transfer to the Australian Institute of Health and Welfare, one to the Department of Human Services, one to the Department of Veterans' Affairs, four to the Department of Finance, four voluntary redundancies and two age retirements. That should come to 13.

Senator SMITH: It does. Thanks very much. Thank you, Chair.

CHAIR: Thank you. Can I just say that I know our public servants work very hard to get those answers in so well done on the dramatic improvement there. Please pass that on.

Senator McLUCAS: I want to ask questions about the Australian Institute of Health and Welfare. It might be departmental answers—

Mr Bowles: I still have to get my colleague up to the table, just so she can say she has been here.

Senator McLUCAS: You are not 'acting'. Congratulations, Ms Flanagan.

Ms Flanagan: No, I am acting, technically.

Senator McLUCAS: You are acting?

Ms Flanagan: Yes.

Senator McLUCAS: Someone did tell me. So you have not been appointed to that position?

Ms Flanagan: I have been appointed for a year.

Senator McLUCAS: You have been appointed in an acting capacity?

Ms Flanagan: Until January 2016.

Senator McLUCAS: Is there a process underway to make it permanent?

Mr Bowles: There will be a process later in the year.

Senator McLUCAS: Later in the year?

Mr Bowles: It is still seven, eight months away.

Senator McLUCAS: I am sorry; I congratulated you incorrectly, but I am glad you are there. Can we have an update on the establishment of the Health Productivity and Performance Commission?

Mr Bowles: That is still before government. There is no further decision than we talked about before.

Senator McLUCAS: That was announced in the 2014-15 budget.

Mr Bowles: That is correct.

Senator McLUCAS: So 12 months on and we still have not had any progress?

Mr Bowles: The minister is considering what options there are around these agencies. One of the agencies considered in that context was the Australian Institute of Health and Welfare—one of six. There have been some other conversations around the six agencies. The minister is still contemplating where to from here on those issues.

Senator McLUCAS: When you say there have been conversations, is that between the agencies and the department?

Mr Bowles: It is ultimately a decision of government. It is still a decision of government around the Health Productivity and Performance Commission, but the minister is considering how best to deal with all of the six agencies concerned in that particular context.

Senator McLUCAS: So really 12 months have gone past—

Mr Bowles: That is correct.

Senator McLUCAS: and nothing has happened?

Mr Bowles: That is correct. Well, no, I would not say nothing has happened. We are looking at what is the best configuration going forward with all of the issues that still need to be done in the context of funding, in the context of performance and in the context of the work that the Australian Institute of Health and Welfare does. There have been all sorts of other issues around that as well.

Senator McLUCAS: Is it still government policy to establish the commission?

Mr Bowles: It is still government policy, yes.

Senator McLUCAS: All six agencies would become part of that commission?

Mr Bowles: It is still government policy that we would look at what was colloquially called a 'six into one' to form an HPPC. As I said, the minister is thinking about what is the best configuration going forward given the priorities that she has for the health system.

Senator McLUCAS: Thank you. Can we confirm that there is no longer a proposal to merge the AIHW with the ABS?

Mr Bowles: That has been publicly stated, yes. That is an issue for Treasury, not an issue for us per se, because they manage the ABS.

Senator McLUCAS: There has been—

Mr Bowles: It has been publicly stated that it is not a merger.

Senator McLUCAS: There is going to be no merger? Good.

Mr Bowles: That also plays into the HPPC because that was part of going into it, that it was ABS. That is the broader conversation.

Senator McLUCAS: Has the institute been engaged in any discussions with the Australian Commission on Safety and Quality in Health Care, IPA, the National Health Funding Body or other agencies concerning the establishment of the commission?

Mr Bowles: I will let Ms Flanagan answer from her perspective. From my perspective, no, in that context. But specifically for the institute?

Ms Flanagan: Not specifically in terms of the six into one proposal, but there is a lot of work that we do together that overlaps. In fact, the Australian commission on safety and quality, for example, commissions and works with the AIHW to produce data. We have lots of ongoing discussions in the sense of ongoing work.

Senator McLUCAS: The 2013-14 annual report lists 319.6 full-time equivalents. Has that changed?

Ms Flanagan: Yes, it has come down slightly. I think you are aware that a lot of our work is project work, so we need to manage that a bit. At the moment we are at around 300 ASL. So at 30 June 2015 our estimate is that we will be at 298 active staff, and 316 is the figure that we have because we have got some people on leave without pay or on maternity leave et cetera.

Senator McLUCAS: When you say 'ASL', how does that compare to FTEs?

Ms Flanagan: That is, in effect—

Mr Bowles: The average staffing levels basically; so when you average them, that is what you get.

Senator McLUCAS: We are probably using those terms interchangeably.

Ms Flanagan: Just to be clear: I think it is the actual staff numbers. It is not FTE; it is the staff numbers. About 28 per cent of our staff are part time. I will just check that.

Mr Bowles: It would be a headcount issue versus average staffing levels.

Senator McLUCAS: Could you also provide us with an updated classification level for the staff? You could probably do that on notice.

Ms Flanagan: I can do that on notice.

Senator McLUCAS: Thank you. What percentage of AIHW's activity in 2014-15 is fee-for-service work or work that is purchased by external agencies?

Ms Flanagan: It is still around 70 per cent. We have around 30 per cent ongoing and 70 per cent is commissioned to project work.

Senator McLUCAS: Has that changed over time?

Ms Flanagan: The composition of it changes. For example, work around burden of disease might cease, but it will be replaced by other work. For example, we are doing work with Veterans' Affairs at the moment. The composition changes, but the proportion has remained relatively around the same.

Senator McLUCAS: Thank you. Those are all the questions I have, Chair.

CHAIR: Ms Flanagan, can I join in congratulating you on your acting appointment and thank the AIHW for the work that you do. We are done with that area so we will move on to outcome 5, primary health care.

Mr Bowles: Chair, this is the place for Butterfly Foundation, so we can talk a bit about that, if you like, as well, once Mr Booth gets settled.

Senator McLUCAS: That would be in 5.4, would it?

Mr Bowles: You want to go through 5.1, do you?

CHAIR: I am in the committee's hands. I would be comfortable with going through outcome 5 as a whole, unless people particularly want to go one after the other. It does get difficult to determine the timing.

Senator McLUCAS: I agree with you, Chair. The one exception is that mental health is fairly quarantined. Can I suggest that we do that after lunch?

CHAIR: I do not have an issue with that. No-one specifically requested that we do it earlier. I have no dramas with that, if the secretary is comfortable.

Mr Bowles: That is okay.

Senator McLUCAS: It is the one bit that you can actually identify in the whole of the outcome.

Mr Bowles: If we do 5.4 and the National Mental Health Commission. We can do those two together after lunch, if you like. That is fine.

Senator McLUCAS: Thank you.

CHAIR: Senator Wright.

Senator WRIGHT: Thank you, Chair. I would like to ask questions predominantly about mental health. I am just not sure sometimes whether the things I am asking about fit within that or they are more general.

CHAIR: Senator Wright, it is really up to you. As I said, no-one had indicated to me that they specifically did. If you want to go to that area I am not going to object.

Senator WRIGHT: It is logical to ask questions together so I do not mind going to the National Mental Health Commission after lunch, if that is what people are going to do. It is just that there might be some that I will ask about. I do not want to get to after lunch and then find that I have missed the boat. There is one I wanted to ask about concerning overall mental health funding, which may be appropriate to ask now.

Senator McLUCAS: Maybe we can do 5.4 and the commission together after lunch.

Senator WRIGHT: Yes. I am just checking whether everything fits within those rubrics, that is all. I know some of mine are in 5.4 and some of them are—

CHAIR: I do not want to put you out, Senator Wright. If you are just prepared to ask questions on mental health—

Senator WRIGHT: Medicare Locals, for instance, are not specifically mental health. If I could ask about them, that would be good, Chair, thank you. I would like to ask about overall mental health funding. Comparing the 2014-15 Health portfolio budget statement with the 2015-16 portfolio budget statement, it is apparent that there has been a reduction in overall expenses for program 5.4, mental health, for 2015-16 and the following two forward years. I have a table here that sets that out. I am interested in knowing the reason behind the reduction in expenses.

Mr Bowles: Which table are you referring to?

Senator WRIGHT: It is a comparison table that I have. I can run through those figures with you. The top line is taken from table 5.5 on page 115. The bottom line of my table is taken from table 5.5 on page 103.

Mr Bowles: 103 of?

Senator WRIGHT: From this year's and last year's portfolio budget statements. To try and be clear: I am interested in knowing—just so you know where I am going with this—where the funding has been taken from and where the funding has gone. In 2014-15, the overall figure that I have here is $643,120,000. In 2015-16, it is $633,247,000. They are the sorts of figures I am talking about. Does that make sense to you?

Mr Booth: It does, yes.

Senator WRIGHT: That would seem to be a reduction of—

Mr Bowles: Sorry, Senator. I am a little confused, I have to say. If we are talking about 5.4—

Senator WRIGHT: Program 5.4—

Mr Bowles: Program 5.4, expenses—

Senator WRIGHT: Yes.

Mr Bowles: I just need to know where you are getting your figures. If you have made up a separate table I just need to understand where from.

Senator WRIGHT: According to what I understand, for this year's budget it was table 5.5, page 103. The figure for 2014-15 that I have here is $633,247,000.

Mr Bowles: I do not know where you are getting that from because page 103 says the total program 5.4, expenses, is $717.7 million. That is why I was a little confused. If I look at the estimated actual for 2014-15 on that same page, it is 655.1.

Senator WRIGHT: What I have in brackets here is 'administered'. Is there a differentiation between 'administered' and something else?

Mr Bowles: Everything is still here. If I look at the annual administered expenses, it goes from 633 to 698.

Senator WRIGHT: Yes, the next year, and then 705 the year after that and then 713. That is the figure I am looking at then.

Mr Bowles: You just said 630-something, Senator.

Senator WRIGHT: I said 633,247,000.

Mr Bowles: Yes, that is in 2014-15. Then in 2015-16, it would be 698. So it has gone up 65 million.

Senator WRIGHT: Yes. That is for this year. It is going up each time. What I am comparing is the 2014-15 figure for this year's portfolio budget statement as opposed to last year's portfolio budget statement. That is the comparison that I am making.

Mr Bowles: So last year—

Senator WRIGHT: If I could run through the figures that you are looking at there just to make sure I am right on this year?

Mr Bowles: Yes.

Senator WRIGHT: For 2014-15, 633,247,000.

Mr Bowles: Yes.

Senator WRIGHT: For 2015-16—these are the forward estimates—

Mr Bowles: All right. So we have got those right.

Senator WRIGHT: 698,314.

Mr Bowles: Yes.

Senator WRIGHT: I am comparing them to what the previous budget estimates were from last year's budget. It appears that there has been a reduction. That is what I am interested in determining.

Mr Bowles: There could be. There are always variations between a budget paper and what happens during the year. I do not have last year's budget paper with me; I do not know whether anyone else does. I will see if I can find that, as well.

Senator WRIGHT: Thank you.

Mr Bowles: In the generic, this is the spend for this year. The $633,247 is what we project to spend this year.

Senator WRIGHT: Up to June 2014-15.

Mr Bowles: Up to 30 June. That could be up, down or sideways from what was in the budget paper last year because that would have been a projection at a point in time.

Senator WRIGHT: I do understand that. The projection for the next year, 2015-16, appears to be $10 million less than the projection that was made in last year's budget papers. I am interested in why that is.

Mr Bowles: What was the projection for 2015-16 in last year's budget papers that you reference?

Senator WRIGHT: It was $708,330,000.

Mr Bowles: So there is a variation of $10 million?

Senator WRIGHT: Yes, that is right. Then in the following year it seems the variation is $2 million less than in the final year I am referring to, 2017-18—the reduction is $12 million less.

Mr Bowles: Yes.

Senator WRIGHT: I am interested in what changes have been made, where the funding has been taken from, which programs or services are projected to have less funding and where that money would be going to.

Mr Bowles: Given the small variations you are talking about, it is likely just to be an indexation pause, or something like that, that has gone across the different programs. There is nothing specific other than an indexation pause that I am aware of. We are talking about $10 million on $700 million.

Senator WRIGHT: It is a small amount, but potentially it is a significant amount of funding for a particular program if there has been a program that isn't going to be funded. You can appreciate that.

Mr Bowles: Yes.

Senator WRIGHT: Certainly in budget terms it might be small, but for people on the ground it might be huge.

Mr Bowles: It depends on exactly where they come from.

Senator WRIGHT: Exactly; that is right.

Mr Bowles: We talk about indexation pauses, which has been a general issue that has been going on for quite a while in these areas. That is the only thing I am specifically aware of.

Senator WRIGHT: That is what I am asking about. Is there anything you can take on notice to identify if that is it? You are speculating that it is probably some kind of budget pause, but—

Mr Bowles: Can you confirm that, Mr Booth?

Mr Booth: It is, yes.

Mr Bowles: Can you confirm that it is an indexation pause?

Mr Booth: Yes.

Senator WRIGHT: What does that mean?

Mr Bowles: You do not index the funds from one year to the other.

Senator WRIGHT: So they are not increasing to keep pace with CPI, or whatever the index is?

Mr Bowles: That is correct.

Senator WRIGHT: So it is effectively a cut then, isn't it?

Mr Bowles: No. It is effectively applying efficiency dividends, like everyone else.

Senator WRIGHT: An efficiency dividend is essentially not keeping up pace with—

Mr Bowles: Efficiency dividends have been part of budgets for as long as I have been around.

Senator WRIGHT: It is a term of art—just so I am clear—that is used by every government that means that, essentially, while costs will rise the funding will not rise to keep pace with those. So in real terms it means there is less money available.

Mr Bowles: It means there is less money. Efficiency and productivity are what we are all about. Year-on-year we have to drive efficiencies and productivity across everything we do. It has been ever thus. That is just a continuation of this into some of the program areas, yes.

Senator WRIGHT: I am not meaning to quibble with you. In terms of the word 'efficiency'—

Mr Bowles: Efficiency is efficiency; productivity is productivity—same sorts of issues.

Senator WRIGHT: But efficiency does not necessarily mean doing the same amount of things more effectively. Sometimes it just means a cut, doesn't it? It might mean losing staff or fewer services available on the ground.

Mr Bowles: I do not want to get into a technical argument about efficiency. We are always asked to be more efficient and more productive in what we do every year. That is the way the world has been for a long period of time. Yes, ultimately that means that there is less money, if you just look at it in that context. But we also expect good value for money for the taxpayer. That is what the taxpayer is asking of government and the government is asking of departments. We are applying those principles.

Senator WRIGHT: Yes. In what we saw recently before some of the funding was extended for a further 12-month period, one of the terms that was used around that was 'efficiency'. But we knew—and I knew from people coming to me—that it meant that there were going to be fewer practitioners in country areas employed and fewer people being able to receive services. Whether that is 'efficient' or not, I don't know.

Mr Bowles: I do not necessarily agree with that interpretation, either. That is someone's interpretation of what it means. If you do not look at your business and change your business to move with the times, yes, you will end up having those problems. But if you look at your business model and keep evolving with changes in practice, you can deal with things in a more efficient, productive and effective way.

Senator REYNOLDS: Can I just clarify? So are you saying that you are not just focusing on being financially efficient, but you are also making sure that it is an effective use of taxpayers' money?

Mr Bowles: That is correct.

Senator REYNOLDS: So they do not have to be mutually exclusive?

Mr Bowles: No, they do not.

Senator WRIGHT: I have no problem with that. To me that is the real meaning of the word 'efficiency'. However, with this particular reduction in funding, this indexation pause, there is no indication that there will be the same number of services or that the same number of people who need help will be able to get the help they need. The only clear aspect of it is that there will be less money available. What guarantee is there that there have been inefficiencies that mean that the same level of service can be provided to people?

Mr Bowles: My expectation is that everyone looks at the effective spending of taxpayers' money in every way, shape or form. I ask my department to do it. I ask my portfolio agencies to do it. I ask a whole range of different players to do it. It is just how we have to be effective and efficient with the use of taxpayers' money. Otherwise there is no incentive to curb

expenditure—if we are not to apply some principles of good economy, if you like, in spending taxpayers' money.

Senator WRIGHT: I am interested in good economy and false economy. Being efficient and cutting back the costs—everybody would like to do that, as long as they can deliver the same level of service. Sometimes there will be unmet need that could potentially end up costing more money, couldn't it? That is not efficient, it would seem to me. It may be cheaper, but it is not efficient in the long-term.

Mr Bowles: That could be true. But the groups that we are talking about are professional organisations that are delivering services. Just because someone delivers services does not mean they are delivering them the best way they possibly can. We want them to deliver them the best way they can. Sometimes you have to put some incentives there for them to do that; otherwise, we have expenditure growing at rapid rates that makes the system unsustainable. Therefore, you have a bigger problem in the longer term where you do have to make quite drastic changes. There are a whole range of services, I would suggest, that sometimes are not as efficient—or are not as effective, either. We need to look at those things. It goes back to, probably, the conversation I had with Senator McLucas about the flexible funds, as well. We need to look at all of these things as we go further forward.

Senator WRIGHT: Chair, as I said, I have questions on Primary Health Networks and Medicare Locals. I am happy to go to those now.

CHAIR: There is no reason not to do so now.

Senator WRIGHT: How much more time do I have?

Mr Bowles: Medicare Locals—all that sort of stuff—that is fine now. Broader mental health would be better after lunch.

CHAIR: Senator Wright, you have had about 15 minutes. If you were to have another five to seven minutes, I will throw to others.

Senator WRIGHT: Thank you very much. I turn then to the question of Medicare Locals. Minister Ley announced 28 of the 31 preferred applicants for Primary Health Networks. When will the final three applicants be confirmed?

Mr Cormack: We are just working through the process of seeking approval for the other three providers. That matter is nearing conclusion. The minister will be able to make an announcement in the very near future.

Senator WRIGHT: That is probably as close as I am going to get to a date, is it? Can you confirm that one of these remaining three Primary Health Networks yet to be announced will be located in regional South Australia?

Mr Cormack: That is correct.

Senator WRIGHT: That is good to hear. Thank you. The end of June isn't far away—we are now in June. What capacity will the Primary Health Networks have at 1 July, particularly those three where the preferred applicant status has not yet been confirmed?

Mr Cormack: Let me make an across-the-board comment. The process of signing up the Primary Health Network arrangements is progressing well: 11 have signed up. Many more will follow very shortly. We have actively commenced the transition process from Medicare Locals through to PHNs. That matter is already under way. We believe there will be an

orderly transition over the coming months. In relation to the three that have not yet been announced, we are very close to finalising those arrangements. We will be working both with the existing Medicare Locals that continue to provide the services that will be subsumed into the new PHNs and the new parties. We will make sure that there is no disruption to the support and the services they provide. We have a significant team of people who are working very closely right across the countryside to ensure that this transition takes place well and in a timely fashion.

Senator WRIGHT: Can you give a more specific time line for the transition process?

Mr Cormack: The transition process has been under planning for some time. We formally commenced it in May. The transition process will be worked out on a PHN-by-PHN basis because in some of the PHNs the pre-existing Medicare Locals effectively take the running as PHNs, in which case it is a very simple and straightforward process. In other areas we will have to work a little more closely with the former Medicare Locals and the new PHNs. There are contractual arrangements in place that will enable us to make sure that the transition is smooth and effective.

Senator WRIGHT: Is it fair to say that the process is running very far behind? I recollect asking questions during last budget estimates hearings about this.

Mr Cormack: We are very confident that we will be able to stand up the new arrangements from 1 July. It is a big piece of work—you are correct—but we have a good, competent team, plus very willing and engaged organisations who have the interests of their community at heart. We are very confident that we will be able to effect the transition very well.

Senator WRIGHT: It is my understanding that there are four other Medicare Locals in South Australia, excluding northern Adelaide, which will become a Primary Health Network. Can you outline what process—as an example, I guess—Medicare Locals will go through in terms of winding down operations?

Mr Booth: The process across the transition from the Medicare Locals to the new PHN arrangement has basically been that, from the announcement of the successful PHNs, all existing Medicare Locals had to come up with a transition plan. That transition plan outlined all the services and the different operations that that Medicare Local looked after and came up with a plan for transferring those activities over to the new PHN. As Mr Cormack says, that process has been under way for some time now. So in South Australia that process has been moving forward. In that transition plan, under the funding agreement that we have with Medicare Locals, the Medicare Locals are required to work with the PHN in doing that. That works out in quite some detail how that transition occurs. There are different arrangements in different parts of the country. But in general that is the track we have been going down. Those transition plans have been in place for some time now.

Senator WRIGHT: Thank you. In South Australia, as an example, that is five Medicare Locals into two.

Mr Booth: That is correct.

Senator WRIGHT: Can you indicate in which area of South Australia the second, unannounced, one will be located?

Mr Booth: The second one we are still working through, and that is Country South Australia. That is the large one outside Adelaide.

Senator WRIGHT: That is right—you cannot tell me which provider. It is a very big state.

Mr Booth: We cannot tell you who the preferred applicant will be. It is very big, Senator. As you are aware, the boundaries align exactly with the South Australian Government Country South Australia boundaries.

Senator WRIGHT: So five into two in South Australia. Can you give any guarantee that there won't be a loss of services or programs as a result of the transitions?

Mr Booth: The service continuity issue is one that we have been very acutely aware of. That is why we put in place this process of going through transition plans to make sure that people did not fall through the cracks and, where Medicare Locals were delivering services, that there was an orderly transition across to that. That has been underway for some time. We are working very hard to try to make sure that nobody misses out.

Senator WRIGHT: There is one other thing I am going to flag and then I will pass back to the chair. I just want to be clear. I want to ask some questions later about the mental health nurse incentive program, which I understand is funded by health but administered by Human Services. Is health going to be in a position to answer those questions for me?

Mr Booth: Yes.

Senator WRIGHT: Thank you.

CHAIR: Senator McLucas.

Senator McLUCAS: I also want to go to the movement to the PHN. Can you confirm that all 61 Medicare Locals will close on 30 June?

Mr Booth: There are a number of different scenarios across the country but essentially funding for 61 Medicare Locals finishes at the end of June this year. So Commonwealth funding ceases, yes.

Senator McLUCAS: How many staff, are you aware, will lose their positions as a result of those closures?

Mr Booth: We are looking at that at the moment. Medicare Locals are required, as part of their transition planning, to look at services that will transition across. They are also required to look at a whole host of things under a claim determination schedule to see just what happens and what needs to be addressed there. It is very difficult to give a definitive answer because there are different scenarios happening. In some cases Medicare Locals are moving directly across to PHNs. They will be almost a one-on-one movement. In some cases there are groups of Medicare Locals coming together to form the PHN. In those areas they are looking at staff transfers and staff moving across.

In other areas there are external non-Medicare Local groups coming in. It is very difficult to say because the staff at Medicare Locals can still be working in those other organisations. They are looking at moving those staff across. It is difficult to give a definitive answer to that.

Senator McLUCAS: Health has not done an audit of the numbers of people who will lose their jobs or who will transfer? You have not done an audit of that data?

Mr Booth: No, because it is not possible to do anything yet because it really needs the transition to take place.

Mr Bowles: Indeed, in some instances, just to add to what Mr Booth said, it is quite possible that from 1 July some of the existing Medicare Locals may choose to reconfigure themselves. They are independent companies. They could potentially become contracted service providers in some instances. There are a lot of variables here and it is really hard to be definitive about what happens on 1 July and what, if any, job losses there are going to be.

Senator McLUCAS: Mr Booth, I think you said a 'claim determination schedule'. What is that?

Mr Booth: You will recall discussions we had in previous estimates around the costs of transferring from Medicare Local to PHNs. That is the process. There have been questions around the cost. That is basically a process that Medicare Locals go through, to look at what the costs are associated with ceasing Medicare Local operations.

Senator McLUCAS: That is what that is called. I did not realise that had a name. Those claim determination schedules would have identified the number of staff that were affected?

Mr Booth: It tends to be more around the financial impact of what is happening to different schedules and different areas. So it is trying to put a monetary value on a whole host of different areas, but it could include some redundancy provision within that.

Senator McLUCAS: This committee has been advised in the past that the cost of winding up the 61 Medicare Locals is $112 million. Is that correct? Is that the right figure?

Mr Booth: That has been the figure that we have talked about in the past.

Senator McLUCAS: I finally got that out of the department.

Mr Booth: As we indicated last time, I think, we undertook an exercise to work with all 61 Medicare Locals to come up with a theoretical maximum figure of what it could be. That is where the $112 million came from. We won't know the exact figure until that process is completed, and that is not going to be for a few more weeks yet.

Senator McLUCAS: That figure has not changed yet?

Mr Booth: That is still the theoretical maximum but it is very unlikely that that is the figure.

Senator McLUCAS: What is the cost of running the application process to establish the PHNs, including paying redundancies for staff, breaking leases and any other contracts?

Mr Booth: That is essentially within that number.

Senator McLUCAS: Can you take that figure on notice? That you will be able to answer after 1 July it is probably a reasonable—

Mr Cormack: There are some key dates here. The Medicare Locals are required to submit their final schedule by 31 July.

Senator McLUCAS: 31 July?

Mr Cormack: Yes, that is right. There is clearly a lot of work to be done. Or 25 business days after the funding agreement between the PHN and the Commonwealth is executed, whichever is the later. I am certainly happy to take that on notice. Just to give you some indication, the time frame may not be as prompt as you may wish it to be, for that reason.

Senator McLUCAS: In the statement of risks in Budget Paper No. 1 it says that the government identifies a potential liability for costs incurred due to the early termination of the Medicare Local deed for funding. What costs have been incurred or are expected to be incurred, and what are the circumstances and the amounts?

Mr Booth: I think that is what we are talking about at the moment. It is this process that we are going through, the costs of winding up the Medicare Locals.

Senator McLUCAS: Mr Cormack, do you expect we will be able to identify that figure at the end of July?

Mr Cormack: They have to submit their claim by 31 July or 25 business days after the funding agreement lapses.

Senator McLUCAS: After the Medicare Local funding agreement lapses?

Mr Cormack: Yes, that is right. Sorry, after the funding agreement between the PHN and the Commonwealth is executed. I apologise. Having said that, we will get the claims schedule on, say, 31 July. We will need to work through that and verify those claims before we could give an accurate figure.

Senator McLUCAS: At this point in time—I know it is early—what is the nature of the claims that you expect to see in that schedule? Redundancies, for example?

Mr Cormack: I think they will be of the type that Mr Booth has outlined. Some may be related to lease cancellations, some may be related to asset write downs, some may be related to redundancy arrangements. There are a whole range of measures, just as there would be in the wind-up of any business. These are businesses. We will need to work those through very, very carefully and closely to assess their accuracy before we can give a definitive figure.

Senator McLUCAS: What about businesses that have cash at the end of the contract period? What happens to that money?

Mr Booth: Again, that is part of the work that we are doing at moment. In general if there is Commonwealth funding that is still available, it depends on what happens to the Medicare Local. As with any assets that the Medicare Local owns, then those could come back to the Commonwealth or they could be passed over to the new PHN. But if it is Commonwealth funding, then it would be back to the Commonwealth.

Senator McLUCAS: So any cash at hand on 1 July has to come back to the Commonwealth?

Mr Booth: We would need to work through each case on an individual case-by-case basis, depending on what was happening with the transition to the PHN.

Senator McLUCAS: If the Medicare Local is not going to be contracted to provide a PHN service in a range of different forms, that money must come back to the Commonwealth?

Mr Booth: Then I would expect that money would come back to the Commonwealth. I will double-check for you, but that would be my understanding.

Senator McLUCAS: How many staff were involved in reviewing the applications to apply for PHNs?

Mr Booth: I probably do not have an exact number but essentially we have a process that went through a group of assessment committees in different parts of the country that looked at different things basically on a state-by-state basis. They were done by internal staff from within the department. We used people from a number of different areas within the department to do that.

Senator McLUCAS: Can you be a bit more specific?

Mr Booth: You want an exact number of staff? We can probably give you that in total. It would have been about 20, 25 people involved in the process—internal departmental staff.

Senator McLUCAS: Were there any external staff engaged or contractors engaged in terms of the reviewing of the application?

Mr Booth: Yes, there were.

Senator McLUCAS: How many?

Mr Booth: There was external probity advice, there was external financial advice, external legal advice and some health systems capacity advice as well—so four specific groups around that.

Senator McLUCAS: The cost of those contracts, please?

Mr Booth: The cost of those I do have here. I will just double-check for you. The costs would have been in the region of $600,000 for those different—

Senator McLUCAS: The external contracts?

Mr Booth: For the external consultants. That would have been up to—

Senator McLUCAS: Are those contracts still ongoing?

Mr Booth: Some of them are, yes.

Senator McLUCAS: Which ones?

Mr Booth: I just need to double-check. There is still some advice that the department is doing in terms of working through the contracts. We have legal advice for working through contracts. We also have probity advice for working through contracts. In terms of the specific contracts—you are asking around the contracts that were specifically done for the assessment of those—it might be a bit difficult to look at that because I suspect it was an ongoing contract through the PHN establishment phase as well as the assessment phase.

Senator McLUCAS: What I am trying to ascertain is the cost to the department.

Mr Booth: Sure. The total cost—

Senator McLUCAS: Staff costs?

Mr Booth: In total, like I say, around $500,000, but we will get the exact numbers for you.

Senator McLUCAS: Thank you. When did work commence in the department on developing the application to apply?

Mr Booth: Developing the application to apply? The actual tender documentation?

Senator McLUCAS: Yes.

Mr Booth: The tenders went out before Christmas. So work would have commenced in around about November, I would imagine. I have not got an exact date. No, I have got an

exact date. I have been passed a piece of paper here. Initial work, I am thinking, in August and the tenders went out in December. But it was a fairly big tender process and assessment process. That would have been getting the documentation ready and that kind of thing.

Senator McLUCAS: What was the due diligence process undertaken in relation to the organisations that applied?

Mr Booth: The people that had applied had to go through the assessment process as outlined in the invitation to apply documentation. That really indicated and wrote down the documentation that they had to provide—a couple of letters of reference that they had to provide as well. It was all laid down within that documentation.

Senator McLUCAS: I am trying to get an understanding of the investigation that was either undertaken by your staff or done externally into the suitability of an applicant to provide this service.

Mr Booth: It might be worth actually looking at it in terms of assessing the PHN applications. There were four specific criteria that they had to address. Each of those criteria had a different weighting attached to them. For example, one of the criteria was a demonstrated capacity for GP and stakeholder engagement and healthcare system improvement within the PHN, which had a 40 per cent weighting added to that. The important thing there is the demonstrated capacity. So they had to provide evidence that they could actually undertake the activities that they were talking about there. In a similar way, the third criterion was demonstrated capacity to undertake population health planning and purchasing and commissioning. That was a weighting of 20 per cent there—but again, a demonstrated capacity to undertake health systems planning, those kinds of things.

Senator McLUCAS: Mr Booth, we are probably talking at cross-purposes here. I am trying to ascertain whether there was a process by which the department confirmed that the entity was a suitable entity—not to provide the service, but that it was an entity that had no previous problems financially, and that it could be deemed a suitable entity for the purpose of receiving government funds.

Mr Booth: Certainly, all applications would have had to satisfy the department that they were a suitable entity to actually undertake—

Senator McLUCAS: Were any of the applicants deemed as not being suitable because they had previous issues with the department around acquitting funds? Were they able to confirm that the funds that were given to them in the past actually were acquitted according to the way that those funds were provided? Did you do an assessment of their—

Mr Booth: Yes, we did a financial viability assessment of the applications that came in.

Senator McLUCAS: I suppose I am going a step further than viability to suitability.

Mr Booth: To suitability?

Senator McLUCAS: Yes.

Mr Booth: Certainly, the successful applicants, the department felt, were suitable for funding, following the financial assessment we did of them using the external financial advisers that we had, using the external probity advisers. Yes, we put a lot of effort into ensuring that those applications were suitable.

Senator McLUCAS: Did any applicant fail in that probity test?

Mr Booth: I do not know, off the top of my head. None of the successful applicants would have failed. We had over 60 applications. I do not know the specific details of every application that came in.

Senator McLUCAS: Could you take that on notice?

Mr Booth: I can, yes.

Senator McLUCAS: Who signed off on the criteria for the applications?

Mr Booth: I think the criteria officer is here. It would have been the departmental delegate.

Senator McLUCAS: When was the minister provided with the list of recommended applicants?

Mr Booth: That would have been—

Mr Cormack: It was on 30 March 2015.

Senator McLUCAS: Were any changes made to that recommended list from the department?

Mr Cormack: We had a look at a couple of opportunities that arose, in particular in western New South Wales, where we were unable to secure a suitable applicant. We provided some advice to the minister that there would be value in looking at two rather than one, given the size of western New South Wales. So we provided some advice recommending—

Senator McLUCAS: Mr Cormack, I am asking a different question. Were any changes made? There would have been a list that went up to the minister that had a number of recommendations on it. How many recommendations were on that list?

Mr Cormack: There were no changes made.

Senator McLUCAS: No changes at all. So when did the change happen in western New South Wales: prior to the list going to the minister? Is that what you are telling me?

Mr Booth: No. We had a list that went to the minister, and that list had recommended, I think, 28 of the applications. In a small number of areas, which was in far west New South Wales and South Australia, the department could not come up with a preferred applicant. In that case we then gave the minister some options to look at in those areas. In terms of whether any recommendations were changed, no; but in a small number of cases we gave the minister some options and she chose one of those options.

Senator McLUCAS: Why couldn't the department come to a view in those two areas?

Mr Booth: Because, in the department's view, there were no suitable applicants who could satisfy everything that was needed in terms of the PHN. We felt that it was appropriate to provide the minister with a number of different options that she could look at in terms of taking that forward, and we felt it was the appropriate advice to give.

Senator McLUCAS: That was when the changes to the boundary happened in the western New South Wales area?

Mr Booth: That was one of the options that was put forward, which was that you could look at that very large PHN across the far west and look at the different geographic characteristics that are there within the far west and Murrumbidgee, and split it into two. Yes, that was one of the options.

Senator McLUCAS: I come from Queensland, Mr Booth.

Mr Booth: Yes. There are some very large PHNs in Queensland, WA and South Australia.

CHAIR: Senator McLucas, I will go to Senator Reynolds.

Senator REYNOLDS: My questions also relate to the primary healthcare network. I would like to turn to the advisory group. First of all, I would like to say that I notice that it is now being led by Dr Steve Hambleton. I was at the AMA conference on the weekend. I do not know whether you are aware of this but he was awarded the AMA gold medal for outstanding service, which, as you know, is a very rare honour. So it was good to see someone of that note in this position. I wanted to get that on the record and pass my congratulations on to him.

Mr Bowles: Senator, this is a slightly different issue. We are going from primary health networks to the Primary Health Care Advisory Group, which is the announcement by the minister before the budget, and around how we might look at that?

Senator REYNOLDS: Yes. First of all, could you give me a bit of background on the role of the advisory group and what its purpose is?

Mr Bowles: As you might recall, Minister Ley was consulting with doctors' groups and other professional groups across the country in January, February and March. As an outcome of that, she announced on 22 April effectively what was described as a three-pronged approach. It was to do reviews of the medical benefits schedule, to establish a primary healthcare advisory group and to look at compliance related activities from a medical benefits schedule perspective.

In relation to the Primary Health Care Advisory Group, what we are trying to do—and this was informed by all of those consultations—is to look for opportunities to reform primary healthcare to support better management of patients, particularly in the chronics and complex space. We are trying to make sure that Medicare and primary health care in those broader issues are sustainable into the future. We want to have a look particularly at the complex and chronic care conditions and at whether there are other ways of looking at those. Ultimately, that will look not only at models of care; it will look at the issues between the hospital sector and primary care and it will also look probably at some of the funding mechanisms that currently go to how we pay for services, particularly in that chronic disease space.

You will see in the media sometimes that it is looking at blended funding models. It could be fee-for-service for certain things or it could be a payment for a certain set of activities. But if you have a look at some of the chronic disease categories like diabetes, some of the things you need there are care facilitation, allied health resources and all sorts of different things, not only doctor related issues. So this is about trying to have a bit of a fundamental rethink of how we might do that.

Dr Steve Hambleton has been appointed the chair of that group and the rest of the group will be announced shortly. He has already started to talk with a range of people. The department is obviously underpinning a lot of the work in this space. We are supporting him in trying to look at how we might do things in this space. The idea would be that we come back to government later this year, probably closer to Christmas, around some options. That does not mean that we will have definitive answers to everything by Christmas, because, as

you would appreciate, reforming Medicare and primary health care involves quite a complex set of issues. But, by Christmas, I think Dr Hambleton and others will have a pretty good idea of what is feasible and what may not be feasible.

Senator REYNOLDS: With some of these options that you will come back with at Christmas-time, will they feed in to the green and white paper process for the reform of the Federation?

Mr Bowles: They will not necessarily. The thinking now will start to feed in. The green paper is likely to be out before then, but the white paper comes out at some stage early next year. Clearly, there will be overlap in some of these issues. It is fair to say that the reform of the Federation white paper, the health component, will have something to say about primary health care, and particularly chronic disease management and how that will—

Senator REYNOLDS: This work could actually inform some of the detail coming out of the white paper?

Mr Bowles: I think it will be part of what goes on, yes. Reforming the Federation white paper will go to the states and territories and the Commonwealth—the relationship, obviously, because that is what the Federation is. This will feed in to some of the thinking on it, but there will be a whole range of broader thinking as well.

Senator REYNOLDS: You mentioned that one of the primary focuses of this was on people with complex needs and chronic illnesses. You mentioned a figure before that something like 20 per cent of patients take up 80 per cent of the resources; is that right? There is some sort of figure—

Mr Bowles: I cannot remember the exact figures now, but it is something like 75 per cent of activity in public hospitals or public health is around chronic disease. It is quite a high figure nowadays. We can get some clarity on that. But it is a very high figure on chronic disease at the moment. That is why we want to focus on some of this.

Senator REYNOLDS: So that is a focus on chronic disease and complex needs. What are some of the challenges in that area more specifically that you are looking to address or consider?

Mr Bowles: I might ask Mr Cormack to go into some of the detail. In essence, we cannot use a one-size-fits-all from a payment system, from a clinical system. We are actually trying to look at how this can work. How do we work with the states and territories in the hospital sector? Patients are currently ending up in a hospital as opposed to being dealt with in the primary healthcare space. It is trying to look at options around how we stop that. Mr Cormack might be able to—

Senator REYNOLDS: Before we go to Mr Cormack, is the focus of what you are looking at now similar to the NDIS model of having a patient-focused review? Is the idea of having the clinicians and taking it to primary care to more fully focus on the individual and what their holistic requirements are?

Mr Bowles: Ultimately, yes. I probably would not characterise it yet as like an NDIS, because I think we have to do the thinking around that. But there is a range of models—

Senator REYNOLDS: But it is not inconsistent with the direction that the NDIS is going in?

Mr Bowles: Yes; largely that is correct. If you have a look at some of the models of primary care around the world, some of them are enrolment based and some of them are quite specifically around chronic disease. There are different models. We want to have a look at all of those. A real conversation has started in the broader GP world around the enrolment model for families in GP practices and how you actually come up with funding. I think the one that really sticks out, though, is the chronic disease one. It starts usually with a GP, but it could end up with a physio, some other allied health, someone who just facilitates the care, and a specialist because of certain activities that go on. So you end up with this very complex set of issues.

We currently have things called care plans within the MBS. This is about taking that to another level and actually starting to think broadly about how we handle those patients. I think we will have opportunities to use the primary health networks, to be honest. I think the primary health networks are almost perfect timing for us to trial different ways of looking at this, which ultimately has to be about reducing admissions to public hospitals, because that is not the best way to deal with these people.

Senator REYNOLDS: Just in relation to that, obviously for people with complex needs and disabilities, for example, it is not just health and allied health service support that they need; it very much intersects with the disability sector with rehabilitation and with aged care along the continuum of their life. Will this be having a look at the whole spectrum or just really focusing in? It just concerns me a little bit if it is going to be—

Mr Bowles: No. It is the whole thing, largely. It has to look at the whole life cycle, if you like. How do we implement outcomes from that? That may have to be sector specific, but we do not know yet because we are still going through that process.

Senator REYNOLDS: That is just the reassurance that I was looking for, that it is 'individual focused' but across their lifetime.

Mr Bowles: That is right. Chronic patients can be quite self-contained in a particular group. They can be a young group or they can be an old group; they can be any sort of groups. So we just need to make sure that we pick up all of the dynamics that all of these sorts of patients actually cross.

CHAIR: Thank you. We will now suspend for lunch.

Proceedings suspended from 12:48 to 13:51

National Mental Health Commission

CHAIR: We will move on to mental health.

Senator McLUCAS: Mr Butt has told us that the report was provided to the government on 1 December. I am going to the mental health review that the commission undertook. When was it planned to be published? I think the department should probably answer that question.

Mr Bowles: I am sorry, I could not hear that.

Senator McLUCAS: I am talking about the review for mental health services. When was it planned to be published?

Mr Bowles: When was it planned to be published?

Senator McLUCAS: You would recall that it was leaked.

Mr Bowles: I see what you mean. I would probably suggest it was around the same time as it was leaked.

Senator McLUCAS: Around the same time?

Mr Bowles: I do not have a specific time in my head at the moment, but it was around that time.

Senator McLUCAS: The executive summary was leaked on 14 April.

Mr Bowles: Yes.

Senator McLUCAS: Was that the final draft of the executive summary?

Mr Butt: It was not quite final. It was the version just before. It had been with the printers to be set and so forth and there had been some minor changes made to it in terms of correcting typos, editorials and those sorts of things.

Senator McLUCAS: When was the report sent to the printer?

Mr Butt: I am not quite sure. I would have to go back and check that.

Senator McLUCAS: Did the commission have control over the printing of the report or did the department?

Mr Butt: It was the commission that was managing the printing. It was two things. One was printing hard copies, but the other one was getting it ready for online publication. We were actually ready to go with it at the time it was released. So, it was two things. It was making it web accessible in Word version and PDF as well as getting it ready for some hard copy print.

Senator McLUCAS: When did you get the hard copy run back from the printer?

Mr Butt: I would have to take that on notice. The official release was on the 16th, so it was very close to the 16th.

Senator McLUCAS: Professor Fels's letter was signed and provided to me on 17 April. When were they sent?

Mr Butt: Again, I would have to go back and check that. I cannot remember the exact date.

Senator McLUCAS: It was received in my office on 24 April. Was the full report leaked on 15 April the final draft?

Mr Butt: It was a final draft but not the final.

Senator McLUCAS: I am sorry, but I am not understanding you?

Mr Butt: It was still a draft. It was the final draft before we had completed the final changes to the documentation.

Senator McLUCAS: Are you telling me the executive summary was not in its final form; there were typos and so on?

Mr Butt: Yes, and the same thing—

Senator McLUCAS: The same for the other?

Mr Butt: Yes.

Senator McLUCAS: Mr Bowles, I am surprised you do not have it in your head the day that it was going to be released. I would expect there would have been a plan for the minister to give a press conference or make a release.

Mr Bowles: There would have been. Those issues are managed by the minister. It is up to the minister when those issues are released. All I can say is it was ready for release when it was leaked.

Senator McLUCAS: Was a media release prepared by the department?

Mr Bowles: It more than likely would have been, but I would have to take on notice the specific timing for that.

Senator McLUCAS: Is there an investigation under way into how the material was leaked?

Mr Bowles: No. I have done about 4,000 of these leaked issues, and I do not think I have ever been able to find who has leaked it because the chain of evidence is almost not traceable.

Senator McLUCAS: When it was planned to be released as the report from the commission was it planned at that time, prior to the leak, for there to be a government response published at the same time as the review?

Mr Bowles: I do not believe so. I think it was just to put the report out.

Senator McLUCAS: When did state and territory ministers get a copy of the report?

Mr Bowles: When it was public.

Mr Butt: We sent it out to state and territory ministers at the same time as we sent it out to stakeholders generally so it was probably the 17 April letter.

Senator McLUCAS: So, they did not have the report at the COAG health ministers meeting, which was on the 17th?

Mr Butt: They may have had it, because it was available online. Most people accessed it online. I know departments were looking at it online.

Mr Bowles: When it was leaked I recall I sent an email to my state and territory colleagues basically saying that it had been leaked or something to that effect.

Senator McLUCAS: With a copy of the report?

Mr Bowles: Not a copy at that particular stage. It was released two days or thereabouts afterwards when it was available.

Senator McLUCAS: In the minister's press statement of 16 April she said she intended to seek bipartisan agreement to revive a national approach to mental health at the COAG meeting. So, what happened at the COAG meeting?

Mr Bowles: I am not going to go into the ins and outs of what happens at a COAG health ministers meeting. Needless to say it was discussed and the issues were raised at the time.

Senator McLUCAS: The communique does not seem to say very much.

Mr Bowles: No. Communiques traditionally do not say a lot on the specifics of every item that is discussed.

Senator McLUCAS: But if agreement is found it would usually be reflected in the communique.

Mr Bowles: The arrangements are in place for the fifth national mental health to be developed for the COAG Health Council.

Senator McLUCAS: Is a working group to be established?

Mr Bowles: From memory, a working group will be established under one of the principal committees.

Senator McLUCAS: The minister also indicated that there would be an expert reference group established.

Mr Bowles: That is correct.

Senator McLUCAS: Who is going to be on that?

Mr Bowles: That is for the minister to announce when appropriate.

Senator McLUCAS: So, no members of that group have been announced at this point in time?

Mr Bowles: That is correct.

Senator McLUCAS: Has the minister sought advice from the department about who would be an appropriate person to sit on that group?

Mr Bowles: Yes.

Senator McLUCAS: The ERG, expert reference group, will be supported by an NDIS mental health working group. Is that another group to be established?

Mr Bowles: NDIS working group?

Senator McLUCAS: The mental health working group.

Mr Butt: That group already exists.

Senator McLUCAS: And the Aboriginal and Torres Strait Islander Mental Health and Suicide Prevention Advisory Group?

Mr Bowles: It already exists.

Senator McLUCAS: Is it a commission or a departmental function to support those groups?

Mr Bowles: Which groups are you talking about?

Senator McLUCAS: The NDIS Mental Health Working Group and the Aboriginal and Torres Strait Islander Mental Health and Suicide Prevention Advisory Group?

Mr Bowles: I think we might be talking at cross-purposes. There is a range of groups currently in place being the ones you mentioned. Specifically a fifth national mental health plan will be under the COAG Health Council. There will be a working group established to do that, which will sit under the normal AHMAC process of developing advice for ministers to go to the COAG Health Council. They will take advice from all sorts of sources on the issues of mental health and dealing with the fifth national mental health plan. There is a range of these groups that sit within the department, some are external advisory arrangements, some are internal and all sorts of things.

Senator McLUCAS: The question I am asking is: are they groups that are established by the department or by the commission? I think Mr Butt is telling me by the department.

Mr Bowles: It is by the department.

Mr Butt: The NDIS is actually supported by the Department of Social Services.

Senator McLUCAS: Does it have the health people on it?

Mr Butt: It is a specific one about mental health so, for example, the New South Wales Mental Health Commission is on it.

Senator McLUCAS: The minister also says in her press release that there are some recommendations that the government agrees with and some that they do not. Can you provide us with a list of those that the government agrees with and those that the government does not agree with.

Mr Bowles: The minister's intention was to establish an expert reference group. That group will be able to provide advice to the Commonwealth minister specifically to enable a range of responses to the review that is separate from the COAG Health Council related process, about which the minister has written to her state and territory colleagues. They are two quite distinct processes. The expert reference group, once established, will work over a very short period of time. It will take advice from right across the sector and inform the Commonwealth's response. That is separate from the COAG Health Council process that the minister has asked also to be established. So they have two different tracks: one is Commonwealth specific and the other is a whole of federation and whole of sector approach.

Senator McLUCAS: Leading to the fifth mental health plan?

Mr Cormack: That is correct.

Senator McLUCAS: The press release states, 'Many of the recommendations offer positive ideas other than they are not conducive to a unified national approach.' Which ones are agreed and which ones are not agreed?

Mr Cormack: The minister has asked the expert reference group to provide specific advice to the Commonwealth to inform their response to the commission's report. Until such time as that group is established and undertaken its work, the Commonwealth does not at this stage have a formal response to it.

Senator McLUCAS: Minister, I wonder if you could answer the question. Minister Ley said in her press release that some of the recommendations are not conducive to a unified national approach. Which recommendations are not conducive to a unified national approach?

Senator Nash: I am happy to assist, but that would be a matter for the minister. So I can take that on notice.

Senator McLUCAS: That is why we are here at estimates—to ask questions.

Senator Nash: That is right, and I am not the minister responsible, as you know. I am very happy to assist and accommodate, and I will do that for you.

Mr Bowles: The only thing that the minister has publicly said was about the billion-dollar transfer from the system. She said that is not supported. The rest is up to the expert advisory group to talk to and to determine what will and will not go forward. The only thing that has really been ruled out is the transfer of $1 billion.

Senator McLUCAS: It does not read that way in the press release. It said 'others', plural, 'are not conducive'. If there is one recommendation that the government does not agree with, it should have said that.

Mr Bowles: I am saying that is the one that has been publicly mentioned. I am not going into any other details. It is up to the expert reference group. We do not want to rule things in or out, other than the billion dollars.

Senator McLUCAS: Minister Ley also says in her press release that she has been consulting continually. Can we get an understanding of the consultations that the minister has had with the mental health sector since she became a minister?

Mr Bowles: I think it is in the broader context that she has been consulting continuously. She has been talking to many, many groups, including mental health, but all sorts of groups—doctors, allied health, nursing, mental health and any other professional group that wants to have a conversation.

Senator McLUCAS: Can we get some detail of that?

Mr Bowles: We can take it on notice to see what other groups, but it is in that broad suite of consultations that the minister does every week.

Senator McLUCAS: She specifically points to this continual consultation with mental health stakeholders. I would like to get a bit of an understanding of who they are.

Mr Bowles: We can take that on notice.

Senator McLUCAS: Thank you. I would appreciate that. I now move to the funding extension. The minister has extended funding for mental health services in early April, saying that a $300 million extension would allow frontline services to continue to provide services for another 12 months. Can we have a list of which organisations have been funded, under what programs those organisations have been funded, and the quantum of funding that has been provided? I think it is all just for 12 months, Mr Booth; is that right?

Mr Booth: Yes, the announcement was for a continuation of funding from this year's levels through to the next 12 months, so essentially in the vast majority of cases it is existing people who are getting funding. The funding has rolled over for 12 months. It is those same organisations.

Senator McLUCAS: Could we have a list? Is that possible?

Mr Booth: Certainly. We can try to pull one together for you, but as I say, in general, the same organisations are receiving funding for another 12 months.

Senator McLUCAS: When you say 'in general' or 'by and large', which I think was the other term—

Mr Booth: The majority. There is a very small number of programs that cease at the end of this financial year, but those that continue have been continued.

Senator McLUCAS: Could I have a list of those programs that are ceasing at the end of the financial year, and the organisations that were previously provided with those funds? That will provide some clarity around the question about de-funding. When organisations say, 'We have lost funding for that', it would help understand why that is. Have all the negotiations with the contracts been completed to this point in time? Do you have to recontract any organisations?

Mr Booth: Sometimes. As soon as we received confirmation that the funding was being rolled over for a further 12 months, we contacted all the organisations involved and started immediate contract renewal negotiations with them. It is an ongoing process. We are working

through to get clarity with those organisations as soon as we can, but they do know that their funding is going to extend. Not all will have had contracts signed yet, but we are working through that.

Senator McLUCAS: Has that funding been indexed?

Mr Booth: No, the funding continues at this year's levels.

Senator McLUCAS: Last week there was some commentary around the impact of the loss of indexation to headspace. What does that equate to for headspace, the fact that the funding has not been indexed?

Mr Booth: That is an interesting one, because headspace does not normally get indexation going forward. The funding for headspace increases year on year because the number of headspace sites increases year on year. There is an amount of funding that is made available to headspace for those sites, so the amount of funding that headspace receives continually increases. The funding for each individual site has remained static.

Senator McLUCAS: This was an ABC News story; are you aware of it?

Mr Booth: I was aware that there had been a number of stories and articles relating to headspace over the past few weeks, yes.

Senator McLUCAS: This one was specifically around indexation. Professor Hickey is quoted as saying, 'Because of the funds freeze in indexation we are not able to replace clinical staff who have left in recent times.' Are you telling me that—

Mr Booth: What I am telling you is that the funding for headspace increases year on year, because of the new headspace sites that roll out, and that core amount of funding has remained the same since the program started. Just be aware of, the other thing is that the core funding to headspace increases, so they get funding from the Commonwealth to establish new sites. That funding goes into establishing the core lines of staff and those kinds of things. They then get their funding from a variety of different sources, including MBS and PBS payments and those kinds of areas. They may then be talking about flow-on effects of funding elsewhere in the portfolio.

Senator McLUCAS: I understand. So, for core funding?

Mr Booth: No. The core funding for headspace that comes through the mental health appropriations in here has not, but Professor Hickey may be referring to other areas in terms of MBS payments, for example.

Senator McLUCAS: Yes, I think he is. Is the department aware that some headspace centres might be forced to cut clinical staff, because they are not being budgeted for with the freeze on indexation?

Mr Booth: Headspace has not raised those concerns with us.

Mr Bowles: Going by a media article, if headspace has an issue, they will raise it with us. As Mr Booth said, it has not raised it with us, but it also has responsibilities to live within a program of work that it has.

Senator McLUCAS: But as Mr Booth is explaining, it is not the core funding, it is the actual operational funding to run the services where the indexation freeze is impacting.

Mr Bowles: That is possible, but that is an issue for how headspace manages its operations in the normal course of events like any other GP or practice out there.

Senator McLUCAS: But they cannot charge. If you freeze indexation on a GP, a GP may decide to put in a co-payment, but if you are headspace provider, you are not going to ask your people to be charged, surely?

Mr Bowles: We are getting into 'mays'. Again, if headspace has an issue, it can raise it with us. But we have not had any issues raised with us other than something appears in an ABC article.

Senator McLUCAS: You are quoting a very eminent professional.

Mr Bowles: I have been misquoted before as well. I am sure there are a whole lot of misquotes out there in the media.

Senator McLUCAS: Does the department know whether there are any centres that are struggling to recruit staff because of the indexation freeze?

Mr Booth: Again, it has not been raised with us.

Senator McLUCAS: Is the department aware of waiting lists? There has been some reportage of waiting lists blowing out because of the shortage of professional staff.

Mr Booth: In a service like this, it is inevitable that there may be some waits. Again, we have not been contacted specifically with concerns that there are blowouts.

Senator McLUCAS: In your contractual relationship with headspace, what does headspace report to you on in terms of agreed outcomes?

Mr Booth: Headspace has a contract with the department, the specific details of which I do not have that go into that contract, but it would be expected to let us know in terms of how the sites are going with respect to recruitment and people going through, those kinds of things. We have a very good relationship with headspace in terms of meeting with them regularly, discussing issues as they come up and those kinds of things. So we do keep in very regular contact with them about concerns.

Senator McLUCAS: But I am talking about routine reporting.

Mr Booth: I do not have the details with me in terms of what we get on a regular basis, but I can certainly look into that for you.

Senator McLUCAS: Does it include waiting times?

Mr Booth: As I said, I need to take a look at that.

Senator McLUCAS: Has the department received complaints about consumers not being able to access headspace in a timely manner?

Mr Booth: As far as I am aware, no.

Senator McLUCAS: Going back to the COAG working group and the expert working group, who is on the COAG working group?

Mr Cormack: It has not been established. The way the COAG process works is the work will be allocated to be overseen by a principal committee of AHMAC. They will then determine the extent to which they need to establish a special team or a working group, and that is just at its early stages at this point in time.

Senator McLUCAS: When do you expect that to be resolved?

Mr Cormack: We anticipate a report back from that group to AHMAC in June. We believe there will be advice from that group as to how the process will progress.

Senator McLUCAS: With the expert reference group, when do you expect the membership of that group to be finalised?

Mr Bowles: That is a matter for the minister.

Senator McLUCAS: Have you provided advice to the minister about potential—

Mr Bowles: We have provided advice.

Senator McLUCAS: Are there terms of reference for those two groups, and have they been made public?

Mr Bowles: No, there is none for the AHMAC group because, as Mr Cormack said, they are still going through that process, so therefore they are not public. We would have provided advice to the minister on the expert advisory group, but nothing is public at this stage as far as I am aware.

Senator McLUCAS: Do you expect it to be made public?

Mr Bowles: Once everything is sorted out, I would expect that that would be the case.

Senator McLUCAS: In terms of the flexible funds, are there any of the flexible funds that sit in 5.4?

Mr Booth: None.

Senator McLUCAS: But a number of mental health service providers, peak bodies, are funded through the flexible funds; is that correct?

Mr Booth: Some of the mental health peak bodies may be, yes.

Senator McLUCAS: Can you provide for me on notice a list of those that are peak bodies for mental health? Mental Health Australia would be one.

Mr Booth: That is one.

Senator McLUCAS: The Butterfly Foundation?

Mr Booth: The Butterfly Foundation is not funded by the department for its head office.

Senator McLUCAS: What does the Butterfly Foundation receive from the department?

Mr Booth: The Butterfly Foundation receives funding in two areas: one is for its telephone advice line, and one is for the National Eating Disorders Collaboration that it runs.

Senator McLUCAS: But it does not get base funding?

Mr Booth: It does not get base funding from the department; it never has, as far as I am aware. It has funding from other sources that it uses for that.

Senator McLUCAS: Would you mind confirming that with me on notice, in terms of historically?

Mr Booth: I can, but I am pretty sure.

Senator McLUCAS: I have been advised differently.

Mr Booth: I am pretty certain that the department has not given it core funding and it just has those two contracts with us, which are not part of the flexible fund as we said.

Senator McLUCAS: Where are they funded from?

Mr Booth: They are funded from the mental health appropriation.

Senator McLUCAS: Just going to the mental health appropriation, Mr Booth, I am trying to get a better understanding of the forward funding for a range of quite discrete programs. If I go through some of them now, will you be able to tell me what is allocated for these programs over the forward years? For example, the Day-to-Day Living Program?

Mr Booth: I think I can only really tell you what is already in the public domain in terms of PBS statements. It might be better to take that on notice so I can just double check what is publicly available.

Senator McLUCAS: If we went to the program level, Day-to-Day Living, for example, you can tell me the global allocation over the four years 2015-16 through 2018-19, but you cannot disaggregate it for me?

Mr Booth: The figures over the forward estimates are $58.3 million.

Senator McLUCAS: But you cannot disaggregate that for me?

Mr Booth: Not at the moment, partly because, like I say, I would just like to double check what is in the PBS. The other area in terms of mental health funding is that the government, as Mr Cormack has indicated, is looking at the response to the mental health commission review, and looking at funding in that context.

Senator McLUCAS: But in this year's budget there will be an allocation for that program over the next four years?

Mr Booth: In this present budget, yes. There was an allocation in 2014-15 of $14.899 million.

Senator McLUCAS: So, 2014-15 was?

Mr Booth: Like I say, I will take that on notice and just double check what the figures were.

Senator McLUCAS: I am going to send you that list of programs that I have been able to identify as programs that I think are being funded through the Department of Health mental health appropriation in 4.5. I am going to ask you to fill in those four columns—

Mr Booth: I think I would have to take that on notice.

Senator McLUCAS: No, I want you to read it out straightaway to me—come on. That is what I am going to ask you on notice, please. Thank you.

Senator XENOPHON: Just a question about Primary Health Networks. Is the department familiar with the Primary Health Network team that has recently been granted a North Adelaide Medicare Local and Country North South Australia Medicare Local?

Mr Booth: For the North Adelaide one, yes. There is no tender yet done for the country South Australia. That is still going through.

Senator XENOPHON: So that has not been granted; only the North Adelaide Medicare Local has been granted?

Mr Booth: That is correct. In fact, it is still going through. I would need to double check whether the contract has been signed yet, because we are still in contract negotiations with PHNs.

Senator XENOPHON: You might want to take this on notice: what due diligence does the department ordinarily perform in awarding these tenders? Can you point us to the source document and the protocols in respect of that? I am trying to get the shorter version from you, so I am happy for you to point us to the publicly available documents or any other documents.

Mr Booth: Certainly. There is an ATM document that is published, and that goes through all of the information that the applicants have to put in there. It goes through four key criteria and the weighting that is applied to each of those four criteria. It also highlights other information that they have to put in there, including letters of reference. As part of the invitation to apply, they have to identify any perceived or real conflicts of interest. There is a variety of things there. That is mainly in the public domain in terms of the documentation that was put out when the PHNs ATM process started.

Senator XENOPHON: On notice, just not to spend any more time than is needed on this, in addition to the material on the public domain could you provide me with any other documents or reference points in terms of issues of due diligence?

Mr Booth: Sure.

Senator XENOPHON: It seems that the information I had that the tender had been awarded to the Country North South Australia Medicare Local—that is still in limbo?

Mr Booth: For country South Australia, no preferred applicant was found for that particular area. The decision was made to work with one of the applicants who had applied, to work with them to see if a successful application could be developed.

Senator XENOPHON: That would be the Country North South Australia Medicare Local?

Mr Booth: Yes. That is the preferred.

Senator XENOPHON: Whilst it was not through a tender process, they have effectively got that—

Mr Booth: Not necessarily. We are working through that at the moment with them.

Senator XENOPHON: Was the department aware of the so-called hostile takeover of the then management of the North Adelaide Medicare Local over Christmas and New Year in 2012-13 when the staff and CEO were locked out of the building by members of the Adelaide Northern Division of General Practice after a vote of no-confidence was held? I think this was something that was in the public domain in South Australia. Were you aware of the controversy in relation to that?

Mr Booth: Yes.

Senator XENOPHON: Given that one of the alleged coordinators of the takeover is now the CEO of the North Adelaide Medicare Local, what impact did this incident have on the department's consideration of the North Adelaide Medical Local's tender? Was it taken into account?

Mr Booth: Certainly. As you said, we would have done due diligence in terms of the applications that were received. We were aware of the events of a couple of years ago over Christmas.

Senator XENOPHON: Pretty nasty stuff at the time.

Mr Booth: There were issues with the Medicare Local as it existed and its membership structure. There were a lot of things that you would have been aware of. At the end of the day, the CEO of the PHN is appointed by the board and is responsible to the board for the successful running of that organisation. The tender is provided to the PHN organisation, not to one individual.

Senator XENOPHON: When submitting tenders, what disclosure provisions apply to conflict of interest provisions; are they publicly available?

Mr Booth: No. There is certainly a requirement for applications to disclose to the department any real or perceived conflicts of interest. I do not think applications themselves would be made publicly available because they are in a tender scenario. They are normally kept—

Senator XENOPHON: In terms of general principles, if there are tenders or applications to run two Medicare Locals, and they happen to be run by domestic partners or husband and wife—I am not saying you should not be able to do that—is that sort of relationship the sort of thing you would want to know about—just by a disclosure? I am not saying you should preclude someone, but is that the sort of thing that might be relevant?

Mr Booth: I cannot answer what specifically every different permutation may be.

Senator XENOPHON: You might want to take it on notice, but if I was to suggest to you that that was something that ordinarily ought to be disclosed, would that seem unreasonable to you?

Mr Booth: Again, I would need to take advice on that, to be honest.

Senator XENOPHON: If there has been a non-disclosure as required, and again you need to take it on notice, is that something that would concern you?

Mr Booth: Not if there was a non-disclosure.

Senator XENOPHON: No, if there was a disclosure requirement in terms of any potential conflicts, and it was not disclosed, is that something that would influence the department in considering the award of contracts or tenders?

Mr Booth: Again, I would need to take that on notice. We would certainly look into it if there was anything untoward. If you are saying that—

Senator XENOPHON: No, I am just raising it as a general principle. I just want to make that clear. Just a couple that you might want to take on notice, and then I am done for now. Was any assessment made of the potential impacts on competition or service delivery, given the significant value and size of these tenders, in terms of issues of any potential or perceived conflicts of interest?

Mr Booth: In terms of impacts on competition, I think what I point to is the establishment of PHNs as commission organisations that are intended not to provide services but to try to stimulate the local market to be able to provide services and move them quite a distance away from Medical Locals. I think the philosophy behind PHNs is very different from Medicare Locals in terms of not providing services but being the commissioner to get other organisations to do that. So I think the whole thrust of PHNs is around increasing competition.

Senator XENOPHON: It is about increasing competition; then if there is a relationship between two PHNs, that is something that may be of some relevance to the issue of competition?

Mr Booth: It would depend on the relationship.

Senator XENOPHON: If they were a couple, if they were de facto partners, would that be relevant?

Mr Booth: I would like to take that on notice.

Senator XENOPHON: As a general principle. I am not asking you to—

Mr Booth: Again, I think I would have to—

Senator XENOPHON: Not even as a general principle?

Mr Booth: I think it depends a lot on context.

Senator XENOPHON: We are given the context; we are talking about PHNs and the need for competition.

Mr Booth: Again, I will take that on notice.

Senator XENOPHON: I appreciate that. Finally, if issues had been raised, or complaints made, in relation to these issues in terms of complaints made about how potential directors had previously run things, is that something that you would look into? I am putting this in the broadest possible terms. I just want to distance from my previous line of questioning. I want to be absolutely fair. Before you award a contract or a tender, if you receive credible information from people in the medical sphere and the health sphere that says, 'Look, we have dealt with these people and things were pretty rocky or they did not do very well at all, and we have real concerns about their running something else', do you have a protocol, a process, for investigating those sorts of concerns?

Mr Cormack: For any complaints raised around the suitability of people invited or selected for negotiation, there is a process to investigate those complaints. That is part of the process.

Senator XENOPHON: Could you just give us details of that process?

Mr Cormack: We will certainly be happy to take that on notice. Secondly, in relation to the finalisation of a contract, and the awarding of a contract to an organisation, another level of due diligence is undertaken at that time, because we are contracting with an entity rather than an individual. It is also the responsibility of the board or the governing body of the organisation that we are contracting with to undertake its own appropriate due diligence of the fitness of officers and officials to undertake the operations. At this stage, we are not at that point. We have not awarded a contract. But certainly when we get to that point, that would be in all cases a matter of an additional layer of due diligence at the time of awarding a contract.

Senator REYNOLDS: I would also like to come back to the Primary Health Networks. Before the lunchbreak you were talking about the Primary Health Networks and how your intent is to make them more output focused and more individually focused. Specifically in relation to mental health, is mental health one of the priority areas that will be picked up in the Primary Health Networks?

Mr Bowles: Yes, it will.

Mr Cormack: Just to clarify, are we talking about Primary Health Networks or are we talking about your earlier line of questioning, which is in the Primary Health Care Advisory Group?

Senator REYNOLDS: It is not about the advisory group. This is actually in the health network themselves.

Mr Bowles: Yes, indeed. They are—

Senator REYNOLDS: That is an extension?

Mr Bowles: That is right.

Senator REYNOLDS: So, at the moment it is just on the network themselves?

Mr Bowles: Yes. The PHNs will have a specific set of accountabilities to provide an integrated service arrangement for people with mental health needs in the primary healthcare setting.

Senator REYNOLDS: How do you see that rolling out? In terms of making that happen, how do you see that integration occurring?

Mr Bowles: Once the PHNs are established, and they are obviously going through that process now, their first significant task, in addition to ensuring continuity, is to undertake a detailed needs assessment in their particular area. That will involve an assessment of health related information; an understanding of the different services that are provided; the levels of burden of illness in that area; and the relationships that they would need to establish with the public hospital system, the public community mental health services and headspace centres that may be within the PHN.

Over the course of the first 12 months they would then be required to establish a reasonably detailed services plan that would form the basis of commissioning. This is the essential difference between the Medicare Locals as they exist now and the PHNs as they will exist from 1 July.

Based on a comprehensive assessment of need and understanding of the service network as it exists they will then have a budget to commission services to meet those specific needs. That can include a number of other program areas such as the Mental Health Nurse Incentive program or other local arrangements that suit the needs of the local area. It is not a one size fits all, but certainly commissioning mental health services is a key and primary role of the PHNs.

Senator REYNOLDS: So, how that would work is that you have a patient who is looked after by a single GP who will then take into consideration all of their complex or acute requirements and make sure that they are all integrated and client focused. Is that correct?

Mr Cormack: That would certainly be an expectation. The PHN itself would potentially take responsibility for assisting with that coordination of different efforts and to make all of the health providers in that area fully aware of the local service offerings. In some case they may well commission services to specifically coordinate care. This is one of the linkages with the other issue you raised earlier around coordinated care. It is feasible that in the future the PHNs could commission a brokerage or a care coordination role within their area for people with complex needs.

Senator REYNOLDS: It sounds similar to another inquiry where Senator Siewert and I coined a term 'system wranglers'. It is, again, in a disability space, but it sounds like it is a similar role of having one person. The buck stops with one person to make sure that that person is looked after.

Mr Cormack: That is a feature of it. The other very important feature, where there is a specific measure in this year's budget, is further development of the electronic health record, the myHealth record, because it is one thing to know where all of the health providers are and to understand the roles they play to deliver services to an individual. The myHealth record, when fully implemented, will have that information available in real time.

Senator REYNOLDS: And integrated?

Mr Cormack: That is right, so that individual members of the team, even though they are not physically in the same place at the same time, will have an understanding of the care requirements and the care delivered to an individual. The measures are linked.

Senator REYNOLDS: Apart from better health outcomes because they are being looked after holistically, do you also see that there might be some benefits there in terms of people who go to different specialists or different doctors for different treatments where they have contrary medical regimes and other treatments or gaps?

Mr Cormack: We are getting into another outcome area and I probably inadvertently took us down that path.

Senator REYNOLDS: It is an interesting path.

Mr Cormack: One of the benefits of sharing information is that you can identify risk. That risk could be a particular condition. It could be an allergy. It could be a pattern of prescribing or it could be a recent admission. One of the benefits of both the coordinated team effort and the record to support it is that there is a greater line of sight of all of those risks and you can prevent people from missing out on the care that they need or even more specifically to avoid the risk of receiving the wrong care. That is the overall aim of the electronic health record but more importantly a coordinated model of care, which is what we certainly anticipate the PHNs will be able to facilitate into the future.

Senator REYNOLDS: Coming back to the PHN Advisory Group, what is their role in mental health and perhaps overseeing these priority areas?

Mr Cormack: Mr Bowles certainly gave a good description of that earlier. In the minister's media release in relation to this the minister specifically identified a role in looking at better models of care, and new and innovative funding arrangements for people with chronic and complex conditions, including those with mental health issues, many of which can be both chronic and complex though not all. Certainly mental health is very much a part of that body of work, but it is more specifically focused on better models of care, joining up the efforts of hospitals and primary care providers to be able to reduce the risk of unnecessary admissions to make it easier for the patient to navigate the system and overall to increase the safety and reduce the cost of avoidable admissions.

Senator REYNOLDS: You are looking at better coordinating primary care with allied care. In terms of support of the pharmacist, is there a formal role for a pharmacist as part of that plan to manage medication and adhere to medication regimes and other services?

Mr Cormack: There are others who can talk about the elements of the agreement that has just been struck, but in a general sense pharmacists are a key part of the primary healthcare team. They are a ready point of access in the community. They have access to information about the different drugs and medications that people are on and if linked into the primary healthcare team, both virtually and formally, they can play a critical role in identifying risk and reducing the harm associated with people particularly with complex medication histories.

Senator REYNOLDS: So, in relation to my specific question, in the formal plans for the rollout of the network is it up to the local centres and the local GPs to get in contact with the person's pharmacist or is there a more formal mechanism at that local level to engage with them?

Mr Cormack: It will vary from one centre to another, but certainly one of the aims of the PHN is to assist the local teams to work together better for the benefit of the patients in their local community.

Senator REYNOLDS: Thank you.

Senator WRIGHT: I have various questions to follow up. I might start with questions about headspace. I am interested in understanding more about how the government ensures that an organisation like headspace meets governance arrangements. Is there a process for reviewing the governance and administration of headspace? There has been some public comment recently suggesting that there may be some issues in this regard, so what is the process?

Mr Cormack: Obviously with any organisation where the department has a funding relationship that is delivering services using taxpayers' funds we take a very keen interest in ensuring that those funds are managed properly and that the organisations that receive those funds are governed appropriately. That is really, in many ways, part of our ongoing relationships we have with organisations such as headspace and very much a part of our contractual arrangements with recipients of grants and service agreements.

Senator WRIGHT: You are saying that there is a process. Is it possible to talk about what that process is? Can I ask, further to that, if you could explain what that process is and whether the government is satisfied with the governance arrangements of headspace at the moment?

Mr Booth: Yes. There has been a process. The genesis of the process is really the recognition that headspace had grown significantly from its inception to where it is now. The number of headspace sites across the country has increased significantly and the amount of funding going to headspace. In terms of the Commonwealth looking at the investment into headspace and the governance arrangements that currently exist for that, it was an appropriate question to ask: are current governance arrangements fit for purpose in terms of overseeing that amount of funding? In line with that the department had an independent reviewer come in to have a look at headspace governance arrangements and to come up with some recommendations for the department in terms of potential ways forward and in terms of fit for purpose. That report has been delivered to the department and we are working through it at the moment.

Senator WRIGHT: So I can be clear, you have engaged that independent reviewer?

Mr Booth: That is correct.

Senator WRIGHT: And that review is ongoing at the moment or are they coming up with a proposal as to how to review?

Mr Booth: They have come up with proposals. They have come up with a report with some recommendations.

Senator WRIGHT: What is the status of that report? Is that with the government being considered at the moment?

Mr Booth: It is with—

Senator WRIGHT: So, those recommendations have not yet been taken up and applied to the arrangement with headspace; is that right?

Mr Cormack: As Mr Booth said, we have received a report and we are considering the implications of that report. We have had discussions with the headspace board about the governance arrangements and those discussions are ongoing. They are certainly not finalised. It gets to the heart of the issues that Mr Booth has raised. Those matters are now, initially, for the consideration of the headspace company and we will be looking forward to having further discussions with them once they have considered that report.

Senator WRIGHT: I am still trying to clarify. Is the report around ongoing accountability and arrangements that need to be made or is it actually a review of what is currently happening at the moment?

Mr Cormack: It is around the model of governance arrangements that headspace has in terms of how the board is structured and organised, because as a company it has grown very quickly and very successfully over the years so we are keen to ensure that the governance arrangements at the board level are fit for purpose. It also addresses some of the issues that were highlighted in the National Mental Health Commission report around the clinical governance measures in place and the arrangements that it has with the local organisations that are funded to deliver headspace centres. It is a timely review and it will enable us to ensure that the government's investment in headspace continues to deliver the good-quality access and the very specialised access that it does for young people with mental health concerns.

Senator WRIGHT: Does the government stipulate the percentage of Commonwealth funding to headspace that goes to the delivery of, for want of a better word, frontline mental health services as opposed to what is spent on administration and salaries? Is there any stipulation there as to the percentage?

Mr Cormack: I can give a general answer while Mr Booth searches through his file of facts. The department funds headspace for a range of different service types: for the headspace centres, for eheadspace and school support. There is a range of different programs that are funded. It is not just one single arrangement. Perhaps I could ask Mr Booth to talk about some of the specifics in the senator's question.

Mr Booth: That is right. I will call it the headspace core work that it does with young people. It is an amount funded from the department which goes towards the establishment of that site, the set-up and initial staffing costs and all of those areas. That is an amount of money that is given over a period of years. It is going up to an average of around about $840,000 per annum for ongoing sites. Headspace then gets its funding from MBS charges for the services that it offers, so it will do that.

As Mr Cormack has indicated, the department also funds headspace for eheadspace, which gives telephone counselling support and web based support for individuals and for young people. That is $14.4 million for the provision of that service. There is also headspace school support. That is specifically designed for post prevention services around suicides that may have occurred in a school to provide support to students and staff. I think I undertook to take on notice an earlier question around some of the reporting that is going back to the department in terms of specifics. I think we talked about waiting lists and times like that. We do have some of that information.

Senator WRIGHT: If I understand correctly, you said there is an amount over the period of time for the establishment of the site, the set-up and so on. Would that be properly characterised as administration and salaries?

Mr Booth: That is establishment funding and then ongoing support. Yes, it is that kind of work, but it obviously does not cover the billing because the billing would be—

Senator WRIGHT: In a sense that is what I am getting to. Did you say that equates to approximately $840,000 per annum?

Mr Booth: That is correct.

Senator WRIGHT: Presumably although that may be an average that approximates to each individual headspace, then the charges that they bring in terms of the work that they do will be variable depending on the number of items that they actually form?

Mr Booth: That is right.

Senator WRIGHT: Is there any analysis of the relationship? I presume it varies across Australia as to the relationship between the establishment or the set-up costs and the ongoing admin costs and the amount that is actually charged, which would represent the amount of actual items and work that they are doing.

Mr Booth: There is a number of variables that I think are appropriate to take into account. Certainly the amount of work that comes through is significant but also the locations in terms of the actual purchase of buildings and that kind of thing. I can tell you that two of the headspaces, in particular those two located at Bondi and Mount Isa, have significant amounts over $800,000. They are over $1 million each. That reflects property prices, getting staff to work there and that kind of thing, through to other areas. Also, some of the headspaces do a hub and spoke model as well so that comes into it in terms of how they operate. That figure of $840,000 is an average. The actual funding is between $600,000 and $1 million depending on the location, where it is, the amount of work and that kind of thing.

Senator WRIGHT: How many headspace centres is the government currently funding?

Mr Cormack: There are 82 that are currently operational and we are on track to get to 100 in 2016.

Senator WRIGHT: What percentage of the total Commonwealth allocation of the budget for mental health services is directed to headspace?

Mr Cormack: We might need to get back to you quickly on that one. At the moment headspace is roughly around $150 million a year for the headspace centres. There are some other program areas as well.

Mr Booth: Yes. There are other bits and pieces.

Mr Cormack: It is a reasonable proportion. Certainly the figures you quoted earlier—

Senator WRIGHT: Have there been any other reviews or audits of headspace which have occurred since they were established apart from what we understand from the question that you answered earlier about the reviewer who has been appointed recently?

Mr Booth: Yes. There is an evaluation of headspace. As you know, the Commonwealth regularly evaluates programs that it has been doing. There has been an evaluation that has been ongoing for the last two years. The University of New South Wales is taking that forward. That is a two-year evaluation. They are actually due to report very shortly with a final report.

Senator WRIGHT: Is that the only other one?

Mr Booth: That is the only one that the Commonwealth is funding. There are various other reports going on. There are a couple of articles in today's *Medical Journal of Australia* talking about headspace so there will be other academic pieces of research and the commission that also looked at headspace.

Senator WRIGHT: Yes, I am aware of the consideration of headspace in the commission's report. Has headspace returned any funding back to the Department of Health at any time?

Mr Booth: There have been occasions when headspace have not been able to spend all of its allocation. That has been primarily due to the rollout of sites. That essentially means that they could not use all the funding that they had. I do not think they physically return it, but it is reflected in the next year's allocation. It is only in those cases where, as I said, they have not been able to utilise the funding that they have had available.

Senator WRIGHT: Can you take on notice details of when that has occurred and which headspace centres that issue has been applicable to?

Mr Booth: Yes.

Senator WRIGHT: Also, has headspace expended the entirety of the Commonwealth funding from the 2014-15 budget this year?

Mr Booth: Just on your previous question, there was an amount returned for headspace school support as the funds were in excess of requirement. They could not actually use the funds. That was just over $3 million. Did you say the allocation for the 2014-15 year?

Senator WRIGHT: Yes.

Mr Booth: I would need to double check on that. It depends on the rollout of the sites, the core funding, how fast they are doing and how quickly they are coming on board. It is a kind of ongoing measure, but I will find out for you.

Senator WRIGHT: If you could take that on notice. I would like to turn now to some questions about the Mental Health Nurse Incentive program. Is this program funded from Department of Health but administered by the Department of Human Services?

Mr Booth: That is correct.

Senator WRIGHT: Is that a change from past arrangements?

Mr Booth: No.

Senator WRIGHT: Has that always been the case?

Mr Booth: Yes.

Senator WRIGHT: There is no mention that I could find in the portfolio budget statement for Human Services and there is no mention of the Mental Health Nurse Incentive program.

Mr Booth: That is correct.

Senator WRIGHT: Is that normal?

Mr Booth: The Mental Health Nurse Incentive program was one of those programs that was in scope in terms of the extension for 12 months that we discussed earlier so funding is available for the next 12 month period. Having said that, it is not a separate line in the portfolio budget statements but funding is being made available for the next financial year.

Senator WRIGHT: For what period of time has there been a projection of funding for the MHNIP program? Is it just one year?

Mr Booth: That is for 2015-16.

Senator WRIGHT: Just one year. Is that included in the Health portfolio budget statement program 5.4 figures for 2015-16?

Mr Booth: It should be. I will double check. It is not a separate line item if that is what you are getting to.

Senator WRIGHT: It is not a separate line, but it is included. Is it money that was not previously allocated?

Mr Booth: It is money from within the portfolio. It is from within the allocation.

Senator WRIGHT: I am not sure whether that answers my question or not.

Mr Booth: It is funding from within the allocation that the department has to run the program.

Senator WRIGHT: But because it was the extension of funding it was not previously projected in the last budget. Is that right?

Mr Booth: Yes. The MHNIP initially did not have as many services allocated to it in its first year of existence so the allocation went down in the second year. That was then topped up. That has happened in the last three years to actually do that and that is what we are looking at, at the moment, to make sure that services are delivered at the same level as last year.

Senator WRIGHT: Where has the money come from?

Mr Booth: I would need to take that on notice. All I can say is that it is within the current appropriations.

Senator WRIGHT: Can I ask about the MHNIP funding for last year, 2014-15, and coming up to this year. I understand the government provided $22.4 million to the Department of Health for one year for that program. Is that correct?

Mr Booth: Yes. It is the issue that I was just alluding to where there is an amount in the budget but the practice in previous years has been to top up that funding. Yes, there was that $22 million allocation for 2014-15, which brought the total allocation to $41.7 million.

Senator WRIGHT: Is that the allocation for the next financial year?

Mr Booth: I will take that on notice for you, but as I said the program has been rolled over for a further 12 months to ensure that services are maintained at current levels.

Senator WRIGHT: What will happen after that?

Mr Booth: As with the majority of mental health services where there has been a rollover for 12 months they will be considered in light of the government response to the Mental Health Commission review.

Senator WRIGHT: I would like to go to the proposal for a new national mental health plan. I think there was some questioning about this and sort of interspersed with questioning about the expert reference group so I just want to be really clear. I am talking, at this stage, about the new national mental health plan. This is the statement in the Health portfolio budget statement. It says, 'The government will work in collaboration with states and territories to develop a new national mental health plan.' We have had some discussion about that, but as I said there is a little bit of overlap so I would like to be clear. What section of the Health Department will be responsible for the development of the plan?

Mr Cormack: It will be our mental health branches and Mr Booth's Primary Mental Health Care division that will take carriage of the Commonwealth's element. As we mentioned earlier, this is a Commonwealth-state effort.

Senator WRIGHT: Have any Commonwealth interdepartmental committees or taskforces been established to begin work on the plan?

Mr Cormack: There is already a principal committee of AHMAC that has carriage of mental health and drug and alcohol activities and consistent with the normal COAG Health Council AHMAC process that subcommittee has been tasked to commence the process that the minister requested at the last COAG Health Council meeting.

Senator WRIGHT: Forgive my ignorance, because I am hearing this AHMAC acronym and I was not sure. What does that stand for?

Mr Cormack: It is the Australian Health Ministers Advisory Council. Just to give you a quick run-through, the COAG Health Council is all the ministers and AHMAC is all the secretaries of the Commonwealth and state health authorities.

Senator WRIGHT: So, obviously that is a COAG structure. I was asking, in particular, about Commonwealth interdepartmental committees or task forces that are intra-Commonwealth. Have there been any that have been established to work on the plan?

Mr Cormack: Not specifically on this plan, but there are other interdepartmental committees that we mentioned earlier that touch on aspects of mental health.

Senator WRIGHT: Do you mean the Aboriginal suicide prevention when you talk about others?

Mr Cormack: And the national disability.

Mr Booth: The NDIS.

Senator WRIGHT: Obviously there are cross-portfolio issues here.

Mr Cormack: Yes.

Senator WRIGHT: What other agencies and departments will be involved? Obviously Human Services will be involved, but are there any others?

Mr Bowles: Social Services.

Senator WRIGHT: Social Services, yes.

Mr Cormack: PM&C. They would be the main ones.

Senator WRIGHT: At this stage have there been any interjurisdiction meetings to discuss the development of the plan?

Mr Cormack: There was one meeting of the principal committee of AHMAC, which is the committee that looks after mental health and drug and alcohol issues. It had its regular meeting. It was not a special meeting. It was a regular meeting and that matter was discussed and dealt with. That was just last week.

Senator WRIGHT: How will non-government organisations, clinicians, consumers and carers be involved in the development of the plan?

Mr Cormack: The process for developing the fifth national mental health plan has to be considered by AHMAC and there will be a report back from the principal committee to AHMAC. One can only draw on previous efforts in this space. This is the fifth national mental health plan. In the previous two that I have been associated with there was quite extensive engagement and consultation with the sector. The expert reference group that the minister will be setting up for the Commonwealth's specific response to the National Mental Health Commission report will also provide a very rich and valuable source of information into that fifth national mental health process. The mechanisms of it are yet to be determined, but I think you would be right to assume a high expectation around engagement and consultation that will certainly be met.

Senator WRIGHT: It sounds time consuming to me. What I am interested in, as you said, this is the fifth national mental health plan and we also have the extensive review by the National Mental Health Commission that we are still waiting to get some kind of progress on. There is an expert reference group that is apparently going to be established, and I have some questions around that. I am trying to work out, given that there is now this idea that we will have the COAG involvement and then there is the response, it sounds very complicated to me and it sounds like it is going to take a lot of time and, particularly, I am interested in how we make sure that the voice of consumers, carers, NGOs and clinicians are all going to be included in that.

Mr Cormack: There are lots of questions there.

Senator WRIGHT: There are.

Mr Cormack: Obviously the minister is very keen to have both processes wrapped up as quickly as possible but as you quite rightly say engaging with the vast array of stakeholders in this space is not going to be something that is going to be accomplished in a matter of a couple of months. There is a significant amount of work involved here.

In relation to the fifth national mental health plan, that also requires consideration by nine governments and those nine governments will need to be able to reach agreement, as they did with the previous national mental health plans. That in itself does take some time. Certainly the sector's expectation would be that it is a well informed response, it is an inclusive plan for the future and, as I said, it is not something that is going to be knocked over very quickly. The precise timing, certainly for the fifth national mental health plan, is also a matter for the

minister to discuss with her state and territory colleagues, and at this point that timeframe is not yet settled.

Senator WRIGHT: Have any additional internal resources been provided to support the development of the plan?

Mr Cormack: We will make sure that this effort gets the priority that it deserves. We have a very skilled group of people within Mr Booth's division who are well versed in this area and we will be ensuring that they are deployed as appropriate to support the Commonwealth's part of this effort.

Senator WRIGHT: So, no additional resources? It will be done with the department with the existing?

Mr Cormack: We will need to look at our overall resources to support a range of policy and program development activities, but I am sure that we will be able to provide the necessary support for this important policy work.

Senator WRIGHT: So, there is not an expected timeframe at the moment and it is not clear what structures will be in place to make sure that stakeholders like NGOs and the broader mental health sector are involved at this stage. There is no detail about that at this stage. Who will sign the plan? Will it be health ministers, the Prime Minister and/or premiers and chief ministers?

Mr Cormack: It will depend on the nature of the plan. In the past these have been signed off at the ministerial council level and the minister has written to state and territory governments indicating that this work be undertaken through the COAG Health Council. Again, the whole AHMAC and COAG process, as you well know, does not work at the behest of the Commonwealth alone. We have to find a point of agreement with our state and territory colleagues.

Senator WRIGHT: Can you tell me when the membership of the expert reference group will be announced?

Mr Cormack: As we advised in earlier question, that is a matter for the minister's consideration.

Senator WRIGHT: I wonder if Minister Nash might be able to shed any light on that.

Senator Nash: My understanding is that it is close to being formalised.

Senator WRIGHT: I am interested to know whether the government has sought to include a mixture of representatives from the mental health sector on the ERG with people from NGOs, clinicians, consumers and carers.

Mr Cormack: The minister has indicated that she would be keen to have a broad range of expertise reflective of the sector providing the government with advice in response to the commission's report but the details of that are really a matter for the minister.

Senator WRIGHT: Pardon?

Mr Cormack: The details of who is on it and where they come from is a matter for the minister.

Senator WRIGHT: Is it possible to know what the process has been for selecting the members?

Mr Cormack: The matter is with the minister. We have been asked for some advice. We have provided that advice and it is now a matter under consideration by the minister.

Senator WRIGHT: So, is it personal choice of the minister on the basis of advice?

Mr Cormack: We have provided advice on the sorts of skills that would be required as per the minister's request and the minister is considering the membership for the group.

Senator WRIGHT: How long will be allowed for the expert reference group to provide an initial report to government on the recommendations from the National Mental Health Commission's review of mental health programs and services?

Mr Cormack: We just need to finalise the detail of that, but the minister has indicated to the department that she wishes for this to be progressed quickly so that a timely response can be provided. We believe that this will be a fairly intense but not drawn out process. It will be a matter of months.

Senator WRIGHT: Will the expert reference group be providing advice to government on both the recommendations of the National Mental Health Commission's review and the development of the new national mental health plan?

Mr Cormack: It is our expectation that their primary job is to provide advice to the Commonwealth about its response to the National Mental Health Commission report but also that that advice would be available to inform the fifth national mental health plan, because there are some things that the Commonwealth can specifically address and there are others that require the agreement of state and territory governments. It is our expectation that the ERG will provide advice both ways.

Senator WRIGHT: This might be a question for Minister Nash. Why did the government decide to appoint an expert reference group instead of tasking the National Mental Health Commission itself with implementing the recommendations of the review?

Senator Nash: That would be a question to ask of the minister and I am happy to take that on notice for you.

Senator WRIGHT: Thank you.

CHAIR: We are going to see if there are any other questions on mental health before we move on to other areas. I know that Senator McLucas has questions, but I wanted to get a sense as to whether you have more, Senator Wright?

Senator WRIGHT: I do. Yes, thank you.

CHAIR: I will go to Senator McLucas and then back to Senator Wright.

Senator McLUCAS: In terms of management, we are now well and truly into the hour that we were going to allocate to mental health. I do not want there to be too significant an impact on the rest of outcome 5 so I will curtail my questions in mental health down to hopefully about 15 minutes, but I would like to respectfully suggest that we then go back to outcome 5.

CHAIR: It is really a question for Senator Wright.

Senator WRIGHT: I will try to curtail mine as well. Another 15 minutes would be great.

CHAIR: All right. We will shoot for about 15 minutes each.

Senator McLUCAS: I have a lot of questions to ask around various ongoing programs involving headspace, youth, early psychosis centres and the headspace rollout which I will put on notice. I also have questions about the National Mental Health Commission's work plan which I will put on notice. I am sorry to do that to you, but that is what we are going to have to do. I would like to quickly go to the Partners in Recovery program and get an understanding of the contracting that is happening around Partners in Recovery. My analysis shows us that there will be 29 currently delivered Partners in Recovery programs that are headed up by current existing Medicare Locals and they will cease operating as Medicare Locals on 30 June. Previous evidence to this committee was that even if a Medicare Local is going to continue to exist as an entity the PIR program will cease being delivered by that entity. Am I right to think that?

Mr Booth: With PIR I think it is 35 Medicare Locals. That is 35 with the consortia. What we have done with those 35 is put out a request to those organisations to identify new PIR lead agencies. As you indicated, and as we came to last time, there were a variety of responses there depending on what actually happens, whether the Medicare Local who is a lead agency then goes forward and forms a PHN or whether it forms part of it as a consortia or whether it ceases to exist entirely, which is why we have gone out to all of them and said, 'We would like a proposal in. Now the PHN results are known where are you heading in terms of lead agencies?'

Senator McLUCAS: Who did you write to?

Mr Booth: The existing agencies, the existing PIR consortia.

Senator McLUCAS: When did you do that?

Mr Booth: I will see if I have the date for that. It would be about three or four weeks ago.

Senator McLUCAS: It was after the PHN.

Mr Booth: Yes, after the PHN. Once we knew that the PHNs were there and what those possible permutations were, then we decided the easiest way was to actually go out to the consortia and say, 'Where do you think you're heading in terms of a lead?' so that once 1 July comes around we know who the lead agency is.

Senator McLUCAS: So, you are not retendering?

Mr Booth: It has been a closed process back to those PIRs. It is not a retendering of the whole thing again, no.

Senator McLUCAS: Is it the desire of the department to transfer these mainly to the new PHNs?

Mr Booth: Our main desire here is service continuity and really coming up with the lead agency who can provide the best service continuity. I think that will depend upon those different permutations. If an ML is a current lead agency, then it is probably going to be easiest when they become a PHN to continue being that new lead agency, but we do not have a firm and fast rule here. We are asking them to come back to us.

Senator McLUCAS: When will you make those decisions?

Mr Booth: We are hoping to get those through very shortly, because we have to get this in place from 30 June, the end of this month.

Senator McLUCAS: So you write to a consortia in a region?

Mr Booth: Yes.

Senator McLUCAS: And they write back and say, 'We want to give the lead agency to ABC NGO.' How do you test that?

Mr Booth: We would take a look at the proposals that come in and assess whether they are appropriate or not, recognising that this is an ongoing contract, of course, because this contract runs through to the end of June 2016. There is an ongoing existing contract that we would have there with the PIR consortium which has a lead agency. What we need to do is take a look at the issues that come back to see whether we think it is appropriate or not and that is what we are working through at the moment.

Senator McLUCAS: Did you indicate that you had a date by which you would like to receive advice back?

Mr Booth: Yes, we would have done. I have not got a copy of the letter. We are actually assessing their replies at the moment so that is close.

Senator McLUCAS: Have they all answered?

Mr Booth: As far as I understand it, yes.

Senator McLUCAS: When do you think you can publish the list of lead agencies for the contracts that start in five weeks time?

Mr Booth: I cannot put an exact date on it, but as soon as we can. We are acutely aware of the timeframes that we have to work with this and we are making all efforts to meet those timeframes.

Senator McLUCAS: In terms of current existing clients, and we talked about this before where we had received information that referrals had stopped being made, particularly around ATAPS and PIR. Are you still receiving information? I understand the department wrote to people and said, 'We direct you to continue to take referrals.'

Mr Booth: That is right. There were a few areas where Medicare Locals had said that they were ceasing taking those referrals and we said, 'No, you need to do that.' It actually comes into the transition planning for primary health networks. We discussed early on that they need to keep those services going and transition those clients appropriately through. To the best of my knowledge, we have not had any further concerns around problems in the delivery there, but I think we would say what we said last time that there are people who you are hearing of that would need to get in touch with the department so we can follow up.

Senator McLUCAS: Are you aware of the issue where some clinicians believe that it is not good clinical practice to make referrals to a program where they are unsure about its continuity after 1 July?

Mr Booth: The programs that we are talking about here are all continuing from 1 July, so ATAPS, Partners in Recovery funding was already there, anyway. The funding is continuing and as soon as we were able to we got that advice out to clinicians, the group delivering the services, just as quickly as we could.

Senator McLUCAS: What is proposed with the transition to PHNs in terms of Medicare Local regions, not Medicare Locals but their regions, that do not have a Partners in Recovery program?

Mr Booth: At the moment there is nothing in line to establish PIR agencies within those regions that do not already have them. As you are aware, Partners in Recovery is in scope for transition to the NDIS. We are working through issues around that at the moment so there is no formal plan to actually bring those other Medicare Local areas in at the moment.

Senator McLUCAS: What will happen for those 18 regions, is it?

Mr Booth: There were 48 including 13 regions.

Senator McLUCAS: Without a PIR?

Mr Booth: Without a PIR, yes. So, 48 rolled out to Medicare Locals. Those services will not be rolled out there.

Senator McLUCAS: Ever?

Mr Booth: I cannot say that, but as I said, that program is being rolled into the NDIS and we are working through what it means in terms of that transition to NDIS and what happens to that program. Also, the Partners in Recovery program, as I said, has funding until the end of the next financial year but, again, it will be looked at in terms of the response to the mental health review.

Senator McLUCAS: Minister, do you think there is an equity question? There are people in 13 regions in our country that do not get access to acute mental health services.

Senator Nash: I think the minister has been very clear about her concerns broadly regarding the sector and the work that she is doing towards addressing that.

Senator McLUCAS: Is there an equity question?

Senator Nash: It is very clear that the government is taking this very seriously with the work that is being done at the moment.

Senator McLUCAS: You are not. There are 13 regions that do not get the Partners in Recovery program.

Senator Nash: I think it has been explained very clearly about the transition to the NDIS and more broadly around mental health the minister has made some very clear comments about her commitment to this.

Senator McLUCAS: I beg to differ. I am going to leave my mental health questioning there so we can hopefully get back to outcome 5.

Senator WRIGHT: If I could address some questions to Mr Butt from the National Mental Health Commission. The last national report card on mental health and suicide prevention was produced by the commission in 2013?

Mr Butt: Correct.

Senator WRIGHT: Will the commission be producing a report card in 2015?

Mr Butt: Obviously last year we had a particular priority in relation to the review. However, our mandate still requires us to report on performance of the mental health system. We have had the 18 recommendations. We were delayed a bit by getting this report finished. We have been in the process of getting a response from the Commonwealth, states, territories and a whole range of NGOs about progress on the 18 recommendations. We are putting together a report card for what has happened since the last report card was released and we expect to get that released some time this month. It will not be a big document like the

previous report cards. It will be very specific to those 18 recommendations. Then going forward, as I say, our mandate still remains that we should be providing that mirror on the mental health system in Australia so we will be doing further reporting on performance. Obviously it is somewhat dependent in terms of our work program on the government response to the review.

Senator WRIGHT: I note you took on notice to provide more details about your work plan.

Mr Butt: Yes.

Senator WRIGHT: In relation to staffing and funding, can you provide an outline of staffing changes at the National Mental Health Commission since February of this year?

Mr Butt: I would have to take that on notice. We are down a few staff at the moment. One was seconded to another Commonwealth agency. Another was seconded to the New South Wales Mental Health Commission. They are both short term secondments. We have been going through a restructuring, given that the focus of the commission last year was so much about the review which was a very different focus from what we had been doing previously. We have been going through a restructure. We have been going through recruitment processes and I am beginning interview processes this week to get our staffing numbers up. It is a headcount now of nine and we usually have 13 FTEs.

Senator WRIGHT: So, nine FTEs and it is usually about 13?

Mr Butt: It is a headcount of nine. Some of them are four days a week rather than five days a week so I would have to go back and get the exact detail.

Senator WRIGHT: If you could.

Mr Butt: We are going through the recruitment now of the temporary appointments to backfill people who have been seconded elsewhere and also on some permanent appointment where we have vacancies.

Senator WRIGHT: Has there been any change to the commission's funding in this year's budget?

Mr Butt: It is roughly about the same. It is still about $6.5 million in expenses, both departmental and administered, so it is almost exactly the same.

Senator WRIGHT: Has there been an indexation clause for the commission's funding?

Mr Butt: We have been treated like every other government agency in terms of the forward estimates and the focus on efficiency.

Senator WRIGHT: So, there has been just like everyone else?

Mr Butt: Just like everyone else, yes.

Senator WRIGHT: Has the commission had any indication from government about what its role will be in the broader mental health system reform being undertaken post review?

Mr Butt: The advice from government has been that they will look at our role in the context of the response to the review.

Senator WRIGHT: Did the commission expect to play a role in implementing the recommendations of the review? Is that an expectation that you have?

Mr Butt: Our work plan ultimately goes to the minister and we will be having discussions with the department about what our role might be. There is a range of areas where the commission obviously can play a role and certainly with the states and territories there is quite a focus on some of the areas that we could be involved in. Obviously doing the review was not an end in itself. It is adding to the system. We will be working with the department on what particular role we might play in relation to particular aspects of the recommendations.

Senator WRIGHT: How many meetings has the commission had with the government since the report was provided to the minister last year?

Mr Butt: I would have to take that on notice. When you say with government do you mean the minister and the minister's office?

Senator WRIGHT: Yes, I do. I would probably like a breakdown of the minister and the minister's office and the department.

Mr Butt: I would have to take that on notice.

Senator WRIGHT: Is it possible to tell us what sorts of discussions were had at those meetings in terms of what the nature of the sessions were?

Mr Butt: It was purely about briefing on the content of the review, the background to the recommendations that we have made and the actions that we had been proposing.

Senator WRIGHT: Will the commission be giving advice to the expert reference group in relation to the review and the direction of mental health system reform?

Mr Bowles: That is a matter for the government to consider in the context of the expert reference group.

Senator WRIGHT: What I am merely asking is: have you been advised that you would be giving that sort of advice at this stage?

Mr Bowles: Not at this stage.

Senator WRIGHT: Can I come back to the government and the department's response to the National Mental Health Commission review. I will put some of these questions on notice. Following the release of the National Mental Health Commission's review of mental health programs and services what feedback has the department received from the mental health sector regarding the recommendations in the review? Has there been any particular feedback to the department?

Mr Cormack: There has been a level of interest in inquiring as to when the government's response to the report will be coming out. I would have to go back and check what formal correspondence we have received, but certainly there is a keenness for the sector to get involved in the expert reference group's work when it is undertaken. I will take on notice the level of formal response.

Senator WRIGHT: If you could do that. I would be interested to know who has written formally and what issues they have raised. I know that there is concern that the consumer reference group, for instance, has not been funded ongoing in this budget and that was considered to be quite an important initiative to make sure there was a voice of consumers in mental health policy. I would be interested to know whether or not they have written and whether there have been requests to ensure that on the expert reference group that consumers and carers are represented in some way. Perhaps I can also ask the minister representing the

minister what feedback the executive government has received from the mental health sector regarding the recommendations in the review?

Senator Nash: I am not aware, but I can take that on notice for you.

Senator WRIGHT: I presume there would be a keen level of interest as well.

Senator Nash: That would be a presumption, yes, but as I say, I am happy to take that on notice for you.

Senator WRIGHT: That would be good. The Minister for Health announced in April this year that some frontline mental health services would be given a 12-month extension while work progressed on responding to the commission's review. Will work on the review and the national mental health plan be finalised in time to have funding arrangements for mental health services in place before the expiration of a further 12 months funding? What will happen as we approach the end of that funding again in 12 months time? Will the progress be clear?

Mr Cormack: We will be seeking to support the work of the expert reference group to put forward a timely response for the government to consider. It will be a timing issue for government to establish how and which recommendations and which measures it chooses to put in place in response to the report, and the extent to which that impacts on the funding arrangements—we will make sure that all of the existing funding recipients are kept closely informed and engaged. It is a bit hard to answer that until the government response is compiled. Obviously, our priority would be to ensure service continuity and in the context of a yet to be delivered government response.

Senator WRIGHT: How early should organisations with ongoing programs know about their funding? What is a reasonable time for them to advised whether they are having ongoing funding or not? You talk about 'timely'; what does 'timely' mean?

Mr Cormack: I think if you ask a hundred organisations you will probably get a hundred different answers. Clearly, they want as much notice as possible and as long a possible funding period as they can get. Our job is to work within the constraints that we have. We do not have a government response. We will support that response being put together. Once it has been put together, we will work expeditiously to ensure that the necessary security that funded organisations have is able to be delivered. In terms of what is a reasonable amount of time, as much time as possible, is all I can say. I do not think there is a definitive answer there. Our contracts require some period of indication. I will have to—

Senator WRIGHT: Do you know what that period is?

Mr Booth: I do not know off the top of my head.

Senator WRIGHT: Are you aware that because of what happened last time around there were actually services that were losing staff?

Mr Booth: I think we are aware that it places difficulty on organisations not having certainty around funding.

Senator WRIGHT: Were you aware that they were losing staff?

Mr Booth: There is always this issue that if it comes near to the end of the contract and there is uncertainty around. That is something that we are trying not to get as much as possible.

Senator WRIGHT: In my last couple of minutes I will just take you to the organisation Mental Health in Multicultural Australia. I note that in the National Mental Health Commission review report there was a recommendation as part of recommendation No. 17 that—sorry, I am just trying to read my notes on my iPad—the National Mental Health Commission Review report recommended the widespread adoption of the framework for Mental Health in Multicultural Australia that was listed in the implementation strategic plan years 1-2, immediate priority section of the report. Is Mental Health in Multicultural Australia entirely funded by the Commonwealth?

Mr Butt: I am not sure if it is or not.

Mr Booth: I understand that it is funded by the Commonwealth. It would be one of the areas that we would expect the government to respond on in terms of its response to the report, but also may be something that the National Mental Health Plan will look at as well.

Senator WRIGHT: How much funding did MHIMA receive in this year's budget and over the forward estimates?

Mr Booth: I would need to take that on notice, but it may well be in the list.

Senator WRIGHT: I probably have some other questions that are probably best to be put on notice given the constraints of time.

CHAIR: Senator McLucas.

Senator McLUCAS: Your answer for question 175 around your work plan states it will be completed by June 2015. Has that happened?

Mr Butt: Yes, that is correct.

Senator McLUCAS: Has it been completed?

Mr Butt: It is not quite completed. It is in my bag, still needing a little scribbling on it and a bit of, as I say, consultation with the department. It is very close.

Senator McLUCAS: Does that get published?

Mr Butt: Yes, it is published. We do publish it on our website. It goes to the minister first.

Senator McLUCAS: It will be difficult for you, because your strategic direction statements say that you are going to progress the government's mental health reform agenda. That is your strategic direction. But we will not know what the reform agenda is going to be for some months.

Mr Butt: However, our main charter still remains to be reporting on performance, providing independent advice on performance of the mental health system and priorities. For example, on Friday we released our position statement and position paper on seclusion and restraint. We have ongoing work in relation to the Mentally Healthy Workplaces Alliance. We have states and territories wanting us to lead the development of a position statement on the physical health of people with a mental health problem. There is a whole range of things in terms of a work plan that we are getting on with.

Senator McLUCAS: Thank you.

CHAIR: So, we have a few minutes if you wanted to move onto other parts of outcome 5 before the break.

Senator McLUCAS: Can we get back to PHNs then, please? I was going through a series of questions asked to try and ascertain the cost of running the application process. Can you take on notice an assessment of the departmental cost, including consultants costs, to run the PHN application process? How many contracts have been prepared for PHNs?

Mr Booth: Signed contracts?

Senator McLUCAS: No, prepared for.

Mr Booth: There are contract negotiations going on with all PHNs.

Senator McLUCAS: All 31?

Mr Booth: No, not 31, the 28 that have been announced and that are ongoing at the moment. Eleven have been signed.

Senator McLUCAS: I understand the funding contracts are more than 125 pages, including standard conditions; is that right?

Mr Booth: That is the standard funding agreement. We are working through that at the moment with the PHNs in terms of signing that. Yes, that is the standard funding agreement.

Senator McLUCAS: When you say you are working through it with PHNs, what does that mean?

Mr Booth: With the negotiation with PHNs, as with any contract negotiation, involves going through the contract. We put a contract out there to them and they come back with various issues, bits and pieces that they have come back with and we are working through with those at the moment. As I say, 11 of them have signed, but we are still working through those contracts to make changes.

Senator McLUCAS: Does that mean that we might end up with different contract divisions in each—

Mr Booth: No. What we have said is that any of the PHNs who sign now, if the contract subsequently changes, then those changes will be reflected back to those people that have already signed. So, nobody loses in terms of any of those changes.

Senator McLUCAS: Is it true that the contracts require PHNs to seek approval from the department before they make an immediate comment?

Mr Booth: As I say, I have not got all the details. There are certainly some areas that we have comment back—I think that is one of them—where we have been looking at what is appropriate to put into the contract.

Senator McLUCAS: This is commonly called the 'gag clause', when governments do this. Is it intended that the gag clause be applied to primary health networks?

Mr Booth: There is no intention for gags.

Senator McLUCAS: Can I take from that the condition that says that you have to contact the department before you make any comment has been removed?

Mr Booth: I will just double check for you, but I think it has changed. That particular clause has changed in response to feedback from PHNs. We have had a look at that.

Senator McLUCAS: Changed to what?

Mr Booth: I can read out what is in there, but it certainly changes to media events or statements made to the media by different organisations. If you would like us to get a copy of the contract, that might be the easiest—

Senator McLUCAS: I would certainly be very interested in seeing that clause and what has been agreed to this point in time. Is that possible to be handed up?

Mr Bowles: We will have a look at that and get back to you.

Mr Booth: Yes, we will need to take that on notice.

Mr Bowles: The only point I will make here is I do not accept the concept of gag orders. It is appropriate when the Commonwealth is funding organisations to a significant amount that they pay some respect to the funder in making statements. That is not to say that they cannot make statements; we need to be engaged in a conversation around that. That is not about gagging. That is about appropriate conversations when they are recipients of significantly large sums of money from the Commonwealth. That goes for anyone who gets money from the Commonwealth or from any organisation.

Senator McLUCAS: We have had this discussion in Queensland recently, Mr Bowles. The term 'gag clause' is the term that we use in my state because the former state government required any funded organisation to get any sort of public statement approved.

Mr Bowles: With due respect—

CHAIR: Senator McLucas, I think it is probably a little bit of a stretch for us to be going into orders the former Queensland government may or may not have imposed. We might just keep it to the relevant parts.

Mr Bowles: We do not work like that.

Senator McLUCAS: Good.

Mr Bowles: I will just say that again: we do want to have appropriate conversations with people or organisations that we fund for considerable amounts of Commonwealth money. That is the issue. Not whether we are saying gagging or anything like that, because that is not any intent.

Senator McLUCAS: When I have seen the amended clause we might come back to this conversation.

CHAIR: We will perhaps start a new line of questioning then. We will take this opportunity to break for afternoon tea and we will suspend until 4 o'clock.

Proceedings suspended from 15:43 to 16:00

Senator McLUCAS: When were the unsuccessful PHN applicants advised that they had not been successful?

Mr Booth: On 11 April.

Senator McLUCAS: When were the successful ones told?

Mr Booth: The successful ones were informed the week before, on the same day.

Senator McLUCAS: I think you have taken on notice how many redundancies?

Mr Booth: That is correct.

Senator McLUCAS: That would be great. With respect to the boundaries and the changed boundaries, was it always the intention that there would be 31 PHNs?

Mr Booth: No, the initial work was on 30, but that was the issue we talked about this morning in terms of the western point of the options was to actually split. So that is what has happened, and that is why we have 31.

Senator McLUCAS: Were states consulted around the first iteration of the draft PHN boundaries?

Mr Booth: There was some discussion with states around boundaries.

Senator McLUCAS: Did New South Wales request that there be a change for the New South Wales boundary?

Mr Booth: After the boundaries had been published, to my knowledge there was not a request.

Senator McLUCAS: That was with the large PHN, whose name I have forgotten.

Mr Booth: The Far West, Western New South Wales, yes.

Senator McLUCAS: It was subsequent to the publication of those boundaries that the decision was made to break—

Mr Booth: Yes, because originally there were 30, and the maps were produced on those 30. Subsequently there was an additional one put in, which was splitting into the Murrumbidgee and Far West, and the maps were re-done.

Senator McLUCAS: Did the minister sign off on the boundaries prior to publication?

Mr Booth: The original boundaries were signed off some time ago. This was with the original ITA work, so it would have been done last year. This was only done as a result of the assessment process happening, and the process we discussed this morning.

Senator McLUCAS: So it was the new minister who changed her mind—

Mr Booth: Well, she chose the option that the department had put up in terms of one of the ways of addressing the issue of a PHN applicant for that area.

Senator McLUCAS: Was to change the boundaries?

Mr Booth: Was to split it into two areas.

Senator McLUCAS: What consideration has been given to PHNs that are cooperating with the boundaries across local health network boundaries or regional centres? When you have two PHNs operating in one local health network, what considerations have been made for those circumstances?

Mr Booth: On the whole, PHN boundaries align with LHN boundaries. The one area where we do not have that is Victoria. In Victoria, that is because there are not formal physical LHN boundaries. The way that Victoria does it is they have a significant number of hospital catchment areas. What we did in Victoria was to look at patient flows. We looked at all the information that we could, and we developed the boundaries to align with those patient flows. But it maybe that, in Victoria, because you do not have that formal LHN structure there, you do not really get that mapping. But everywhere else it should link up.

Senator McLUCAS: I was actually going to the question around the Murrumbidgee one. Does the Victorian side of the LHN completely—

Mr Booth: It does now because there has been the Albury Wodonga change, so Albury now comes into the Murray PHN, which is on the Victoria side. The Murrumbidgee one corresponds with the Murrumbidgee LHN and the larger Far West PHN maps exactly to the two LHNs that are in that area.

Senator McLUCAS: Will Rockhampton have a PHN presence?

Mr Booth: It will be covered by a PHN, so yes, there will be a PHN presence there.

Senator McLUCAS: Yes, I know we have not excised Capricornia, but will there be an office for a PHN in Rocky?

Mr Booth: I do not know off the top of my head. We would need to look at the arrangements that are being put in place for individual PHNs that they are actually working through at the moment in terms of where offices are located, where staff are going to be located, that kind of issue.

Senator McLUCAS: Is that part of the contractual discussions that you are having? Is the department requiring successful PHN operators to have a physical presence in certain parts of the geographical area that they are covering?

Mr Booth: When PHN applicants did the invitation to apply, they had to put in place a model that showed how they would reflect the needs of the communities that they were covering. We did not mandate that they had to have offices here or offices there; we just looked at the models and saw whether those models were appropriate. Now there are different models across the country. As you know, some of the PHNs cover large areas, and they have models where they are putting out-posted staff in different areas. But we did not mandate that you had to have headquarters in a particular place or offices in a certain area, no.

Senator McLUCAS: I will go now to Aboriginal controlled community health organisations. Are they explicitly recognised as partners for PHNs from the department's perspective?

Mr Booth: In terms of delivering services?

Senator McLUCAS: Yes.

Mr Cormack: With respect to the arrangements for Aboriginal controlled health organisations, there is no change from the Medicare Local arrangement to the PHN arrangement. In addition, in the PHN arrangement, where there is much more of a commissioning role rather than a service provision role for the PHN, then clearly the Aboriginal controlled health organisations have a unique role to play when there are commissioning requirements that focus on the needs of Aboriginal and Torres Strait Islander people within the PHNs. So there is no change as a result of the switch from Medicare Local to PHNs, but there would certainly be some new opportunities for the ACHO sector to become providers in a commissioning environment as opposed to a service provision environment, which is what happens with the Medicare Locals.

Senator McLUCAS: We raised this at the estimates on Friday. I understand from the brief that I had is that the assertion has been that the Indigenous Australians' health program, which is funded directly to the ACHOs, will now be channelled through the PHN and potentially it will be a competitive tendering round for that program.

Mr Booth: I would need to double check on the details of that specific program, but in general, as Mr Cormack indicated, the activities of Medicare Locals are going through to PHNs. PHNs carry those activities out, but in the first year will look at tendering out those services. I will double check on the details of that specific program.

Mr Bowles: We are not tendering out activities for ACHOs. The funding for the ACHOs is still going through the ACHOs. What we will tender out is a whole lot of other Aboriginal and Torres Strait Islander health funding that will go through the PHNs that were previously done through Medicare Locals or, in some cases, other things if we had other things, to get a better focus through the PHN network, but that is not in relation to the ACHOs. The ACHOs will still get exactly what they had in the past. Whether we choose in the longer term to give more in that sector or not is another question.

Senator McLUCAS: That is not the question I am asking.

Mr Bowles: No, but the money that is currently given to ACHOs will continue to be given to ACHOs.

Senator McLUCAS: That is their core funding. Then there is a range of other programs, including this one, the Indigenous Australians Health Program, that I am asking questions about.

Mr Bowles: I might get Ms Jolly to just clarify some of this.

Senator McLUCAS: Thank you. I know we raised it on Friday, but I think it remains an issue.

Ms Jolly: On Friday we spoke about two programs: the Care Coordination and Support Program and the IIHMC, I think. Both programs are currently run through Medicare Locals and will transition to PHNs.

Senator McLUCAS: Currently through the Medicare Locals I understand the normal practice is that they directly contract to the ACHOs.

Ms Jolly: At the moment there are 21 Medicare Locals who outsource those programs directly to community controlled health organisations. With respect to others, there is a mix of whether they deliver those programs directly or through other arrangements. But 21 of them do directly outsource to the local community controlled health organisation.

Senator McLUCAS: Is it expected in the drawing up of the contracts that there will be a requirement that both of the programs that Ms Jolly has referred to need to be competitively tendered by the PHN?

Mr Cormack: The model for PHN commissioning does envisage market testing.

Senator McLUCAS: This is the nub of an issue that people are very worried about.

Mr Cormack: In that sense, those services that are currently provided or commissioned through a Medicare Local in the transition period would just simply roll into the PHN arrangement, but when the PHNs move to full commissioning, there is an expectation from the overall model of PHNs that there be market testing. In many areas there will not be a market or there will not be a competitive market. It is most likely that, in those instances, the ACHOs would continue as the service provider. Indeed I would have thought in other areas where there is a competitive market there would be no better organisation equipped to

compete for new Aboriginal specific work. I think that is probably the best answer we can give.

Senator McLUCAS: Are you saying, Mr Cormack, that if there is market failure, the only organisation that would provide that service will be the ACHO, and if there is not a market failure, the ACHO is the right place to deliver it because they are the best equipped to do it? Why bother going through the whole process?

Mr Cormack: What I am saying is that the model for PHN commissioning is to test the market. I would have thought in both scenarios it is highly likely that an ACHO is the only likely available provider in the area, in which case they would most likely continue to receive the contract. But if it was a competitive environment, I would have thought an existing ACHO providing the services is in a very strong competitive position. That is what I am saying.

Senator McLUCAS: I agree with you. So why go through the process?

Mr Cormack: Because in other areas where ACHOs currently are not delivering these services, they might want to compete and actually deliver those services. So things go both ways. There is a real potential here for ACHOs to capture more work through PHN contracting arrangements if they can demonstrate that they have the capability to do that. What we know of the ACHO network is that they do have the capability, pretty much across the board—there might be a few exceptions—to actually deliver the outcome. So there is potential to go both ways here. But what has been clear so far, particularly where the ACHOs have been delivering for the Medicare Locals, if you like, is they have been doing so quite competently. That has to play out positively.

Senator WRIGHT: I have three very brief questions, but they go back to mental health issues, and I think Mr Booth would be able to help.

CHAIR: I have questions around the Practice Incentive Program. It would be more appropriate to ask that here and then go back to Senator Wright. Mine will not take very long. I am interested in getting some details on the Practice Incentive Program, including some of the goals and how it might improve access to after-hours services for Australians.

Mr Booth: Certainly. As you know, the Practice Incentive Program covers quite a number of different areas, but the area you are referring to, I think, is the newly announced Practice Incentive Program for after-hours services. This was put in place as a result of the review of after-hours services that was carried out by Professor Claire Jackson towards the end of last year. One of the recommendations that she made was that the Practice Incentive Program should be reintroduced. As you know, we had a Practice Incentive Program up to about three years ago, and that program was discontinued, and PIP funding and mental health grants funding was rolled into Medicare Locals. In accordance with the government's accepting that recommendation of the review, we are moving to establishing a new PIP for after-hours. Professor Jackson's report was quite clear that she felt that a new PIP should be introduced, and that that new PIP should seek to incentivise individual practices that provided the whole amount of after-hours cover. We have been working closely with the PIP advisory group, which consists of a number of different organisations, to actually look at the new PIP.

The details of the PIP are that there will be a five-tier practice incentive payment, and that ranges from tier 1, which is a funding of $1 per patient activity. That really just has

information available for people around after-hours primary healthcare and what is going on there. I will just get the exact details of it for you so that I do not mislead you in terms of where we are going. Level 1 is participation, and that is $1 per area. It then moves through to another two levels that talk about provision of services in what is called the sociable after-hours period, and that is basically from 6 o'clock through to 11 o'clock. The final level, level 5, is complete after-hours practice where practices provide after-hours support through the 24-hour period, so it goes from 6 o'clock all the way through to the morning, and also over the weekend, and the payment there is $11 per patient activity.

CHAIR: So the $11 or the $1 you are referring to is an additional payment over and above the normal schedule?

Mr Booth: It is, yes. This is an incentive payment made to practices as part of the PIP.

CHAIR: Is there any estimate, once this is fully implemented? You would have heard from the profession, no doubt. I think they are broadly positive on it. Is there an estimate as to how much extra after-hours services might be provided as a result of this incentive payment?

Mr Booth: We do not have specific estimates at the moment, but certainly the intent of the program is to incentivise more after-hours by general practice. That is why the $11 weighting is strongly around the individual practices doing more. So we would expect to see an increase in the number of practices that are providing after-hours support.

CHAIR: Will it apply to those who have existing practices that provide that kind of support?

Mr Booth: Yes, it will. A lot of the Medicare Locals, when they received the money, replicated a kind of PIP payment. There will be some practices getting that money, but we would also hope that new practices come on board. This incentivises that.

CHAIR: Hopefully with a number of measures, that will help take a little bit more pressure off some of our emergency departments. I know that here in Canberra there is a range of reasons why our emergency departments are under so much pressure, but often it is just that inability to get any sort of medical care after hours, so people plonk themselves in emergency as a category 4 or 5, and wait a long time in the wings. Thank you very much for that, Mr Booth.

Senator CAROL BROWN: I would like some background information, if I may. Why was the decision taken to actually task Medicare Locals in coordinating after-hours access to GPs?

Mr Booth: The initial decision three years ago?

Senator CAROL BROWN: Yes.

Mr Booth: That was taken as part of the needs assessment in terms of looking at after-hours provision across a defined geographical area. It was felt that Medicare Locals would be able to do that.

Senator CAROL BROWN: Who undertook that needs assessment?

Mr Booth: The Medicare Locals would have done that. They did specific after-hours needs assessment work to identify where they needed to do work.

Senator CAROL BROWN: Were they tasked to do that needs assessment by the department?

Mr Booth: Yes, that was part of the movement away from the previous PIP into Medicare Locals.

Senator CAROL BROWN: You have just mentioned briefly the role of Medicare Locals; what did they do in terms of coordinating those services? How did it work?

Mr Booth: There was a variety of things that they did. The majority of them replicated the previous PIP. They did a very similar process to paying general practices other payments that were very similar to the PIP that have been abolished. As part of that measure, there was an increase in funding for after-hours, so they also did some other after-hours work in their area. So they would have done information campaigns; they would have done work around extended opening hours for pharmacy, those kinds of things, and maybe did some nurse-led clinics in the after-hours period, those kinds of things.

Senator CAROL BROWN: Did they directly pay the GP?

Mr Booth: The funding went from the Medicare Locals to the GPs. So the Medicare Locals had to have contracts with the GPs to do that.

Senator CAROL BROWN: Now, will the payments be made from the department directly to the—

Mr Booth: Now the payments will be made by DHS. As with all other PIP payments, it will be an automated process. There will be guidelines done for it, but there will not be individual contracts now. It will be done through the DHS systems.

Senator CAROL BROWN: Are you able to provide me with the figures on how many people have used the GP after-hours help line since its commencement in 2012?

Mr Booth: The GP after-hour helpline? Yes, certainly. The after-hours helpline started in 2011-12, and to date, as of 11 May 2015, there have been just under 700,000 calls put through.

Senator CAROL BROWN: Do you have those by year?

Mr Booth: We do, but it is mid-way through the year at the moment, so it is kind of difficult to actually do it. But certainly it was 154,000 in 2011-12, 169,000 in 2012-13, 208,000 in 2013-14, and then 167,000 to date this year.

Senator CAROL BROWN: I think you mentioned that the decision to close down the GP after-hours helpline was made after a review by Claire Jackson, did you say?

Mr Booth: Yes, Professor Jackson felt that the after-hours helpline as it currently exists was not operating as well as it should, so she recommended that it should be ceased in its current form.

Senator CAROL BROWN: Did she recommend this form?

Mr Booth: Which form?

Senator CAROL BROWN: The form that the government is proceeding with?

Mr Booth: She certainly recommended that funding should go to a new PIP and that some funding should go through to PHNs.

Senator CAROL BROWN: Do we have a copy of her recommendations?

Mr Booth: Yes, it is widely available. It is on the website.

Senator CAROL BROWN: Will any money be saved by this decision?

Mr Booth: No, the funding rolls over.

Senator CAROL BROWN: So all the money will be going into the PIP?

Mr Booth: No, there are two aspects to this. There are the new PIP payments, and there is PHN funding.

Senator CAROL BROWN: How much is that funding?

Mr Booth: I would need to take that on notice and get that information to you.

Senator CAROL BROWN: Was any research undertaken in terms of the previous helpline as to whether it alleviated presentations or calls to emergency departments?

Mr Booth: Professor Jackson's review looked at that issue, and there was some background information done on that. I think Professor Jackson—

Senator CAROL BROWN: By Professor Jackson?

Mr Booth: Some of it was done through information, but there were also some background papers produced as a result that supported that review as well.

Senator CAROL BROWN: That background information research was undertaken for the review by Professor Jackson?

Mr Booth: At the same time as the review, yes.

Senator CAROL BROWN: Did the department undertake any work to ascertain whether the previous helpline was preventing or helping to stop people from going to the emergency department?

Mr Booth: The work that the department did was to support Professor Jackson in that review and also to support the provision of that additional information, which was done by an external agency. The National Health Call Centre Network, as part of its ongoing work, does some surveys in terms of intentions of what people do after phoning the after-hours GP helpline, but it is very difficult to actually get that information and to make sure whether the people's intent was actually followed through or not, in terms of whether they went to an ED or did not go to an ED. There was some evidence that showed that people went to EDs anyway. So it is quite difficult to get that information.

Senator CAROL BROWN: But nearly 700,000 people used it over the life of its operation, and there was no work through the department in those years?

Mr Booth: As I said, the National Health Call Centre Network undertakes that work on behalf of the shareholders of the company.

Senator CAROL BROWN: Did it undertake the work?

Mr Booth: They do ongoing work which is reported in their annual reports, which I do not have to hand, that looks at the intent of people after they have called the line. But as I say, it is very difficult to actually get good information on that.

Senator CAROL BROWN: With the new after-hours program being set up, how are you going to ensure that after-hours GPs are available in all towns and cities?

Mr Booth: That is something we are looking at at the moment. That is why Professor Jackson's report recommended the two sides of it: you need to have something that

incentivises general practice, but you also need some funding to go to PHNs so that you cover off both aspects. So you have the PIP program that looks at incentivising general practice to actually do that work, but that the PHNs have some funding available to actually look at where there are gaps.

Senator CAROL BROWN: Is the department confident that enough doctors will sign up? When does it start?

Mr Booth: It starts on 1 July. What tends to happen with any PIP program is that you get different levels of uptake. It is kind of lower at the beginning and then starts to increase. But we have just put all the information out. We are fairly confident that those practices that were receiving PIP payments before will come through and will continue to receive PIP payments now. Those practices that were being paid that money by Medicare Locals will continue working on that, so we are pretty confident that that will happen. What we would expect to see with the levels of payment is that over time the actual numbers providing after-hours services should increase.

Senator CAROL BROWN: Those payments that you talked about earlier, are they the same dollar amounts that were offered under the previous arrangement?

Mr Booth: That is correct. A lot of the Medicare Locals replicated the three-tier PIP program that was in place up to three years ago.

Senator CAROL BROWN: This is a five-tier program?

Mr Booth: This is a five-tier program, yes. This is taking into account Professor Jackson's recommendations that you should seek to incentivise those practices that provide the most support. The previous one, if you recall, was three tiers, which was just $2, $2, $2, whereas this is trying to be a bit more selective in terms of the way it actually moves up from $1 to $11.

Senator CAROL BROWN: I will just quickly go through that. You said that tier 1 was $1 per participation, basically, and tiers 2 and 3—

Mr Booth: This information is available on the website. Level 1, which is calling participation, is $1, and it is $1 per standardised whole patient equivalent, SWPE, which is a figure that we use to try to even out activity. So the level 1 participation is $1 per SWPE, and for that practices need to have formal arrangements in place in the after-hours period with other providers, which may include medical deputising services. So those are practices which are not operating a service themselves, but when you call them, they give you information as to somebody who is doing it on their behalf. So that is the lowest one.

Senator CAROL BROWN: They can be anywhere in the country?

Mr Booth: It would normally be a medical deputising service within the locality so that there is a person available to provide that after-hours service. Level 2 is called 'sociable after-hours cooperative', so this is funding in the sociable after-hours period which, as I explained, is from 6 o'clock through to 11 o'clock in the evening and on Sundays. That is for practices that operate in a cooperative arrangement.

Senator CAROL BROWN: That is two and three of them.

Mr Booth: That one is $4 per SWPE per year. Level 3 is 'sociable after-hours'. This is for practices that are not in a cooperative but are providing after-hours care in the sociable period,

so from 6 o'clock to 11 o'clock, and they are $5.50 per SWPE. Level 4 is for practices that provide complete after-hours coverage but in a cooperative arrangement. You may have a number of practices that come together and one of them takes on the after-hours in a particular time period. That is $5.50. Level 5 is the complete one, and that is $11.

Senator CAROL BROWN: That would operate from 6 till 8?

Mr Booth: Yes, go all the way through the night and at weekends. That is Saturday afternoon through to Monday morning.

Senator CAROL BROWN: How many GPs have you currently signed up?

Mr Booth: We do not actually sign them up for this. No, I should not say that. GPs will actually be registering for the payment at the moment, but that goes through the DHS. I do not have the exact number of practices that sign up.

Senator CAROL BROWN: Would I have to ask that question of DHS?

Mr Booth: We could probably get you the information in terms of how many.

Senator CAROL BROWN: If you could take that on notice, I would appreciate it if we could somehow get the figure post-1 July reasonably after July—

Mr Booth: Yes. We should know. The slight issue is that the PIP program pays quarterly in arrears, so you need to go through a quarter and then make the claims for the previous three months.

Senator CAROL BROWN: When you talk about that cooperative, does that mean maybe that some GPs will receive a payment even though they are not providing the service?

Mr Booth: No, the payment goes to the practice. It should go through to the practice that is providing that care in the after-hours period, but I will double check on that one. I know what you mean—if they are not physically doing it.

Senator CAROL BROWN: Yes. You previously said that they can sort of share it. Is it possible for a GP actually not providing any service, only in name, and it goes off to someone else providing—

Mr Booth: A medical deputising service?

Senator CAROL BROWN: Yes.

Mr Booth: No, that would not happen. For the cooperative one, they have to actually be a group of practices that are providing those after-hours services and not putting it out to a medical deputising service. So they are providing it, and what happens is that typically you get practices coming together and they kind of share the workload.

Senator CAROL BROWN: With the deputising services, with a GP who signs up and then gives it off to a deputising service, the GP actually not providing that service but just getting a deputising service to take over, is it possible for that GP to be getting payment?

Mr Booth: Yes. That is a level 1. That is the $1.

Senator CAROL BROWN: So they will get payment even though they are not really providing the service?

Mr Booth: They are not providing the service, but they have to have something in existence that will allow patients to know where to go for their after-hours service. Also, it

differs in different parts of the country in terms of how deputising services are paid. In some areas, practices pay a fee to the deputising service to actually do that.

Senator CAROL BROWN: Why are we paying them $1? You are talking about $1, are you not?

Mr Booth: It is $1 per SWPE, that is correct. We are paying them, and that has gone down from $2 in the previous system, in recognition that what they are basically doing is putting in place arrangements so they are getting the contract up with their medical deputising service, or putting some other kind of arrangement in place so when people phone them or call them, there is something there to which the patient can be directed off. As I say, in some cases the medical deputising services charge for that; in some areas they do not. It differs around the country. We have different feedback in terms of charges that are applied. But that is meant to cover off that.

Senator CAROL BROWN: With a deputising service, I just want to clarify the rules that are going to be around that service. I am concerned whether people will be passed off from a Victorian GP to a New South Wales GP. I know you answered earlier that it would probably be in the same region, but what regulations do you have in place?

Mr Booth: It is normally good practice in terms of medical deputising services to ensure, where they have taken over the care of a patient in the after-hours period, that there is a link back to the patient's normal GP so they know what has happened, so they know what is going on. That is one of the areas that was recommended in Professor Jackson's report to actually make sure that that happened.

Senator CAROL BROWN: Does it guarantee it under the regulations?

Mr Booth: I would need to just double check on that in terms of that link back.

Senator CAROL BROWN: If you could, please?

Mr Booth: Sure.

Senator CAROL BROWN: I understand that it might be normally good practice; I am just asking whether it is good practice in the rules that you have around this new after-hours service.

Mr Booth: Yes, whether it is actually in the contract. Let me just double check on that.

CHAIR: I think we are done with that outcome.

Mr Booth: I can just say that it is a requirement to make that link back to the patient's GP.

Senator CAROL BROWN: I understand that, but will they still be in the local region?

Mr Booth: Yes. A medical deputising service would operate within a particular area, because they need to be near enough to be able to get to the GP's home. So they have to be local in that sense.

Senator CAROL BROWN: All right, thank you.

CHAIR: We are 40 minutes over time. I was under the impression we were finished. Are there more questions in this outcome?

Senator MOORE: We have put a lot on notice but there are just a couple that we need to ask.

Senator PERIS: I have questions around the GP superclinics. Of the $962.8 million rationalising and streamlining health programs, what savings are from the GP superclinics that have not yet commenced construction?

Mr Booth: The only savings taken from the GP superclinics are the three GP superclinics whose funding was terminated. That was Darwin, Rockingham and Wynnum. The decision was taken last year not to proceed with those three GP superclinics. The savings across three years from those was $16.8 million.

Senator PERIS: In last year's estimates, there were 11 GP superclinics in the planning stage. How many of those—

Mr Booth: There were originally 64. Three are not continuing, so we have 61. We have 55 operational. We have six under construction now.

Senator PERIS: That is six out of the 11?

Mr Booth: Yes.

Senator PERIS: In the estimates last year, there were 14 under construction.

Mr Booth: That is correct. Most of them have been built and are fully operational now. There are only six left that are still being constructed. Out of those six, five are providing those services.

Senator PERIS: So six out of the 11 are being constructed; can you name those six?

Mr Booth: The six that are under construction are Caboolture in Queensland; Deeragun in northern beaches of Townsville, Queensland; Emerald; Karratha; Liverpool and Nowra.

Senator PERIS: You have savings of $16.8 million.

Mr Booth: Yes, $16.8 million is associated with the three that have the terminations.

Senator PERIS: Will the savings from that, which are not proceeding to the GP clinic, contribute to the medical research future fund or other health policy priorities?

Mr Booth: I would need to take that on notice. I would need to double check with our budget area.

Senator PERIS: How were the stakeholders advised that the GP superclinics in the planning stage would no longer be delivered?

Mr Booth: Those three?

Senator PERIS: Yes.

Mr Booth: Basically the department got in touch with each of the three operators of those clinics and told them that the funding would cease. Those three clinics were the three that were the least advanced. There had been work going on in some of them, mainly around planning. As is the case where the Commonwealth ceases or basically breaks that contract, they were allowed to come back and claim reasonable costs against the Commonwealth. We are just working through that at the moment. I think that process should be completed by the end of this month.

Senator PERIS: When were those stakeholders advised of that?

Mr Booth: This is going back to 7 April 2014.

Senator PERIS: You have probably answered this, but with respect to the contracts that have been entered into, they are no longer honoured?

Mr Booth: That is correct. The contracts basically stopped with those three GP superclinics. The Commonwealth is going through a process at the moment of identifying reasonable costs. That will be costs that were put in place by those different groups, so architect fees, land costs, those kinds of things. We have just been identifying those.

Senator PERIS: Are you able to break down that $16.8 million for each of the three? How much were Darwin and Townsville?

Mr Booth: Not the actual savings. I can tell you the original costs for those three. I do not have the costs at the moment, but the original agreements were for $15 million for Wynnum, $5 million for Darwin and $7 million for Rockingham. That was the original funding amount.

Senator PERIS: Are you saying that that $5 million that you were specifically talking about for Darwin, you are not too sure if that money is going to be redirected into something back in the Northern Territory?

Mr Booth: There was $5 million for the Darwin one. I would need to take on notice, as I say, what happens to the funding that is not being used for that. I will double check that for you.

Senator McLUCAS: With respect to the reasonable costs that you are working out, do you have a figure yet?

Mr Booth: It really depends on how far along they were. It is different for each of those. For Wynnum, it was $770,000, but for Rockingham it was $100,000, and I would need to double check on Darwin.

CHAIR: I think we are now at the conclusion of Outcome 5. As I say, we are about 45 minutes over. Senator Moore.

Senator MOORE: I have a couple of questions on Public Healthcare Rural Health Services. It is on a modified Monash model.

Mr Bowles: That will not be in outcome 4; that will be in workforce, which will be outcome 8.

CHAIR: We will now move on to outcome 4, Acute Care.

Senator MOORE: Can you explain to me the variation between what was expected to be spent on assistance to the states and territories for public hospitals in MYEFO, and what is now to be expended?

Mr Bowles: From MYEFO to now?

Senator MOORE: Yes.

Mr Bowles: In relation to hospitals, the only thing that has changed in the context from MYEFO to now is the application of the latest nationally efficient price, and the activity projections by the states. I think it is to the tune of about $300 million, off the top of my head. That is the only change. There has been no policy change per se.

Senator MOORE: The national efficient price and—?

Mr Bowles: The weighted activity—so any activity changes by the states and territories.

Senator MOORE: I have some questions about the national efficient price which flow on from that, what is the status of the National Health Reform Agreement?

Ms Anderson: The National Health Reform Agreement, as the senator knows, was a document agreed by COAG in 2011. It has undergone some changes, largely through the change of government and decisions made by the new Commonwealth coalition government. The agreement still stands, although a number of elements, as I say, have been amended. The fundamental architecture remains robust and continues to inform the mechanics of allocation of funds by the Commonwealth to states and territories and to local hospital networks. Many other elements of the agreement are also in place and working well.

Senator MOORE: In terms of the agreement, that is still the core document?

Ms Anderson: Yes.

Senator MOORE: And commitment to COAG to that agreement?

Ms Anderson: It has not been recommitted to, but it remains the document that governs the work that we do, with the exception of the decisions that the government has made since it was agreed by COAG.

Senator MOORE: The framework still stands?

Ms Anderson: Yes.

Senator MOORE: The changes that have been brought in by the new government have all been agreed to by the states?

Mr Bowles: No. If you are talking about the changes to post-2017-18, no, they have not been agreed by states per se in that same sort of context that you are talking about. The figures you were talking about, since MYEFO to budget, are exactly the same. There is no policy change. It is continuing under the same arrangements, and 2015-16 will be the same.

Senator MOORE: So 2015-16 is agreed; it is the outyears—

Mr Bowles: The 2017-18 and 2018-19 years are what I think you are talking about.

Senator MOORE: Yes.

Mr Bowles: They see increases, but slightly different from what you are referring to.

Senator MOORE: Can you explain the basis on which assistance is being provided to states and territories for public hospitals up to 2017-18?

Mr Bowles: Up to 2017-18 is based on the nationally efficient price and the weighted activity of the states and territories.

Senator MOORE: That is the basis of any work up until 2017-18?

Mr Bowles: Up until 2017-18, yes.

Senator MOORE: The government's commitment was to fund 50 per cent growth funding of the efficient price of hospital services. Has the department undertaken any analysis of how the government's actual funding contribution differs from this? That was in the coalition health policy.

Mr Bowles: Are you talking about the former government's commitment?

Senator MOORE: No, the coalition had a policy to fund 50 per cent growth funding of the efficient price of hospital services. Now the coalition is the government I want to find out

whether there has been any analysis of how the government's actual funding contribution differs.

Mr Bowles: The current government's position on hospital funding is to move to a population and CPI funding base from 2017-18. That is the current government's policy position.

Senator McLUCAS: But applied to the MYEFO changes?

Mr Bowles: Sorry?

Senator MOORE: The policy going into the first year was not that; that is under changes in terms of that.

Mr Bowles: I am going on what the government's policy was. From the 2014-15 budget, they announced that they would move from 2017-18 to a CPI and population change basis for funding, and that is the basis for calculations for 2017-18 and 2018-19.

Senator MOORE: There has been no departmental analysis of a 50 per cent growth funding of the efficient price of hospital services?

Mr Bowles: I am not quite sure of the context, but we are dealing with public hospital funding over the forward estimates based on NEP and activity up to 2017-18, and 2017-18 and 2018-19 are based on population and CPI.

Senator MOORE: Do you have any idea of the projected demand for public hospital services?

Mr Bowles: We can get into a technical argument around what projections might be, but if you look at what actually happens, we have to be really careful we do not end up in an uncapped world. The delivery of public hospital services based on something like your population growth or retraction and the cost of living increases through CPI is what the current budget is based on. That still sees an increase. If you look over the forward estimates at the moment from 2015-16 to 2018-19, I think it is, you will still see about a 22 per cent growth over that period, which is about an average of 5.5 per cent over the time. Clearly that is about six and a bit in 2015-16 to about four and a bit in 2018-19 if we went that far. Also, what is going on at the moment—and the minister has made this quite clear a number of times—is that there is the white paper on the reform of the federation going on, and there is a lot of work that is going on in that space that looks at public hospital funding as well and how we might deal with that. What will end up happening in 2017-18 and 2018-19, there will still be adjustments, I am sure, based on the federation white paper.

Senator McLUCAS: You said you were not sure where Senator Moore's 50 per cent growth funding with the efficient price of public hospitals comes from. That is from the coalition's pre-election document.

Mr Bowles: No, I did not mean that. What I am saying is that the current government's current policy position was put in place post that, into the 2014-15 budget, which was the CPI and population. That is where it is.

Senator McLUCAS: Yes.

Senator MOORE: So the department did not do any work in the first six months of the government along the issues of the 50 per cent growth funding with the efficient price of public hospitals?

Mr Bowles: I was not there, but I will ask someone: was anything done on the 50 per cent? The earlier estimates would have been calculated on the basis of that, but the government's policy as of the 2014-15 budget is to move to population and CPI from 2017-18.

Senator MOORE: Even though it is repeating the obvious, that is clearly not 50 per cent growth funding with the efficient price. So it is a change of policy that happened in the first budget.

Mr Bowles: Yes.

Senator MOORE: What is the government's commitment to price setting via an annually adjusted national efficiency price?

Mr Bowles: It is still in place, up until 2017-18. It is subject to a whole range of conversations in the context of the white paper on the reform of the federation. There will be a whole range of other issues in that context, I would suggest, around public hospital funding that will come into this before we get to 2017-18, but the government's commitment in 2015-16, for instance, will be based on NEP and weighted activity.

Senator MOORE: Up until 2017-18?

Mr Bowles: Yes.

Senator MOORE: What is the government's commitment to an annual determination on the national efficiency price?

Mr Bowles: It will continue until 2017-18, and decisions will be made on that and issues around public hospital funding more broadly in the context of the white paper.

Senator MOORE: Has the department been asked to model any funding projections other than funding hospitals based on a combination of CPI and population growth from 2017-18?

Mr Bowles: The department has not been asked in that sort of context, but the department always does a whole range of different thinking on a whole range of different issues. That is what we do as a department.

Senator MOORE: Has the department done any projections other than for funding hospitals based on the combination of CPI and population growth?

Mr Bowles: In the context of the forward estimates, we have done it based on population and CPI.

Senator MOORE: Nothing beyond the combination of CPI and population growth?

Mr Bowles: No. We will do more work in the context of the white paper and different options that might come out of the white paper, but that will be subject to government decision.

Senator MOORE: Has the department done any modelling into the difference between the level of funding provided to public hospitals and the projected demand?

Mr Bowles: Not in that context, I do not believe, no.

Senator MOORE: Has the department done any modelling on projected demand, particularly after the various discussions with the states, because I know that the states have been in contact with the Commonwealth about the funding since the budget decision? Has there been any work looking at what they are claiming and what you have?

Mr Bowles: They are not claiming anything at this stage. The activity figures as we sit at the moment are based on the states' and territories' figures. The adjustments that happened at MYEFO were all because the states adjusted downwards in toto—some went up, some went down. In total they were adjusted down at MYEFO, and adjusted down slightly at budget, because the activity that was projected by the states at that particular point in time did not come to fruition. So we have to be careful that we are not in this guesstimate period, and then once we start to adjust—and that is what is happening at the moment—we are seeing numbers coming down based on actual activity that is actually happening within the sector at the moment.

Senator MOORE: But that has been an ongoing process over many years.

Mr Bowles: Yes, I did not suggest it was anything else.

Senator MOORE: Projections have happened, and then as the projections come through to the period, you look at the budget.

Mr Bowles: That is correct. We, as the Commonwealth department, have put figures into the budget based on projections, and then we have actually shifted them from last year's budget to this year's budget downwards by about $1.2 billion based on states and territories in toto not delivering those sorts of levels of activity. Because the activity issues are more of an issue for the states and territories than they are for the Commonwealth, we have agreed to fund, based on NEP and weighted activity, up to 2017-18.

Senator MOORE: Is activity the same as population change?

Mr Bowles: Population is a driver of activity change, yes. We are going to fund on the basis of population, which is a driver of activity change. It is not the only driver of activity change.

Senator MOORE: The department must be aware that the president of the AMA has said, amongst other things:

Pushing responsibility for public hospital funding back to the States and Territories without remedies to allow them to generate revenue is irresponsible.

Mr Bowles: I am not going to get into what any particular commentator might want to say about this. The government has been clear that we are continuing to fund on the basis of NEP and weighted activity until 2017-18 and we will look at post 2017-18, 2018-19. Even though in the budget papers we are looking at population and CPI, the minister has said on a number of occasions that she will look at this in the context of the federation white paper.

Senator MOORE: When is the Federation white paper due?

Mr Bowles: It will be due in the early part of next year. There will be a green paper in the later part of this year with a white paper in the earlier part of 2016, well before the supposed funding changes in 2017-18.

Senator MOORE: How did you calculate the assistance provided to states and territories for public hospitals prior to the national health reform agreement?

Mr Bowles: That is before my time.

Mr Cormack: If you go back over the years there are many different variants. Basically it is a combination of population growth, indexation and some other drivers such as technology. There have been different methods according to the different agreements over the years.

Senator MOORE: What is the core difference between how it was then and how it is now when you talk about population?

Mr Bowles: It was based on a population and CPI style of activity. It is now based on a nationally efficient price and actual activity that is adjusted over the budget cycle, which is why we have seen the changes, and then we are back to a population and CPI or indexation type model. It has changed many times, as Mr Cormack said.

Senator MOORE: Has the department been asked to commence work on any other public hospital agreements?

Mr Bowles: No.

Senator MOORE: Does the commitment to provide funding based on population growth and CPI from 2017-18 have a set time frame or is that an indefinite commitment?

Mr Bowles: The ongoing commitment is CPI and population past that, but in the context of the white paper on the reform of the federation which may look at other options during that period.

Senator MOORE: Is your department involved in putting submissions into that white paper?

Mr Bowles: My department is involved in the conversation about the white paper. It is obviously run out of Prime Minister and Cabinet but we have been actively engaged with Prime Minister and Cabinet in that sort of context and, in fact, I have actually briefed the states and territories on behalf of Prime Minister and Cabinet on some of the issues in relation to health.

Senator MOORE: Was there discussion on the issue of hospital funding at the recent COAG?

Mr Bowles: The broader COAG meeting?

Senator MOORE: The broader issue, yes.

Mr Bowles: I believe there was.

Senator MOORE: I thought there was. I thought there was a number that came out on the communique. Can you refresh me on what they agreed at the last one?

Mr Bowles: I cannot go into that. It was run by Prime Minister and Cabinet.

Senator MOORE: But there was a health discussion?

Mr Bowles: There was a health component and it said it would go to the leaders retreat in July.

Senator MOORE: Were you at the COAG this time?

Mr Bowles: No.

Senator MOORE: Was anyone from Health at that COAG meeting?

Mr Bowles: No. It is a first ministers' issue, but no.

Senator MOORE: I know it is run by PM&C. I was wondering whether anyone from the department was there because there was a clear agenda topic on health?

Mr Bowles: We provide our advice through Prime Minister and Cabinet. It is a first ministers' meeting and it is done that way.

Senator McLUCAS: Has Health been asked to develop any papers for consideration at the leaders retreat?

Mr Bowles: We talk with Prime Minister and Cabinet and we will work with Prime Minister and Cabinet on any issues in relation to health, but that is where it will stay. We will not independently do anything. We will work through Prime Minister and Cabinet and I am sure Prime Minister and Cabinet will provide papers to the leadership retreat, so that is a question best asked of Prime Minister and Cabinet.

Senator McLUCAS: So, you do not receive requests from PM&C to develop up options?

Mr Bowles: That is not what I said. We work with PM&C on policy positions for health.

Senator McLUCAS: Have you been asked by PM&C to do any options papers or modelling in the lead-up to the leaders retreat?

Mr Bowles: We will work with PM&C on some options, if you like, for the reform of the federation.

Senator McLUCAS: Is it a reform with the federation? It is very broad.

Mr Bowles: We do not go to modelling specific activity in that context. We need to develop options about what type of changes that we might want to see. That is discussed with first ministers, ultimately, at the leaders forum and once some decisions are made out of that I am sure we will be having a look at the impacts of that. There are a whole lot of things through the COAG health ministers as well at some stage. There would be a range of different options discussed before we get to a white paper in the early part of 2016.

Senator McLUCAS: Would that include doing some modelling on the costs of various options?

Mr Bowles: I suggest it will but white papers, by their very nature, are a discussion document about the way forward. Once we get that way forward, the funding basis we will look for from 2017-18 onwards.

Senator MOORE: No anticipated change until then?

Mr Bowles: There is no anticipated change. The 2015-16 and 2016-17 are based on the current model. If you look at the funding basis for the forward estimates it still sees a growth over the forward estimates of 22 per cent or thereabouts which averages five and a half, but it goes up about six and half and so on down the track.

Senator MOORE: And it varies from state to state?

Mr Bowles: It varies from state to state. Quite frankly, what will happen is certain states will come back with less activity, some will come back with more activity and then it will be balanced off, say, at MYEFO and budget again as we saw last year. Calculating or projecting activity is not a precise science in the states and territories. It is an issue for them. We saw them projecting a figure and we saw that come down over the budget year.

Senator McLUCAS: They are the MYEFO changes?

Mr Bowles: MYEFO and budget changes; it is roughly $1.2 billion.

Senator McLUCAS: I would like to go back to an earlier line of questioning that Senator Moore was following and that is the difference between what the 50 per cent growth of the

efficient price would have been compared to population and CPI in 2017-18 through 2018-19. What are those different policies?

Mr Bowles: I am not quite sure what you are referring to because what we work off is forward estimates. The forward estimates are what they are, and last year they were what they were. They have actually been calculated and put out there for the last couple of years. If you are referring to other calculations—

Senator McLUCAS: I am.

Mr Bowles: What are you referring to?

Senator McLUCAS: If the coalition's policy that they took to the last election was pursued, that is that they were going to pay 50 per cent of the growth in the efficient price, what would those figures have looked like?

Mr Bowles: I do not have any figures on that. We are not dealing with that. We are dealing the government's policy based on the 2014-15 budget which was done last year and has been done again this year, which has seen the NEP activity up until 2016-17 and CPI and population from 2017-18 and 2018-19. Those are the figures in the budget paper. There have been many calculations put out there that relate to previous governments, current governments or whatever it happens to be which deal with things that have not proved to be real when we see actual costs come through for public hospital funding.

Senator McLUCAS: Are you telling me that the Department of Health has never done the calculation of what the coalition's policy that they took to the last election would have looked like in the forward estimates?

Mr Bowles: I would suggest the forward estimates of the first year—

Senator McLUCAS: The 2014-15 through to—

Mr Bowles: In 2014-15 the policy shifted, or whatever it is. The policy was introduced to be population and CPI from the 2014-15 budget.

Senator McLUCAS: Yes, I know that, but the coalition went to the last election with a different policy to the one that is now in place. Some people say that they lied. I am not going to go there. What I want to know is whether your department has modelled the policy that was taken to the last election by the coalition to work out what the figures in the budget would have looked like?

Mr Bowles: No. I think that is more of an issue for Treasury. This public hospital funding goes through Treasury; it does not actually go through us. It is included in our total figures in the $69 billion but Treasury will do the broader calculations and they would have done that at that particular point in time. The budget for 2014-15 is the current government's current policy position. We do the work on that for our forward projections and it is based on the Budget Paper No. 3, which is a Treasury related document, and that goes into the forward estimates.

Senator McLUCAS: I am not trying to be cute here. You were not the secretary when the change of government happened so you may like to seek advice from other officials over the break. I am asking a very direct question.

Mr Bowles: Whether we did the 50 per cent activity?

Senator McLUCAS: Yes. Has that work been done anywhere in the department at any time?

Mr Bowles: I will come back to you after the break.

Senator McLUCAS: Thank you.

Mr Bowles: That would be the best thing but my understanding is that would be something that Treasury would largely deal with. What I am responding to is the current policy position which was based on the 2014-15 budget and now the 2015-16 budget.

Senator McLUCAS: I know that. I am asking you a different question.

Mr Bowles: I will ask a few of my colleagues who would have been here at the time.

CHAIR: I have some questions on funding for ACT hospitals. I wanted to get to the bottom of some numbers that have been floating around to see where the truth lies. Last year there was a claim by the then Chief Minister of the ACT and now senator that the federal budget had cut $240 million in health funding. I think I pursued that with officials at one of the hearings. No-one was able to point me to where that $240 million figure may have come from. This year we have a new figure from the ACT government and that is that over 10 years the ACT will be $600 million worse off. Is anyone able to respond to that? I am just not sure where that figure may have come from. Obviously it is not your figure but it has been put out there by the ACT government. The health minister, Simon Corbell, is on the record saying there is a $600 million cut. I cannot see it but is someone able to help us out?

Mr Bowles: I will start but maybe someone might have to help me here. I do not know where a $600 million figure would come from other than some of the earlier activity that came out of Treasury. Treasury responded to a question on notice last year around some of these figures. I would suggest it is from that but the reality is funding is provided to the ACT, as it is to every other state and territory, for the 2014-15 year and will continue in the 2015-16 year based on the nationally efficient price and weighted activity. The hospitals are funded based on that for 2014-15, 2015-16, 2016-17 and then it changes to CPI and population in 2017-18, 2018-19, but I will put the caveat in that it will also be looked at in the context of the reform of the federation.

CHAIR: I would like to come back to 2017-18 numbers. Ms Anderson, did you have something additional?

Ms Anderson: I suspect it is where you wanted to take us and it is in relation to 2017-18 and 2018-19.

CHAIR: I wanted to come back to that. I actually wanted to go through the figures. I wanted to see where we are up to and then where we might be going as well. If we go back to the last full year of the previous government, so the last delivered funding in 2012-13—and correct me if I am wrong—the number I have is $202.5 million for national health reform and public hospitals funding for the ACT. Is that figure correct?

Mr Bowles: I do not have 2012-13. I have only got 2014-15, from this current year.

CHAIR: It is an important number. Could someone take on notice whether or not that was the last amount delivered under the previous government, 2012-13? I have $202.5 million. I have that they were budgeting for $233 million in 2013-14, $270.5 million in 2014-15 and up to $311 million in 2015-16. Could someone come back to me on notice as to whether the

figures that I have are correct? If I look then at the figures that are being delivered for 2014-15, and you said, Mr Bowles, that you had that so you might share with us the 2014-15 number.

Mr Bowles: It is $304.6 million.

CHAIR: So, $304.6 million, which is significantly more than had been budgeted under the previous government and certainly around about 50 per cent more than was delivered under the last year of the previous government. What is the number for 2015-16?

Mr Bowles: It is $321.4 million.

CHAIR: And then in 2016-17 I have $343.9 million.

Mr Bowles: That is correct.

CHAIR: Obviously in those years, if my $202.5 million starting figure is correct, we are up to $343 million four years later in 2016-17. That is about a 70 per cent increase on my rough maths. That seems a pretty significant increase, but we see a drop-off then in 2017-18. I wanted to pursue that as to what that means and how that relates to any negotiations that might take place between the ACT and New South Wales on cross-border funding.

Mr Bowles: I would suggest that it would be a mixture of all of that. The drop-off will relate to moving to a CPI and population base. Then there is a whole range of things that we will not have control over, which is an ACT and New South Wales government issue. They will negotiate their own cross-border arrangements, and that is up to them. You do see a change when you move to a population and CPI base but again, in the context of the reform of the federation white paper, a range of these issues will come into discussion again.

Mr Cormack: You would be well aware of the history here from your time in the ACT. The ACT and New South Wales have always had an annual process of charging, if you like, for interstate patients treated and certainly at times in the ACT up to 30 per cent of the hospital activity is generated for New South Wales residents which was subject to a charge by the ACT government to New South Wales. Now, when the activity based funding arrangements came into place that changed with the payments going direct to the jurisdiction that provides the services. At the end of this period it will revert back so that drop will almost certainly be fully offset by chargeable admissions to the New South Wales government, and then you can see in the final year in the forward estimates it returns to a regular growth arrangement on the base.

CHAIR: So, if we are comparing like for like you would be adding to the 296 whatever—

Mr Cormack: Yes.

CHAIR: Whatever the ACT recoups from that?

Mr Cormack: Yes. It is hard to predict exactly what it would be but historically it has been as high as 30 per cent for some aspects of hospital activity. There have always been vigorous negotiations between the New South Wales and the ACT governments over the price that is paid for that and the counting rules, et cetera, but certainly you can expect that that drop will be significantly, if not totally, offset by charges that can be raised to the New South Wales government.

CHAIR: So, if we compare like for like we can look up to the 2016-17 year because that is on the same funding model?

Mr Cormack: Yes.

CHAIR: And then in 2017-18 we will need to add the two together to try to get a gauge of what the ACT is getting for its hospitals?

Mr Cormack: Exactly.

CHAIR: I think that is a very useful clarifier. I would be very interested in those figures on notice because, as I said, the ACT government is claiming a significant shortfall. If my figures are correct, and if you could confirm them on notice, in the five-year period of the last budget of the previous government the figures I have were $1.374 billion and the five-year figures here would be $1.574 billion, but there would be money obviously in addition to that taking into account of what you have just said in relation to the cross-border payments that are taken into account in 2017-18.

Mr Cormack: That is right. Just a cautionary note there, the part of the big increase at the beginning of the agreement was due to the reverse effect of what I have just described. The increase is somewhat inflated by the direct payments to the ACT jurisdiction and when the agreement ends it will be offset again by a return to the pre-existing arrangements where the payments go to the jurisdiction based on population and indexation and a charge is raised so, we need to look at both ends of the equation.

CHAIR: At some point I will add to the two together which would be the most useful, but on that basis is it fair to say that the 2012-13 year is going to be broadly like for like with 2017-18?

Mr Cormack: Yes, broadly. The model is the same. The figures will not be the same because things change in five years of activity growth.

CHAIR: So, that is a difference in those five years.

Mr Cormack: That is right.

CHAIR: Can you confirm those figures? That is a difference of $94 million, or the best part of almost 50 per cent increase from 2012-13 to 2017-18?

Mr Cormack: That is right.

CHAIR: That is probably a reasonable comparator?

Mr Cormack: Yes.

CHAIR: Thank you.

Senator PERIS: I think last time I spoke to Ms Anderson around the Palmerston hospital.

Mr Cormack: It is covered in outcome 7.

Ms Anderson: I am happy to do it now.

Senator PERIS: According to the project agreement between the Commonwealth and the Northern Territory government the Commonwealth was meant to make a payment to the Northern Territory in May 2015 of $35 million. Did that happen?

Ms Anderson: That is not quite correct. The agreement says that there is a report due on the 10th business day of May and, depending on the contents of that report and how we evaluate it, that may trigger the payment of that milestone 3. I can confirm that we received the report from the Northern Territory and we are still assessing it.

Senator PERIS: When did you receive the report?

Ms Anderson: My understanding is that the 10th business day of May was 14 May. If it was not on the 14th it was close to it.

Senator PERIS: So, it has been signed off and the Commonwealth is still assessing that report?

Ms Anderson: Yes. I do not know what you mean by signed off, but we have certainly received it and we are assessing it.

Senator PERIS: It says the progress report is signed off by the NT government as a true and accurate account of the progress on the project.

Ms Anderson: Yes.

Senator PERIS: You said that you have received it.

Ms Anderson: Yes.

Senator PERIS: Can the public have access to this report?

Ms Anderson: It is not something that the Commonwealth would release. It would be a decision for the Northern Territory if they chose to release it.

Senator PERIS: So, what you are saying is that it is up to the Northern Territory if they want to release it, not the Commonwealth?

Ms Anderson: No. It would not be a matter of routine for us to release progress reports from project grant recipients.

Senator PERIS: So, they will only get the $35 million if you assess that report and you agree that they have met the milestones?

Ms Anderson: That is correct.

Senator PERIS: On 8 March Minister Sussan Ley told the *Sunday Territorian* 'the Territory government was required to update the Commonwealth on the progress of the project every six months', and she was going to scrutinise it. Where are we up to now? How long will your assessment of this report take?

Ms Anderson: That is something I cannot necessarily put a time frame on. I know that there have been conversations with Northern Territory officials since we received the report. We are seeking clarification of certain elements of the report's contents and that will go on for as long as we require further clarification.

Senator PERIS: The agreement for the $35 million for that progress report was to commence construction. What is your definition of 'construction' for the Commonwealth?

Ms Anderson: It is not my definition. It is a fairly standard definition. What we want to see is evidence that a managing contractor is in place. For example, it may be that a site needs to be fenced; ideally some what we call hard hat activity on site. These are not required as a bundle but something along those lines. 'Commenced construction' is fairly self-explanatory and I think we should take it in that vein.

Senator PERIS: Is there anything that is tangible? You were just talking about hard hats and fencing. Is that written in the contract that you have with the NT government?

Ms Anderson: I do not know for sure. I could take that on notice. I am not sure that it is explicitly set out but certainly there is no ambiguity in the expectation we have of any project partner in terms of the requirements that they have to meet in order to trigger the payment of milestones.

Senator PERIS: Just recently the Northern Territory claimed that they need an extra $50 million for the project. Have they made this request to you?

Ms Anderson: No.

Senator PERIS: That goes to the next question. Are you at all concerned that the Northern Territory claim they need an extra $50 million that you have not provided? What does this mean for the project if they are saying that they cannot proceed any further?

Ms Anderson: I am aware that there have been conversations between the Commonwealth and the Northern Territory in relation to this claim and we have looked closely at the claim. We can find no-one in the Commonwealth at a bureaucratic or political level who is aware of any discussion in that regard. We have also sought and received assurances from the Northern Territory government that they will, in fact, build the hospital with the amount available, the $150 million, and that it is still running on track to achieve practical completion in 2018.

Senator PERIS: In November of last year the Northern Territory claimed that they agreed to proceed with a design-build-operate-maintain model for the delivery of the Palmerston hospital at the request of the Commonwealth. Did you make this request?

Ms Anderson: No.

Senator PERIS: Again going back to what we mentioned about the $50 million, on 19 May the Northern Territory Chief Minister Adam Giles said, 'There was a $50 million carrot hung out by Canberra if we were to go down this model.' Are you saying that you never requested this type of model to be accepted by the Northern Territory government?

Ms Anderson: Are we talking about the money or the model?

Senator PERIS: In any?

Ms Anderson: There is no knowledge within the Commonwealth of any discussion around $50 million and the Northern Territory makes its own decisions as to how it is going to deliver the project.

Senator PERIS: So the Commonwealth did not mention any type of model to be delivered?

Ms Anderson: No. We look to the project funding recipient to advise us as to how they are going to deliver the project.

Senator PERIS: Six months ago the Northern Territory called for expressions of interest for a design-build-operate model but they have changed their minds. Are you saying you have had no discussions with the Northern Territory government around that type of model?

Ms Anderson: I am not saying we have had no discussions but we are receiving advice from them as to their decisions as to how they are going to deliver it. We received advice and indeed they may have said out loud that they were proceeding with a design-build-operate-maintain public/private partnership and then subsequently we were advised that they had adjusted their thinking, changed their minds, and that they were going to move to a design-

and-construct tender and then an operation arrangement which brought it into the Northern Territory government and the public health service in the Northern Territory.

Senator PERIS: Construction of the Palmerston hospital was meant to have commenced this month but it does not have a design. Do you think the Commonwealth is adequately monitoring this project?

Ms Anderson: Yes, I believe we are.

Senator PERIS: Do you have confidence in the Northern Territory government to be able to deliver this project within the current funding envelope?

Ms Anderson: The Northern Territory has assured us that they will deliver the project to practical completion by 2018.

Senator PERIS: At the Northern Territory budget estimates hearing last week the Northern Territory Treasurer, Dave Tollner, said on 26 May that the opening date for the Palmerston hospital would be late August-September 2018. The Chief Minister, Adam Giles, agreed with him the following day but on 28 May, the following day, the Health Minister, John Elferink, told estimates that it would open in May 2018. In addition to all of this, if you visit the Country Liberal Party's Palmerston hospital website, its opening date is March 2018. Do you have a proposed opening date for the Palmerston hospital?

Ms Anderson: That will ultimately be a matter for the Northern Territory. In the current project agreement we have a practical completion date or month of May 2018. That is the operating date, as far as we are concerned, until we are advised otherwise or they seek to renegotiate that.

Senator PERIS: Just to clarify, that the report for the $35 million for commenced construction is still being evaluated, and you cannot tell me how long that evaluation will take?

Ms Anderson: That is correct. Obviously we do not dawdle around these things. We are moving as quickly as we can in consultation with the Northern Territory.

Senator PERIS: Thank you.

Senator CAROL BROWN: We have just had the announcement of a funding agreement for the Mersey Hospital. Can you remind me how much that was for?

Ms Anderson: Yes. It is $148.5 million for two years from July 2015 to June 2017.

Senator CAROL BROWN: Why is it only over two years? What is the normal? I remember there was a one-year extension.

Ms Anderson: That is correct.

Senator CAROL BROWN: But previous to that what was the agreement?

Ms Anderson: We had two 3-year heads of agreement and then the one-year extension.

Senator CAROL BROWN: Why have we been reduced to two years?

Ms Anderson: There is a lot happening in terms of this at the moment of which you would be aware. The government there, and particularly Minister Ferguson, are undertaking a very thorough and rigorous reform project. They have their own white paper process and they are in the middle of fairly intensive consultations across the island talking about a new future for public health services across the state. It was considered in discussions at both

bureaucratic and the political level that in the context of these fairly significant changes to health services across the island that there may be merit in having a slightly shorter agreement over which time we could consider the future of Mersey in the context of the other changes which might be undertaken.

Senator CAROL BROWN: In those discussions I take it that it was understood that the white paper process that you have outlined that the Tasmanian government is undertaking, that will be completed when?

Ms Anderson: In March 2015 they released a white paper as an exposure draft. Our understanding is that they are planning to issue the white paper proper on 30 June this year.

Senator CAROL BROWN: What is the next step?

Ms Anderson: You may have to ask the Tasmanians.

Senator CAROL BROWN: Do you have any input into it?

Ms Anderson: No. We are at arm's length from their process. As I said, this is a matter entirely for the Tasmanian government.

Senator CAROL BROWN: What does the two-year agreement, the $148.5 million, provide for?

Ms Anderson: That provides for the Tasmanian government, through the Department of Health and Human Services, to manage and operate the hospital.

Senator CAROL BROWN: You provide the funding. Do you have a say in what is provided, for example a high-care unit or an emergency department?

Ms Anderson: Yes. Part of the heads of agreement will be to outline the range of services to be available from the Mersey noting that there is an expectation over those two years that we will be in discussion with the Tasmanian health department in relation to the consequences of their reform project and how that might impact on the Mersey hospital alongside all the other hospitals on the island.

Senator CAROL BROWN: The funding has been announced. Has the heads of agreement been signed?

Ms Anderson: No, not yet.

Senator CAROL BROWN: When will that happen?

Ms Anderson: We are hopeful of that happening over the next month or so.

Senator CAROL BROWN: Will the services that you are going to fund be part of that heads of agreement? Is that what you are telling me?

Ms Anderson: It will be covered by the agreement. It may well end up being a document which sits beneath the heads of agreement. As you would understand, the heads of agreement is a fairly high level and somewhat legalistic document but we are talking with our Tasmanian counterparts about the possibility of some strategic plan or planning document which would support a more dynamic consideration of the role of the Mersey vis-a-vis the role of other hospitals in the vicinity.

Senator CAROL BROWN: So, are you essentially saying that the heads of agreement may end up mirroring the changes that the Tasmanian government wants to make at the Mersey?

Ms Anderson: No, that is not what I am saying. What we understand, and what we do not want to stand in the way of, is useful important reform of the public health system in Tasmania. There are certain things that we are funding the Tasmanian government to do on behalf of the Commonwealth in running the hospital that the Commonwealth owns, and obviously we want to have very clear lines of sight about the provision of services from that hospital. At the same time we do not want to block useful reform on the island. What we are seeking to develop is an instrument, an agreement between the parties, which allows for discussions about the changes they would seek to make in order that we can clearly consider them and understand the impact on the local population, on their access to safe quality care where they live or in the surrounding areas.

Senator CAROL BROWN: Given that you indicated that you are looking to sign a heads of agreement within the coming months and the Tasmanian government's white paper process will not have been completed by then, will that document that you talked about sitting under the heads of agreement be able to be varied?

Ms Anderson: Yes. That is the approach we are taking. As I said, to lock in something for two years seems quite illogical in the context of the planning that the Tasmanian government is undertaking. We are trying to allow the opportunity for a conversation which can continue over that period.

Senator CAROL BROWN: So, essentially the services that you are funding now may not be the services that might be funded next year?

Ms Anderson: I cannot say for certain. What we are doing is allowing a discussion to happen between the parties in the context—

Senator CAROL BROWN: You said it can be varied.

Ms Anderson: Yes.

Senator CAROL BROWN: So, essentially what is being funded now can be varied into the future under that two-year heads of agreement?

Ms Anderson: Subject to careful consideration and agreement between the parties.

Senator CAROL BROWN: So, the federal government would have to sign off on it as well?

Ms Anderson: That is correct.

Senator CAROL BROWN: There has been some concern in the Tasmanian community, particularly on the north-west coast, about what services will be provided. I am not going into the white paper process but there have been concerns about a high-care unit and an emergency department and whether those services will be provided. There was some concern over the fact that it was only a two-year agreement. Why was it only a two-year agreement?

Ms Anderson: As I said earlier, we were cognisant that the Tasmanian government was undertaking this very thorough planning exercise and we felt in all the circumstances that was probably a more useful period and as we move towards the end of that period we could take a sounding of where things were up to and consider the next steps.

Senator CAROL BROWN: Did the Tasmanian government ask for a longer funding period?

Ms Anderson: I could not say for certain. They were accepting of a two-year heads of agreement.

Senator CAROL BROWN: That was what was offered and they accepted that they did not—

Ms Anderson: It was certainly the subject of discussions between Minister Ley and Minister Ferguson and then that became the offer which was put to them.

Senator SMITH: So, it was agreed, in my words, that the two-year period was an optimal heads of agreement period?

Ms Anderson: I do not know about optimal, but it was seen to be satisfactory and acceptable.

Senator SMITH: That was my word. It is satisfactory and acceptable.

Senator CAROL BROWN: On the north-west coast people are very concerned that it was only a two-year agreement.

ACTING CHAIR (Senator Reynolds): Any other questions?

Senator MOORE: I have questions on the Independent Hospital Pricing Authority around modelling and also activity based funding. Can you provide me with an update on IHPA's forward work schedule?

Mr Downie: I can. We are required under the act to produce a work program every year. We have been delivering to our 2014-15 work plan and we have released our 2015-16 work plan for public consultation as required under the act. That consultation period closed on Friday.

Senator MOORE: Last Friday?

Mr Downie: Yes.

Senator MOORE: Is that up on the web?

Mr Downie: Yes.

Senator MOORE: How long is that up for consultation?

Mr Downie: Thirty days.

Senator MOORE: Is there some rule about that?

Mr Downie: Yes. It is required under the act.

Senator MOORE: I thought there must have been. So, 30 days are up. You had until last Friday. Did you get much response?

Mr Downie: I think we had eight or nine submissions.

Senator MOORE: Is that standard?

Mr Downie: Yes. In our first year we had a lot more but as our work program settled—

Senator MOORE: It is a targeted audience, isn't it?

Mr Downie: That is right.

Senator MOORE: So you have got those and now you will go through them. What happens next?

Mr Downie: The staff are reviewing them now and they will put those submissions to the pricing authority at the June meeting and then the work program will be published on our website.

Senator MOORE: Do the people that put submissions in get any feedback?

Mr Downie: Yes. We always give feedback to all of the submissions that we receive.

Senator MOORE: So, you always do a feedback process with them as well?

Mr Downie: Yes.

Senator MOORE: So, there is a kind of community of engagement?

Mr Downie: Absolutely.

Senator MOORE: What will IHPA's role be from 2017-18 when the Commonwealth reverts to a block funding arrangement?

Mr Downie: That will depend on changes.

Senator MOORE: Is that subject to the white paper discussions and further discussions with the states leading into that process?

Mr Bowles: That is the conversation that will happen at that particular point in time. It will depend on what happens, as you said, in the white paper. I will just put on the record the value of the Independent Hospital Pricing Authority. They have done some fabulous work.

Senator MOORE: It is really useful. At this stage you have the work plan for 2015-16 and, subject to anything that happens, you should be looking at 2016-17, but 2017-18 will be when any changes out of the white paper process kick in, so it is all up in the air. Is that fair enough?

Mr Bowles: Yes. That is largely right. As Mr Downie said, it will continue on with the work that it needs to do for this coming year.

Senator MOORE: And the year after?

Mr Bowles: It will do 2016-17 and then we will obviously determine what happens after the white paper and after other decisions are made.

Senator MOORE: Those organisations or people who submitted to the discussion of any current work plan would all be very much aware of this process and would be thinking about the white paper as well, would they not?

Mr Downie: Yes, that is right.

Senator MOORE: They are the ones that are thinking about what the future is going to do?

Mr Downie: Yes.

Senator MOORE: Can you tell me what progress has been made with states and territories on working on a national efficient price?

Mr Downie: We have determined four national efficient prices and released the NEP for 2015-16 in March this year.

Senator MOORE: That is the basis of discussions for 2015-16?

Mr Downie: That is right.

Senator MOORE: Does that have agreement of all the states and territories?

Mr Downie: They are not required to agree. That is determined. There are no major objections.

Senator MOORE: I know under the law they do not need to agree but it is useful to see that there is no-one yelling and screaming.

Mr Downie: There is no major dissent, no.

Senator MOORE: It is hard to know with states. No major dissent. What evidence is there that states and territories have been able to reduce the cost of services as a result of this work that your organisation has done with them, which was in fact one of the intents of doing all the work in the first place, to make things more efficient?

Mr Downie: We measure the actual cost of services through the National Hospital Cost Data Collection. The growth in the NHCDC for the cost per weighted activity unit has slowed significantly over the last four years.

Senator MOORE: So, you could see that year by year?

Mr Downie: That is right.

Senator MOORE: And you would believe that has a lot to do with the work that has gone on? Are there any other factors that could be identified as causing that?

Mr Downie: I am sure there would be a number of factors. I am sure it is not all due to the national efficient price. There has been significant pressure on hospital budgets generally.

Senator MOORE: But has the efficient pricing process been key to that ongoing work in terms of making states look at it and then compare costs?

Mr Downie: I think that is a reasonable comment.

Senator MOORE: Is that reduction of costs all on the website so we can see it going down?

Mr Downie: Yes, I believe it is.

Senator MOORE: I will check. In terms of IHPA's modelling did you calculate an expected growth in the efficient price from when work first commenced?

Mr Downie: We are required to calculate the NEP each year and provide confidential projections to first ministers on projections over the forward estimates period.

Senator MOORE: Has the efficient price increased by less than expected?

Mr Downie: Yes. The growth in the national efficient price has slowed compared to what we had anticipated.

Senator MOORE: Do you have a percentage of the slowness?

Mr Downie: Our indexation rate which was used to correct from historic data to future prices from the first NEP, for NEP 12, was 5.1 per cent. The indexation rate for NEP 15 was three per cent.

Senator MOORE: Within the data, that is a significant decrease?

Mr Downie: Yes.

Senator MOORE: Can you provide me with an update on what work IHPA is undertaking concerning activity based funding?

Mr Downie: We have quite a range of work. The most significant work is the design of new classification systems, particularly for mental health services and for teaching, training and research activities.

Senator MOORE: How many new classifications will there be?

Mr Downie: There are two that are de novo designs and there are two that need significant improvement work, so for outpatients or not admitted activity and for emergency departments. That work is underway. We have classifications for those services that are robust enough for current years but have room for improvement.

Senator MOORE: How many are there?

Mr Downie: Six.

Senator MOORE: That is looking at all the key workloads?

Mr Downie: Yes. So, admitted activity, emergency departments, subacute activity, non-admitted and the two new that we are building.

Senator MOORE: Including mental health?

Mr Downie: Yes.

Senator MOORE: Mental health in the hospital environment?

Mr Downie: It is in a health service environment, so it is broader than just admitted activity.

Senator MOORE: What is your time frame on that work?

Mr Downie: That work is progressing well. We have just finished a significant costing study that will underpin the design. We are designing the classification now and aiming to pilot test it in the second half of this calendar year.

Senator MOORE: When you pilot test do you pilot across states or in just a couple of localities?

Mr Downie: We are aiming to have four or five health services across a number of states.

Senator MOORE: It will be looking at the general regional dispersion, size and all of that kind of thing?

Mr Downie: That is right.

Senator MOORE: Can you explain to me how the national efficient cost is calculated and how that differs from the national efficient price?

Mr Downie: Yes. The national efficient cost is for block funded hospitals, which are generally small, rural hospitals. There are about 420 block funded hospitals.

Senator MOORE: Quite a few in Victoria?

Mr Downie: There are. I think there are 43 health services in Victoria that are block funded.

Senator MOORE: That is for the block?

Mr Downie: Yes.

Senator MOORE: And the other one is anything that is not blocked?

Mr Downie: The NEP is not blocked. That is right. It is tied precisely to activity.

Senator MOORE: Is there a great difference in terms of the costings?

Mr Downie: It is not as big as some people may have expected.

Senator MOORE: And that is ongoing work that you do every year?

Mr Downie: That is right. It is required through the NEC, the national efficient cost, each year.

Senator MOORE: Is that on the website?

Mr Downie: Yes.

Senator MOORE: What are the stages of the National Emergency Access Target, NEAT, and National Electricity Surgery Target, NEST?

Mr Downie: We do not have any responsibility for that.

Senator MOORE: You look very relieved there Mr Downie. Ms Anderson, I take it that is your field.

Ms Anderson: Those targets were associated with the National Partnership Agreement on improving public hospital services. You would recall that that agreement was effectively turned off by this government and there are no further reward payments being made following the performance for 2013.

Senator MOORE: NEAT is actually dead?

Ms Anderson: As a target which would create a reward payment, yes. In discussions with states and territories there has been a very strong sense that the application of targets to waiting times in emergency departments and for elective surgery is a good idea. The setting of those targets is something that states and territories are now reconsidering in terms of the model they would use and the level at which they would set them. The existence of a target has actually received fairly strong levels of support around the country.

Senator MOORE: So, NEAT was a national target?

Ms Anderson: Yes, although it was differently applied to each jurisdiction, depending on where they started.

Senator MOORE: Are all states looking at doing their own or is it a variation between them?

Ms Anderson: We have certainly heard from a number of states that they are looking at it very closely and considering what, if any, target they would set. I should also say that they all now measure waiting times in emergency departments and for elective surgery.

Senator MOORE: They did not used to do that?

Ms Anderson: They did so variably. There were some jurisdictions who were slow to come to the measurement of waiting times. What we have now, also, is a methodology which is national in application. I cannot say for certain that everyone continues to use that methodology, but I am fairly sure they do and, to the extent that they do, we have the capacity for national comparison, which did not exist before they were commenced down this track.

Senator MOORE: So, there is possibly the ability to compare based on these targets that were set?

Ms Anderson: Yes.

Senator MOORE: But the validity of the model that is no longer working since 2013, would there be any question about the validity of the process that was terminated in 2013 and the actual use or possible use in 2015-16?

Ms Anderson: No. Essentially the model was a measurement tool, talking about the emergency department access. You would be aware it is four hours to be admitted or referred or discharged and four hours continues to be a useful benchmark by a number of jurisdictions. It is a case of the proportion of total patients who reach the four-hour benchmark of the total who present. That is the subject of further debate. I am aware of some work which has been undertaken in Queensland, for example, where they say 90 per cent might be too high but a lower number is something that we should shoot for and let us talk about what that lower number should be. There are some really useful conversations happening amongst clinicians around the application of a target and then the level of that target.

Senator MOORE: Does the availability to use the model still exists?

Ms Anderson: Yes. The counting and measurement is something which has been put into emergency departments so they can still use it if they choose to.

Senator MOORE: They already do it?

Ms Anderson: Yes.

Senator MOORE: What about NEST?

Ms Anderson: The same provisions apply. The reward funding is no longer available beyond the payment for the 2013 performance. I am aware that numbers of, if not all, jurisdictions continue to measure waiting times for elective surgery across the three urgency categories.

Senator MOORE: That was something also with the work that was done to set up this process; that is still valuable and you are still using it?

Ms Anderson: Yes, absolutely.

Senator MOORE: Can you explain to me what impact these targets had on emergency department and elective surgery waiting times? The same as Mr Downie could explain there was an actual impact, could you see that kind of impact in the implementation of NEAT and NEST?

Ms Anderson: This is a more difficult terrain.

Senator MOORE: I know.

Ms Anderson: It varied by jurisdiction. The best I can say is that there were not significant improvements in performance, although improvements in performance were identified. Overall I think that the picture is a positive one. There are obviously variations on that theme. Some jurisdictions put greater resourcing into this area than others and I think we saw some results as a result of that. WA comes to mind as a significantly outstanding success in relation to emergency department access. They were one of the earlier adopters of the four-hour rule and put in place a series of clinical redesign initiatives which redesigned the patient flow throughout the hospital. They saw the impact in reduced waiting times in emergency departments. I can point to pockets of excellence across the country where they have used the waiting time targets as an impetus for whole-of-hospital reform which has resulted in reduction in those waiting times. It was fairly slow to get going and we saw incremental

changes in performance over time, but I think generally it has been a modest improvement trend.

Senator MOORE: And up until 2013 jurisdictions could be rewarded on their results in that area. Since then the rewards have ended but the process continues?

Ms Anderson: The jurisdictions would have to speak for themselves in that regard. Certainly they have not turned off effort. It is a case of how much they are directing their attention to this compared to the many other issues that they have to focus on.

Senator MOORE: Is the consultation paper on the Pricing Framework for Australian Public Hospital services 2016-17 and call for public submissions still expected for 30 June 2015?

Mr Downie: Yes. The consultation paper will be released by the end of June once it is approved by the authority.

Senator MOORE: So, that is the same one that we talked about before, just with a different title?

Mr Downie: No. The work program is the work carried out by the staff. The pricing framework is the policy document that underpins our pricing.

Senator MOORE: How long is the public submission process for this one?

Mr Downie: Thirty days.

Senator MOORE: Thirty days as standard. That is fairly quick. Is that something that the group is used to? Are they used to a 30-day turnaround?

Mr Downie: They are. Since our inception we have had to work fairly quickly.

Senator MOORE: So they know it is for 30 days?

Mr Downie: Yes, that is right.

Senator MOORE: Can you explain to me what work the IHPA is doing on the refinement in scope of public hospital services criteria?

Mr Downie: The criteria have been set by the authority. They were set back in 2013.

Senator MOORE: And now you are refining them?

Mr Downie: We have a process of annual submissions from the states and territories around services that they would like to be included in the scope which just closed. It closed on Friday as well. We will then consider those submissions for inclusion in the scope for Commonwealth funding.

Senator MOORE: Over the last two years have there been changes as a result of that submission process?

Mr Downie: Yes, changes at the margin, you would say, but the most significant one was the inclusion of older persons mental health services, community mental health services.

Senator MOORE: As a criterion?

Mr Downie: No, as an in-scope service. The criteria have not changed. In some cases states have provided more robust evidence to support the claims for inclusion in the scope.

Senator MOORE: How many staff are presently employed at IHPA?

Mr Downie: As at the end of April our head count was 55.

Senator MOORE: Is your HR work done through the department or is it done in IHPA?

Mr Downie: We have our own HR staff.

Senator MOORE: You are part of that?

Mr Downie: Yes.

Senator MOORE: Are you part of the scoping that you were talking about earlier, Mr Bowles, in terms of looking at duplication of effort across the board?

Mr Bowles: In essence, yes, but it is in a broader context. When I talked about the six into one issue earlier on, it is in that sort of context.

Senator MOORE: So it is in that process. Are you expecting any changes to your head count in the next 12 months?

Mr Downie: No.

Mr Cormack: I would like to give you an answer to the question that you raised before. The ACT figure for 2012-13 with no cross-border funding was $202.5 million. The following year with the cross-border element built into the funding model, it was $278.2 million.

[18:02]

CHAIR: We will move to outcome 3—'Access to medical and dental services'.

Senator McLUCAS: I want to go to the Child Dental Benefits Scheme. The budget papers indicate that $125.6 million has been cut from the Child Dental Benefits Scheme.

Mr Bowles: That is in the acute care space still. It is in this outcome but it is done by the acute care people.

Senator McLUCAS: So I am in the right outcome. Ms Anderson, my first question goes to the cut to the Child Dental Benefits Scheme; why has the $125.6 million cut occurred?

Ms Anderson: My understanding is that what you are referring to is the cessation or the pause on indexation; is that correct?

Senator McLUCAS: I am looking at a budget paper not identified in my briefing papers that says:

The Government will achieve savings of $125.6 million over four years from 2015‑16 by broadly aligning indexation arrangements for both the benefits payable and the benefits cap …

Could you explain that to me?

Ms Anderson: The government decided and announced in the budget that it would institute a pause on the indexation of the CDBS for four years. It does bring it in line with the other benefits programs, as you would be aware. It certainly clarifies the situation in relation to this program vis-a-vis the other programs. There were questions raised as to whether there would be the same approach to indexation applied to the CDBS as has been applied to the NDS. This answers it definitively.

Senator McLUCAS: How is it going to work? How are those figures arrived at? How is it working?

Ms Anderson: It simply holds steady a level of utilisation without anticipating that there would be an increment in terms of the payments increasing for an indexation rate each year.

Senator McLUCAS: What is the rate of indexation now?

Ms Anderson: The program started in January 2014 and, therefore, the program has never been indexed. It has not run sufficiently long to have indexation applied. There is no calculation of indexation, per se.

Senator McLUCAS: When did it start?

Ms Anderson: January 2014.

Senator McLUCAS: That is right. I do need a better explanation, I am sorry. Let me ask the question really simply: is it correct that the funds under the Child Dental Benefits Services go to the states and territories?

Ms Anderson: No.

Senator McLUCAS: Okay, I am confusing my schemes. How does the Child Dental Benefits Scheme work?

Ms Anderson: It is a fee-for-service which is available to dentists in the public or private sector for provision of services to children between the ages of two and 17 who are rendered eligible by virtue of a range of criteria, including that they are a family receiving Family Tax Benefit A. There is an amount of $1,000 payable over two years. They obviously accumulate service value up to that cap over the two-year period. It is a benefit schedule, and so there are schedule fees associated with particular service items, dental items. A dentist providing services to a child who is eligible for CDBS claims the scheduled fee for that particular item.

Senator McLUCAS: So, has there been a freeze on the indexation for the Dental Benefits Schedule?

Ms Anderson: Yes.

Senator McLUCAS: How has that savings figure of $125.6 million been arrived at?

Mr Maskell-Knight: It is assuming that the prices for the benefit levels remained constant, so the only thing driving the estimates is changes in the enrolled or the beneficiary population.

Senator McLUCAS: Is it assuming a growth in the population?

Mr Maskell-Knight: I would have to look at the estimates. I would assume that as the population gets larger, other things being equal, FTBA families will go up as well. The latest estimates for the program were $605 million in 2015-16; $616 million the following year; $630 million in 2017-18; and $656 million in the 2018-19 financial year.

Senator McLUCAS: What do you think will be the behaviour of dentists if the Dental Benefits Schedule is frozen, for want of a better word?

Ms Anderson: We have a very high fee observance among dentists delivering services to the eligible population. In other words, the vast majority bulk bill; 96.5 per cent of services have no out-of-pocket costs now. We do not expect that there is going to be a significant change by dentists to introduce a co-payment by the patient to access those services. Presumably, patients and the families of children will make decisions in relation to where they access care.

Senator McLUCAS: Yes, providing that they have a negotiation with the dentist prior to the service being provided.

Ms Anderson: That would be informed financial consent.

Senator McLUCAS: Would it make any changes to the amount that a parent can claim and the number of services that they can use?

Ms Anderson: No. There is no change in the $1,000 cap over two years.

Senator McLUCAS: Has any modelling been done on the likely impact of those changes to the use of the Child Dental Benefits Scheme?

Ms Anderson: No, I do not believe so.

Senator McLUCAS: You said that 96.5 per cent of current services are bulk billed—

Ms Anderson: In fact, 92.3 per cent of services are bulk billed, but 96.5 per cent of services have no out-of-pocket cost.

Senator McLUCAS: What is the difference?

Mr Maskell-Knight: Three per cent or so of families pay the dentist and they make a claim under Human Services.

Senator McLUCAS: But the rest of them are just straight bulk billed? Is this like the old fashioned doctor check?

Mr Maskell-Knight: No, it is bulk billed. The dentist gets the money directly.

Senator McLUCAS: Okay, but what are the three per cent?

Mr Maskell-Knight: The patient pays and then claims the money back.

Senator CAROL BROWN: Has there been any work undertaken, given the government's position on the change in the family tax benefit A, as to how many families will not be eligible?

Mr Maskell-Knight: As I understand it, these estimates are based on FTBA numbers advised to us by social services. They reflect whatever government policy underpins FTBA numbers.

Senator CAROL BROWN: Have you got those figures?

Mr Maskell-Knight: No.

Senator CAROL BROWN: Can you provide them?

Mr Maskell-Knight: They will be whatever Social Services say FTBA families are. We would have to go and ask them, but yes, we could.

Senator CAROL BROWN: I would like to know how many families, through the changes to Family Tax Benefit A, will no longer be eligible. Could you provide that? That would be good.

Mr Maskell-Knight: It would be exactly the same number that are not eligible for FTBA. If you are eligible for FTBA then you are eligible for the Child Dental Benefits.

Senator CAROL BROWN: If you could provide it to me, that would be good.

Mr Maskell-Knight: Okay.

Senator McLUCAS: Has there been any delay to the National Partnership Agreement on Public Dental?

Ms Anderson: I think you are referring to the second National Partnership Agreement on Adult Public Dental Services. We are hoping to put an offer to states and territories in relation to that NPA very shortly.

Senator McLUCAS: That is my confusion. Last year we heard that there was promotion of the scheme once in the family tax benefit mail-out. What else has been done to promote the scheme in the last 12 months?

Ms Anderson: The work of communications generally, in relation to CDBS, is the responsibility of the Department of Human Services.

Senator McLUCAS: Has Health done nothing to promote the scheme?

Ms Anderson: It is actually not our responsibility. It is run from DHS and they have carriage of the communication. They are the ones who send out advice to eligible families and they manage the website. It makes more sense to coordinate it and centralise it with them.

Senator McLUCAS: Does Health purchase that activity from DHS?

Mr Maskell-Knight: The Department of Human Services gets the money appropriated directly to them for those promotions.

Senator McLUCAS: Does Health have any role in negotiating through the budget process that there should be payment for promotion?

Ms Anderson: Not payment specifically, but we certainly have dialogue with DHS in relation to how they are going, what they are doing and the content of communications that they issue.

Senator McLUCAS: Do you know whether there has been any promotion of the scheme through DHS in the last 12 months?

Ms Anderson: I would have to take that on notice. I am happy to find out.

Senator McLUCAS: Has the department done any research on the awareness of the scheme in the eligible population?

Ms Anderson: We have not, but DHS may have. We can take that on notice, too.

Senator McLUCAS: That is great. How many services have been provided under the scheme since its commencement?

Ms Anderson: We have provided 5.6 million services since the beginning of January 2014.

Senator McLUCAS: To how many children?

Ms Anderson: To 1,047,192 patients.

Senator McLUCAS: That is very specific.

Ms Anderson: Yes.

Senator McLUCAS: Do you know what the eligible population is?

Ms Anderson: It is 3,062,309. That was the eligible population in 2014. It may have shifted.

Senator McLUCAS: So you are really only getting to half the population?

Ms Anderson: Yes. We have certainly seen a pick-up in the utilisation rates year on year, unsurprisingly. We are anticipating that there will be further take-up of the benefit entitlement, if you like, as time goes on. This is not unusual. As trajectories go, you would expect that it would take some time for families to understand fully what was available to them and then to take advantage of that access.

CHAIR: This will be your last question for now.

Senator McLUCAS: What is the breakdown of ASGC classifications and do you also have the numbers by federal electorate?

Ms Anderson: I cannot answer either of those questions. I am happy to take them on notice.

Senator McLUCAS: That is great. Is it possible to do that with the way the data is collected?

Ms Anderson: We could map it to electorates if that was your preference. Certainly, we can do it by rurality.

Senator McLUCAS: That would be great.

CHAIR: I apologise for this. Before I go to Senator Siewert, Mr Cormack, I want to clarify the answer you gave in a previous area when you came back with some additional information for me. If you need to take this on notice, that is fine. The $278.2 million figure that you gave me was not the budgeted figure. Was that the delivered figure in 2013-14?

Mr Cormack: That is correct.

Senator McLUCAS: How many people are now paying a gap under the scheme?

Mr Maskell-Knight: It is 3.5 per cent of services.

Senator McLUCAS: What is the average gap?

Ms Anderson: I do not think we have that information here. We will see if we can find that for you.

Mr Maskell-Knight: Across the country the average out-of-pocket per service where an out-of-pocket is charged is $24.95.

Senator McLUCAS: What are the most common treatments received under the scheme?

Ms Anderson: We will have to take that one on notice.

Senator McLUCAS: That would be great. What I am interested in knowing is if you could rank the treatments from clean through to braces, or whatever it is, and also the proportion of the treatments that are those item numbers.

Ms Anderson: I am happy to do that.

Senator McLUCAS: Has the department been reviewing the operation of the CDBS?

Ms Anderson: Not specifically, beyond the standard monitoring.

Senator McLUCAS: What would the standard monitoring entail?

Ms Anderson: We look at the activity data and the expenditure data and we produce an internal report for ourselves on a monthly basis.

Senator McLUCAS: Which way is the usage tracking? Is it up?

Ms Anderson: Yes. As I said earlier, the take-up is increasing and we see a fairly steady trend to a greater proportion of the eligible population accessing the service.

Senator McLUCAS: Is the growth in line with what was predicted when the program was designed?

Ms Anderson: We probably anticipated a slightly more rapid take-up, but it is not unusual or grossly atypical. It is increasing as one would expect it to do.

Senator McLUCAS: But was it not predicted that way when the program was designed?

Ms Anderson: We just anticipated it might be a slightly more accelerated uptake, but we are not particularly surprised to see it trending the way it is. It is moving in the direction that we anticipated.

Senator McLUCAS: I think I may be getting confused again, but was this the program that was deferred in the 2014-15 budget and funded from 2015?

Ms Anderson: That is the second National Partnership Agreement on Adult Dental Services.

Senator McLUCAS: I am happy to move now to the National Partnership Agreement on Adult Public Dental Services. Can you confirm that the 2014-15 budget contained a $390 million cut over four years by deferring the National Partnership Agreement for Adult Public Dental Services?

Ms Anderson: It appeared as a cut. I can confirm that by shifting the expenditure one year onwards, we lost the final year across the forward estimates.

Senator McLUCAS: Just remind the committee how the adult public dental service works. Is this a payment directly to states and territories?

Ms Anderson: That is correct, it is a national partnership agreement.

Senator McLUCAS: Is that to relieve the waiting lists in those state publicly run dental facilities?

Ms Anderson: That is correct. We have not yet finalised this agreement with states and territories. As I said slightly earlier, we are looking to offer this agreement to states and territories very shortly.

Senator McLUCAS: Has the funding showing in this budget not been negotiated? Is there money in this budget that was deferred from last year?

Ms Anderson: Yes. The difference in this budget is that it is a single year. Last year's budget had a four-year profile; this is a single year for 2015-16.

Senator McLUCAS: So, it is only for this current year. Are the NPA negotiations around a single year or over a five-year period?

Ms Anderson: It will be an agreement for a single year.

Senator McLUCAS: Is that it? Is that all that is being offered?

Ms Anderson: Yes, that is what will be on the table. The budget announcement indicated that we would also be using 2015-16 to have a discussion with states and territories and other key stakeholders about potential reform of dental funding.

Senator McLUCAS: What has been the response from states and territories?

Ms Anderson: They are obviously enthusiastic about getting funding from the Commonwealth to continue the work they have been doing in reducing waiting times for public dental patients.

Senator McLUCAS: Are they enthusiastic also about the fact that it is for one year only?

Ms Anderson: We have not had that specific discussion with them yet.

Senator McLUCAS: The enthusiasm has not been shared, because it is for one year.

Mr Bowles: I might add that they will be enthusiastic about having a conversation about dental funding in the longer term, though.

Senator McLUCAS: Providing they are a part of that funding arrangement?

Mr Bowles: That is correct. That is the commitment we have. We talk to them about those sorts of issues.

Senator McLUCAS: Is this 12-month national partnership agreement a continuation of the NPA for adult public dental services or is it a different agreement?

Mr Cormack: It is a one-year new agreement.

Senator McLUCAS: With the same principles that were sitting in the old agreement?

Ms Anderson: As I say, we have not yet put the offer to states and territories, so it is a bit premature to talk about the content. In terms of the funding level, the $155 million in the budget papers holds to the funding level, by and large, that is included in the final year of the treating more dental patients NPA, which is the one we have now that is terminating in June this year.

Senator McLUCAS: Will the same services be funded under this agreement as was previously funded under the old one?

Ms Anderson: Again, we have not yet put the offer to states and territories. The heading of the NPA, adult public dental services, probably gives you a clue about the targeting.

Senator McLUCAS: Yes, but is there a discrete number of services that can be provided through the adult public dental scheme or is it all services that can be delivered through the funding? Does it say that you can only have these types of items?

Ms Anderson: No. It is essentially that we are funding the states and territories to deliver services to public dental patients.

Senator McLUCAS: Why does it not have any money allocated to it in Budget Paper No. 2?

Ms Anderson: In Budget Paper No. 3 there is $155 million.

Senator McLUCAS: I am advised in Budget Paper No. 2—

Mr Bowles: Budget Paper No. 2 will be the changes, I think. That is because the money is already there; it is just extending for the one year.

Senator McLUCAS: It is not extending it, I don't think, Mr Bowles. I think that it was not paid last year but will be paid this year.

Ms Anderson: There was appropriation. In budget 2014-15, there was a reporting of allocations across four years, although 2014-15 was zero, and it was 2015-16, 2016-17, 2017-18. The rendering of that budget this year is that there is already a commitment to the funding, so there was no need to report it twice in Budget Paper No. 2. However, you will find a reference to it in Budget Paper No. 3, on page 26.

Senator McLUCAS: So the money that was indicated in the 2014-15 year for 2015-16, 2016-17 and 2017-18 does not show in this current budget. Is it only the $155 million for this current year?

Ms Anderson: That is correct. In Budget Paper No. 3, page 26, the figures for the three subsequent years are rendered as NFP, not for publication.

Senator McLUCAS: Is that because you were negotiating that or considering what you might want to do with it?

Ms Anderson: Yes.

Senator McLUCAS: You may not be able to answer this, but can I have a breakdown of how the $155 million is proposed to be distributed amongst the states and territories?

Ms Anderson: I refer you again to Budget Paper No. 3, page 26, where we do have an indicative allocation by jurisdiction.

Senator McLUCAS: Was this commitment funded by the cut to the Child Dental Benefits Scheme? It was in your budget last year.

Ms Anderson: As we have already observed, it was projected last year, yes.

CHAIR: Senator McLucas, I know that we are around the time for dinner but if you have the ability to finish this area then—

Senator McLUCAS: My timing is perfect, Chair. I am finished.

CHAIR: Perfect. Thank you very much. I think we are done with dental. We will break now for one hour for dinner.

Proceedings suspended from 18:29 to 19:30

CHAIR: We will recommence. Welcome back. Senator McLucas.

Senator McLUCAS: I want to go to the Medicare indexation freeze. I understand that the freeze on MBS fees will go until 2018-19. Is that is what is indicated in the budget?

Mr Bowles: That is correct.

Mr Stuart: Until 1 July 2018.

Senator McLUCAS: Does it indicate in the budget papers that it will end on 1 July 2018?

Mr Bowles: I think that is right, yes.

Mr Porter: It is intended that rebates are indexed again on 1 July 2018.

Senator McLUCAS: Has there been any work on the cost of resuming indexation in 2018-19? Is that reflected in the budget papers at all?

Mr Bowles: No, not at this stage, I don't believe.

Mr Porter: No, I do not think so. I think that is the limit of the forward estimates.

Senator McLUCAS: But have you done any work on what the reintroduction of indexation would look like?

Mr Bowles: I think the minister has been in the public arena recently saying, if the review of the MBS item numbers can achieve other ways of actually looking at this issue, she will reconsider the indexation pause, and in the context of those MBS reviews we will do some work. We have not done that yet, but we will do some work based on whatever comes out of

that particular process. If there is a capacity to stop the pause and still deliver the savings, I think we will have a look at that.

Senator McLUCAS: When is the MBS review reporting? I know we have talked about that today, but when does it propose to report?

Mr Bowles: The early report will be around that Christmas time as well, but there will be a range of review activities that will go over a longer period of time.

Senator McLUCAS: So you have not done any work on actually quantifying the costs of re-establishing indexation at that time?

Mr Stuart: No. Because the freeze on indexation is in the budget for a fixed period, in terms of government budgeting there is no cost to resume indexation from the date budgeted.

Senator McLUCAS: I do not understand that.

Mr Stuart: It is already factored in.

Senator McLUCAS: For the resumption in 2018?

Mr Stuart: From 1 July 2018.

Senator McLUCAS: Can you walk me through that in the budget?

Mr Stuart: Sure. There is a policy, which is the freeze on indexation, which led to a save against the background of the current forward estimates. After the save is completed, the estimates resume, so the indexation resumes, without an additional cost to government policy. It is the save that comes off the estimates, not the re-introduction of indexation that adds to the estimates.

Senator McLUCAS: I understand. Tell me then what would happen to, let us say, the standard scheduled fee for a standard consultation at the point of re-introduction on 1 July 2018? What happens to the price of that item?

Mr Stuart: It would then be indexed by the then applying indexation parameter.

Senator McLUCAS: But not picking up the years that have been lost—

Mr Stuart: That is right; we will start from a lower base.

Senator McLUCAS: You start again.

Mr Bowles: That is right, it starts again, on the assumption that there are no other policy changes of course.

Senator McLUCAS: So what would a standard consultation be costed at? What is a standard consultation now—$34?

Mr Bowles: $37.

Mr Porter: $37.05.

Senator McLUCAS: On 1 July 2018 what will a standard consultation be?

Mr Bowles: It will depend on what the indexation is at that particular point in time. It will be $37.05 multiplied by that.

Senator McLUCAS: A small amount.

Mr Bowles: A small amount. I go back to what the minister has said. If there are saves that are found in the context of the MBS reviews, she will consider looking at the indexation pause.

Senator McLUCAS: There are a lot of balls in the air at the moment, aren't there?

Mr Bowles: We have a job to do to look at the broader issues around Medicare, the MBS and primary care. It is a very exciting time in fact.

Senator McLUCAS: Has the government done any modelling of any change to bulk-billing rates as a result of the freeze?

Mr Stuart: No, we have not modelled that. I do not think it is actually capable of being modelled.

Senator McLUCAS: But you do expect some change in doctor behaviour though, their billing behaviour?

Mr Stuart: I think so. Against the background of a system now which is very mixed where some doctors fully bulk-bill, some doctors do not bulk-bill at all and many doctors bulk-bill some patients and privately charge others, you would expect an incremental change in the behaviour of some doctors. There will be some doctors who continue doing exactly what they do now and there will be some doctors who make some small changes.

Senator McLUCAS: What is the rate of bulk-billing at the moment?

Mr Porter: Overall on the MBS it is 77.5 per cent, which is the highest it has been. That is across the entire MBS, including GPs and specialists.

Senator McLUCAS: If you just took GPs alone, what would the rate be of bulk-billing GP services?

Mr Porter: It is in the low 80s.

Mr Stuart: I am looking at the figures for the bulk-billing rate in the March quarter 2015 for total GP attendances. The bulk-billing rate across Australia is 77.8 per cent for GP attendances.

Senator McLUCAS: So you said it was 77.5. Was that for all attendances?

Mr Porter: That is for all attendances. For GP attendances, excluding practice nurse items, it is 84 per cent.

Senator MOORE: What about specialists?

Mr Porter: I do not think I have specialists figures with me.

Senator MOORE: Can you take that on notice?

Mr Porter: We can take that on notice.

Senator MOORE: I have always got my suspicions about specialists, so that would be good.

Mr Bowles: It cannot be that different if it is 84 per cent to 77 per cent.

Senator MOORE: No, that is what I am interested in. It must just be my specialists.

Senator McLUCAS: But the bulk of attendances are GP attendances, aren't they?

Mr Stuart: The majority of attendances are, yes.

Senator McLUCAS: So you have done no modelling on what you think would happen to bulk-billing rates as a result of the freeze at all?

Mr Stuart: No.

Senator McLUCAS: So you do not think that those rates will go down very much?

Mr Stuart: No, we do not think that those rates will change very much. You have to acknowledge that there will be incremental change over time but there is no reason to think that it will be dramatic since the change in remuneration is in the order of six to seven per cent over the period.

Senator McLUCAS: Are you saying that you expect doctors will take a cut in their remuneration of about six or seven per cent over that period?

Mr Stuart: No, that is not what I am saying. I am saying that some doctors will not change their billing; others will change their billing practices incrementally. As we know, we already have a very mixed system of fully-bulk-billing doctors, fully-privately-charging doctors and doctors in the middle, and there will be some incremental change in behaviour by some doctors. It is not something that we can model. If we tried to model it, our assumptions would turn into our conclusions.

Senator McLUCAS: Have you had any correspondence from the medical profession about what they expect to occur with billing behaviour?

Mr Porter: I understand we have had a range of correspondence, but I am not aware that we have had anything specifically about the effect of remuneration.

Senator McLUCAS: Has any research or modelling been done in the health economics sector around what is expected with the freeze on indexation for that period?

Mr Porter: As you would be aware, there was an article in the *Medical Journal of Australia* recently.

Senator McLUCAS: In essence, what did that say?

Mr Porter: That suggested there would be about a seven per cent impact on GPs' remuneration over the period of the freeze, but there are a number of issues that we would have with that particular calculation. The principal one is that the authors of that article have assumed that Medicare fees are indexed by CPI, but they are actually indexed by Wage Cost Index no. 5, which in general is somewhat lower than the Consumer Price Index.

Senator McLUCAS: Has Health done a recalculation using the right WCI?

Mr Porter: We have. What we estimate is that if you use the Wage Cost Index average for the last 10 years, which is 2.07 per cent, a level B consultation—or a standard consultation, item 23—would be $2.35 less than if the pause had not been in place.

Senator McLUCAS: So it is $38 at the moment—

Mr Porter: $37.05.

Mr Stuart: $37.05.

Senator McLUCAS: Sorry. So that would take it up to $39.05.

Mr Porter: It would be $39.40 by 2017-18, based on that Wage Cost Index average.

Mr Stuart: It is based on a past average of increases in the Wage Cost Index.

Senator McLUCAS: Have you done thinking about what that would mean to the income of, say, run-of-the-mill GPs?

Mr Stuart: I said before, Senator, that it is in the order of six per cent over the period.

Senator McLUCAS: What would it do to the income of the GP who is doing an average number of standard consultations in the year 2017-18?

Mr Bowles: I think, Senator, there are far too many assumptions in there about different practices and different GPs. If we get the reviews of the MBS items, there are a whole range of things that will impact well before that time. As Mr Stuart said, there is going to be mixed behaviours in the context of this. There will also be activity changes and all sorts of other changes to the schedule, I would suggest, in that time. So it is pretty hard to model that sort of behaviour.

Senator McLUCAS: But if you are not doing the modelling, you are not going to understand the impact this changed policy might have on doctors' behaviour and therefore patients' access to their doctor. Surely we need to think that through before we say, 'Right, we'll freeze the MBS for a period of four years.'

Mr Stuart: Bulk-billing rates are variable over time. They are currently at a relatively high point. They have continued to rise in the most recent quarter, despite all the debate. It is hard to predict exactly what will occur. Pathology items have not been indexed since 1 November 1999, and the bulk-billing rate is still high—very high.

Senator McLUCAS: I do not know that it is right to compare pathology and GP attendance.

Mr Stuart: I am just saying there are other factors at play.

Mr Bowles: They are the behaviours that come into play during that period of time. There are some indicative things. I do not think they behave exactly like pathology, but that is indicative of what actually happens. Their rates are extremely high I think, aren't they?

Mr Porter: I think overall about 87 per cent, and for out-of-hospital services I think it is above 99 per cent, even for pathology.

Senator McLUCAS: The most recent quarter is the March quarter?

Mr Porter: That is correct.

Senator McLUCAS: The extension of the freeze was not announced until the budget?

Mr Bowles: No. It was announced late last year.

Senator McLUCAS: The extension of the freeze?

Mr Bowles: Late last year, wasn't it? December?

Ms Cahill: Yes, I believe so.

Senator McLUCAS: When was this?

Mr Bowles: December.

Senator McLUCAS: You can imagine then that it might have had some impact on the first quarter.

Mr Stuart: We did hear at the time anecdotally, including from senators asking us questions, that there were doctors advising they were going to radically change their billing practices. But it does not seem to have flown through to the aggregate data at this point.

Senator McLUCAS: We have had that evidence at the Senate select committee from many doctors. Have you thought about what impact the freeze might have on private patients receiving treatment in hospitals?

Mr Bowles: In what way? Private patients will use their insurance scheme through hospitals.

Senator McLUCAS: We hope! I suppose that is the intent of the question: do you expect that private patients will stop using their private health insurance?

Mr Bowles: GP services do not attract hospitalisation in the main. It is for—

Senator McLUCAS: specialist services.

Mr Bowles: specialist services.

Senator McLUCAS: Did you have any advice?

Mr Bowles: I would not imagine there would be any impact. I could not think of any.

Mr Porter: No. We do not anticipate any.

Senator McLUCAS: Has there been any thinking or modelling around the cost of reversing the indexation?

Mr Bowles: I said before that we have not started that yet, but, through this process that we have underway now in the MBS reviews, that is something we would look at, if we can find other mechanisms to deal with that.

Senator McLUCAS: What would be the annual cost to the Commonwealth of reversing the indexation freeze from today and for each of the financial years 2016-17, 2017-18? Can a breakdown of that be provided for GP items and non-GP items.

Mr Bowles: It is probably best that we take that on notice.

Senator McLUCAS: You do not have that in your brief?

Mr Stuart: No. We know the amount of the projected savings from the measure, but—

Mr Bowles: that is not the same thing.

Mr Stuart: that is not the same thing. It is a different time frame, and you are asking for a further breakdown. We will need to take that on notice.

Senator McLUCAS: The department is aware—I think Mr Porter has indicated—of analysis published in the MJA that the freeze would cost GPs $384.32 in 2017-18 dollars per 100 consultations. That is the report you were referring to Mr Porter?

Mr Porter: Yes. The MJA article from I think 16 April.

Mr Bowles: The indexation they used was separate to what the normal indexation would be. Their figures were roughly three dollars something per patient and ours would be something like two dollars something per patient.

Senator McLUCAS: What would that $384.32 per 100 consultations be?

Mr Stuart: We have not done that bit of work. I said to you before: an estimate of around six per cent. I think if we go further than that we are at a bit of a risk of creating a future scenario based on estimates. We have an estimate of what WCI5 has been in the past, but we do not know what it is actually going to be over the next four years, year on year. So we are working with estimates, and it is possible that we might have very low rates of inflation.

Senator McLUCAS: Or high.

Mr Stuart: Yes.

Senator McLUCAS: Is there any way that you can come to a view about the change in out-of-pocket costs for patients as a result of the freeze? How would you try and work that out?

Mr Bowles: It would be the same answer, I think. There would be too many improvised issues, and it depends on doctor practice. It will depend on a whole range of activity related issues over a period of time. As we have said, the bulk-billing rates have not changed that dramatically in recent times, and they are at all-time highs, so on that basis you would not expect there to be great change. But, again, we are surmising a whole lot of activity and behaviour issues over a period of time.

Senator McLUCAS: Have you interrogated the data in any way that shows that out-of-pocket costs grow for certain cohorts of the population or certain types of services with a freeze on remuneration at all? Is there any way to interrogate data around out-of-pocket costs, given Mr Stuart's comment about some doctors bulk-billing part patients, and particularly the role of specialists?

Mr Bowles: I think it suffers from all the same sorts of issues. It would be very imprecise to even attempt to model that. Out-of-pockets mean doctors' billing practices change. We are saying we cannot really predict some of those sorts of issues, because it is based on too many variables. Therefore the out-of-pockets are the same sort of issue.

Senator McLUCAS: Has the department considered the possibility that some private health insurers will no longer enter into a no-gap or known-gap arrangement because of the indexation freeze?

Mr Bowles: It has not been something that I have heard from any of the private insurers, no.

Mr Porter: I have heard it anecdotally, but I do not have anything definitive about that. That would be part of contractual arrangements between private health insurers and hospitals, and we are not party to those.

Senator McLUCAS: I know, but it does affect the access to health by the community. Is the view that some private health insurers are—

Mr Porter: I am aware of some private health insurers who have suggested that they may hold particularly their preferred provider fees stable, but in general preferred provider fees are higher than the MBS fee anyway. I have also heard some insurers who suggest that it will make no difference to them, that to maintain particularly their contracted hospital networks and their preferred provider arrangements, they will continue to index as they would have irrespective of any pause on indexation of MBS fees.

Senator McLUCAS: Thank you. I have covered off the Medicare indexation freeze activities.

Senator MOORE: I have some questions on Healthy Kids Check.

CHAIR: We will go to Senator Moore for questions on Healthy Kids Check, and then Senator Reynolds has some questions in another area.

Senator MOORE: Can you tell me what item numbers were covered through the Healthy Kids Check?

Ms Cahill: The way that the health assessment items are provided through Medicare is that there are four timed health assessment items which can be used for a range of different health assessments, currently including the Healthy Kids Check. Most healthy kids checks that are provided by GPs are provided through one of those items, item 701.

Senator MOORE: Which is how long?

Ms Cahill: It is a brief health check of less than 30 minutes. And there is item 703, which is a health check of at least 30 minutes and less than 45 minutes; item 705, which is a health check of at least 45 minutes and less than 60 minutes; and item 707, which is a health check of more than 60 minutes. In addition, item 10986 provides for a healthy kids check provided by a nurse practitioner or an Aboriginal and Torres Strait Islander health practitioner on behalf of and supervised by a GP.

Senator MOORE: There is no time limit on that one?

Ms Cahill: No, that is not timed.

Senator MOORE: Do you have data on which were the most popular usages across those item numbers?

Ms Cahill: Because the four 700-number items are used for all checks—

Senator MOORE: So there is no 701-A which is Healthy Kids?

Ms Cahill: No.

Senator MOORE: It is any consultation of less than 30 minutes. So we have no idea which ones were used most except for 10986?

Ms Cahill: We do have some idea of that. What we have done in looking at these items is to make an assumption that most of those health assessment items that are provided for children in the zero to five age group are most likely Healthy Kids Checks. We cannot be precise because some of them may be for some of the other health assessment groups but we expect that most of them are for Healthy Kids Checks.

Senator MOORE: So there is some indicator in the item number that shows what age the patient is?

Ms Cahill: It is not in the item number—

Senator MOORE: How do you know then?

Ms Cahill: From the patient information for the item that has been claimed.

Senator MOORE: So you can transfer that as well?

Ms Cahill: Yes.

Senator MOORE: With that trawling, what assumptions have you made—and it is very unusual to hear that officers are making assumptions—against those items as to what 'could be' the most popular for a Healthy Kids Check?

Ms Cahill: The most popular item for the Healthy Kids Check is item 703.

Senator MOORE: That is less than 45 minutes but more than 30 minutes. So that would be the most common usage. What about 10986? How often is that used. That is the one that is

particularly linked to Healthy Kids and using a nurse practitioner. I would have thought that that may have been popular.

Mr Porter: In 2013-14 there were 23,467 services of 10986 provided.

Senator MOORE: I have no idea of whether that is big, or not, in terms of the usage generally.

Mr Porter: In terms of the total health assessment items for children aged zero to four, as Ms Cahill has said, there was a total in 2013-14 of 157,680.

Senator MOORE: That is not insignificant.

Mr Porter: It is not insignificant.

Senator MOORE: What changes are being made to achieve the proposed savings, which I believe is $144.6 million? What are the proposed changes to achieve that result?

Mr Porter: Those items are going to be removed from the schedule.

Senator MOORE: So 10986 would be removed?

Ms Cahill: Item 10986 would be removed from that schedule.

Senator MOORE: And 701 and all the others you listed will not be able to be used for a Healthy Kids Check?

Ms Cahill: Yes. The Healthy Kids Check provision will be removed from the regulations.

Mr Stuart: Thank you, Senator, for answering that question so clearly!

Senator MOORE: I got the answer. I just wanted to make it clear. What services were actually delivered under the Healthy Kids Check? I am sure we have had this discussion in the past. For me to have a Healthy Kids Check for a child, what was I expected to get out of that? Was there a checklist that I had to go through to complete a Healthy Kids Check?

Ms Cahill: Yes.

Senator MOORE: So it covered what—ears, eyes, weight?

Ms Cahill: I have got that here somewhere.

Senator MOORE: Can you provide that on notice. I can check that out of later.

Ms Cahill: Yes, we can certainly provide that on notice.

Senator MOORE: Were GPs consulted on the process?

Mr Stuart: Do you mean were GPs consulted in relation to the budget measure?

Senator MOORE: Yes. I know the answer, but I am still going to ask the question.

Mr Stuart: No. You would be aware that there are many budget measures that are not consulted on.

Senator MOORE: Mr Porter, you have already told me how many children have access the Healthy Kids Check, and that will be in the *Hansard*—200 and something.

Mr Porter: To clarify: it is the number of services.

Senator MOORE: So what would be the difference there? My understanding is that the Healthy Kids Check was billed as a whole thing; it did not matter what services were in there, they only charged for the whole thing.

Mr Stuart: Mr Porter is making the distinction between the number of individual humans who might have been assisted and the number of occasions of service. The number he gave you is the number of occasions of service, not the individual things that might have been done in one of those.

Senator MOORE: But the number of occasions of service would be the number of children who received a Healthy Kids Check?

Mr Stuart: No.

Ms Cahill: In this case. Ordinarily, with Medicare services we can have multiple services provided to a single patient. In the case of Healthy Kids Check, you are correct that the service is only able to be provided to each child once. So, yes, the number of services should be for the number of children.

Senator MOORE: Yes, that is right. Because you could only have one per kid, couldn't you?

Ms Cahill: Yes, that is correct.

Mr Bowles: Based on the earlier assumptions that Ms Cahill put in there.

Senator MOORE: I take the point that, in some areas, there would be a difference. But, in this one, whatever the number Mr Porter read into *Hansard* is how many Healthy Kids Checks there were.

Mr Stuart: Senator, bear with us a little here. I have been doing this since September. Shane is usually a member of the division but has been acting in this role for a couple of months. We will rely on Fifine a fair bit to keep us on the straight and narrow.

Senator MOORE: Don't take too much responsibility! Okay, we will get that; and we will always get a letter from you later if there is something, so that is fine. Does the department have data on what referrals were made as a result of the program? My understanding of the program was that it was supposed to be a comprehensive check to pick up any issues which then could be referred on to early intervention for treatment. That was part of the promotion around this process. Do you have any data on how many referrals came out of Healthy Kids Checks?

Ms Cahill: No, our data does not really allow us to ask that sort of question.

Senator MOORE: Does your data have any indication of what conditions were identified?

Ms Cahill: No. We only have payments data.

Senator MOORE: Can the number of services of children who access the program be provided by age and location?

Ms Cahill: Yes.

Senator MOORE: So allowing for privacy issues you can still provide the age and location? It would be very useful to see whether some regions are using it more and whether there are cohorts that are using it more. My understanding also is that sometimes when parents take up the service if they tell other parents it is more likely to be that methodology of promoting a service than anything else. So it would be nice to test out whether area north in Brisbane had a lot of three-year-olds having a Healthy Kids Check. I would like to know why.

Ms Cahill: Certainly we see quite a different take-up by state or territory. Senator, when you say you would like that data by area, at what levels—

Senator MOORE: Age and location. What is the model of collection of this data for location?

Ms Cahill: It is collected as Medicare data. We have the postcode of the provider and the postcode of the patient.

Senator MOORE: We would like it at level if we could.

Senator McLUCAS: Could that be transferred into federal electorates?

Mr Porter: Yes, it can. There is what is called a map between postcodes, electorates, ASGC classifications et cetera.

Mr Stuart: I think we are getting towards quite a large piece of analysis.

Senator MOORE: Can you consider what you can give us? That is our standard process. You know what we are after. Could you consider what would be accessible through that the process?

Mr Bowles: We will take it on notice.

Senator MOORE: What we are really trying to get down to is: where was this used and what was the impact of the use of this program?

Senator McLUCAS: By federal electorate would be great.

Mr Stuart: We will take it on notice and see what is doable within appropriate resources.

Senator McLUCAS: Thank you.

Senator MOORE: You actually said that, on the best assumption you can give, item 703, which is a consultation of less than 45 minutes but more than 30 minutes, is the most commonly used item. In terms of general usage of GPs, would an hour consultation with a GP come under item 705?

Ms Cahill: In relation to a health assessment?

Senator MOORE: Yes.

Ms Cahill: Yes. Item 705 is a health assessment of between 45 and 60 minutes.

Senator MOORE: One of the arguments given when this particular thing was scrapped in the budget was that parents would be able to get a similar service by using other processes with their GPs. I am trying to get a comparison of costs between the Healthy Kids Check, which was a standard cost, and an item. So that was done and would not have any out-of-pocket normally. If you wanted the same range of checks—and you are going to provide me with the checklist for what came under healthy kids—has there been any discussion with the people who look at Medicare about how long a consultation would take to do the same number of services?

Ms Cahill: Because the health assessment items are tiered, if we were trying to make that comparison I think we would do it on the basis of time rather than by looking at the checklist of services.

Senator MOORE: Is the department's proposal that you would be able to get the full services of what used to be a Healthy Kids Check with another appointment with the GP? That is the proposal.

Mr Stuart: Yes. You could always take your child to a doctor and use an ordinary GP item, but we would prefer to see parents taking their children to state and territory government child health and maternal services, which are set up with a range of checks and are funded by states for doing so and which provide continuity of care over a period of time.

Senator MOORE: Do they provide all the same services so that everything that was on a Healthy Kids Check as we knew it—would the child and maternal services in every state, because I know there are variations between states and territories, have a comparable service that would equate to the full benefit of the Healthy Kids Check?

Mr Porter: As you have said, there are differences between states and territories but in general the states and territories have much more intensive and comprehensive packages of services. For example, in the ACT, which are most familiar with because of the age of my children, there are child health checks at zero to four weeks, six to eight weeks, four months, six months, 12 months, 18 months, two years, three years and four years or before school.

Senator MOORE: So for every child who is registered, there is an opportunity for them to go through the whole series—just like a car servicing, tick them off?

Mr Porter: That is correct.

Senator MOORE: And you keep a little record—

Senator McLUCAS: In the glove box!

Mr Porter: You have a log book.

Senator MOORE: Yes. You just keep a little record at two months, three months, and then the comparison would go with any condition that could well be identified?

Mr Porter: That is correct.

Senator MOORE: One of the groups which has spoken to me about issue is the speech pathologists. You may know that this committee did an extensive hearing into speech pathology services about 18 months ago. In that inquiry they talked about the value of the Healthy Kids Check in terms of getting their services into the minds of parents and communities because one of their big concerns was that nobody knew about the value of the speech pathology and no-one actually picked up early that kids have this issue. They raised concerns about the Healthy Kids Check going. From your work with the comparisons with states and territories, is the speech pathology issue picked up fully at state and territory level?

Mr Stuart: I do not think we can answer that categorically today.

Senator MOORE: Can you take that on notice?

Mr Stuart: Yes, we can take that on notice. I have in front of me a list of what each state and territory do in general but it is not broken down to the level—it is in some cases, education and support, on a range of things, nurse and doctor intervention, et cetera, but it does not get to that level yet.

Senator MOORE: It was a specific element that was picked up in the Healthy Kids Check. I am not sure why or where the stimulant came from but it was raised particularly in

our inquiry and is something we have watched because we did learn about the importance of getting that support very early. If you would take that on notice to see whether the comparison with states and territories do have that professional support with speech therapy that would be great.

Mr Stuart: In doing that I would also like to see what we told GPs that they were required to do because I am not certain that all GPs would be trained in speech pathology.

Senator MOORE: I think it was the referral process. That is why I asked about whether you had any data on the referral process. The information we got was that for the GPs—and you can never speak for every practitioner—in general it was one of the flashpoints. We had significant evidence in our inquiry that it was through referral from GP Healthy Kids Checks that the family could have the option of whether they wished to take more action or not. No-one can confirm whether every family did, but at least it could be some explanation to go and speak with a speech therapist. And there had been good relationships established between the speech therapy associations and some GPs. That is the background to the process.

Mr Stuart: All right. We have taken that question on notice.

Senator MOORE: Do you have any data on the number of Indigenous children who access the program?

Ms Cahill: No. There is a separate Indigenous health assessment that we generally expect is more likely to be claimed for Indigenous children.

Senator MOORE: It happens most in remote areas, though, does it not? Senator Peris probably knows much more than I do that the special Indigenous check is being used with the Indigenous medical services in the North a lot. But your data indicates that the Indigenous population would be using the Indigenous program as opposed to the standard Healthy Kids Check?

Ms Cahill: I would have to double-check that. We could take that on notice.

Senator MOORE: If you could, that would be great. And is it possible to get a comparison between what is included in the Indigenous Healthy Kids Check—or whatever it is called—as opposed to what was in the other Healthy Kids Check, just to get a little bit of comparison?

Ms Cahill: Certainly.

Senator MOORE: Was there an importance of recording height and weight as part of the Healthy Kids Check? Was that a standard process?

Ms Cahill: Yes.

Senator MOORE: And that was for general health—the importance of doing that? I am just asking about the importance of that. And do you have any idea whether there was any particular link between Healthy Kids Checks and immunisation? That was another point that was being raised—that, if the kids came into the GP to have their checks, that would be another reinforcement of the need for immunisation. Was that part of the Healthy Kids process?

Ms Cahill: I think the timing of the Healthy Kids Check, at four years, was intended to complement that that was a time that children also needed to have immunisations.

Senator MOORE: And, if they had not been immunised at that point, it was almost a danger zone, going into school and so on? That was why the four years was important?

Ms Cahill: I was believe the timing was associated with immunisation provision. The complete detail of why I am not familiar with.

Senator MOORE: That is fine. Thank you for that. If you have got all those things we want on notice, that would be useful. There may well be, when we get those, some supplementary questions we will put back into the system. Thank you.

Senator SMITH: Mr Porter, you gave us some figures in an earlier part of the conversation, and I was not paying as much attention then as I have been. But the figure you gave us was 26,467, and then you give us another figure, which was 153,725. Is that correct?

Mr Porter: What I gave was what we estimate to be health assessment services for the financial year 2013-14 for children aged zero to four.

Senator SMITH: And that was the 153,725?

Mr Porter: One hundred and fifty-seven thousand six hundred and eighty.

Senator SMITH: Okay. And the figure 26,467 was?

Mr Porter: Twenty-three thousand four hundred and sixty-seven was the number of services provided under item 10986 in the 2013-14 financial year.

Senator SMITH: Can you tell me how many Healthy Kids Check services were provided—the services themselves, not the children—in 2008-09?

Mr Porter: In 2008-09 there was a different item structure for Healthy Kids Checks. There was a different item number—709. In the financial year 2008-09, there were 17,935 services of item 709 and 19,989 services of item 10986.

Senator SMITH: So, close to 40,000?

Mr Porter: Thirty-seven thousand nine hundred and twenty-four, to be precise.

Senator SMITH: Thank you. I like being precise. If we jump forward to 2013-14, what is the number? Give me the total number.

Mr Porter: The total number there is 157,680.

Senator SMITH: At what cost to the taxpayer of the 37,000 services and at what cost to the taxpayer of 157,000 services?

Mr Porter: Benefits paid in 2008-9 for items 709 and 10986 were $1,737,271. In 2013-14 financial year in total benefits of $20,520,271 were paid.

Senator SMITH: In that seven-year period we had very, very significant uptake in services, but—correct me if I am not exact—almost a one thousand per cent increase in the cost to taxpayers.

Mr Porter: I will take your estimate of percentages. Yes, there has been a marked increase over that time period.

Senator SMITH: But, even over that time period, just half of Australia's under-four-year-olds have been accessing a preschool health check.

Mr Porter: In the 2013-14 financial year, we estimate that 53 per cent of the eligible population had received a Healthy Kids Check through the Medicare benefits schedule.

Senator SMITH: So a seven-year program has delivered us just 53 per cent of four-year-olds getting a preschool check?

Mr Porter: In respect of those particular items. As Mr Stuart said, there are two other ways you can get a Healthy Kids Check, either through a regular GP attendance or through a state and territory clinic.

Senator SMITH: I am a bit curious to know why we had a policy initiative where the cost to the taxpayer was $268 for a Healthy Kids Check and where a similar check, if not exactly the same, could be done with a standard GP visit at $105? What was the policy justification for that?

Mr Porter: I think that would be trawling into the archives. I am not aware of what the intent was at the time in 2008-9, but I understand it was to enhance access to these sorts of services

Senator SMITH: What was the evidence at the time that said we needed to have a more expensive dedicated healthy schoolkids check?

Mr Porter: I do not know.

Senator SMITH: Could we go back a further step then: what was the evidence that this was necessary, reflecting on Mr Stuart's advice that there are other ways that four-year-olds can get the necessary health checks?

Mr Porter: These items were put in place in the 2009-10 financial year as being general health assessment items as Ms Cahill has indicated. There are a number of health assessment services which can be provided through those items, not only the Healthy Kids Check. They include: a health assessment for people aged 40 to 49 years with a high risk of developing type 2 diabetes; people between the ages of 45 and 49 at risk of developing chronic diseases; people aged 75 years or older who are residents of a residential aged-care facility; people who have an intellectual disability; humanitarian entrants who are resident in Australia with access to Medicare services; and former serving members of the Australian Defence Force.

Senator SMITH: As a result of this measure, under-four-year-olds will still be able to get a preschool health check from a GP. That is correct, isn't it?

Mr Porter: That is correct.

Senator SMITH: And it will cost the taxpayer less?

Mr Porter: The fee and the rebate for a GP item is less than that of the health assessment items, in general.

Senator SMITH: Where was the evidence that suggested that we had to have this particular program to do what the government is effectively saying can be done anyway at a more effective cost to taxpayers?

Mr Stuart: I am sorry Senator, I am afraid the witnesses at the table today are unaware of what evidence was at the time.

Senator SMITH: Are you aware of the evidence, Mr Stuart?

Mr Stuart: No. None of us were up here.

Senator SMITH: It is an important point because at the time the AMA reflected on whether or not this particular policy type was necessary and whether it was actually evidence based. The AMA said:

The Medicare patient rebate for the Check was also set without any consultation with the medical profession as to the necessary thoroughness and detail of the Check.

As a result, many GPs prefer to see patients under a normal Medicare consultation item when they do a child health assessment, simply because there is less red tape involved and the assessment is based on best practice guidelines, not bureaucratic guidelines.

Mr Porter: That is correct, Senator.

Senator SMITH: So you are familiar with the AMA's view?

Mr Porter: I am familiar with that particular comment, yes.

Senator SMITH: Just to be clear, Mr Stuart, four-year-olds across Australia can still access a GP health check by going to their local GP or going to a state-run nurse service?

Mr Stuart: Yes, or a state-run child or maternal health clinic. That is correct.

Senator MOORE: So we are checking, Mr Stuart, about the comparison to what services they can receive.

Mr Stuart: We are looking into speech pathology.

Senator MOORE: I would very much like to see a comparison of what they get. Have you got anything from the states that say that? Have you got anything that says what Queensland child welfare provides, as opposed to—

Mr Stuart: We have some information—

Mr Porter: We have some general information on what they provide, which we would be happy to provide.

Senator MOORE: That would be useful.

Mr Bowles: We will take that on notice.

CHAIR: Thank you. Senator Reynolds.

Senator REYNOLDS: I want to turn now to the MBS review committee, if I could, which I understand has recently been established. Is that correct?

Mr Bowles: That is correct.

Senator REYNOLDS: Can you tell me for what reasons this committee was established?

Mr Bowles: I think I indicated in answer to an earlier question around the primary health care advisory group—a similar type activity—that the minister was out consulting over many months and looking at options post the co-payment issue of the day. From that, one of the three planks, if you like, in the Medicare reform process was the MBS reviews. The department has undertaken MBS item reviews in the past. The most examples were reviews around vitamin D, B_{12} and folate, which have changed clinical practice around those particular items and have saved money over time.

The overarching issue here is one of appropriateness of clinical practice and the MBS reviews will focus on research and evidence that would suggest some items are probably of little or no clinical value to patients. The review mechanism, which will be quite comprehensive, will look across all item numbers in the Medical Benefits Schedule to try to

identify these. Obviously it will be prioritised around a range of issues. There is a whole lot of data out there—for instance, from safety and quality commission—on clinical variation. There are a range of different procedures that attract MBS item numbers, and the idea would be to look at the evidence around some of those things to say whether we should continue funding that through the MBS or not—similar to what happened with vitamin D, B_{12} and folate.

Senator REYNOLDS: Can you tell me who is going to be conducting this? Presumably there is a chair and a board or members?

Mr Bowles: There is a group, headed by Professor Bruce Robinson. He is the Dean of the Sydney Medical School at the University of Sydney. There will be a group that will work with Professor Robinson—

Senator REYNOLDS: Presumably an expert group.

Mr Bowles: An expert group. These are clinician led—supported by the department but clinician driven. There will be a range of different players on that. The minister will announce who the rest of that group are, shortly. We are looking at a range of different people from consumer representation to medical professionals, obviously, and academics in that sphere, and potentially right the way to health economists.

Senator REYNOLDS: How many scheduled items are there at the moment?

Mr Bowles: Around 5,500 to 6,000 or thereabouts.

Mr Stuart: 5,500.

Senator REYNOLDS: That would be why you are looking to prioritise.

Mr Bowles: Yes.

Senator REYNOLDS: Is the intent over time to go through them all?

Mr Bowles: The intent would be to look at them all. I think with some it would be easy to say, 'Look at, move on', but there will be a range that we will look at and keep looking at. There have only been a small number of reviews. I think three per cent of the MBS has been reviewed.

Senator REYNOLDS: Over how long?

Mr Bowles: Over quite a while.

Mr Stuart: For a long period of time. I am not sure if what is on the MBS predates the work of the Medicare Services Advisory Committee. So, many of the things which are newest have had an evidence based review, but there are many, many historical items that have never been reviewed.

Senator REYNOLDS: So there are a lot legacy items on there.

Mr Bowles: There will be. Clinical practice has changed as well. Things used to happen for good reason and the good reason may not be there anymore. Thing have moved on.

Senator REYNOLDS: Yes. Is this something that is going to be of value to the taxpayer in terms of making sure we are making the best use of available funds?

Mr Bowles: I think that is one reason. The other one—and probably of more interest to me—is the appropriateness of clinical care—

Senator REYNOLDS: For patients.

Mr Bowles: for patients—for what we fund through the Medical Benefits Schedule.

Senator REYNOLDS: Thank you.

Senator McLUCAS: I also want to ask questions around both the Medicare Benefits Schedule review and the Primary Health Care Advisory Group. Of the $34.3 million in the budget, how much is apportioned to each of those elements?

Mr Bowles: The $34 million is apportioned to the Medicare reviews. The Primary Health Advisory Group is something that I am funding through the department.

Senator McLUCAS: But it is identified in the budget as those two items.

Mr Bowles: That is right.

Mr Porter: I just note in respect of that amount of money that it is also including the regular operations of the Medical Services Advisory Committee over the next couple of years.

Senator McLUCAS: So MSAC is in there too.

Mr Porter: That is correct.

Mr Bowles: It is an important part of this exercise.

Senator McLUCAS: How much then is the Medical Services Advisory Committee?

Mr Porter: Of that particular bucket?

Senator McLUCAS: Yes.

Mr Porter: I would have to take that on notice.

Senator McLUCAS: Could you take that on notice. Thank you. Any other elements in that $34 million that we should know about?

Mr Bowles: No.

Senator McLUCAS: I am going to the schedule review. How many people will be on the task force?

Mr Bowles: It is headed by Professor Bruce Robinson. We do not have the final number; that will be announced by the minister. We are not talking hundreds in that sort of thing. We are talking a small group of people who will then use quite a number of experts across a range of different fields. The minister will announce the membership of both that and the Primary Health Advisory Group soon.

Senator McLUCAS: How was Professor Robinson chosen to lead the task force?

Mr Bowles: The recommendations were made to the minister, and the minister decides.

Senator McLUCAS: That is good. Will members of the panel be remunerated?

Mr Bowles: Yes, they will.

Senator McLUCAS: Under what provisions? Do you know yet?

Mr Stuart: We have regular remuneration arrangements under the Remuneration Tribunal. What we are looking at here is analogous to MSAC and PBAC.

Senator McLUCAS: Mr Bowles, you quite rightly identified that other people will have to be co-opted for specialist expertise. Will they be remunerated?

Mr Bowles: I think there will be a mix of all sorts of things. We are inundated with people wanting to help for nothing, and there will be people who we will pay to do certain things.

Senator McLUCAS: Who will make those decisions about who gets paid?

Mr Bowles: It will be the department.

Senator McLUCAS: How many departmental staff are supporting the review?

Mr Stuart: In terms of the MBS reviews, we do not have a fixed number yet. We have put in place a skeleton crew and over the next few months we will be going through the usual process, moving into a new financial year, of the department deciding its allocation of resources against particular areas.

Senator McLUCAS: So the skeleton crew is how many? One?

Mr Bowles: In the early days for both we are using internal resources, obviously. We have the flexibility to move people around the organisation, and we will do that. In the primary care advisory group, again that is another small group, small numbers, but that will be added to as and when we need to so as to manage whatever the business of the MBS reviews or the primary health advisory committee approach is.

Senator McLUCAS: When is the task force first expected to meet?

Mr Stuart: We are hopeful of helping Bruce Robinson set that up as early as we can after the names are announced. We are looking for 'as soon as possible'.

Senator McLUCAS: Do you have a work program yet of how regularly people will come together?

Mr Stuart: It is for Bruce Robinson and his committee to devise the work program, supported by the department, so, no, do not be looking to the department to tell you exactly what the program is; we are setting up an independent clinical committee for that.

Senator McLUCAS: Similar to Senator Reynolds's questions: you are going to go through all of the 5½ thousand items eventually, but are you focusing on certain areas at certain times? Is there a priority list?

Mr Bowles: There is not at the moment, but there will be at some stage. Once the committee has met, once the group have met, there will be some ideas to have a look at some things earlier. There will be enough activity to do that, and then to prioritise into the highly appropriate or inappropriate—however you want to describe it—areas and then to go from there.

Senator McLUCAS: Will the recommendations become public?

Mr Bowles: I think ultimately they will. It is the vitamin D-B12-folate issue: that became a public issue—that is, that we had changed the practice around those items—and I think you will find, over time, different things will become quite evident from there.

Senator McLUCAS: Will it be publicly iterative, if that is a concept that makes any sense?

Mr Stuart: In discussions with Bruce Robinson he has indicated his intent to consult, but exactly what that means we will need to hear further from him and from the task force.

Mr Bowles: But inevitably it will be iterative over a longer period of time if you are talking about 5½ thousand items.

Senator McLUCAS: Has the taskforce been given any instructions about what savings it is to achieve?

Mr Bowles: No.

Mr Stuart: No.

Senator McLUCAS: Has any decision been made at this point about how any potential savings it will be accountable for?

Mr Bowles: No.

Mr Stuart: There is no savings target attached to this review program. It is recognised that some things will need to be done more, some things will need to be done less, some things may need to be stopped entirely and other things may need to follow on better from particular indications in a patient, but there is no savings target attached to this exercise.

Senator McLUCAS: The public debate has been couched very much around how this is one way we can make Medicare more sustainable—I do not agree with that; Medicare is eminently sustainable, but the public debate has been couched in that language. Has there been a shift in government policy from those original comments to where we are now?

Mr Stuart: I do not think so.

Mr Bowles: No, there has not.

Senator McLUCAS: Would you agree that is how—the first time when this review of the schedule was—

Mr Bowles: It is about the sustainability of Medicare long term; yes, it is.

Senator McLUCAS: So there will be savings as a result of it, of the whole undertaking?

Mr Bowles: Inevitably, if you look at the appropriateness of some of the activities under the MBS, there will be a shift in how we look at the Medicare Benefits Schedule in the longer term. What savings might or might not come is something that is not out there. Sustainability is not all about money; it is all about doing appropriate things at appropriate times. We are looking at this in a very broad sense. As Mr Stuart said, some things we might do more of, or we might do different things. But, to do that, we are also likely to say, 'Maybe it is not appropriate anymore to do X'—whatever X might be. Or we might change the number of times you can be tested for something for which it makes no clinical sense to be tested for every month—when some people do get tested for it every month.

Senator McLUCAS: But the health of the community remains a constant.

Mr Bowles: Absolutely.

Senator McLUCAS: Whatever the indication is, they will still have to be treated, but we will not be able to do it cheaper.

Mr Bowles: Vitamin D testing is probably a good example. A clinical view would be that you do not need to be tested for that every second week or every month or every three months. Whatever the time frame—and I do not know because I am not a clinician—

Senator McLUCAS: I do not disagree with you.

Mr Bowles: We should only do once a quarter, once a half-year, once a year or once every five years—whatever it happens to be. That will change clinical practice. That would allow us then to pay for things that come onto the MBS schedule and allow us to manage the

sustainability of the system into the longer term. The Medical Benefits Schedule has grown quite dramatically—the cost of it has grown quite dramatically—over the last few years. We want to make sure (1) that it is sustainable in a financial sense, as well as (2) that we are paying for things that are appropriate from a clinical perspective.

Senator McLUCAS: If the review task force were to recommend that a response to a certain indication or a certain presentation was a more expensive result, that would not be pushed back by the department or the minister?

Mr Bowles: If it were more appropriate from a clinical perspective, that would be fine. I think the issue will be that we then have to accept and recognise that there will be some things that we do today that are done far too often that we probably should do less of, less frequently—or not at all. I think we will find that balance. I think you are right. There will probably be things that we may want to do that are more expensive, but there will be other things that we probably should not do.

Senator McLUCAS: The Primary Health Care Advisory Group—I have a similar set of questions. Has anyone other than Dr Hambleton been appointed to it?

Mr Bowles: The minister will make an announcement shortly.

Senator McLUCAS: Do we know how many members there will be?

Mr Bowles: It is the same sort of basis. I cannot remember the exact number, but it will be a small number of people.

Senator McLUCAS: Will members of the advisory group be remunerated?

Mr Bowles: Yes.

Senator McLUCAS: I will not ask the next question because I know the answer.

Mr Bowles: They will be the same answers, yes.

Senator McLUCAS: When is the group expected to report? You have already told us that.

Mr Bowles: We would expect it to be before Christmas. There could be activity that goes on well after that as well, but we want to do a lot of work, particularly in models of care and funding models.

Senator McLUCAS: Will the College of GPs and the AMA be represented on the group?

Mr Bowles: There will be representation from appropriate groups. I do not want to pre-empt what the minister might announce. But appropriate people will be there.

Senator McLUCAS: Does it have terms of reference already?

Mr Bowles: They are with the minister for final approval.

Senator McLUCAS: They will be published?

Mr Bowles: I would say that they would be published, yes.

Senator McLUCAS: Is it expected that there will be one report?

Mr Bowles: I think there is likely to be some sort of report around Christmas. We will start to look at the models of care and the funding models then. But I do not want to pre-empt that, because there might be a whole series of different issues paper or something like that.

We cannot pre-empt because we want this to be a clinician driven issue. Both of these groups are supported by a departmental group.

Senator McLUCAS: Do you expect that there will be consumers represented on both of them?

Mr Bowles: I do expect some consumers on both.

Senator McLUCAS: Thank you. That is all I have on the two reviews. I just have a very small question that goes to $300,000 that was allocated to undertake a scoping study and cost-benefit analysis to better address chronic wound management for senior Australians. What is the status of that funding?

Mr Stuart: I have just been reminded—because I was involved in negotiating this—that in the machinery-of-government changes we had some in-depth conversations with our colleagues in the aged-care area, and this was a particular project that we agreed fell on the aged-care side of the line.

Mr Bowles: Social Services.

Mr Stuart: So that project has moved to DSS, along with its funding source.

Senator McLUCAS: Or lack of it, as it would seem.

Mr Stuart: I am unaware of that.

Senator McLUCAS: No, you were not to know. Thank you, Mr Stuart. We will follow that up with them there.

Senator PERIS: Does the Dental Relocation and Infrastructure Support Scheme exist to help improve the dental service capacity—

Mr Stuart: I am sorry, Senator. We had some questions on dental earlier in the evening, and the officers—

Mr Bowles: The dental people have gone. The people who deal with it are no longer here, so can we take that on notice. We had the dental just before dinner, and we thought they were finished.

CHAIR: We agreed as a committee that they were.

Mr Bowles: Yes, they were done.

Senator PERIS: I do not have any other questions apart from dental.

CHAIR: Are there other questions in this outcome?

Senator MOORE: I have questions about hearing services. Can we get a current status of the proposed privatisation of Australian Hearing?

Ms Duffy: Prior to the budget, Minister Cormann announced the deferral of the consideration of the decision relating to Australian Hearing until sometime later in 2015.

Senator MOORE: In the processes that are going forward in terms of gathering information and so on, does a deferral equal a freeze?

Ms Duffy: The deferral, as outlined in Minister Cormann's media release, was to allow some further consultation, particularly around the interface between Hearing Services and NDIS.

Senator MOORE: As that develops?

Ms Duffy: Correct.

Senator MOORE: What will be the department's role in the further consultation with stakeholders?

Ms Duffy: The department's role in the further consultation is that we are part of a series of information sessions which the Department of Health, the Department of Social Services, the Department of Human Services and the Department of Finance will jointly hold in the coming months.

Senator MOORE: Who is the lead agency?

Ms Duffy: It is a joint lead between the Department of Health and Social Services.

Mr Stuart: Just to clarify, this is in relation to the relationship to the NDIS.

Senator MOORE: So it is only on the relationship to the NDIS? There are no other consultations going on?

Ms Duffy: The information sessions in the next short while are to assist the government in its consideration of the scoping study because stakeholders were saying they did not have enough information about the NDIS and further consultations will occur around transition to NDIS as a separate process.

Senator MOORE: The ongoing discussions are only linked to the NDIS and there are two lots of them?

Ms Duffy: Correct.

Senator MOORE: There is one about access and there is the second one you just said.

Ms Duffy: The first lot of information sessions are to assist with the scoping study work—

Senator MOORE: Which is the ongoing stuff about the whole process of privatisation.

Ms Duffy: That is right.

Senator MOORE: The second one is?

Ms Duffy: The second lot of consultation is about more in-depth consultation and transition activities that we will need to work through over the next year or so in transferring and helping those clients who are eligible for NDIS move to the NDIS over time.

Senator MOORE: The first round of consultations has nothing to do with the NDIS?

Ms Duffy: There will be information about NDIS and the interface between hearing services and NDIS.

Senator MOORE: But it could have other issues apart from NDIS?

Ms Duffy: It depends on what the stakeholders raise.

Senator MOORE: I am just trying to find out whether the only work being done on hearing in the next couple of months, as the deferral happens, is only to do with links to NDIS.

Ms Duffy: As far as the health department is concerned, that is correct.

Senator MOORE: And you do not know about any other aspects of the process?

Ms Duffy: Not at this stage.

Mr Stuart: We are not leading on those.

Senator MOORE: What are the key stakeholder organisations which represent Australians with hearing impairments?

Ms Duffy: There is a wide range of them. I do not have a listing with me.

Senator MOORE: Can you provide your list?

Ms Duffy: Sure.

Senator MOORE: When you say stakeholders, this would be the range of people with whom you are consulting?

Ms Duffy: The information sessions are targeted to those organisations who were involved in the preliminary rounds of the scoping study work and it has been broadened out to some groups who were not represented in the first round, particularly those groups representing Indigenous and rural clients.

Senator MOORE: Can we get a copy of those lists?

Ms Duffy: Absolutely.

Senator MOORE: Did the department make any recommendations about which organisations could be consulted on possible privatisation discussions? Was the department consulted on who the stakeholders are and who should be involved?

Ms Duffy: The department was asked as part of the scoping study work to provide suggestions on who the Department of Finance should consult in the consultation process. That listing has been used for this purpose.

Senator MOORE: Is there opportunity for more people to be involved in this process as people become aware of the issues?

Ms Duffy: The broader consultation process that will be opened up to a broader range of organisations and people will occur as part of the transition planning. The information sessions relating to the scoping study are generally targeted to those people who the Department of Finance have identified on their list.

Senator MOORE: The transition is the second lot you are talking about?

Ms Duffy: Correct.

Senator MOORE: I suppose the major focus would be where trial sites are in place, so you can see what the impact on hearing has been?

Ms Duffy: It will gather information from the trial sites. It will also ask for input from different groups around what the issues they see that need to be covered off as part of assisting clients to transfer—so looking at things like quality and access, making sure that rural and remote service delivery is in place; all the things that are important decisions that need to be considered when you are transferring part of a program to another arrangement.

Senator MOORE: You said that this was a joint process involving a whole lot of people, including the NDIA?

Ms Duffy: Correct.

Senator MOORE: At this stage, that process will be leading to information back to the minister and then for action by the end of this year? The media release said it might be six months.

Ms Duffy: That is right.

Senator MOORE: My other questions are about cochlear implants. How is the amount of funding provided to Australian Hearing for upgrades to cochlear processes determined?

Ms Duffy: The government makes an appropriation every year to Australian Hearing and that is a capped amount of money that goes to Australian Hearing. Australian Hearing has the responsibility under its own legislation to use that money in an efficient and effective way across the different cohorts that are eligible to access that funding. In terms of cochlear implant processor upgrades, that is a decision that Australian Hearing makes within its funding cap and also in recognition of when clients actually require an upgrade.

Senator MOORE: Are there any benefits for children with cochlear implants in receiving upgrades to their processors?

Ms Duffy: That depends on the processor upgrade and what technology or changes have been made to the different processors. It is on a case-by-case basis, where you would look at the benefits for the different processor upgrades and see who would most benefit from that upgrade.

Senator MOORE: How do you define 'benefit'?

Ms Duffy: In the most recent upgrade there was some independent advice sought on who would benefit most in the first instance. That advice came from the acoustic laboratories as well as from Cochlear itself. That information was sought by Australian Hearing to assist in their operational policy.

Senator MOORE: In terms of the way that is assessed: this committee also did an intensive inquiry into hearing services across Australia. We had a lot of work to do with Cochlear and looked at the various impacts on children in particular, but also the immense cost of the processing. You have a capped amount that comes annually to—

Ms Duffy: Australian Hearing is in receipt—

Senator MOORE: What is the amount this year?

Ms Duffy: This year it is just over $62 million.

Senator MOORE: Right. And that is based on services to people up to—

Ms Duffy: To 26.

Senator MOORE: Twenty-six. Can you please outline the recent changes to the eligibility for processor upgrades which have been implemented by Australian Hearing?

Mr Stuart: I will just interject briefly to say that the department is responsible for funding Australian Hearing and that we are going into issues that Ms Duffy may well be aware of but not decisions that the department makes.

Senator MOORE: Mr Stuart, can you update me on the recent changes to the eligibility for processor upgrades which have been implemented by Australian Hearing?

Mr Stuart: Note—I am happy for Ms Duffy to answer it.

Senator MOORE: I am happy for anyone to answer my question, Mr Stuart.

Mr Stuart: I am simply saying that we are now speaking on behalf of an organisation that we fund, rather than in respect of decisions that the department makes.

Senator MOORE: Right. I want to know what the recent changes have been to the eligibility for processor upgrades. They have been widely announced. I just want to know how they work and what the impact is.

Ms Duffy: There has been no change to the eligibility of speech processor upgrades. Australian Hearing has implemented a way of triaging different groups at different times to receive the cochlear implant processor upgrade in this financial year. That process was informed by advice that was received by Cochlear about what the benefits would be of this new processor, which is the Nucleus 6.

The main change in that process is that it has automatic switching between channels. The automatic switching in the previous model—the i5, similar to an iPhone—is either with the remote control or with your hands. People with dexterity problems or younger children are in the priority group to receive an upgrade this financial year. That does not prohibit anybody else from receiving an upgrade, because everyone is still eligible.

Senator MOORE: How does that decision get made? You said this was initiated by Cochlear, that they talk to you about the different processors.

Ms Duffy: Australian Hearing is allocated its funding each year. Its responsibility is to identify and to put forward how they propose to allocate that funding within that funding cap.

Senator MOORE: What percentage of Australian Hearing's funding goes on cochlear implants?

Ms Duffy: I do not have the funding, sorry, but I do have that 18,900 young Australians and children received services related to cochlear implants. I can take on notice the percentage of funding.

Senator MOORE: Last year—was that last financial year?

Ms Duffy: Last year.

Senator MOORE: So that would be 2013-14?

Ms Duffy: Correct.

Senator MOORE: And what was the allocation then? Do you know what the funding was to fund that $18,900?

Ms Duffy: Last financial year it was $59 million.

Senator MOORE: And that was all used?

Ms Duffy: Yes.

Senator MOORE: And when you reached the top of the cap, that is just the end for that financial year—is that right?

Ms Duffy: Its allocation is yearly appropriated.

Senator MOORE: So $59,000, $18,900—and the most common one would have been the previous one: the 5.

Ms Duffy: That was the last model.

Senator MOORE: The model in the last round. Now you have got 6: what is the difference in cost between a 5 and a 6?

Ms Duffy: I do not have that information.

Senator MOORE: Can we get that on notice. You are talking about changing the allocation. Normally, when you talk about a change, change comes with cost, and this has added benefit. Was it as a result of the upgrade and the change cost that you got into discussion about who would most benefit from using a 6 rather than a 5?

Ms Duffy: The process, from what I understand, is that every time Cochlear releases a new upgrade, it sends everyone on their database a letter announcing there is an upgrade.

Senator MOORE: I have seen them, Ms Duffy, with pictures and what they can do and all that kind of stuff—and everyone wants one.

Ms Duffy: Absolutely.

Senator MOORE: Or two, if you are lucky enough.

Ms Duffy: So that created a conversation halfway through this financial year and that is what led to thinking more carefully about how the allocation of speech processors or upgrades occurs.

Senator MOORE: So then you have the triage effect that you talked about in terms of seeing who would most benefit from—

Ms Duffy: That was a matter for Australian Hearing to think through and work out. It is an operational policy.

Senator MOORE: And the operational policy now, after you have worked that through—who did you consult with about what would be the best way? It would be you, not the department.

Ms Duffy: Australian Hearing consulted the National Acoustics Laboratories and spoke to Cochlear.

Senator MOORE: Any consumer groups?

Ms Duffy: I think Australian Hearing always gets representations from consumer groups.

Senator MOORE: You have very close links with the consumer groups. This was a discussion about change policy, change practice.

Ms Duffy: I would have to ask Australian Hearing who they consulted with through the process.

Senator MOORE: And then, after that consultation, Australian Hearing has now come up with a new guideline for how it would operate—that is right?

Ms Duffy: That is right.

Senator MOORE: And that is now up on the website. Everyone knows and understands it.

Ms Duffy: As far as I am aware, it has been communicated to the implant centres and also to groups.

Senator MOORE: Any feedback? I should clarify that in this discussion: any feedback from clients or concerns as opposed to technical feedback?

Ms Duffy: The department has received some correspondence from a small number of groups not understanding what had happened. Instead of getting an automatic upgrade, Australian Hearing had indicated that they may not get something until next financial year. In

terms of Australian Hearing, I would have to speak to them about what feedback they have received.

Senator MOORE: We will be talking to them, I think, at some stage. We have called Australian Hearing, but I am trying to get the policy background in place now. Does that correspondence come through Australian Hearing or through the department—or to both? Do they write to the minister?

Ms Duffy: The correspondence that I referred to came directly to the minister.

Senator MOORE: What were the issues raised? They were concerned about the fact that they did not get an automatic upgrade—is that right?

Ms Duffy: Correct.

Senator MOORE: What was the reason given for that? What was the minister's response when someone made that comment?

Ms Duffy: The concern was mainly around the fact that the funding had been cut to Australian Hearing, so the response was to reiterate that there had not been a cut to Australian Hearing's funding; in fact, the government has increased Australian Hearing's funding quite considerably over the last four years. It also explained the differences between the I6 and the I5, and the very strong policy that Australian Hearing has in that, everyone will have a working speech processor—that is their No. 1 priority. In terms of the upgrade that they were implementing for this current financial year, a priority basis based on the feedback that they got about the benefits and who would benefit most.

Senator MOORE: For an upgrade, if you have got a functioning piece of equipment but if your equipment died or was damaged—

Ms Duffy: Repairs are maintenance, and 'dead beyond repair' are upgraded.

Senator MOORE: Right. To the 6?

Ms Duffy: That is correct.

Member of the committee interjecting—

Ms Duffy: Yes. DBR, I think!

Senator MOORE: Okay. We will ask Australian Hearing as well, but I am interested in that cost differential. So the $62,000 is what has been given to Australian Hearing for 2015-16?

Ms Duffy: $62 million.

Senator MOORE: Yes, I should have put a few more noughts there. The $62 million is what they have for 2015-16?

Ms Duffy: No, this current financial year, 2014-15.

Senator MOORE: What do they have for 2015-16?

Ms Duffy: For 2015-16 it will be $65 million.

Senator MOORE: So for the three years you have given me, then, it is $59 million for 2013-14, $62 million for 2014-15 and $65 million for 2015-16.

Ms Duffy: And that comes from a base of $46 million four years ago, so there is been quite a lot of growth—

Senator MOORE: Growth in the area.

Ms Duffy: and the government agreed to put that growth in to take account of technological change.

Senator MOORE: Absolutely—which is a big issue.

Ms Duffy: Absolutely.

Senator MOORE: Also with the augmentation of the services by, you said, 18,900.

Ms Duffy: Yes. That was a result of the inquiry that you held back then.

Senator MOORE: It was, yes. I will ask Australian Hearing this as well, but do you have any data on how many people have double implants?

Ms Duffy: I do not have that information, sorry.

Senator MOORE: I will ask Australian Hearing that, because that has an impact on the cost as well.

Ms Duffy: It does, and there is an increasing trend for that to occur.

Senator MOORE: Yes. Thank you.

Senator McLUCAS: Can I go to the Rural Health Outreach Fund.

Mr Bowles: I am not sure we are going to have the right people here for that. Rural health will be in rural and Indigenous matters, which could be in outcome 8—workforce and rural distribution. It is most likely in 8, I think, Senator. What sorts of questions do you have?

Senator McLUCAS: What cuts are in that fund.

Mr Bowles: In the flexible fund around rural—

Senator McLUCAS: Yes.

Mr Bowles: What was it again?

Mr Stuart: It is in outcome 5, I am being told.

Senator McLUCAS: It is in outcome 5?

Mr Bowles: We have passed that, have we? Yes, it is in the primary health one, outcome 5. I am happy to answer the question tomorrow when the people are back, if you like, Senator. It does not matter what—

Senator McLUCAS: Will there be an appropriate time when we can ask those questions?

Unidentified speaker: [inaudible] although I am happy to answer the question tomorrow.

Mr Bowles: Excuse me; I've leant on the Siri! Siri was answering your question!

CHAIR: Was Siri helpful!

Mr Bowles: Yes! We will have the people who do rural and workforce here tomorrow, so we can come back to it then, if you like, Senator.

Senator McLUCAS: Okay, that would be great.

Mr Bowles: They have just gone; that is all.

Senator McLUCAS: I have a series of general rural questions, one which could be answered here which goes to ensuring that there is representation of rural and remote health on both the MBS Review Taskforce and the—

Mr Bowles: The primary health advisory committee.

Senator McLUCAS: advisory group.

Mr Bowles: By their nature, some of the people who will be representatives will have a range of skills, some of which will be rural and remote.

Senator McLUCAS: But has there been a specific request to make sure—

Mr Bowles: There has not been a specific request. But, as you would imagine, the minister is pretty focused on rural and remote, given her seat and this minister's seat as well. So there is fair bit a focus on it. For instance, some of the different groups are pretty focused on that rural and remote activity, so I am sure we will be able to cover that off.

Senator McLUCAS: Mr Stuart, you may be able to answer these questions. From the data that we collect around access to Medicare for rural and remote patients, is there any different way that the indexation freeze could affect access to health services in more rural and remote areas? For example, what is the co-payment differential for rural and remote areas? What are the bulk-billing rates in more remote areas?

Mr Stuart: Generally, bulk-billing rates are responsive to the level of competition between clinicians, so bulk-billing rates are higher in inner cities and lower in rural and remote areas. Canberra has a particularly low bulk-billing rate, but, as you go out into further remote areas, there are other kinds of health services that start to play more of a role which are not necessarily MBS funded or are part MBS funded, like Indigenous health services and rural hospitals playing a role in primary care. It is a bit of a mixed story, I think.

Mr Bowles: From my past experience working in rural health, you might see less take-up of GPs in the community and therefore less take-up of bulk-billing where hospital based services picked it up. You did get differences in that, so it is quite difficult to come up with an answer. Having worked in a number of rural areas, what is happening at the local hospital sort of determines a whole range of other things.

Senator McLUCAS: Do you expect also that there is a potential for the freeze to impact the number of GPs who make a decision to move to a more remote area?

Mr Stuart: Interestingly enough, a number of rural GPs actually earn pretty well, so it is not necessarily the financial incentives that keep doctors out of rural areas.

Mr Bowles: Again, that would be my experience. You can pay a lot of money for GPs and doctors in hospitals in rural and remote areas. It is not necessarily the only attraction to get them there, so it would not necessarily stop it, I do not think. Money has not been the determining factor because, if it were, we would not have some of the issues we have in remote communities. Remote communities always have paid over the odds, I think, in some cases, particularly from my experience from my state days.

Senator McLUCAS: The rationale is that you have to to attract them.

Mr Bowles: Yes, but it is not the only thing that attracts them. They have to have something else that gets them there in the first place. There are a whole lot of intrinsic issues.

Senator McLUCAS: They have to be pretty special.

Mr Bowles: I think that is right to a large extent. There are some intrinsic issues that play out in this.

Senator McLUCAS: Mr Stuart, what outcome did you say rural health was?

Mr Stuart: That was an outcome 5, which we have already talked about, but the secretary has generally said we can deal with it in 8 later.

Senator McLUCAS: Would you indicate tomorrow morning when we should talk about it?

Mr Bowles: Yes. I think at the moment it is due to come on late tomorrow afternoon or after lunch sometime. There is a workforce and rural area. It is not the same people, but similar people will be around, so I will make sure we have someone around.

Senator McLUCAS: Thank you for that.

Mr Bowles: Yes, sorry, a lot of that rural and Indigenous stuff was in outcome 5, where we did tackle some of the issues, but we will see how we go in the morning. I will see what we can come up with for you.

Senator McLUCAS: On a different issue, I understand the government has been running an expression of interest process 'to determine whether there are commercial operators who might be interested in and have the capacity to provide health payments, specifically Medicare, PBS and Veterans' Affairs payments'?

Mr Stuart: Yes.

Mr Bowles: Yes, we have.

Senator McLUCAS: Is it appropriate for me to ask questions about that here? That would have been better in corporate?

Mr Bowles: It is fine. Probably the two of us are the only ones who would be able to answer you anyway. At the highest level it has been under discussion, but we are not going to proceed at this particular point. On the basis that we are doing a fundamental review of the MBS through those reviews and the primary health care, I think it would be a little bit precipitous for us to go too far too fast on that one until we understand what might come out of that. That is the broader issue there.

Senator McLUCAS: And that was in consultation with DHS?

Mr Bowles: That is correct.

Senator McLUCAS: How did that work?

Mr Bowles: Sorry?

Senator McLUCAS: How was it proposed for that EOI to work?

Mr Bowles: It did not progress far enough to do that. But, effectively, it was to look at payment services for the medical benefits arrangements. And currently it is done through the DHS system. This would be looking at a private sector model, if you like, but that is down the track now—once we understand the outcomes of the primary healthcare review and the medical benefits review.

Senator McLUCAS: So the decision to not proceed is simply a deferral?

Mr Bowles: At this point it is a deferral, yes.

Senator McLUCAS: So the minister cannot rule out outsourcing health payment services at this point?

Mr Bowles: No. It is still a live issue. It is just that we are holding our breath while we do this other work.

Senator McLUCAS: Breathing is important.

Mr Bowles: It is important.

Senator McLUCAS: Good. So the delay will be for how long? Until the MBS review is complete?

Mr Bowles: It will around that time, I would imagine.

Mr Stuart: It is a matter for further decision of government.

Senator McLUCAS: After the receipt of the MBS review?

Mr Bowles: Yes.

Senator McLUCAS: And any decision to reactivate an expression of interest process would be made by the government?

Mr Bowles: Yes.

Senator McLUCAS: Thank you. I now have some questions around palliative care grants.

Mr Bowles: I think that is probably not this area. It is going to be in the primary care space somewhere, I would suggest. Outcome 1, we think? Outcome 1.1—which is tomorrow afternoon. It is in 'population health'.

Senator McLUCAS: Mr Bowles, is there a document you can point us to that will assist us in not making these mistakes?

Mr Bowles: If you have a look even at the agenda for the day, it largely explains it in the points of the things there. If you have a look at 'population health, outcome 1', then 1.1 is 'public health, chronic disease and palliative care'. That is sort of the best descriptor we have.

Mr Stuart: It is in the portfolio budget statements of course.

Mr Bowles: But this gives as good an indicator as anything. I have to say, I struggle from time to time trying to understand where they all fit.

Senator McLUCAS: I think that is all we have for outcome 3. Do we have anything more for outcome 3?

Senator MOORE: We are just double-checking here, Chair.

Senator McLUCAS: We do not want to let you down, Chair.

CHAIR: I am happy to move on to private health.

Senator McLUCAS: Why don't we have a cup of tea, while I make sure we are completely covered off here, please?

CHAIR: I would not be inclined to stop now. We have a scheduled break. So take a second. You do not need to labour it. If there is nothing desperate to ask, then we can move on.

Senator MOORE: When is the break?

CHAIR: 9.35. Will you be finished by then? I was told you would not have much.

Mr Bowles: If I can be of any help—in outcome 3, if there are any further questions around any diagnostic areas: pathology, medical imaging—we have done dental but we have to come to dental for Senator Peris tomorrow.

Senator McLUCAS: Would that be possible, Mr Bowles?

Mr Bowles: To come back to dental?

Senator McLUCAS: Will those staff be here tomorrow?

Mr Bowles: Possibly, yes. I will see what I can do about that. Even if we can only do it at a high level—because they would have moved on to the next thing. I will check in the morning to make sure we have someone. I will have one of the deputies here. They might be able to help at least at some level. The only other thing on the agenda then really moves into private health insurance, which is after the break session. Unless you have any other questions around medical benefits, primary health care—

Senator McLUCAS: Not in the briefings that have been provided. So with that—

Senator CAROL BROWN: Can I ask: with the savings that have been mentioned—the savings that will be made in the child dental area—it indicates that those savings will be disbursed either in the health portfolio or the Future Fund. How is that going to be decided? How is that going to work?

Mr Bowles: We had that conversation a bit earlier today. But, in a nutshell, it is a function of Treasury to work out where savings go ultimately. It either goes to funding something in the health portfolio or they will put it into the MRFF. We do not manage the fund, if you like, where savings actually go.

Senator CAROL BROWN: But, to make that decision—about whether it goes back into a health program or to the Future Fund—you must have input?

Mr Bowles: The budget more broadly—we go through all of the ons and offs, if you like, in a budget context. And we get a budget, and that is either funded through our offsettings, putting other savings against new things, or it will go into the MRFF. But that will be a decision for Treasury, and largely Finance, in that sort of space. So part of the budget process, the other side of what we do, is what Finance and Treasury do.

Senator CAROL BROWN: Because a lot of the savings that I have seen listed either say they are going to the Future Fund and that is it—but this particular saving has an option—

Mr Bowles: Most of them say 'either/or'. Pretty much all of them now say either to offset future health spending or the MRFF, or some words to that effect. Let me just find one for an example in this book. Here is one:

The savings from this measure will be redirected by the Government to fund other Health policy priorities or will be reinvested into the *Medical Research Future Fund*.

So pretty much every one of the savings has that. This book is the Treasury one. Ours is the yellow one. They determine where the savings go, once the budget has actually been worked out.

Senator CAROL BROWN: That is significantly different from last year, where essentially a lot of the savings in this portfolio were directed to the Future Fund.

Mr Bowles: We had that conversation with Senator McLucas earlier on. Basically, it is a question best asked of Treasury, and Treasury will be able to give you an indication of when

the fund hits $20 billion because they do all of the modelling around this. It is not only what goes into the fund, it is the interest earned and how they do their investment strategies and all that sort of stuff. It is, quite frankly, a little bit beyond me how they do some of that sort of stuff. Treasury are better placed to be asked how they actually get to their projection.

Senator CAROL BROWN: So if they hit the target, you get to redirect the funds?

Mr Bowles: Yes. We distribute the interest, effectively, in research.

Senator McLUCAS: Just on that: you have raised a question in my mind. Those savings that you are finding in the 2015-16 budget, are they offsets that are used in this current budget?

Mr Bowles: They will be over the forward estimates—the current budget period.

Senator McLUCAS: Yes, sorry, the current budget period. They come off one particular program and they may very well be invested back into the health budget.

Mr Bowles: Technically they could be. What it says is 'to fund other health policy priorities or'—

Senator McLUCAS: You do not have any visibility of that amount?

Mr Bowles: Not in a specific, one-to-one way, no.

Senator McLUCAS: Ons and offs are not swaps, I know that, but—

Mr Bowles: Yes. We have to come up with a budget that delivers on the desire of government around where all that lands, and there are a lot of ons and offs. You cannot actually put anything on unless you have an off somewhere, and then there might be more. It goes into the Future Fund or into funding another health priority, or something along those lines.

Senator McLUCAS: I may have some more questions on notice around that, just to drill down into what has come off and what has come on, and what the quantum is.

Mr Bowles: Do not forget, we may not be able to answer that. That may be a Treasury issue. Particularly anything around where money is allocated from savings out of this budget is for Treasury.

CHAIR: We will now move on to outcome 6, private health.

Senator McLUCAS: Could I get some recent data on how many Australians now have private health insurance?

Mr Porter: At the end of March, more than eleven million Australians were covered by private health insurance of some sort, and 47.3 per cent of the population had hospital insurance.

Senator McLUCAS: So 43 per cent—

Mr Porter: 47.3 per cent have hospital insurance and 55 per cent, overall, have some sort of health insurance.

Senator McLUCAS: Can you break it down by general and hospital cover?

Mr Porter: I do not actually have that breakdown in front of me.

Senator McLUCAS: What breakdowns do you have there?

Mr Porter: In the March 2015 quarter, there were 11.23 million people covered by hospital treatment cover. There were 5.45 million policies, for a participation rate of 47.3 per cent. For general treatment cover: as at the end of the March quarter 2015, there were 13.2 million people with general treatment cover through 6.4 million policies. For any type of cover at the end of March 2015, there were 13.2 million people and 6.4 million policies, for a coverage rate of 55.6 per cent.

Senator McLUCAS: That is for general?

Mr Porter: That is general or hospital, or both.

Senator McLUCAS: Can you break that down by gender?

Mr Porter: On notice, Senator, yes. I do not have gender breakdowns with me.

Senator McLUCAS: What about age groups?

Mr Porter: I would have to take that on notice.

Senator McLUCAS: But it is possible to do that?

Mr Porter: We will have to have a look at that, because I am not completely clear on the age breakdown or the gender breakdown; but we will see what we can provide on notice.

Senator McLUCAS: That would be very handy, if you could, without interrogating the data in another way. If it is there, that would be great.

Mr Porter: We will see what we can do.

Senator McLUCAS: What projections has the government undertaken on expenditure on private health insurance rebates over the medium term?

Mr Porter: On the private health insurance rebate, it is in the portfolio budget statement. I will just grab that for you. I am looking at page 110 of the portfolio budget statement. Private health insurance rebates, at the 2015-16 budget, are estimated to be $6.122 billion in the 2015-16 financial year. It is $6.366 billion in the 2016-17 financial year, $6.62 billion in the 2017-18 financial year and $7.06 billion in the 2018-19 financial year.

Senator McLUCAS: Is that new, that we are publishing this data?

Mr Porter: I do not believe so.

Senator McLUCAS: Mr Stuart may recall conversations we have had about the publishing of forward data on the rebate or am I confusing it with some other data that the department does not—

Mr Bowles: I think that it is normal, Senator. I can remember having this conversation before. Actually, let me have a look in here. No, it would be last year's—I have last year's here, that is all.

Senator McLUCAS: That is the amount of money the Commonwealth will pay to subsidise or to rebate the—

Mr Bowles: It was there last year—the same last year. Different numbers, obviously, but it was published last year.

Senator McLUCAS: What are the underpinnings of those figures? How do you come to those figures? What are the assumptions that drive those?

Mr Porter: It is based on participation. It is based on rebate tiers. It is based on age. We do not collect data directly; the Department of Human Services and the Australian Tax Office are the ones who provide those payments, either through DHS to insurers for that rebate, or through the tax system at the end of the tax year when people claim their rebate.

Senator McLUCAS: Could you explain to us, then, what those drivers are? Population growth? What are the inputs that go into the formula?

Mr Porter: Policyholder growth and the type of rebate that people are entitled to, as well as premiums.

Senator McLUCAS: What is the assumption around policyholder growth?

Mr Porter: I may have to take that on notice, in terms of the detail of that; but in general we are seeing a consistent increase in the number of people and the number of policyholders. But the actual level of hospital coverage, and PHI coverage overall, has stayed relatively flat over the last number of years.

Senator McLUCAS: I thought it was ticking up slowly.

Mr Porter: The number of people covered is certainly increasing. The participation rate for hospital cover has hovered around 47 to 47½ per cent for a long period of time, as has the total insured pool been around 55 to 56 per cent for a number of years.

Senator McLUCAS: Maybe the secretary can answer this question. Will private health insurers be involved in the Primary Health Care Advisory Group?

Mr Bowles: Again, I do not want to pre-empt who might be involved in these things, but it is a very broad sector approach that we will take.

Private Health Insurance Ombudsman

[21:00]

Senator McLUCAS: Welcome, Mr McGregor. When will you formally move to be part of the Commonwealth Ombudsman?

Mr McGregor: We are all organised to transfer on 1 July.

Senator McLUCAS: That legislation has now passed the parliament.

Mr McGregor: Yes, it has passed.

Senator McLUCAS: Does it have to wait for royal assent?

Mr Porter: No, it has the date of effect of 1 July, I understand.

Senator McLUCAS: What will that mean for your office physically and also in terms of personnel?

Mr McGregor: We are co-locating our offices for the Commonwealth Ombudsman and the Private Health Insurance Ombudsman, so we will have a few more staff in the office. It probably will not cause many changes in the short term, but in the longer term we would be expecting to combine our administration with the Commonwealth Ombudsman.

Mr Porter: Part of the policy intent of the transition is to generate efficiencies in corporate functions, as has been discussed throughout the day. That is going to be achieved through a very slight reduction in staff and also, as Mr McGregor has outlined, consolidation of corporate functions with the Commonwealth Ombudsman.

Senator McLUCAS: What will be the total reduction in staff when the relocation has completed?

Mr Porter: There will be a reduction of one staff member.

Senator McLUCAS: What will be the cost of effecting the relocation into the Commonwealth Ombudsman's office?

Mr Porter: We may have to take that on notice. I do not have that detail, unless Mr McGregor does.

Mr McGregor: No, I do not.

Mr Porter: In general though there have been no funds allocated for the transition, so it has all been absorbed within departmental or FIO resources.

Senator McLUCAS: Did any leases have to be broken and paid out?

Mr McGregor: No. Our lease is coming up anyway.

Senator McLUCAS: When is that?

Mr McGregor: It is coming up in February.

Senator McLUCAS: So you will just continue paying rent for that property until February?

Mr McGregor: The current plan is yes.

Senator McLUCAS: Sorry, I am not following you. When did your lease expire?

Mr McGregor: It expires next year, in February.

Senator McLUCAS: Will you pay for that?

Mr McGregor: Yes, but we will also be there. We are not moving anywhere quickly.

Mr Porter: There is no intended co-location with the Commonwealth Ombudsman until the Private Health Insurance Ombudsman lease is completed in February 2016.

Senator McLUCAS: I understand. Are all staff proposing to transfer to the Commonwealth Ombudsman's office?

Mr Porter: Eleven of 12 staff.

Senator McLUCAS: But that is not the reduction of one that you were referring to.

Mr Porter: That is the reduction of one.

Senator McLUCAS: When will that position finish?

Mr Porter: 30 June, I understand.

Mr McGregor: No, a little bit later. We have not actually decided that.

Senator McLUCAS: I am a bit loath to talk about individuals at Senate estimates. What has been your communication strategy with industry as the merger comes into effect?

Mr McGregor: Mostly this has been handled by the department in consultations.

Mr Porter: We have had extensive consultations with the private health insurance sector and also with consumers.

Senator McLUCAS: What has it been?

Mr Porter: I speak with insurers on a continual basis, and they are always raising questions with me about this transition, which we address as they arise. I also speak regularly at industry meetings, conferences and those sorts of things. We use those vehicles in the main.

Senator McLUCAS: Have you produced a frequently asked questions document or other documentation that can go out to the industry?

Mr Porter: No we have not.

Senator McLUCAS: Have all the insurers been written to, for example?

Mr Porter: I would have to take on notice whether they have been written to. Certainly they are all very aware of it, because I speak with them all on a very regular basis.

Senator McLUCAS: Could you take that on notice to see what has been written to provide people definitive advice about what is happening and when and what they should expect from the merger. What will the reporting structure be in the new organisation in terms of reporting to the Commonwealth Ombudsman?

Mr Porter: I think that is a question for the Commonwealth Ombudsman. As far as the health department is concerned the Commonwealth Ombudsman, as I understand it, does not intend making changes to the operations or the staff who are conducting those operations. But obviously the absorption into that agency will lead to a change in reporting lines.

Senator McLUCAS: We have found the reports that the Private Health Insurance Ombudsman produces very helpful in this committee in the past. They are quarterly? And there is an annual report?

Mr McGregor: Yes. There are three reports. There are quarterly reports, which will continue. There is the annual report, which will continue in a different format through the Commonwealth Ombudsman and other methods such as online, and there is the *State of the health funds report*, which will continue as it is.

Senator McLUCAS: The regularity will not change?

Mr McGregor: There is no plan for that.

Senator McLUCAS: When you say the annual report will be slightly different, is that because it is compiled into the Commonwealth Ombudsman's report?

Mr McGregor: That is correct.

Senator McLUCAS: There will be no change to the structure of the annual report?

Mr McGregor: There will be a changed structure, but the intention is for all the information to still be available. But it may not be included in the annual report; it may be included in a separate report. We have not finalised that yet.

Senator McLUCAS: It is still to be discussed. Will there be any change in the way that individuals will contact the ombudsman?

Mr McGregor: There will be no change in the short-term. In the long-term there may be changes I am not aware of.

Senator McLUCAS: Will there be any changes to the way that an individual's complaint is recorded?

Mr McGregor: I do not anticipate any changes.

Senator McLUCAS: And dealt with? The complaint is received and then you deal with it. You do not expect any changes to that response?

Mr McGregor: No. The staff will be continuing in their roles as they are.

Senator McLUCAS: Will you continue to come and talk to us at health estimates?

Mr McGregor: I am not sure. I think it is under a different portfolio.

Mr Porter: The Commonwealth Ombudsman is a portfolio agency of the Department of the Prime Minister and Cabinet.

Senator McLUCAS: That is why I asked the question. In the past we have had circumstances where agencies of other departments have still continued to come to health estimates. It has been problematic and people have had fights about it, and I have not always won. I wonder if, Secretary, you would consider agreeing—but it is not your decision, is it? It is the secretary of Finance.

Mr Bowles: PM&C

Senator McLUCAS: PM&C.

Mr Bowles: Probably your best bet would be for you to request something like that—

Senator McLUCAS: Would you like to continue to come back to talk to us, Mr McGregor?

Mr McGregor: Yes, certainly.

Senator McLUCAS: You could not answer that question any other way!

Senator McLUCAS: Chair, I wonder if we could consider having a discussion about writing to the Secretary of the Department of the Prime Minister and Cabinet requesting consideration of Mr McGregor's attendance at our estimates when we request that to happen. The reason I ask that is that often information that is held by the ombudsman is relevant to a broader a discussion in the portfolio, and the conversation can bounce between the department and the ombudsman from time to time. So we might continue to have you come here if we possibly can, Mr McGregor.

Mr McGregor: It is something that you can raise—

Senator McLUCAS: I think I just did.

Mr McGregor: in the private meeting when it will be discussed.

Senator McLUCAS: I look forward to your return. Thank you very much and best wishes with the move. I now have some questions for PHIAC. Is the government still committed to abolishing PHIAC as a stand-alone agency and merging it with APRA? It is probably a question to the department.

Mr Porter: Yes it is.

Senator McLUCAS: Can you update the committee on the timetable for the merger?

Mr Porter: Legislation was introduced into the House last week. I understand it has been referred to a Senate committee with a report date of 15 June. The intent is to have the legislation passed in time for transitional modular.

Senator McLUCAS: What has been the response to the exposure draft from industry?

Mr Porter: You would have to direct those questions to Treasury. They are the ones who are managing those legislative elements.

Senator McLUCAS: How does the department respond to criticism from within the health sector that APRA will not have the expertise to monitor hundreds of policies put forward by scores of health funds and determine if these are value for money?

Mr Porter: There are a number of elements to that question. In terms of managing private health insurance policy and complying health insurance products under the Private Health Insurance Act 2007, that will remain with the department. APRA will be taking on the responsibility for prudential oversight.

Senator McLUCAS: Okay, I did not understand. Can you say that again, please.

Mr Porter: Private health insurance policy in general will remain with the Minister for Health. Elements such as what constitutes a complying health insurance policy is a policy matter that will stay with the Department of Health as it does now. APRA will regulate the prudential elements of the sector as PHIAC does now.

Senator McLUCAS: Is it an amalgamation or is it a merger that is being proposed?

Mr Porter: Yes, it is a merger.

Senator McLUCAS: I have asked that ombudsman similar questions to what I have asked yourselves. How many staff does the council have?

Mr Gath: Our present establishment is about 27. That includes an allocation of about two for our board, which, when full strength, is five people—although at the moment it is only three. The answer to your first question is we have 27 staff.

Senator McLUCAS: And are they all going to move across, if the legislation is carried, to APRA? Is that the plan?

Mr Gath: No. The arrangement we are working towards at the moment entails the loss of the council, obviously, as the governance body. My position will be removed as well, so I do not go across. Four other staff at various levels with the organisation will be redundant at the time of transition. Once the transition occurs, there will be another group of about five staff who will be attending to what we are calling 'tying up loose ends'—in other words, helping APRA discharge the final reporting and other obligations that are residual elements of the PHIAC period. And then about 18 staff, most of whom are working in prudential supervisory roles, but also policy and legal and other industry facing functions, will be offered continuing employment in APRA.

Senator McLUCAS: And those new positons have been decided? Not the individuals, but the positions have already been decided in consultation with APRA?

Mr Gath: Yes, that is right. There has been extensive consultation since the government's announcement at the last budget and the people know who they are and there has been a lot of interaction between APRA and PHIAC around the transition process. And obviously the individuals effected have been closely consulted throughout that exercise.

Senator McLUCAS: When were they told, Mr Gath?

Mr Gath: They found out the day before the budget last year that the transition was to occur, when I was telephoned by the then secretary of the department confirming a story which was in the media that morning. Of course, the formal announcement came in the

budget itself. So we are talking a little over a year ago now, and we have been working since that time.

Senator McLUCAS: The 27 that you currently have, has that remained constant since the announcement?

Mr Gath: We are down a little bit. Twelve months ago we had about 30 staff. We have lost about three people in that time. Most of our staff have remained, however, but we have lost, obviously, three people.

Senator McLUCAS: When did the vacancies appear on the board?

Mr Gath: I am sorry, I do not quite follow.

Senator McLUCAS: You said there were three board members of five filled.

Mr Gath: Vacancies in the sense that people's terms had expired. One board member resigned and, given that we were in the process of merging the organisation and it was clear that, as part of that, the council roles would cease to be required—I think, and obviously the department can confirm this—the view at the time was that the more efficient thing was to run the board with the existing board members rather than appoint people for a short period of time.

Senator McLUCAS: Sure, I understand that. The 2014 premium increase was announced extremely early, just days before Christmas in December 2013. The 2015 increase was announced on the last possible day at the end of February. Can I get an understanding of why the 2015 announcement was so late?

Mr Porter: The announcement in 2013 was actually exceptional early. The announcement this time was in line with practice, as it has been for a number of years, to announce in February.

Senator McLUCAS: So maybe the question should be the other way. Why was the 2013 one so early?

Mr Porter: That is a question for the minister.

Senator McLUCAS: The date of 23 December is an interesting time too. These two rises have both been the highest in the last decade. Can we expect that rises around six per cent are now to become the norm?

Mr Porter: It depends entirely on the prudential health of the industry and the applications that they make. So premium increases are, as you know, regulated by the minister. The minister has a requirement to approve them, unless it is in the public interest not do so. Mr Gath can talk about this more, but the increases that insurers apply for in general are directly related to their claims experience and their prudential and capital requirements.

Senator McLUCAS: Of the increases that were announced in February, how many did the minister send back to the applicant for either a show cause or more information or to say, 'This is too high'?

Mr Gath: The answer is none, but there is some context to that statement that should be disclosed. The premium round has undergone quite a dramatic evolution over the last three years, where PHIAC has been centrally engaged in running a model which involves a lot of transparency, a lot of contact with the industry, a lot of clarity about our expectations and also a very strong adherence—where it is appropriate and it generally is appropriate—to a

competition based model of pricing where we rely upon and can generally demonstrate that the pricing process is producing outcomes that are in line with market forces and competitive outcomes. So it has become quite a complex and sophisticated process, which goes much longer than a simple exchange of paper in a flurry before Christmas. The reason that there was no return or show cause was that the process was designed to not to allow that to occur, because everybody knew, and there was considerable clarity about, exactly what sort of pricing would be supported by PHIAC in its recommendation to the government. Obviously that is what came through.

Senator McLUCAS: The negotiation that you have with a private health insurer resolves any misunderstanding that may have been inherent previously. Is that your view?

Mr Gath: I think so. There are three elements to the way we approach pricing. The first is obviously a baseline concern to ensure that the insurer is getting enough money to be able to pay its bills—in other words, it is going to remain solvent and will meet our baseline requirements. That is always a key concern. Beyond that, we want to make sure that the price reflects the actual growth of costs in the business, and so we look at what is called the 'benefit inflation factor'. A lot of time and effort is spent looking at what the true costs are in the business and trying to understand where that is headed. We also have significant and detailed conversations with actuaries about how that is projected, where it is proceeding. We spend a lot of time making sure that those numbers are real, they are tested and they are real costs coming through. Finally we apply what I have called the competition model to make sure that the price, when it is issued into the market, is going to be properly subject to quite a deal of competitive forces and market testing.

Those three elements produce a dynamic approach to pricing, which has meant that over the last three years we have been able to develop a very trusted, and I think a very effective, approach to pricing where it has not been necessary to play a ping-pong match at the end of the year between ministers and insurers.

Senator McLUCAS: So the minister accepted all of your recommendations?

Mr Gath: Yes, and his predecessors did as well. The last three ministers—Susan Ley on this occasion, Mr Dutton previously and Ms Plibersek too. So the last three rounds have proceeded in that manner.

Senator McLUCAS: Was Ms Plibersek involved in the second round?

Mr Gath: No, she was only involved once, and prior to her it was Minister Roxon.

Senator McLUCAS: There has been some speculation that the government wishes to abandon the oversight of premium rises. Minister, can you confirm that oversight will continue?

Senator Nash: That would be a matter for the minister. I will take it on notice for you.

Senator McLUCAS: This is a procedural matter. You have taken a number of questions on notice. Does the department log those questions and put them into the system? How do we make sure that we get these answers back?

Senator Nash: They all come back to you, Senator. They are all logged—any that are taken verbally. There are two ways that they come through: they are either written questions on notice or they are out of the *Hansard*, and they are all logged.

Senator McLUCAS: Not always. We have found some gaps. Never mind. That is the extent of my questions for PHIAC. Mr Gath, thank you very much for your service to this committee—I can speak to that—but also your service to Australians in terms of keeping the lid on price blow-outs in private health insurance. Best wishes for your future.

Mr Gath: Thank you.

Senator McLUCAS: To you staff as well, those who are leaving this employment. Please pass that on to the staff.

Mr Gath: Thanks, Senator.

Senator McLUCAS: That is all I have on insurance.

CHAIR: That brings us to a close. Thank you, Mr Bowles, and thank you, Minister Nash, for your attendance today.

Committee adjourned at 21:56