



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Estimates

FRIDAY, 6 MAY 2016

CANBERRA

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Friday, 6 May 2016

Members in attendance: Senators Bilyk, Carol Brown, Cameron, Di Natale, Gallagher, Lindgren, Lines, Madigan, Paterson, Polley, Rice, Seselja, Siewert, Smith, Xenophon.

HEALTH PORTFOLIO

In attendance

Senator Nash, Minister for Regional Communications, Minister for Regional Development and Minister for Rural Health

Department of Health

Whole of Portfolio

Mr Martin Bowles PSM, Secretary

Professor Chris Baggoley, Chief Medical Officer

Ms Liz Cosson, Deputy Secretary, Chief Operating Officer Group

Mr Mark Cormack, Deputy Secretary, Strategic Policy and Innovation Group

Mr Andrew Stuart, Deputy Secretary, Health Benefits Group

Dr Wendy Southern PSM, Deputy Secretary, National Programme Delivery Group

Ms Bettina Konti, Acting Special Adviser, Strategic Health Systems and Information Management

Adjunct Professor John Skerritt, Deputy Secretary, Regulatory Services Group

Ms Margot McCarthy, Deputy Secretary, Ageing and Aged Care

Ms Kate Pope PSM, First Assistant Secretary, Grant Services Division

Mr John Cahill, First Assistant Secretary, Digital Payment Services Taskforce

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

Ms Debbie Miller, Acting Assistant Secretary, Ministerial, Parliamentary, Executive Support and Governance Branch, PCCD

Ms Jodie Grieve, Assistant Secretary, Communication Branch, PCCD

Mr Matt Yannopoulos, First Assistant Secretary, Portfolio Investment Division

Mr Keith Tracey-Patte, Assistant Secretary, Budget Branch, PID

Mr Craig Boyd, Chief Financial Officer, PID

Ms Philippa Horner, Principal Legal and Policy Adviser, Legal Division

Mr Michael Maynard, First Assistant Secretary, Delivery Strategy and Operations Division

Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division

Ms Alanna Foster, First Assistant Secretary, Research Data and Evaluation Division

Ms Natasha Cole, First Assistant Secretary, Health Services Division

Outcome 1

Dr Lisa Studdert, First Assistant Secretary, Population Health and Sport Division

Dr Bernie Towler, Principal Medical Adviser

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

Mr Graeme Barden, Assistant Secretary, Health Protection Policy Branch, OHP

Dr Masha Somi, Assistant Secretary, Immunisation Branch, OHP

Mrs Rhonda Owen, Assistant Secretary, Health Emergency Management Branch, OHP
Dr Gary Lum, Principal Medical Adviser
Dr Jenny Firman, Principal Medical Adviser
Ms Natasha Cole, First Assistant Secretary, Health Services Division
Adjunct Professor John Skerritt, Deputy Secretary, Regulatory Services Group
Professor Anne Kelso, Chief Executive officer, National Health and Medical Research Council
Mr Tony Kingdon, General Manager, Research and Operations Group, NHMRC

Outcome 2

Ms Penny Shakespeare, First Assistant Secretary, Pharmaceutical Benefits Division
Ms Adriana Platona, Assistant Secretary, Pharmaceutical Evaluation Branch, PBD
Mr Nick Henderson, Assistant Secretary, Pharmaceutical policy branch, PBD
Ms Julianne Quaine, Assistant Secretary, Pharmaceutical Access Branch, PBD
Dr Tony Hobbs, Principal Medical Adviser

Outcome 3

Ms Maria Jolly, First Assistant Secretary, Medical Benefits Division
Mr Andrew Simpson, Assistant Secretary, Medicare Reviews Unit, MBD
Ms Trisha Garrett, Assistant Secretary, Office of Hearing Services, MBD
Ms Natasha Ryan, Assistant Secretary, Medical Specialist Services Branch, MBD
Dr Megan Keaney, Senior Medical Adviser, MBD
Ms Natasha Cole, First Assistant Secretary, Health Services Division
Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division
Mr Charles Maskell-Knight, Principal Adviser, HSPD
Ms Kerry Vine-Camp, First Assistant Secretary, Health Provider Compliance Division
Mr Ben Noyen, Assistant Secretary, Health Compliance Branch, HPCD
Ms Chris Jeacle, Assistant Secretary, Health Compliance Strategy Branch, HPCD
Dr Jo Benson, Assistant Secretary, Health Professional Review and Advice Branch, HPCD

Outcome 4

Ms Alanna Foster, First Assistant Secretary, Research, Data and Evaluation Division
Mr Shannon White, Assistant Secretary, Health System Financing, RDE
Ms Natasha Cole, First Assistant Secretary, Health Services Division
Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division
Adjunct Professor Debra Thoms, Chief Nurse and Midwifery Officer
Dr Tony Hobbs, Principal Medical Adviser
Dr Andrew Singer, Principal Medical Adviser

Outcome 5

Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division

Ms Natasha Cole, First Assistant Secretary, Health Services Division
Dr Andrew Singer, Principal Medical Adviser
Dr Tony Hobbs, Principal Medical Adviser
Adjunct Professor Debra Thoms, Chief Nurse and Midwifery Officer
Mr David Hallinan, First Assistant Secretary, Health Workforce Division
Ms Bobbi Campbell, First Assistant Secretary, Indigenous Health Division

Outcome 6

Ms Maria Jolly, First Assistant Secretary, Medical Benefits Division, MBD
Ms Tracey Duffy, Assistant Secretary, Private Health Insurance Branch, MBD
Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division
Mr Charles Maskell-Knight, Principal Adviser, HSPD

Outcome 7

Ms Bettina Konti, Acting Special Adviser, Strategic Health Systems and Information Management

Adjunct Professor John Skerritt, Deputy Secretary, Regulatory Services Group
Mr Mark Booth, First Assistant Secretary, Health Systems Policy Division
Mr Simon Cottrell, Assistant Secretary, International Strategies Branch, HSPD
Ms Alanna Foster, First Assistant Secretary, Research Data and Evaluation Division
Mr Shannon White, Assistant Secretary, Health System Financing, RDE
Ms Natasha Cole, First Assistant Secretary, Health Services Division
Dr Andrew Singer, Principal Medical Adviser
Dr Lisa Studdert, First Assistant Secretary, Population Health and Sport Division
Ms Penny Shakespeare, First Assistant Secretary, Pharmaceutical Benefits Division

Outcome 10

Dr Lisa Studdert, First Assistant Secretary, Population Health and Sport Division
Mr Andrew Godkin, Sport Integrity Adviser, Population Health and Sport Division
Mr Ben McDevitt AM APM, Chief Executive Officer, Australian Sports Anti-Doping Authority
Ms Elen Perdikogiannis, National Manager, Legal and Support Services, ASADA
Mr Darren Mullaly, Director, Legal Services, ASADA

Outcome 11

Ms Margot McCarthy, Deputy Secretary, Ageing and Aged Care
Dr Nick Hartland, First Assistant Secretary, Aged Care Policy and Reform Group
Ms Donna Moody, First Assistant Secretary, Ageing and Aged Care Services Group
Ms Rachel Balmanno, First Assistant Secretary, Aged Care Reform Taskforce
Ms Fiona Buffinton, First Assistant Secretary, Access, Quality and Compliance Group
Mr Nigel Murray, Assistant Secretary, Funding Policy and Legislation Branch

Committee met at 09:01

CHAIR (Senator Seselja): I declare open this meeting of the Community Affairs Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2016-17 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 11 May 2016 and has fixed 12 pm on 10 May 2016 as the time and 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 10 am on 9 May 2016.

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. 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 asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised.

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)

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.

Witnesses may make a brief opening statement and may seek to incorporate longer statements into *Hansard*.

Department of Health

[09:04]

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

Senator Nash: Good morning. No; thank you.

CHAIR: Alright, thank you. We will move straight to questions.

Senator GALLAGHER: I have a few questions in this area, being mindful of the time today. Last estimates—it would have been supplementary estimates in February—we had a discussion about the Medicare payments task force that was being established. At that time I think it was quite early days. I am wondering if you could give me a brief update on where that project is at.

Mr Bowles: Yes. The Medicare payments task force—we are still in the very early days. We are still trying to get some level of advice before we would go to government with any options whatsoever on this particular issue. As I explained in quite a bit of detail last time, we have established a task force. We did go to the market for someone not to talk about outsourcing but to give us advice about how to actually deal with this issue. It is all we have done at this stage. We are very mindful of all of the issues that come up in this space and that have been raised both in this forum and in other public fora. Again, we are still in the preliminary phase. To be frank, I think it is much better for us to get a lot more information before we make any recommendations to government on this particularly sensitive issue.

Senator GALLAGHER: I think in answers to questions on notice, you provided me with a list of firms. I think you used a panel from the Department of Finance.

Mr Bowles: That is right.

Senator GALLAGHER: Has someone been selected through that process?

Mr Bowles: In the last few days, we have selected a company—or I suppose you would call them a couple of groups—that will work with us to go to the next stage. But, as I said, it is to work with us around how we might actually look at this issue, not on the issue itself. It is not public knowledge yet, but we have signed a contract: PwC is the prime with Boston Consulting Group as an associate..

Senator GALLAGHER: Last time, in February, I got the feeling that this was moving fairly quickly. There was a \$5 million budget allocated over one year—was it—

Mr Bowles: That was right, yes.

Senator GALLAGHER: with 20 people seconded to that task force. Is the project moving a bit slower than was originally intended?

Mr Bowles: It is hard to say whether it is moving slower. I want to be clear about what we actually want to do in this space. So we are going at a pace that will help us make it clear how we want to actually develop this to the next stage and then advise government from that point.

Senator GALLAGHER: So, is it more complex? When we had the last conversation, it sounded to me like you were going out to market basically to advise you on the best way of delivering the payment system for Medicare. And now it looks like you are one step back from that, looking at—

Mr Bowles: No. We are still looking at how we can develop a way forward to deal with what is, again, a very complex set of issues. If I have a look at the Medicare payment system—and we had a long debate what it was called and the like—it is called the Medicare

payments system, but the reality is: it is a complex set of many programs that I am not best to describe. It is Human Services who are best to describe this. But it touches on hundreds of different things in the broader Human Services IT space around Medicare. There are quite a range of different things that it does touch on. We want to be clear about that. We think there is something like around 200 applications, 90 databases and many other systems that interact with this system. So we will go as fast or as slowly as we need to to understand the implications of that.

As I said last time, this system has evolved over about 30 years. It is a hugely complex system and it is about how we actually pay for the services that are provided. Unfortunately, it has been characterised incorrectly as outsourcing of Medicare. What we are looking to do is to find the best way forward in bringing a payment system into the 21st century. That could be a model that is provided by someone outside; it could be that the way we are currently doing it is okay but needs to be updated. We are nowhere near coming to a conclusion on whether we would actually go to someone outside to do it or someone inside to do it. That is the work we are working through at the moment.

Senator GALLAGHER: Can the scope of PWC's work—or the request for tender that they have obviously responded to—be provided, or is that private? Does that get loaded up on AusTender?

Mr Bowles: The arrangements will go up on AusTender, yes.

Senator GALLAGHER: When is that?

Mr Bowles: It is an automated process, so I am not quite sure. It goes into our SAP system and then it uploads into AusTender. I would imagine that would happen over the next couple of weeks.

Senator GALLAGHER: Can you give me the budget that is being provided for that? Is it coming out of the \$5 million?

Mr Bowles: It is the \$5 million.

Senator GALLAGHER: But it is only a subset of that, isn't it?

Mr Bowles: Yes. We are not talking about a huge amount of money at this stage. We are talking about a very interim piece of work that is advising me about how we would actually position ourselves to deal with the complexity of Medicare payments.

Senator GALLAGHER: It is a pre-scope of work?

Mr Bowles: Yes, I would probably describe it better as a pre-scope. To be honest, if we were to do something like this we would need a lot more information to really understand the interactions with this system.

Senator GALLAGHER: The taskforce work is longer than one year?

Mr Bowles: I would imagine it would be, yes. I have not put a time frame on that. The initial job of the taskforce is to get us to the next stage, which is: do we actually think this is a sensible way forward? If it is, we will advise government at that particular time. This is purely what we are doing internally to the department at the moment. We have not got to any stage of advising government on where we might go on these sorts of issues. If there is a decision that we go in or out, the taskforce will last for quite a while, because this will be a complex set of issues.

Senator GALLAGHER: Is it going to be the result of the PWC work that will lead you to decide whether it is in or out?

Mr Bowles: No. It will help us to understand that we might want to approach this. I will not make any decisions as to whether it is in or out. Ultimately, that is a government decision for the government of the day.

Senator GALLAGHER: I am trying to understand the process. PWC will provide you advice on the best way to manage the project, the taskforce going forward.

Mr Bowles: Yes.

Senator GALLAGHER: The taskforce will then commence the work based on the advice from PWC and your instruction.

Mr Bowles: Yes. The current project will get us to a point where we will create a submission for government to then say yea, nae or 'Do it somewhere differently.' Once we get a decision from government we will then enact that, and that could be in multiple directions still.

Senator GALLAGHER: Do you have a budget for PWC?

Mr Bowles: I would have to take that on notice, because we are literally only dealing with that this week.

Senator GALLAGHER: The budget has an extra cut of \$182 million from the flexible funds. Can you tell me where those reductions will be and what programs those savings will come from?

Mr Bowles: Not at this stage, Senator. You are right, though: \$182.2 million has been saved from the flexible funds from 2017-18. We have been deliberate to make sure that this \$182 million does not impact in the 2016-17 year on the arrangements we already have in place. But we will use the early part of 2016-17 to work through a process similar to the one we have just been going through on the previous savings and we will make some decisions probably at the end of this year how it will impact for the 2017-18 onwards.

Senator GALLAGHER: In the portfolio statements, it says, 'The savings will be achieved by reducing uncommitted funds.' Can you tell me what the allocation of uncommitted funds would be as a component of that?

Mr Bowles: It changes all the time so I would not be able to give you a definitive answer on that. I can take it on notice and see what we can do at a point in time. But at any point in time, we have uncommitted funds depending on the cycle that we are going through and how we go to market and the like. I can give you a figure on notice but it would be wrong by the time you got it.

Senator GALLAGHER: Within your \$182 million, you do not say 30 per cent of that is coming from uncommitted funds?

Mr Bowles: Not at this stage, no, because we are talking about out to 2019-20 and there are still a lot of unknowns in 2019-20.

Senator GALLAGHER: They do ramp up significantly in 2019-20.

Mr Bowles: That is right.

Senator GALLAGHER: The pause in indexation, what is that? Is that just continuing the current pauses through?

Mr Bowles: There is range of different pauses on different programs through—

Senator GALLAGHER: There is a lot pausing of indexation in health.

Mr Bowles: Some have been going for many years and some go back to the 90s so, yes, there are some pauses.

Senator GALLAGHER: At what point does a pause become a stop?

Mr Bowles: I could not possibly know at this particular point.

Senator GALLAGHER: I think the ones in 1990—

Mr Bowles: But I think there are pauses that do go back to the 90s. There have been pauses that have been put on indexation over different budget cycles. We will look at trying to limit the impacts on organisations and individuals within organisations by looking at how do we actually either pause indexation or look at changing the level of funding over time, depending on the services. These programs, if you look at them all, some grow and some do not grow. Some have terminating programs and some have ongoing programs. Again, as I said before, it is a very complex set of issues. It is not as simple as to give one answer to that but, yes, some of these pauses will just continue.

Senator GALLAGHER: So you do not know the pausing component?

Mr Bowles: Not for this \$182 million, no.

Senator GALLAGHER: It reads like it is a continuing pause; therefore, it would be quite easy to measure.

Mr Bowles: That may or may not be true because if we think there are some programs that deserve to be treated a little bit differently in the overall context, we will use the first part of that 2016-17 to do that. We have a number of times said, 'Maybe that is not the best way to deal with that particular issue; let's look at it in a different way.' We want to do that again.

Senator DI NATALE: I might just ask a few more questions about flexible funds. What is the total in cuts to date from the flexible funds?

Mr Bowles: If I go back over the last couple of budgets in May and if I give round figures—

Senator DI NATALE: That is good, yes.

Mr Bowles: It was 197 the first one; 596 was the second one; 182 is this one here for the 2017-18 onwards.

Senator DI NATALE: Are you saying the two, the 197 and the 596, have already flowed through?

Mr Bowles: They have flowed through.

Senator DI NATALE: Can you tell me what areas have been cut.

Mr Bowles: It would be generally across the programs. I think there is a question on notice that goes through the program, through the broad funds and gives you an idea of the funds from year to year. It is generally across all of the programs with the exception of

Indigenous programs, medical indemnity and the like. I think they are the main two that are excluded. And we have actually excluded some of the drug and alcohol programs as well.

Senator DI NATALE: Are you able to give me a sense in round numbers—

Mr Bowles: There is a question on notice on this.

Senator DI NATALE: Do you have an answer there?

Mr Bowles: This is the allocation after the 197 and the 596, not the 182 because we still want to do that work. If I look at the flexible fund balance that is there at the moment, it is \$2.88 billion, \$2.87 billion, \$2.84 billion, \$2.9 billion for a total over those four years of \$11.5 billion.

Senator DI NATALE: I am talking specific areas. Can you circulate that list?

Mr Bowles: You have got it in your question on notice. It has already been provided. If you go to SQ16 No. 86—

Senator DI NATALE: And are you saying there has been an even spread apart from the areas you mentioned?

Mr Bowles: I would not say 'even'. I would say we made some decisions based on each individual program but it is roughly or relatively across the programs except for the ones that we have excluded.

Senator DI NATALE: You say the \$182 million that are coming down on top of the almost \$800 million that has already been cut so we are going to get close to a billion dollars now, aren't we?

Mr Bowles: Close to a billion; that is right.

Senator DI NATALE: I think the budget papers say, 'Focused to reduce impact on priority areas.' What are the priority areas?

Mr Bowles: We have not made decisions on the 182. We want to use the first part of the 2016-17 year to do that. We have been pretty clear that the impact on things like Indigenous, drug and alcohol, and medical indemnity and things like that are things that we are very mindful of and we do not want to have significant impacts on.

Senator DI NATALE: So is it fair to say that you will use the same principle going—

Mr Bowles: Roughly the same principle, I would imagine.

Senator DI NATALE: Some of the headline areas in the other programs are talking prevention.

Mr Bowles: There will be some issues around all of those programs. Again, for some, their indexation will not grow. We will look at terminating programs and they may disappear. So at any point in time, we have programs that will terminate because they are for fixed periods and then new programs that will start so it comes and goes like that.

Senator DI NATALE: Probably fewer programs are going to start and more will terminate given that there is less money going in.

Mr Bowles: I think it is important to recognise the flexible funds. I would love to come back here next year and not use the words 'flexible funds' in my language because they are not flexible funds in that sort of context. You will notice in the PBS this year we have actually changed the outcomes structure quite significantly from 11 outcomes to six outcomes. What

we have done under that is create program areas—and there is a map in the PBS—that maps the old flexible funds and other programs into a new program structure. What we are hoping to achieve, and I think we can actually get there, is to create a more transparent and flexible way of looking at these without using the word 'flexible' because, at the end of the day, these are program funds used to deliver a range of quite different things across the organisation. We will group the programs in quite a different way because flexible funds are not the total we spend on different health programs.

Senator DI NATALE: I get that. Can I just ask you a couple of questions about the hospital funding?

Mr Bowles: Yes.

Senator DI NATALE: Can you take me through what the projection is in the budget over the forward estimates in terms of the agreement?

Mr Bowles: I can. In Budget Paper No. 3, on page 13 there is a table of the national health reform funding. You will recall the original decision of government was to change the Activity Based Funding to CPI and population. The decision is to now maintain Activity Based Funding as the mechanism for looking at public hospital funding, which is a really important change to the policy position. We will then look to managing price and activity in that context, but we will introduce a capping mechanism at 6.5 per cent, which was the COAG deal. That, in the first cut, is a \$2.9 billion change to the forward estimates.

Senator DI NATALE: A \$2.9 billion reduction?

Mr Bowles: No, an increase.

Senator DI NATALE: An increase over what was originally funded?

Mr Bowles: That's right.

Senator DI NATALE: The original funding formula was cut in the 2014 budget. I would be interested to know how the figure compares to what the projection would have been under the original funding formula.

Mr Bowles: That is a very good point, and it is one thing that I think is totally misunderstood. We keep hearing figures of \$57 billion and the like. I have been pretty clear about my view on that over many estimates now. Why I keep stressing the maintenance of the activity based funding in this is that that is the mechanism to keep up with what is actually happening in public hospitals. So where we are now is that the Commonwealth will fund 45 per cent of efficient growth, which is where the figure of \$2.9 billion comes from. The reality of what was in the forward estimates three years ago is irrelevant.

Senator DI NATALE: Why?

Mr Bowles: Because, when you actually look at every year, you do a reconciliation of all of the price and activity that happens. You will notice that the figure in that table in BP 3 is actually \$3.9 billion. What we actually do is a reconciliation of the previous year and, therefore, that flows through. We then look at the price, which comes from the Independent Pricing Authority, and then we get the projections—for instance, for 2016-17—from the states and territories, and that flows through the system. The projected activity from the states comes into our budget process and, therefore, what they are giving us goes into our process. The agreed mechanism for looking at the budget, if you like, is activity based funding. The

difference now is that, last time we spoke, we still had the change mechanism of CPI and population. We have now gone back to activity based funding.

Senator DI NATALE: That was always a mistake, and it is good to see a mistake being corrected. But the point I am making is that the formula now is different from the formula that was—

Mr Bowles: Not really. The formula is exactly the same except that we have put in a capping mechanism to help manage demand.

Senator DI NATALE: That's right. So now we are getting to the nub of the issue. There is a cap on demand.

Mr Bowles: That's right.

Senator DI NATALE: Under the previous model, that did not exist.

Mr Bowles: We have not met a cap yet.

Senator DI NATALE: Under the previous model—

Mr Bowles: And, given the activity projections given to us by the states, there is no way I can see that we will meet any cap at all.

Senator DI NATALE: Yes, but the point is that there was no cap under the previous model.

Mr Bowles: That's correct.

Senator DI NATALE: And growth projections over the 10 years that was initially outlined indicated that, under this proposal, you will need a cap.

Mr Bowles: That is not necessarily true.

Senator DI NATALE: But it is likely that we will get a cap.

Mr Bowles: I absolutely do not believe that. We have a couple of other really important reform mechanisms in this latest agreement. One is around chronic disease management. We all know that a lot of chronic disease patients end up in hospitals. We are going to—

Senator DI NATALE: We will get to that in a minute.

Mr Bowles: It is important in this context.

Senator DI NATALE: You are going to say you are going to take demand off hospitals. But we will get to that. You are not putting enough money into the chronic disease model if that is to work. That is another issue.

Mr Bowles: That is as it may be. Again, I do not agree with that characterisation. But in the context of this conversation it is quite important. I do need to say that, yes, we have a capping mechanism in the overall growth. It is not reasonable economic management to just have an uncapped world. It is not reasonable for us to—

Senator DI NATALE: You are saying the previous formula was unreasonable?

Mr Bowles: In an uncapped world—

Senator DI NATALE: Are you saying the previous funding formula was unreasonable?

Mr Bowles: Please do not misconstrue my point.

Senator DI NATALE: But that is what you are saying.

Mr Bowles: No, it isn't.

Senator DI NATALE: There is a cap now, there was not a cap then, and you are saying that is unreasonable policy.

Mr Bowles: That is not what I am saying. I am saying I believe it is not reasonable that we do not look at capping mechanisms—because we need to look at what is driving activity. We know some of the issues that drive activity in public hospitals. This is something we have worked with the states and territories on. The states and territories have agreed to this mechanism and it is really important—

Senator DI NATALE: They did not have much choice.

Mr Bowles: I do not agree with that characterisation, sorry. I personally and Mr Cormack have worked very, very closely with the states and territories. At the end of the day, a COAG deal is a deal done between first ministers, not with health ministers. We really do need to make that very clear. There are a couple of other key reforms. The other is around safety, quality and re-admissions. We want to look at how we drive better outcomes for patients. We want to build that in. In my view, this gives us the opportunity to pool funding with states and territories and drive a different model around chronic disease. You made the point earlier that there is not enough money. There will never be enough money if we think that way. What we have to do is drive different behaviours and incentives—and that is where we get together and pool the funding.

Senator DI NATALE: I agree. It is an appropriate policy response. Trying to have better chronic disease management and so on is a good—

CHAIR: Senator Di Natale, I will have to ask you to finish.

Senator DI NATALE: Okay. I will not focus anymore on the hospital staff. My final question is on the Aboriginal and Torres Strait Islander health plan. There is no funding for the implementation of that plan. Is that correct?

Mr Bowles: The funding is already within the IAHP, which is one of those funds that does have significant indexation. The funding for that plan is already in there.

Senator DI NATALE: Could you outline the funding for the implementation of that plan and where that sits?

Dr Southern: I can certainly give you the figures for the Indigenous Australians' Health Program over the forward estimates. There is no specific allocation within the program for elements of the implementation plan but the responses and the action items in the implementation plan are picked up in the various lines of activity in the Indigenous Australians Health Program.

Senator DI NATALE: I might ask a few more questions about that later on.

Senator PATERSON: Unsurprisingly, there has been a focus this morning on the spending restraint the government has had to exercise in the portfolio. I want to give the minister an opportunity to comment on why that has been unnecessary.

Senator Nash: Minister Ley and I have been very clear that the future of health funding in this country has to be sustainable. On occasion, we do have to make difficult decisions to ensure we can do that. There are a number of reforms happening at the moment that are moving towards better health outcomes for the Australian people. But the government realises

that we need to do that in the broader context of doing all we can to live within our means and make sure that the budget is sustainable going forward.

[09:34]

CHAIR: We will now go to outcome 4, acute care. Senator Brown.

Senator CAROL BROWN: Hopefully, I will not take that long, Chair. I wanted to just touch on some questions about the Mersey Community Hospital in Tasmania. At the last estimates, we were told that there was \$63 million a year in the budget for Mersey for 2017-18, 2018-19. Could you point me to where that money appears in the budget papers, because I cannot find it?

Mr Cormack: That is in the previous budget papers. The figures we gave you were those announced in MYEFO December 2015. We will just get the relevant numbers for you, but I can read them if you like. I have them in front of me.

Senator CAROL BROWN: So they do not appear at all in the—

Mr Cormack: No.

Unidentified speaker: Well, they do, but they are—

Senator CAROL BROWN: They must be somewhere.

Mr Bowles: They will be incorporated in every other number that is there because they were MYEFO measures. So you do not have the specific measure mentioned again in the next iteration—that is all.

Senator CAROL BROWN: I understand that.

Mr Bowles: But the numbers have not changed from that context. They will just be in the totals.

Senator CAROL BROWN: But where is it in the budget papers?

Ms Cole: I will just find you the page reference, but it is under the acute care section.

Senator CAROL BROWN: If you could find that for me, that would be good.

Mr Bowles: It should be somewhere in the new program—2.7, I think.

Senator CAROL BROWN: Is that just normal practice to fit it in like that?

Mr Bowles: Yes, that is right. Each budget or MYEFO will have a measure that is, when the next budget comes out, just incorporated into the total. This actually talks about changes in funding.

Senator CAROL BROWN: So what is actually in the acute care section? We have the 2017-18 funding. We have the 2018-19 funding. Does it go for the four years?

Mr Bowles: It is every for the forward estimates from 2016-17.

Senator CAROL BROWN: What is the amount for 2017-18?

Mr Bowles: For the Mersey?

Senator CAROL BROWN: Yes.

Mr Cormack: 2017-18 is \$65.5 million. I hasten to add, though, that we have a two-year agreement in place with the Tasmanian government.

Senator CAROL BROWN: Which expires next year.

Mr Cormack: Which expires at the end of next year. Throughout that period, we will be renegotiating with the Tasmanian government for the next phase of subsequent years. There is a provision in the budget for \$65.5 million for 2017-18 and \$65.6 for 2018-19. If there needs to be an adjustment to that based on the outcome of the next MOU, or future arrangements with Tasmania, then that number can be adjusted accordingly in the context of the budget.

Senator CAROL BROWN: The heads of agreement, or the MOU—is it at the end of next year?

Mr Cormack: Yes.

Senator CAROL BROWN: So December next year?

Mr Cormack: No. It is the end of the 2016-17 financial year.

Senator CAROL BROWN: The financial year—that is what I thought.

Mr Cormack: We are still in the first year of a two-year agreement.

Senator CAROL BROWN: The Tasmanian Liberal government's budget paper plan for \$77 million for 2017-18 and \$79 million for 2018-19 is more than what you have just told me—coming from the Commonwealth government. How is that shortfall met?

Mr Cormack: I just mentioned that we are in a two-year agreement for a defined range of services and the operation of that hospital by the Tasmanian government. The full amount of that agreement appears in the 2015-16 and 2016-17 years in the budget, recognising that no later than 12 months out from the conclusion of the current agreement we will be in further discussions with the Tasmanian government about the next phase of work. I have outlined the provisions for you in the budget. If they need to be modified, then that will be addressed within the context of the budget. At the moment, we have a two-year agreement in place. We are less than halfway through, and we will negotiate—

Senator CAROL BROWN: You will be having those discussions reasonably soon—

Mr Cormack: Yes, indeed.

Senator CAROL BROWN: Pretty soon we will only have one year left.

Mr Cormack: Yes, and the minister will be writing to her counterpart in Tasmania to foreshadow the commencement of that 12-month period, and officials will begin discussions about—

Senator CAROL BROWN: When does that normally happen?

Mr Cormack: It will be happening right about now.

Senator CAROL BROWN: Okay.

Mr Cormack: So we are still well within the 12 months out from the conclusion of the agreement, but the minister—as indeed many ministers are—is signing a lot of letters at the moment.

Senator GALLAGHER: I imagine they are.

Mr Cormack: We anticipate that one of them will be a letter from Minister Ley to Minister Ferguson to foreshadow the need to commence discussions around the Mersey, with the commencement periods—

Senator CAROL BROWN: But, given that the Tasmanian Liberal state government's budget papers show that they see a shortfall of \$30 million, do you have any discussions at the departmental level about those differences?

Mr Cormack: We will be having lots of discussions. We do not set the Tasmanian government's forward estimates. That is a matter for the Tasmanian government.

Senator CAROL BROWN: I understand, but you must take an interest in the fact that they are actually budgeting for \$30 million more than the Commonwealth is currently prepared to give them for those two years.

Mr Cormack: We have a two-year agreement with the Tasmanian government for the amounts that I have specified. We will begin discussions with them—

Senator CAROL BROWN: I understand that. I am asking if you would keep an eye on what is happening at the Tasmanian level?

Mr Cormack: Yes.

Senator CAROL BROWN: I am asking: have the departmental officers spoken to the Tasmanian department about that shortfall?

Mr Bowles: Let me try and take another tack on this. As we have said, with hospital funding the Commonwealth in its arrangements pays 45 per cent of growth. If you look at the overall funding of states, it varies between 30 and 40 per cent from the Commonwealth and 70 to 60 per cent for states and territories. So there always will be variations at a state level that states need to fund. The difference with Mersey, though, is we have had a different arrangement with Mersey that expires at the end of 2016-17. The money in the further forward estimates is in the normal course of how we would fund a public hospital in that context. The states deal with the rest of—not us.

Senator CAROL BROWN: If the Tasmanian government's budget papers are correct and it is \$77 million, will you be funding that shortfall?

Mr Bowles: No.

Mr Cormack: These are matters for consideration in future budget context. I think we have answered the question.

Senator CAROL BROWN: Is there money in the budget for 2019-20 for Mersey?

Mr Bowles: We have said there is always money in all budget years in the normal course of events. Mersey is different as it has a special contract that finishes at the end of 2016-17. Those negotiations on what the real amount will be at that point in time are a matter for future budgets.

Senator CAROL BROWN: So there is currently nothing there?

Mr Bowles: No, that is not what I said. There is money in the out years, and Mr Cormack talked about \$65 million in 2017-18, and there is about \$65 million in 2018-19, and so on and so forth, in the normal course of how we fund public hospitals across the country.

Senator CAROL BROWN: Mr Cormack, your answer to estimates last time was that there is an appropriation for years 3 and 4 of the forward estimates. That is up to 2018-19, then?

Mr Cormack: That is right. That was the context of the question last time, but we are in a different budget context now.

Senator PATERSON: In which previous financial year did Commonwealth funding for hospitals decline?

Mr Bowles: None, to my recollection.

Senator PATERSON: None?

Mr Bowles: None, to my recollection.

Senator PATERSON: You are saying that funding for public hospitals has increased in all financial years?

Mr Bowles: I cannot go back too far, but, if I go back over the last three or four years, I cannot recall any decrease in public hospital funding. The big change was in 2014-15, which looked at the out years, but that still saw a growth—it was just less of a growth. That has changed in the context of the 2016-17 budget.

Senator PATERSON: So funding for hospitals in recent years has increased every year and will increase every year?

Mr Bowles: Yes.

Senator PATERSON: Could you outline what the increases will be over the next few financial years?

Mr Bowles: Yes. We can do that. If I look at the total increase in funding for 2016-17 at the moment—I believe my colleague will correct me if I am wrong—it is a \$517.7 million increase. In 2017-18 it is an \$875.8 million increase, in 2018-19 it is a \$1.19 billion increase and in 2019-20 it is a \$1,536,300,000 increase.

Senator PATERSON: I am new, so you will have to assist me with this. Could you explain how or in what way that would constitute a cut?

Mr Bowles: As I explained to Senator Di Natale, an activity based funding mechanism is the way we actually look at price and growth within the hospital sector. If price increases and growth increases, the Commonwealth funds that 45 per cent. That is what you are seeing now reflected in that. There is no cut. There is a change in the way we are looking at the context of hospitals in the 2016-17 budget as a result of the COAG arrangements. That is the real change that is here.

Senator PATERSON: I hear all the time in the media and from some of my parliamentary colleagues that there has been a cut to health funding.

Senator GALLAGHER: There has been a cut.

Senator PATERSON: But it seems to me that there is an increase in funding every year, as you said. Perhaps you could say that the increase has been at a lower rate than it was once promised to be. That would seem like a fairer way to describe it, would you agree?

Senator GALLAGHER: There has been a cut to what was—

CHAIR: Senator Gallagher, when you were asking questions you were heard in silence. I would ask you to give Senator Paterson the same courtesy.

Mr Bowles: In previous budgets, it would be right to say the future growth projections in the forward estimates were less than what had previously been predicted. In the context of the

2016-17 budget, that has been addressed by the continuance of the activity based funding mechanism and the broader deal, if you like, done with the states and territories in the context of COAG, which has seen the Commonwealth agree to a funding mechanism that will fund 45 per cent of the efficient growth in the system and will see a continuation of Commonwealth states and territories sharing in the risk and responsibility of public hospitals into the future.

Senator PATERSON: Thank you. Just finally, for the benefit of my colleagues: Commonwealth funding of public hospitals will grow this year and every year in the forward estimates.

Mr Bowles: Yes.

Senator PATERSON: What is the role of the national efficient price and activity based funding in the new agreement?

Mr Bowles: It will continue in exactly the same way, effectively, as was introduced a little while ago, with the exception that we are looking at a capping mechanism, as I described to Senator Di Natale, around trying to get the incentives right to manage demand within the very complex health system that we have.

Senator PATERSON: At what rate is that cap?

Mr Bowles: The capping is 6.5 per cent. But, probably, the best way to describe it is that the Commonwealth will fund 45 per cent of the efficient growth in the system and within a cap of 6.5 per cent. We do not see any real way at this point, based on the current reconciliations we have done in the system around price and activity, which have been given to us by the states and territories and which we do not play with—we put their figures into the system. As I mentioned earlier, the COAG agreement saw \$2.9 billion. But if you look at the relevant table in Budget Paper No. 3 it will show \$3.9 billion, so it is actually more than what that COAG arrangement was. That is because 45 per cent of the efficient growth in the system based on a new price, new activity numbers and reconciliation of old numbers sees an actual flow-through in the system of \$3.9 billion.

Senator PATERSON: How does the agreement encourage states and territories to be more efficient in the delivery of services?

Mr Bowles: Obviously, the capping mechanism gives incentives to manage demand. A couple of the real, important reforms that we have not been able to achieve in the past are in this deal, and they are around the management of chronic disease. I am very confident that we will see the pooling of funding in different ways than we have in the past around how we manage people with chronic and complex disease. We are looking at an arrangement around the country, and it does combine with the work of the Primary Health Care Advisory Group around Health Care Homes as well. The two come together quite nicely, because we have got reforms from a chronic and complex care model and funding model at one level and we have got the arrangement in the states and territories where, if we actually start to pool our funding, we will be able to drive change.

The other really important change is the agreement of the states and territories to work with us around new funding models for safety, quality and inappropriate readmissions to hospitals so that we can actually look at, if you like, paying for quality. We have not reached an agreement about exactly how all of that will happen because literally the deal was only done a

little while ago, but we have an agreement to work with the states and territories about how that will play out in future arrangements.

Senator LINDGREN: You just talked about a care model.

Mr Bowles: Yes.

Senator LINDGREN: Could you please just inform me a little bit more about what the care model is and how it benefits people.

Mr Bowles: It is probably in another outcome, but I will give you a brief overview. One of the outcomes of the budget—but, more broadly, of the Primary Health Care Advisory Group—was the introduction of Health Care Homes. I do not like to use the word 'pilots', because they are not really pilots. We are initially going to introduce a system in seven regions, trying to target about 65,000 high-care-need patients around 200 practices, and look at how we can fund these people in a different way from the current fee-for-service arrangements. We are looking at bundling to put patient-centric care in the centre of our reform.

Senator LINDGREN: Are any of those regions that you talked about in Queensland?

Mr Bowles: That is a decision for the minister. She will make those announcements whenever she is ready to do that.

Senator GALLAGHER: In relation to the COAG deal, are you aware of Parliamentary Budget Office analysis—which I think was submitted to the Select Committee on Health—which showed that the reduction in funding from the 2014-15 budget decision resulted in about \$7.9 billion worth of cuts over the forward estimates up to 2019-20?

Mr Bowles: I am aware that they did the work and I am aware of that figure, but, again, there will be a timing issue about when that came out. The reality is that the 2016-17 budget and the COAG deal have continued with the mechanism that has been in place for a number of years. Whatever changes recognised in that that would have come before this particular budget are irrelevant to our current budget circumstances.

Senator GALLAGHER: I am trying to go back to where Senator Di Natale was, which is to get an understanding of the difference in figures from the decision that removed money from the forward estimates in hospital funding to the deal which was struck and flows through in the 2016-17 budget. You are surely not going to suggest that there has been no reduction in growth.

Mr Bowles: No. If you just take the budget as it is, by the introduction of the measures out of COAG we saw an increase of \$2.9 billion.

Senator GALLAGHER: From the 2014-15 budget?

Mr Bowles: I would have to take specifics on notice, but we talk about the forward estimates from the point at which we are, not backcasting, if you like. The reality of moving from 2014-15 to 2016-17, the policy position, was exactly the same as it was in 2013-14. So there is no variation, if you like, in 2014-15 or 2015-16 or there will not be in 2016-17 in any way, shape or form, because even if we did not change the arrangements around COAG for 2017-18 the numbers that are in 2014-15, 2015-16 and 2016-17 are as per the agreement that was struck back in 2011 or 2012, whenever it was.

Senator GALLAGHER: Without two years of application of that agreement, though—without two years of that funding mechanism, because they have been having CPI and population since 2014-15.

Mr Bowles: No, that is not true. That is not true for 2014-15, 2015-16 and 2016-17. The application of CPI and population based funding was to come in in 2017-18.

Senator GALLAGHER: Yes, you're right. I'm sorry. In terms of the response that I have read, and from what I have understood, the states and territories have certainly said that this does not replace the money that was removed when that decision was taken in 2014-15. Not one of the first ministers confirmed that that was the case, that this is a no-change scenario.

Mr Bowles: I am not sure we are necessarily talking about the same things. The numbers will never be the same as what is agreed at a point in time. That is the reality. As you would know, the nationally efficient price determines one element and activity projections determine the second element. For 2014-15, 2015-16 and 2016-17 it was exactly the same as it was in 2013-14, effectively. Price determines one part of it and activity, which is then reconciled in retrospect, if you like, plays out. For instance, the 2016-17 number will include any retrospectivity of changes. We have actually seen numbers go up and down, depending on where states are, because they also give us activity projections for the next year. In our current figures, and that is how I explain going from \$2.9 billion to \$3.9 billion, the states give us their projections for that year, 2016-17, and then we play that through the system. That is what changes it.

The mechanisms that were brought in in the reforms of 2011-12 are playing out in 2014-15, 2015-16 and 2016-17. Yes, there were changes in earlier budgets around CPI and population from 2017-18 that have been changed because of the COAG arrangements with the states and territories. If we go back and want to compare a number based on a particular price and particular activity at a point in time, that will always change. So it is a pretty fallacious argument to say, 'In 2014-15 we didn't get enough.' We got exactly what the arrangements were at that particular point in time.

Senator GALLAGHER: Aside from the funding mechanism, there were other cuts imposed in the 2014-15 budget in relation to performance payments and things like that that were stopped—so there were reductions in funding.

Mr Bowles: There were particular agreements that came to an end that were not continued, that is correct.

Senator GALLAGHER: Which were terminated, I think.

Mr Bowles: That's correct.

Senator GALLAGHER: Unilaterally. The efficient price at which hospitals are funded today is at 45 per cent?

Mr Bowles: We fund the efficient growth at 45 per cent.

Senator GALLAGHER: Yes, and under the new COAG deal it will be 45 per cent?

Mr Bowles: That is correct.

Senator GALLAGHER: Additional delivery of service is not part of the arrangement. The agreement is not about new beds or extra doctors or nurses; it is a maintenance agreement, basically.

Mr Bowles: No, it is not a maintenance agreement. It is an agreement where the Commonwealth has agreed to pay 45 per cent of the efficient growth. We are not talking about beds, in this context. That is a state and territory issue. They manage how they deal with things. That is why we have been quite insistent on trying to get reform into the way we deal with this process around chronic and complex disease—because if we keep incentivising the wrong behaviours, we will get the wrong outcomes. We want to see some incentivisation around chronic and complex disease, and that is why we have built that reform into this arrangement. We do want to drive a more collaborative approach—

Senator GALLAGHER: Okay, I get that. We will have other questions around that; I am very conscious of the time. I guess the point is that when you look at the reports that have been done about hospital activity, you will see that all of those reports unilaterally say 'struggling to meet current demand'. So I am trying to understand that the role of this \$2.9 billion is to maintain 45 per cent of the efficient growth in price, but not necessarily to deliver anything over and above that to help hospitals to deal with the demand that they are dealing with now.

Mr Cormack: Budget paper No. 3 identifies the growth into the future. What it actually identifies is precisely the activity projections that the state and territory governments have put in for the coming financial year.

Senator GALLAGHER: BP3, page ... ?

Mr Bowles: Page 13.

Mr Cormack: Page 13—not the yellow one.

Senator GALLAGHER: The white one?

Mr Bowles: The white one. BP3.

Mr Cormack: What this reflects, as Mr Bowles said, is that there is a number of parameters we need to take into account. The first one is the baseline activity—that is independently verified and sorted out by the national funding body. The pricing is determined by the IHPA—the Independent Hospital Pricing Authority—and the states and territories identify their activity projections. What this budget shows—if you look at 2016-17 you will see that the state and territory governments have provided directly their activity projections, which is their estimate of what they will be doing. That is all fully funded.

Senator GALLAGHER: Can you give me those?

Mr Cormack: They are in the budget paper.

Mr Bowles: Page 13.

Senator GALLAGHER: I am looking at them, but that does not break down what the activity growth is.

Mr Cormack: No, it does not. It converts that—

Senator GALLAGHER: That is my question. What is each individual state's activity growth? What are these figures based on?

Mr Cormack: It is the volume multiplied by the national efficient price and the Commonwealth share of that at 45 per cent of growth. That is how you get to those figures. That is what they are based on.

Senator GALLAGHER: But I presume they are all slightly different.

Mr Cormack: They all slightly different. Each state—

Senator GALLAGHER: That is my question: what are they? What did New South Wales tell you about their growth for next year, and what did the ACT say and what did South Australia say?

Mr Cormack: We will have to get the figures from the National Health Funding Body to give you the precise activity projections, but we simply lifted those activity projections and incorporated them into the forward funding for 2016-17 and, in the out years, it is based on the 10-year historical growth average of each jurisdiction, independently calculated by the Australian Institute of Health and Welfare. That is the basis of those figures. This clearly demonstrates that the funding that is available to them is consistent with what they are specifying in terms of their future activity for 2016-17. That is the way it works.

Senator GALLAGHER: So if a hospital, for example, or a system, was seeing activity growth in the order of 10 per cent, would that be met through this arrangement?

Mr Cormack: For 2016-17 we accept their activity projections, so if they come in and say—

Senator GALLAGHER: But then, surely in the 6.5 per cent funding cap at some point—

Mr Cormack: What this demonstrates is that it can all be catered for within the cap.

Senator GALLAGHER: So some systems will be above the 6½ per cent and some will be below?

Mr Cormack: Some will be below. That is right.

Senator DI NATALE: The question is that at some point you might get an activity that exceeds the 6.5 per cent in toto, and the funding will be capped at 6.5 per cent.

Mr Bowles: If that were to be the case, that is how we would work. And that is what we are working with the states and territories on right now. The reality is that we have not actually seen that, and all of our projections that we have do not indicate that that will actually happen. If it does, then we would work with the states on those issues.

Senator DI NATALE: I have one quick question just to follow up, then I will come back. Is it state by state—so if one state is 10 per cent and others—obviously, it is population based.

Mr Bowles: It is a national cap.

Senator DI NATALE: It is a national cap. Right—got you.

Mr Cormack: It is a national cap recognising that Tasmania grows slowly; other states grow quickly.

CHAIR: Final question here, Senator Gallagher.

Senator GALLAGHER: Chair, there is no such thing as a final question. We are going as fast as can.

CHAIR: It is for now, because I will determine—

Senator GALLAGHER: That is fine, but I have another 10 minutes that I can fill up or I can work with you to stick to the agenda.

CHAIR: That is fine. You will have the opportunity. But what I am saying is I gave you 10 minutes; you have gone beyond that, so I am giving you a final question. I have some questions and then we will come back to you.

Senator GALLAGHER: Okay. My question, then, is: if this is a national cap and, for example, you have a system running efficiently below the activity cap, what is the incentive for them not to seek their fair share, as it would be translated? I imagine the large jurisdictions will be able to run more efficiently. What is to stop—

Mr Cormack: The incentive is simply this: for every NWAU—every admission—over the cap, the state will have to kick in roughly 60 per cent of the cost.

Senator GALLAGHER: Over the 6½ per cent?

Mr Cormack: That is correct. So, once the cap is breached, the risk falls to the states to manage growth above the cap. Up to that point the Commonwealth is putting in on average, on a national basis, about 40 per cent of the overall cost, 45 per cent of the efficient growth, so the incentives are very much with the states to manage their activity within the cap—and it is a reasonable cap because it in fact reflects an historical growth. So the incentives are with the states to manage within the cap. The other reform mechanisms that Mr Bowles mentioned are really about managing demand and working together to actually manage the demand.

Senator GALLAGHER: And we all hope that they work; we do. What about the small jurisdictions, then, who are over the 6½ per cent? They are being penalised by having—

Mr Cormack: No, they are not. At an individual jurisdiction level, you can see some jurisdictions—well, let us take one close—

Senator GALLAGHER: You just said, if they breach the cap, there is a disincentive.

Mr Cormack: No. The incentive for all states is to manage their activity within a cap, because if, collectively, they go over the cap—

Senator GALLAGHER: Yes, I got that.

Mr Cormack: So there is not really a big incentive for one state over the other to push the cap.

Mr Bowles: If you had individual caps, I think you might be right, but we do not; we have a national cap.

Mr Cormack: It is a national cap.

Senator GALLAGHER: At the moment, you do not have anyone operating above 6½ per cent?

Mr Cormack: We do. But at a national level, based on the advice the states have provided for us—independently verified for activity, independently priced for cost and independently modelled for future growth activity—we are saying that we believe that all the states collectively, as one, will be able to operate within the cap. That is why, I believe, they signed up.

Senator GALLAGHER: I will come back to this, but what is the deal with the side letters that have had to be signed with at least—

Mr Cormack: Some arrangements have been entered into with Tasmania and ACT. I do not actually have the details. They were first ministers' arrangements—

Senator GALLAGHER: But that was in recognition that this might not be as advantageous?

Mr Cormack: The individual first ministers negotiated those with the Prime Minister.

Senator GALLAGHER: You do not know what they said?

CHAIR: We will have to leave it there for now. I have a few questions, specifically about ACT hospitals funding. Can I get you, Mr Cormack or Mr Bowles, to talk me through just what is in the budget in terms of ACT hospital funding?

Mr Cormack: For ACT hospital funding—again, referring to the same table—just to give you the Commonwealth contribution, in 2015-16 it is \$325 million; in 2016-17, \$341 million; in 2017-18, \$365 million; in 2018-19, \$392 million; and, in 2019-20, \$420 million. To give you the annual growth for the ACT, for 2016-17, it is at six per cent, and then it is at 7.2 per cent per annum for the subsequent three years out to 2019-20. That is the annual growth.

Senator GALLAGHER: You can give the chair those figures, but not everybody?

Mr Cormack: No, that is in Budget Paper No. 3.

Senator GALLAGHER: No, the growth factor.

CHAIR: That is how much they are growing, I assume. I took it—

Senator GALLAGHER: It was a question I asked earlier that was not answered.

Mr Cormack: I think you were referring to activity growth; that was your question. My response to the chair—

CHAIR: This is total funding. But we can come back to your questions if you would like, Senator Gallagher. I want to do a comparison because we have heard, I think, that the current Chief Minister is still making the claim that there was \$250 million ripped out—I think that was one of the numbers he used. The Deputy Chief Minister of the ACT, I think, claimed \$600 million, so they were not getting their lines right. I have previously asked you questions on this, and I will not go back over all of that, but I still have not been able to find evidence of that. If we compare, for instance, 2016-17, \$340 million, the last year budgeted for by the former government, I just want to see if I have the correct figures. I had \$233 million in 2013-14 for hospitals funding for the ACT.

Mr Cormack: I will take that on notice. There is a particular complication for the ACT because, in moving to the current arrangements, the ACT was funded for all activity directly by the Commonwealth under the previous arrangements. In the arrangements that we would have entered into had the 2014-15 budget decision held, the ACT would have had to charge New South Wales for the cross-border activity. We will come back to you on notice to give an explanation of that. The short answer is the growth figures that I outlined to you before.

CHAIR: Okay. If I compare them, with those provisos—and you can put those provisos on it because I understand those changes, and we discussed this at some previous hearings in terms of trying to get like for like, depending on whether you included the cross-border payments or not—and you can answer this either now or on notice, if I look at the five years that are outlined for the ACT from 2015-16 to 2019-20, I get \$1.842 billion. Is that the number you have?

Mr Cormack: I will have to add that up. The overall growth rate from 2015-16 to 2019-20 is 29.3 per cent for the ACT. We will add that up for you.

CHAIR: That would be great. And then, for the last budget of the former government—as I say, you can put the provisos in terms of when those different arrangements kick in and whether you are taking into account cross-border payments or not—for that five-year total I had \$1.374 billion. Are you able to maybe on notice confirm that that is in fact right?

Mr Cormack: I am happy to take that on notice.

CHAIR: If in fact that is right, we are talking about around \$450-odd million or \$470-odd million more over those five years from what is in this budget in the five years and what was in the last Labor budget. Could you take that on notice to just confirm that I have not misunderstood any of those figures.

Mr Cormack: Sure.

CHAIR: But, if I have understood those figures correctly, that seems a pretty significant jump. Obviously you talk about six per cent and 7.2 per cent. Those percentages tell a bit of a story as well in terms of growth. That is all from me for now.

Senator Gallagher, I will just remind you that we are about two minutes from time.

Senator GALLAGHER: Going back to where we were, I think you have just provided the growth figures in the payments, as I understand them, for the ACT—Mr Cormack, is that right?—from six, 7.2, 7.2.

Mr Cormack: Yes, that is right. That is public hospital and public health funding combined, yes.

Senator GALLAGHER: So we are looking at Budget Paper No. 2, page 13, payments—

Mr Cormack: My source was—

Senator GALLAGHER: Budget Paper No. 3.

Mr Cormack: No. 3, yes.

Senator GALLAGHER: Yes, that is what I am looking at. The question I asked earlier was: can I have that for each state and territory? You said we would have to go back to the—

Mr Cormack: I thought you were referring to activity—

Senator GALLAGHER: No, sorry. I was just asking—

Mr Cormack: Certainly.

Mr Bowles: It is all there on that page 13, except that what is not printed here is the percentage increases. We can provide you that on notice, but you could do it yourself by just doing the percentages on the numbers that are in the book.

Senator GALLAGHER: It would be useful if you would give me the starting point for 2016-17.

Mr Bowles: Sorry?

Senator GALLAGHER: The growth between 2015-16 and 2016-17.

Mr Bowles: It is on the table, Senator. You will see that the table actually has 2015-16.

Senator GALLAGHER: I see that. I am talking about the percentage increase, which was just provided as part of the—

Mr Cormack: For national or the ACT?

Mr Bowles: National.

Mr Cormack: It was 6.2 per cent.

Senator GALLAGHER: Across the states and territories is what I am after.

Mr Cormack: It was 6.2 per cent between 2015-16 and 2016-17.

Senator GALLAGHER: But you are not going to break it down?

Mr Bowles: Okay: New South Wales was 5.5; Victoria, 5.5; Queensland, seven; WA, 9.5; South Australia, 5.5; Tasmania, one percent; ACT, six per cent; and NT, 10 per cent effectively—9.8. That averages out at 6.2 per cent.

Senator GALLAGHER: Thank you; got it. Going back to where we were: can you just explain for me again, if we have systems that are exceeding the 6½ per cent—I am trying to understand, because I just do not get what the incentive is really to run efficiently under the cap.

Mr Cormack: First of all, 6.2—or 6.5, which is basically what the deal was—recognises the long-term historical annual growth in Commonwealth funding for the states and territories public hospitals so that is part of the science. I guess the incentive really is that this is a reasonable growth rate with all of the parameters except for the next year's activity independently verified by three different bodies. The one that is not independently verified is that which is provided unilaterally by the states. So, in essence, what the states are saying to us is: 'This is what we think we're going to do next year.' We accept that. We pay it as per the provision in 2016-17, and the incentive for them is to obviously operate within that, and that is the activity that they have said they will do.

Obviously, there is a little bit of headroom there between 6.2 and 6.5, but really the incentive for the states is: once they get collectively to 6.5, then that is the limit of the Commonwealth's contribution to growth above that. So the incentive for the states is to be able to manage their activity, both emergency and elective activity—emergency departments, outpatients and all that sort of stuff—within a reasonable cap. The figures they provided to us indicate that they are going to operate nationally within that cap. So that is the incentive for them, because they will have to pay for the lot above that.

Senator GALLAGHER: Above the cap.

Mr Cormack: That is right.

Mr Bowles: Can I also just go back in time a little: if we look at the first couple of years of activity based funding, because the states give us their projection, we then do a reconciliation. When the reconciliation is done, it flows through into the next year and that flows to the forward estimates. To give you an indication of different state performances over the first few years of this, some states got more; some states got less. There were adjustments both ways.

Overall, the state projections were not met. They were actually much lower, particularly in that 2014-15 year. In that case, adjustments flow through the system in a reduction sense, and that is where you have seen changes in numbers over time. As long as their activity fits now within the 6.5, all of that is okay so they could actually go up a bit in the context here and it is still manageable. However, the reality of what we have seen—mainly because of the activity based funding and the nationally efficient price bringing the price down of work actually happening in the states and territories—are really positive impacts in each of the states and

territories where their numbers are never being achieved in some cases. It varies from state to state. We have got to remember—Mr Cormack read out some percentages there of seven and 9.5—that, even with all of that, they are not anywhere near the national cap. We are talking about a national cap because, if we were to say a state like, I think, the Northern Territory, it grows quite significantly at nearly 10 per cent. We are not saying that, because we recognise that a small state will be different. We also have to recognise what is happening in Tasmania, where it is one per cent. So we are trying to look at this mechanism that actually takes away some of the problems that are currently in the system.

Senator GALLAGHER: So there is no notional state-by-state 6½.

Mr Bowles: No.

Senator GALLAGHER: It just strikes me that the ones that are running more efficiently will want more of a share of the money coming from the Commonwealth, so there is an in-built disincentive. If they start seeing states getting 10 per cent and they are getting four—

Mr Bowles: They will have to pay 60 per cent of that.

Mr Cormack: That is right.

Mr Bowles: If you are a state, you do not want to be paying 60 per cent of it.

Senator GALLAGHER: Okay, so that might be the reason why.

Mr Bowles: That is right.

Senator GALLAGHER: But then, for those small jurisdictions that are naturally less efficient, for good reason—

Mr Bowles: They are paying the efficient price, though. If they are inefficient, they are paying it.

Senator GALLAGHER: Yes, I know. So they are having to pay that 60 per cent?

Mr Bowles: Yes.

Senator GALLAGHER: So the smaller jurisdictions under this model, if they are over 6½, will have to pay that?

Mr Bowles: No, not in the context of the cap. But if they are in an inefficient system—

Senator GALLAGHER: Oh, I see—if you go over the national cap.

Mr Bowles: If you are an inefficient system and you are getting paid a nationally efficient price, it is in your interest to try to bring your price down close to the nationally efficient price. Otherwise your people in your state or territory are paying the difference.

Senator GALLAGHER: So what is the issue with the side letters, then? If everything is fair and everyone gets their fair share, why—

Mr Cormack: We will have to take that on notice, because these were arrangements best referred to PM&C, because these were—

Senator GALLAGHER: But surely you have been told what is in the side letters. You are the health department. It is all about health funding. You would have to administer whatever has been decided in the side letters.

Mr Bowles: The budget papers are the budget papers. The money that is in the budget papers is what we are administering. I am personally unaware of what is in any letters that are agreed between first ministers.

Senator GALLAGHER: So you have not seen the side letters?

Mr Bowles: I am unaware of any arrangements with first ministers, as is the normal way. This was an arrangement—

Senator GALLAGHER: But it is about hospital funding.

Mr Bowles: This is a COAG-negotiated arrangement.

Senator GALLAGHER: I get that.

Mr Bowles: Yes, we provided advice on the hospital funding and how we do things, but you will also recall, from your days in a jurisdiction, that there are always arrangements that happen around particular issues that we will look to fund or not fund, and there will be different things that will happen over time around that too, I am sure.

Senator GALLAGHER: Yes, I get that, but I cannot believe that there is an agreement struck on hospital funding at COAG more than a month ago; side letters were signed, presumably, to enable there to be no disadvantage for the small jurisdictions under this agreement; and you are telling me that you have not been told by PM&C what those arrangements are or what exposure that has for—

Mr Bowles: The money allocated to health is in the budget.

Senator GALLAGHER: Just for the purposes of this, you can confirm that PM&C have not provided you with copies of the side letters signed by the Prime Minister around hospital funding for Tasmania and the ACT?

Mr Bowles: I will take that on notice. I am not personally aware right at this particular point.

Senator GALLAGHER: I just have a few more on Palmerston Regional Hospital. There was an article in the *NT News* which confirmed that there had been some cost escalation or a cost blow-out on the hospital project by an additional \$50 million. Are you aware of that?

Mr Cormack: We are aware of reports in the media. We are also aware of the Commonwealth's responsibilities in relation to the Palmerston hospital project, and the Commonwealth's contribution to the Palmerston hospital project is unchanged and unaffected by any media reports.

Senator GALLAGHER: What is the Commonwealth's contribution again?

Mr Cormack: We will just get that figure for you. Ms Cole will have that.

Senator GALLAGHER: Is it \$40 million?

Ms Cole: The total figure that is available to Palmerston hospital from the Commonwealth is \$110 million.

Senator GALLAGHER: Oh, it is the \$70 million and the \$40 million.

Ms Cole: Yes.

Senator GALLAGHER: And that is a capped exposure for the Commonwealth?

Mr Cormack: That is right.

Ms Cole: That is correct.

Senator GALLAGHER: So any cost escalations above that have to be met by the Northern Territory government?

Mr Cormack: That is correct. So we just simply manage within the normal process of contract variations that come up from time to time, but there is no extra money on—

Senator GALLAGHER: Have the Northern Territory government asked for any extra money?

Mr Cormack: We understand that the first minister has written to the Prime Minister asking for some additional funding, but there is no additional funding allocated in the budget.

Senator GALLAGHER: So the answer is no? Do we take that as a no?

Mr Cormack: There is nothing in the budget, and we are dealing with the contract as per the figures that Ms Cole outlined.

Senator GALLAGHER: How much were the Northern Territory government after?

Mr Cormack: I do not have that letter in front of us. We are happy to take that on notice.

Senator GALLAGHER: Okay. In relation to the milestones that are contained in the project agreement, can you tell me how they are going? I think there are some hard deadlines in—

Mr Cormack: For the payments made to date, they have met the milestones agreed, so those milestones are as per the contract. We are currently finalising a series of variations to the contract, which are just mainly timing issues, which are normal for a project of this size. To date, they are meeting their contractual requirements. Should there be reasons why contract variations need to be made at some stage in the future, then the Commonwealth will consider those reasonably.

Senator GALLAGHER: So \$56 million has been paid, is that right, up to May 2015? That is outlined in the project agreement.

Ms Cole: The expenditure to date is indeed \$56 million.

Senator GALLAGHER: So then there is a milestone in April 2016/May 2016 of an additional \$20 million and then \$26 million?

Ms Cole: Those milestones are currently being renegotiated with the Northern Territory government to reflect the nature of the way that they chose to undertake this project.

Senator GALLAGHER: So those have not been paid?

Ms Cole: That is my understanding, yes.

Senator GALLAGHER: Is that right, Mr Cormack?

Mr Cormack: That is right. As we speak, we are dealing with some contract variations with the Northern Territory government on this project. And I can answer your question about the request: \$61.7 million is the additional request from the NT government.

Senator GALLAGHER: Thank you. So the contract negotiations or variations are to push those dates out, are they?

Ms Cole: The Northern Territory government have indicated that they wish to change them to reflect the way they are doing the construction of the site. So yes, we expect there will

be some movement of the dates out. At this stage, they are indicating that they will have the project completed during 2018.

Senator GALLAGHER: I thought that was always the date for completion—May 2018—is that right?

Ms Cole: My understanding is that that was the original completion date, and they are not saying that they will be varying significantly from that.

Senator GALLAGHER: So they might push it out to the later part of 2018?

Ms Cole: That is possible, but these projects tend to vary as they go along through construction.

Senator GALLAGHER: I am sorely aware of that. So because of the way they are undertaking this project, the base building seems like a pretty fundamental part of it—getting the base building complete. My understanding is that that is not complete at this point in time?

Mr Cormack: That is correct. There is a due date of April 2016 of the base building, with a relevant report due in this month, in May. That would trigger the next milestone payment. We have not made the next milestone, and the NT government is seeking to vary some milestones within the contract. It has no impact on the payments by the Commonwealth, and we are just working through those now.

Senator GALLAGHER: In terms of the extra request from the Northern Territory government, if the project, from your point of view, is tracking as per the original grant—

Mr Cormack: That's right.

Senator GALLAGHER: with negotiation on time frames.

Mr Cormack: As with any project of this size, there will need to be sensible negotiations on timing, but the budget from the Commonwealth remains the same. If the NT government wishes to vary the building significantly, there is no guarantee of funding from the Commonwealth and there is nothing in the budget this year to deal with that.

[10:30]

CHAIR: We will leave outcome 4 there and move to outcome 3, access to medical and dental services.

Senator DI NATALE: Can I go to the MBS indexation freeze? When was that first introduced?

Mr Stuart: We have various dates for various pieces. Which particular freeze are you interested in?

Senator DI NATALE: Wasn't there a six-month freeze introduced administratively under the previous government?

Mr Stuart: Are we talking about all of Medicare, or general practice?

Senator DI NATALE: I thought it was all together the first time.

Mr Bowles: My recollection is that that is correct. It started in the former government.

Mr Stuart: In May 2013, the then government announced that the indexation of MBS scheduled fees would shift from November to July, with indexation frozen for eight months.

Senator DI NATALE: Was that all MBS item numbers?

Mr Stuart: Yes, other than those that were already frozen historically.

Senator DI NATALE: I see where that question was coming from. And that has effectively been extended.

Mr Stuart: It has been extended for specialists. Indexation was briefly reinstated for GPs, and that has then been recommenced in 2014-15. The last indexation for general practice was on 1 July 2014. The first indexation point that was skipped for GPs was 1 July 2015.

Senator DI NATALE: And we are now extending it until what date?

Mr Bowles: 2019-20. That is two years—2018-19 and 2019-20.

Senator DI NATALE: What is the total saving from the period it was first introduced in May 2013?

Mr Stuart: We do not have that in front of us.

Senator DI NATALE: Perhaps you could just tell us the projected savings in the budget papers.

Mr Bowles: In the budget papers it is about \$925 million for the two years 2018-19 and 2019-20.

Senator DI NATALE: And you cannot tell us—

Mr Bowles: We can take it on notice, but my recollection is that it is around \$1.3 billion.

Senator DI NATALE: That is what I thought. So we are now talking about over \$2 billion out to 2019-20. We can say that pretty confidently.

Mr Bowles: That is correct.

Mr Stuart: Again, that is across specialists and GPs.

Mr Bowles: That is the whole MBS.

Senator DI NATALE: What would you say the proportions are between general practice and specialist fees? Can you give a ballpark figure?

Ms Jolly: I do not have the indexation as a proportion, but I can talk about the benefits paid to general practice as a proportion of Medicare, which will give you a rough idea. In 2014-15, benefits for general practice, which includes your enhanced primary care items, practice nurse and other non-referred attendances, were \$6.8 billion. Overall, MBS benefits paid for 2014-15 were \$20.188 billion.

Senator DI NATALE: So close to a third of that would come from general practice. Would it be reasonable to say that of that \$2 billion, in terms of freezing indexation, broadly we are talking about a third of that coming out of general practice?

Mr Stuart: That would have to be in the ballpark. Of course we have pathology and diagnostics wrapped up in that, which have historically been frozen for quite some time.

Senator DI NATALE: Within that \$2 billion figure?

Mr Stuart: So they are not encapsulated in this policy change. That is another \$2.5 billion and \$3.1 billion respectively.

Senator DI NATALE: How much was the co-payment? Do you remember the costings for the co-payment that was introduced in the 2014-15 budget?

Mr Bowles: My recollection is that it was \$1.3 billion. That was later reversed, but my recollection was \$1.3 billion.

Senator DI NATALE: We are taking a hell of a lot of money out of general practice.

Mr Bowles: That amount did not come out.

Senator DI NATALE: No, it did not. What I am trying to highlight is that we are talking about a significant proportion of that \$1 billion coming out of general practice. We are getting feedback from a number of GPs who are saying that the impact of this freeze, which is now out to 2019-20, is going to be significant. Have you done any analysis at all to look at what it will do to bulk-billing rates or out-of-pocket costs in general practice?

Mr Stuart: What I have done recently is to look at recent trends in relation to bulk-billing and out-of-pocket cost. I can certainly talk to about that. As you know, the government pays an incentive on behalf of the patient, and in the end it is for the clinicians to choose how much to charge. Certainly at the moment we are at all-time highs on a range of indicators about bulk-billing. If we are talking about GPs, it is an all-time high for GP bulk-billing, at 84.3 per cent. It continues to rise about one percentage point per year, and it has continued to rise at the prior rate after the implementation of the freeze.

Senator DI NATALE: Do you expect that to continue out to 2019-20? We have been contacted by people. We have a GP in Maffra who says that they bulk-bill 50 per cent of their standard consults. Most of those people who they bulk-bill are pensioners or people on single incomes, and they are saying that if this freeze continues that will absolutely change—there will be no way that they will be able to maintain their practice. They cannot continue the business model that they are currently using. We have heard the president of the Rural Doctors Association tell us that the numbers are starting to drop off, particularly in some regional communities. So I suppose the distribution would be interesting. Do you anticipate bulk-billing numbers decreasing out to 2019-20 as a result of this fall?

Mr Stuart: The first thing to say is that the pattern of the last decade of an increase of one percentage point per annum cannot possibly continue indefinitely. We must be coming to a point where that is going to taper off at some time.

Senator DI NATALE: I am asking whether it will decrease.

Mr Stuart: Essentially, we believe that it is competition from the increased doctor supply that is driving the bulk-billing rate. There has been a significant growth in the number of GPs over the last decade as well.

Senator DI NATALE: I am asking whether you have done any analysis looking forward. I accept that the numbers are what they are to date, but we are now talking about a freeze that is taking over \$2 billion out of the MBS that would otherwise have been there. A significant proportion—we can perhaps argue about what those numbers look like—will be coming out of general practice, and we are getting anecdotal evidence from people saying that they are at the point now where the current business model is unsustainable. Have you done any analysis to look at what impact that freeze will have on bulk-billing rates into the future?

Mr Stuart: We do not know what the elasticity of demand is for general practice in relation to billing. That is something we will find very difficult to predict. Modelling generally requires you to understand what exactly will happen if you change a particular parameter. And there are just so many—

Senator DI NATALE: We are not talking about demand here—we are talking about billing practices.

Mr Stuart: I understand that, but that would be in response to demand.

Senator DI NATALE: Why would it be in response to demand?

Mr Stuart: Because we are involved in a competitive environment, where GPs not only have to think about their billing practices in relation to their income, they also need to think about their billing practices in relation to the competition in their region.

Senator DI NATALE: But if you have practices saying, 'We cannot continue with the same business model—even if the guy down the road is bulk-billing, we are going to go broke if we continue the model that we are using,' one would assume that that practice is then going to look at moving a proportion of its clients away from bulk-billing and increasing out-of-pocket costs. So I am asking whether you have done any work to look at—

Mr Stuart: There are a range of possible GP responses to changes in the rebate. Obviously there is accepting an income reduction. There is doing extra consultations. The average hours worked by GPs have fallen quite a lot in the last 10 or 15 years, and there is a shift—

Senator DI NATALE: That is because there are more women in the workforce working part time.

Mr Stuart: There are a range of factors. There are also younger doctors working on average fewer hours. There is a shift towards higher priced items that GPs are also undertaking. If you put all that in the mix, it is very difficult for the department to predict any precise outcomes, but what I am trying to say is, is there actually an access problem in general practice? I would say no, there is not. Bulk-billing rates are at an all-time high. GP supply per 10,000 patients is at an all-time high.

Mr Bowles: Just one other point: the MBS will continue to grow over the forward estimates. That is the other thing that we will see.

Senator DI NATALE: What will grow?

Mr Bowles: The MBS payments over the forward estimates. We are still seeing them grow in the next year by over three per cent.

Senator DI NATALE: But you are not saying—

Mr Bowles: I am not saying that that is anything to do with it, but we are still seeing a tracking up of MBS spend.

Senator DI NATALE: So there are more people accessing more services, but that does not change the questions I am asking about what it means for an individual practice that has a business model of relying on the current—

Mr Bowles: We are seeing growth at a greater rate than you would expect from a population effect.

Senator DI NATALE: Bulk-billing is at 81 per cent, I think you said?

Mr Bowles: 84.3 per cent.

Senator DI NATALE: I think it was at about 81 per cent. So it is now at 84 per cent.

Mr Stuart: 84.3 per cent.

Senator DI NATALE: Is that 84 per cent of services or practices?

Mr Stuart: 84 per cent of services are bulk-billed by GPs.

Senator DI NATALE: Let me ask you about out-of-pocket costs. Do you keep any data on the charges charged by GPs?

Mr Stuart: Yes, we do.

Senator DI NATALE: What has happened those charges?

Mr Stuart: For those people who are being charged out-of-pocket costs, there is an increase in out-of-pocket costs being charged over time. That increase averages around five to six per cent per annum, has done so also for most of that decade and continues at about the same rate.

Senator DI NATALE: So that five to six per cent increase has been consistent over the last decade and there has been no change over the last two years?

Mr Stuart: No. I do not see a change in trend.

Senator DI NATALE: Do you think that that trend of five to six per cent increase in out-of-pocket costs will continue at that rate? Have you done any analysis to see whether it would increase?

Mr Bowles: I think it is hard for us to predict that at this particular point. I think the point that Mr Stuart has made is that both bulk-billing rates and the out-of-pockets are growing at roughly the same rate even with the number of interventions along the way. It has not really changed the practice.

Senator DI NATALE: I understand the point he is making. I am just interested to see whether he has done any analysis about what the effect may be.

Mr Stuart: Of course we will be very keen to keep watching this data over coming quarters.

Senator PATERSON: I want to cover some similar ground to Senator Di Natale. Just to clarify: currently, bulk-billing rates are 84.3 per cent, you said—

Mr Stuart: For general practice.

Senator PATERSON: and rising. That seems to me, just from a starting point, to be quite a high proportion of people who are using bulk-billing services. You do not have to comment on that. Why would it be rising when, as a community, we are getting wealthier; we have had 26 years of unbroken economic growth? Why would more people in the community be relying on bulk-billing services?

Mr Stuart: I think there are potentially a number of factors in the mix. There is the issue of the adequacy of government incentives. About a decade ago, they were increased quite significantly for general practice—a one-off in the mid-2000s. We can go into the detail of that, but during that period the rebate for general practice was increased from 85 per cent of the schedule fee to 100 per cent of the schedule fee. Actually, the value of the rebate now is still consistent in real terms with that value at that time. Also, I believe there is an issue of doctor supply driving competition and keeping user charging down.

CHAIR: Sorry to interrupt. Can I get you to just clarify that point you made about the fact that it came to 100 per cent in the mid-2000s roughly. You are saying that it is, in real terms, the same now in terms of the value of the rebate, despite the pauses and various things?

Ms Jolly: The Parliamentary Budget Office did a report earlier this year. It looked at a range of indicators, and that was one of the indicators that it looked at. It did show that it was relatively flat over quite a long period of time in real terms. That data is available in the PBO report.

CHAIR: So it has grown in dollar terms, keeping up roughly with CPI, since the mid-2000s?

Mr Stuart: Yes.

Senator PATERSON: It does not appear, at least so far, that the pause on indexation has had any negative impact on the rate of bulk-billing, in the sense that more people appear to be doing so?

Mr Stuart: Not at this point. We see no turning points in the data over the period that indexation has been paused. But for GPs, apart from the earlier, eight-month kind of pause, the current pause dates from July 2015.

Senator PATERSON: What is the current Commonwealth spend on the Medicare Benefits Schedule?

Ms Jolly: That is the \$20.1 billion that I mentioned. That is in 2014-15.

Mr Bowles: The budget papers will say \$22.7 billion. That is 2016-17. So in 2015-16 the projection is \$21.9 billion. In 2016-17, it grows to \$22.688 billion. It is about a 3.4 per cent increase.

Senator PATERSON: How does that compare to, say, a decade ago?

Mr Bowles: We would have to take that on notice. It is generally growing at a reasonable rate. Since a decade ago—at a rough guess; we can take the actuals—on numbers it has probably doubled in that time. You have that, have you?

Mr Stuart: That is right, Martin. In 2005-06, the total value of the MBS was just short of \$11 billion—\$10.97 billion.

Senator PATERSON: That is a pretty fast rate of growth.

Mr Bowles: We see it, at the end of the forward estimates, growing to about \$25.8 billion.

Senator PATERSON: That is with the measures that the government has made to control that rate of growth. If the government had no made no attempts to put any restrictions on that rate of growth, how far ahead could we have been on that figure?

Mr Bowles: At least, the spend would be the indexation rates, I would imagine, but it is hard to actually put a figure on that because there are so many variables. If the price is high, activity projections change. There are all sorts of variables that can come into that.

Senator PATERSON: Did the department do any modelling on the status quo rate of increase—what you would expect it to be?

Mr Bowles: Not specifically, but you would have to say the 10-year growth of 100 per cent is probably what you would continue to see—which is no mean feat, I would have to say.

Senator PATERSON: When was the last time that indexation of the MBS rebate was paused?

Mr Bowles: We mentioned earlier the 2013 decision.

Mr Stuart: Pathology services have actually been paused since 1998, diagnostic imaging since 2004, specialist services since November 2012 and GP services were paused in the 2013-14 by the former government, with indexation frozen for eight months, which then recommenced on 1 July 2014, one-off, and was then paused on 1 July 2015.

Senator PATERSON: Which government made the decision to briefly recommence the indexation?

Mr Bowles: I think it would be a factor of the decision of the 2013-14 budget and would have just carried through. The new government came in and made decisions.

Senator PATERSON: So it would be fair to say, given those dates for the different categories, that that policy of the indexation of MBS rebates has been a decision taken by governments of both political hues?

Mr Bowles: That is correct.

CHAIR: Mr Stuart, on those rates, you said that 84.3 per cent is where we are up to now. Has it broadly been tracking at around one per cent a year?

Mr Stuart: One percentage point per annum over a decade.

CHAIR: So it was around 75 per cent back in the mid-2000s and it is now around 84 per cent.

Mr Bowles: 2004-05 it was 73.2. That is figure I have.

CHAIR: Have there been any spikes or has it been roughly steady over that decade at around the one per cent?

Mr Stuart: I have looked at this in the past. It really is uniform at around one percentage point per annum with minor fluctuations of a little less or a little more, with an exception of a little period in 2008-09 and 2009-10 when it was a little lower. Certainly going from 2010-11, it was 80.2, then 81.2, then 82.2, then 83.4 and now 84.3. so it is consistent.

CHAIR: Yes. So that has left us at a point then where roughly one in six GP consultations are not bulk-billed and the rest are. So if you averaged it out—and obviously it is about consultations not individuals—roughly one in six are paying above Medicare and then the rest would be getting it fully funded by the government when they visit a doctor.

Mr Bowles: To be accurate, we should say one in six services.

CHAIR: That is right. It may vary a bit between individuals and depending on how much they use it.

Mr Bowles: That is right.

Senator GALLAGHER: I missed Senator Di Natale's question, that when you were combining the previous indexation freeze to the one in this budget that is a total of, roughly, \$2 billion?

Mr Bowles: That is correct.

Senator GALLAGHER: On the feedback since this indexation has been announced—and I have had similar correspondence to Senator Di Natale's from GPs but also from various professional groups who have raised concerns around the impact and how this will flow through. Do you have a response to that? The AMA say the poorest, the sickest and the most vulnerable will be the hardest hit. The rural doctors say it is going to send more rural and remote patients to the healthcare equivalent of deepest, darkest Siberia. What is the department's response to that?

Mr Bowles: You are straying into a policy decision of government.

Senator GALLAGHER: Okay. I am happy to ask the senator.

Mr Bowles: I do not want to comment on that. We have commented on the facts that everything we have seen to date has indicated a continued increase.

Senator GALLAGHER: Sure. My question then is for Senator Nash.

Senator Nash: Oh, sorry, I thought you were going to ask me another question.

Senator GALLAGHER: I am just looking for a response really to those claims from the professional groups.

Senator Nash: I am aware that those claims have been made. I come back to what I said earlier about the sustainability of the system. We are in a process of budget repair that we have to do. I know—as I said earlier in response to Senator Paterson—that some of these decisions are difficult, but I am aware of the comments that have been made.

Senator GALLAGHER: In terms of the impact of the freeze for another two years, was regional-rural-remote primary care considered as part of the decision? Was any analysis done on how this might impact those communities?

Mr Bowles: We do have a look at regional differences, and there is no real difference between rural-remote and metropolitan in the growth over time. There might be variations on who accepts and who is bulk-billed and not. But the same trends are pretty much consistent across regional, rural and metropolitan. That is correct, isn't it, Mr Stuart?

Mr Stuart: Yes, in fact the bulk-billing rate for GP services across all the major regional splits are all above 82 per cent. So metropolitan, outer-metropolitan, rural and remote are all above 82 per cent. There is only minor variation. Of course there is variation within that. We are metropolitan here in Canberra and we certainly do not have an 84 per cent bulk-billing rate. I think it is 56 per cent. So within all of those there is variation but there is a—

Mr Bowles: It explains why I keep paying.

Senator GALLAGHER: In terms of the budget process to put forward this save to government, I presume there is some sort of business case—it is not a 'new initiative' but there will be a word for it. You are putting forward a savings idea. As part of that, what analysis is done to inform the cabinet of the potential impacts of an indexation freeze like this?

Mr Bowles: We have already talked about the broad changes that we are seeing in bulk-billing practices and rates—and out-of-pockets, if you like. But at the end of the day these are decisions of government through the normal budget process. They make those decisions. Again, our job is to implement those decisions.

Senator GALLAGHER: Yes, I get that.

Mr Bowles: The evidence that we have at this point in time would say that we have seen no variation on what has been happening over the last decade.

Senator Nash: I think it is important that we note that Minister Ley has said that she is open to a review of this as the reforms progress, and she has said that publicly.

Senator GALLAGHER: A review of the indexation?

Senator Nash: Of the indexation pause.

Senator GALLAGHER: For next year's budget?

Senator Nash: No. She has just said she is open to a future review as the reforms in the sector progress.

Senator GALLAGHER: But we can only work on what is in the budget papers—

Senator Nash: Absolutely. I just thought it was useful to state, for the committee, that the minister has indeed indicated that.

Senator GALLAGHER: In terms of the analysis that goes to inform the decision making, what I hear both Mr Stuart and Mr Bowles say is that a further \$905 million could be frozen in terms of indexation arrangements without any noticeable impact?

Mr Bowles: We provide advice to government and government make those decisions. I do not think I would characterise it exactly how you said that.

Senator GALLAGHER: Could you correct me then?

Mr Bowles: Yes. Our job is to provide advice around what we are seeing in these particular areas. We have gone through the detail so I will not go through that again. Then governments will make decisions around different savings options in the context of budget repair that they do. Minister Nash mentioned that the minister has made comments around looking at that in the context of broader reform, and that has been constantly said. We have not reached that point at this particular stage. You may have noticed, in the budget context, the MBS reform work has started to come through the budget, with a small reduction in obsolete items. That work will progress over the next little while. There may be some opportunities for greater change in how we look at indexation pauses over time. We do not want to rule in or out those sorts of things.

CHAIR: Sorry to interrupt but we are due to break now.

Senator GALLAGHER: I have one more question.

CHAIR: I will just ask the question: are you planning on coming back to this outcome after the break—

Senator GALLAGHER: Yes, we are.

CHAIR: because we are due to move onto outcome 5. So Labor would like to extend outcome 3?

Senator GALLAGHER: We would. I am very happy to try and work with you. I think it is busy in the first section of the agenda.

CHAIR: I understand that. I am just getting an indication. If that is the case, we will pause now. We will break for 10 minutes and come back and continue on outcome 3.

Proceedings suspended from 11:00 to 11:14

CHAIR: We will recommence. We are continuing in Outcome 3.

Senator GALLAGHER: Just to finish on the indexation freeze: what I am trying to understand is, from the department's point of view, what will be the known impacts of an indexation freeze of that size over the period of time that it is in place?

Mr Bowles: I think we have gone through that a little bit. All of the indicators over the last 10 years have had it tracking up pretty systematically over that particular time. I suppose the other thing we have not seen is a lack of access problem out there. It is very hard for us to jump forward to 2019-2—the last year of the forward estimates—and be definitive. It is very hard for us to jump forward to that. The indicators that we look at at the moment are still tracking in the right direction. We will obviously keep monitoring that and we do keep monitoring that, and if there is a change we will provide appropriate advice at that time to government around what might happen, and, ultimately, government will make decisions.

Senator GALLAGHER: So your best understanding is that bulk-billing rates will continue to grow in the order of one per cent?

Mr Bowles: Not necessarily in the order of one per cent. What we are saying is that the last 10 years, when some of these things have started to come in, have indicated that that is where they are tracking at the moment. Eighty-four per cent is a high number, so you would have to think that, at some time, it will start to plateau or at least plateau. We do not have enough to indicate that. If you just do a straight trend line, it will continue to grow, but we know there are other things that will come into play.

Senator GALLAGHER: What I am struggling with is that a \$2 billion save through the indexation pause will have no material impact. That is essentially what I have heard in the discussion this morning. I am struggling to—

Mr Stuart: I think we have been at pains to say that there may be a range of actions that doctors take. Those actions will be very much constrained by a market situation, with the highest ever GP to population ratio.

Senator GALLAGHER: So, more doctors, bulk-billing rates continuing to climb and out-of-pocket expenses growing. They are the three.

Mr Stuart: I guess we are saying there is not an access problem that we can see now or in the immediate future, and the department will continue to monitor what is actually happening.

Mr Bowles: Another important issue here is that there are other reforms in the budget quite specifically around things like chronic and complex disease and the introduction of a healthcare home concept, which will also drive, I think, a whole lot of behaviours and a better way of looking at it.

Senator GALLAGHER: Yes, sure. We all hope that they work, we really do; but the allocation of funding for those initiatives pales in comparison to the \$2 billion—

Mr Bowles: Again, I would like to point out that the mix of the Health Care Home and the COAG arrangements have the potential for some really clever pooling of funds towards how to manage those issues. The fact is that the MBS is projected to grow from what will be around the \$22 billion this year to around \$25.8 billion over the forward estimates. There are a range of factors which we constantly look at that allow us to look at what the projections might be. There are a range of issues in all of that that we need to be mindful of.

Senator GALLAGHER: The Sydney university's Family Medicine Research Institute has done some modelling and their analysis shows that the six-year freeze on Medicare rebates will cost Australians an extra \$14 every time they see a GP. Has the department looked at that analysis, and does it have any comment on it?

Ms Jolly: We have looked at that analysis and some of it is hard to recreate, because obviously it projects forward in a way that we do not in the MBS by that level of detail. I cannot comment specifically on the \$14.

Mr Bowles: I suppose if we look at the current out-of-pocket growth, again it has not been anywhere near that.

Ms Jolly: The current out-of-pocket growth goes from \$30.38 to \$32.76 if you compare the last six months with the previous six months.

Senator GALLAGHER: What are those figures are from?

Ms Jolly: That is comparing the year-to-date figures of 2014-15 with the previous year-to-date figures. That shows the out-of-pocket growth from \$30.38 to \$32.76.

Mr Stuart: As we went through with Senator Di Natale, the recent growth in out-of-pocket costs for the 15 per cent of patients that are paying them is consistent with previous patterns.

Senator GALLAGHER: Was that five per cent?

Mr Stuart: Five to six per cent per annum.

Senator GALLAGHER: Now to pathology and diagnostic imaging and the \$650 million cuts there that were announced in the MYEFO. Can you just talk me through how the legislative process works to implement those on 1 July as indicated by Senator Nash's letter to the Senate President this week.

Mr Stuart: I am sorry, could you say that again?

Senator GALLAGHER: There was a letter from Minister Nash to the Senate President advising that these changes are due to commence on 1 July 2016. I am asking what the process is to have that put in place from a legislative point of view. My understanding is that the changes need to be tabled and there is a period of disallowance.

Mr Stuart: That is correct, yes. It is a 15-sitting-day period of disallowance.

Senator GALLAGHER: So how is it possible for them to come into effect on 1 July?

Mr Bowles: Firstly, just let me say that that is a decision of the government; it is not a decision of ours or of departmental officials.

Senator GALLAGHER: Aside from this, how do you prepare it normally? Just talk me through the process to implement changes from a legislative point of view. It is an instrument.

Mr Stuart: Usually there is a disallowable instrument in relation to the tables. In this case, there is a pathology table and a diagnostic imaging table. Those changes to legislative instruments would be tabled by the government and laid before the parliament. There is a 15-sitting-day period of disallowance possible. The commencement of the policy can occur at a given date subject to disallowance. So the instruments actually create the policy. If the implementation date falls during the 15 sitting days then implementation would occur and then the parliament can consider disallowance over the 15-day period.

Senator GALLAGHER: Retrospectively?

Mr Stuart: Potentially. That is a situation that has occurred before.

Senator GALLAGHER: Minister, your letter to the Senate President indicated that these changes would come into operation on 1 July this year.

Senator Nash: It did. I tabled that on behalf of Minister Ley, as you know, Senator. My understanding is: yes.

Senator GALLAGHER: That would indicate that the instruments have been signed and dealt with and have created this policy.

Senator Nash: Again, it is for Minister Ley, so I would need to take some advice on that.

Senator GALLAGHER: Are the cuts coming into effect on 1 July?

Senator Nash: My understanding is that they are. The commencement date is 1 July. Again, I tabled that on behalf of Minister Ley and I would need to take some advice on it.

Senator GALLAGHER: Why haven't the instruments been tabled and presented to the Senate?

Senator Nash: I would have to take that on notice for you.

Senator GALLAGHER: There were some changes announced in December to cut \$650 million over four years, or savings generated of that order, due to come into effect, with a 15-day disallowance period. Why weren't these instruments provided to the Senate to allow time for consideration and also for public scrutiny of what those tables look like?

Senator Nash: Again, Senator, it is a matter for Minister Ley. I am happy to take that on notice for you and come back to you.

Senator GALLAGHER: Is the government trying to avoid presenting those instruments for some reason?

Senator Nash: No, I would not categorise it like that at all. As I say, I am not the minister responsible—I am doing it on behalf of Minister Ley and I am happy to take it on notice for you.

Senator GALLAGHER: Again, it seems strange that a pretty significant change announced in December, due to come into effect in six or seven weeks, a change which the industry is certainly raising concerns about, will come into effect the day before a federal election, as it turns out, but we are not going to be provided with any of the information that will show what that means, what the detail is, and be provided with the opportunity to comment on it.

Senator Nash: Was that a statement, Senator; is there a question?

Senator GALLAGHER: Does the government have a response to that? Why has the government chosen not to table these instruments but has decided to continue with the implementation date?

Senator Nash: Again, that is a matter for Minister Ley and I am very happy to take it on notice for you and get some advice.

Senator GALLAGHER: Have they been approved by the executive council?

Senator Nash: I think, again, we would need to take that on notice for you for Minister Ley.

Senator GALLAGHER: Is there any way we can get an answer today on that? It is pretty fundamental—there is a change coming in.

Senator Nash: I could not assume anything but I am happy to look at that for you.

Senator GALLAGHER: Okay.

Senator PATERSON: How much has the bulk-billing incentive for pathology cost the government since 2009?

Mr Bowles: We might have to take that on notice—we might not have that far back.

Senator PATERSON: I have a rough figure in mind that might help you—about \$500 million.

Mr Stuart: Yes, around \$500 million to date.

Senator PATERSON: How much did bulk-billing rates increase as a result of this expenditure of half a billion dollars?

Mr Stuart: It is hard to attribute causation to a particular incentive, but over that period the bulk-billing rate for pathology moved from 86.3 per cent to 87.6 per cent.

Senator PATERSON: That seems to me from your answers to previous questions about bulk-billing rates to be roughly in line with the general increase each year anyway of about one per cent?

Mr Stuart: I think it was a reference to general practice and the Medicare table as a whole. This is broadly consistent.

Senator PATERSON: Was this increase of about one per cent the rate at which it was increasing prior to this policy being introduced?

Mr Bowles: That one per cent growth is probably over a much longer period, so it is not growing like the GPs that are growing at about one per cent a year. That figure is for about five years. It has not changed dramatically.

Senator PATERSON: It does not seem to be a big return on investment. In the department's view, how competitive is the pathology industry?

Mr Bowles: I think it is a quite exceptionally competitive business model. I think we should differentiate between pathology and diagnostic imaging. At that level, they are both very, very competitive business models.

Senator PATERSON: Do you think the businesses in the pathology industry are profitable and well-functioning businesses?

Mr Bowles: I do not think I could comment. On the surface—

Senator PATERSON: Just on their profitability then rather than—

Mr Stuart: There is public data. There are two public companies that publish six monthly, and we take an interest in that. They seem to be in a reasonably healthy state, although they are diversified businesses.

Senator PATERSON: So you think they are in a healthy financial position?

Mr Stuart: As I said, they are diversified businesses.

Senator LINDGREN: Going back to my question, can I ask why you believe it is under outcome 1?

Mr Bowles: All of our screening programs are about population health effects. While screening happens to deal with pathology, in particular, in those cases, the programs themselves have a population health focus. That is the only reason. I do not have the experts here for you, Senator.

Senator LINDGREN: That is fine. I just wanted some clarification.

Senator GALLAGHER: In relation to the instrument, when did the department prepare the instrument?

Mr Stuart: If we were to answer that accurately, we would need to take it on notice—

Senator GALLAGHER: Really?

Mr Stuart: but we started work in December and we have provided a range of advice on a range of options to the office since then.

Senator GALLAGHER: To the minister's office?

Mr Stuart: Yes.

Senator GALLAGHER: But there has been a final instrument created? When was that completed from the department's point of view?

Mr Bowles: Firstly, it is a decision of government how that plays out. As Mr Stuart has said, the department provides advice on a whole range of issues and had done so for a while, even up until the last few weeks on this issue.

Senator GALLAGHER: So you cannot answer?

Mr Bowles: It is not final until it is tabled, and that is a decision of the minister and of the government.

Senator CAROL BROWN: At the last estimates you said: 'We are talking through all of the options now with the minister's office and we are ready to put that in.'

Mr Bowles: Yes, Senator.

Senator CAROL BROWN: So you completed it?

Mr Bowles: It is a decision for government.

Senator CAROL BROWN: When did it go to the minister's office?

Mr Bowles: Multiple pieces of advice have gone to the government since December last year. It is the minister's and the government's decision, and until it is tabled it is not final. That is where it is.

Senator GALLAGHER: Going back though, you said the instruments create the policy.

Mr Bowles: That is correct.

Senator GALLAGHER: So it is not final when it is tabled. It is final when it is signed. 'The instrument creates the policy', were the words that Mr Stuart used.

Mr Bowles: Ultimately, the instrument that is tabled is the final, if you like, on that instrument. If it is disallowed—

Senator GALLAGHER: It is not going to be tabled now before it comes into effect on 1 July.

Mr Bowles: Again, that is a decision of government. If that is the case, then there is no table being tabled.

Senator GALLAGHER: But if the instrument creates the ability for these savings to come in, then when it is tabled is not the final. To implement these savings is when the instrument is signed.

Mr Bowles: Once the instrument is tabled, it has 15 days for disallowance, but it can be implemented, is my understanding. Now I am not an expert on parliamentary procedure, but once it is tabled it is there. It could be implemented. The general practice would be that you wait for your 15 days disallowance and then you move forward, but technically speaking it is a policy at that particular point.

Senator GALLAGHER: But that does not involve tabling, necessarily.

Mr Stuart: I think you are asking, 'Can it be implemented without being tabled?'

Senator GALLAGHER: Yes.

Mr Stuart: I do not believe so, but we are not the ultimate authority on that.

Mr Bowles: We are not experts.

Senator GALLAGHER: If that was the case, it cannot be implemented from 1 July.

Mr Bowles: Again, I think that is a question for someone who might know a little bit more about parliamentary procedure on that than we do. Our understanding would be that you are correct.

Ms Jolly: My understanding is that the date at which the instrument is signed by the Governor-General and the minister is the date at which it comes into effect. Then it is tabled through the normal process through executive council.

Mr Bowles: That happens before it is tabled.

Senator CAROL BROWN: Yes, I understand that.

Senator GALLAGHER: That is what brings the policy decision into effect.

Mr Bowles: That is right. If the signatures bring it into effect to be tabled, then it can be disallowed.

Senator GALLAGHER: From the responses today, and from the letter to the Senate, we can assume that the cuts to pathology and diagnostic imaging will come in on 1 July this year.

Mr Stuart: That is a matter for government.

Senator GALLAGHER: That is fine. Thank you. Just to confirm, from your point of view, senator representing the minister, as it stands today these cuts will come in on 1 July 2016.

Senator Nash: That is my understanding, as I indicated before, but I want to take that on notice to Minister Ley.

Senator GALLAGHER: But the scrutiny process will occur after that.

Senator Nash: It might actually be best to refer to—there is a paragraph in that letter that might assist. It says: 'The timing of when a legislative instrument should be made by the Governor-General on the advice of the Federal Executive Council is a decision for government. The Senate will have the opportunity to scrutinise the legislative instrument,

which has the effect of implementing the MYEFO bulk-billing incentive measure once it has been tabled.' As you would be well aware, there is that opportunity to do that.

Senator GALLAGHER: So we can disallow retrospectively, once the change has been—

Senator Nash: That is the normal process of disallowance, but, as I said—

Senator GALLAGHER: But the normal process of disallowance is that it would sit for the period of time before the date it comes into effect. What we have here is that it is going to come into effect, and then post the election we can look to disallow.

Senator Nash: As I have indicated, I will take it on notice and provide any further information that I can for you.

Senator GALLAGHER: I have got some questions on dental, but I am conscious that someone else might want to—

CHAIR: Are there other questions in this area before we move on to some dental questions?

Senator DI NATALE: I have questions in response to the questions you were just asking. I do not know that I am any clearer, and I have got questions on dental as well. Perhaps just on a similar theme, except this is, I suppose, a little clearer: the changes to dental require legislative change—is that correct?

Mr Bowles: That is correct.

Senator DI NATALE: Can you tell me why the fact sheets that parents are getting tell them that the Child Dental Benefits Schedule will not be accessible after 1 July?

Mr Bowles: Which fact sheet are you referring to?

Senator DI NATALE: It is on the department's website.

Mr Bowles: Right. I just wanted to know which one.

Mr Cormack: I do not have that fact sheet in front of me, but I am not challenging what you are saying.

Senator DI NATALE: Do you want me to read it out to you?

Mr Cormack: I am not challenging what you are saying.

CHAIR: Perhaps, Senator Di Natale, it might be useful if it was able to be tabled and that way they can have access to it.

Senator DI NATALE: Perhaps I will just read you a specific quote:

... the cost of dental services provided on or after 1 July 2016 will not be met by the government, and will need to be met by the patient.

It does say:

If the Parliament agrees, the Child Dental Benefits Schedule will close to all patients from 1 July 2016.

Mr Cormack: That sounds accurate to me

Senator DI NATALE: And then there is a question:

I have a letter that states my child is eligible. Can my child continue to access Child Dental Benefits Schedule services until the end of 2016?

The answer is:

No, the Child Dental Benefits Schedule will close to all patients from 1 July 2016.

Mr Cormack: That is the intent of the government as stated in the—

Senator DI NATALE: You are telling patients that they cannot access a scheme that is still open.

Mr Cormack: I do not have that in front of me. I am accepting what you are saying, but if I follow the sequence of what you just said, it outlines the government's intent, how it will come in to place—

Senator DI NATALE: No, there is a specific question: can I access the Child Dental Benefits Schedule until the end of 2016?

CHAIR: Senator Di Natale, I think it would be useful if you table that, so that the officials can have a look.

Senator DI NATALE: I will happily table that. I am just interested to know why the department is advising people that they cannot access the scheme after 1 July, when the scheme will still be open.

Mr Cormack: The intent of that was a frequently asked question. Embedded underneath is the presumption that the government is going to legislate to close the CDBS.

Senator DI NATALE: That is a big assumption, given we are not going to sit.

Mr Cormack: It is a statement of the government's intent.

Senator DI NATALE: A person who is entitled to access that \$1,000 under the Child Dental Benefits Schedule, who has that entitlement available to them until that legislation is passed, is being told by the department that they cannot access it.

Mr Bowles: In the context—

Senator DI NATALE: No—have a read of it. It is beyond the pale that the department would be advising people that they cannot access a service that they are entitled to.

Mr Bowles: It is in the context of the decision of government in the budget, which is May, that this will be legislated. If that is not the case, we will adjust our advice to patients.

Senator DI NATALE: That is assuming the legislation is passed.

Mr Bowles: On the assumption that it does not, we will change our advice.

Senator DI NATALE: You cannot be advising people that they cannot access a service that could still be available.

Mr Bowles: We are advising on the basis of the government's policy.

Senator DI NATALE: Yes, but that is not the basis on which the person is entitled to it. Regardless of what the government might say, this is the existing law, and the department is advising patients—On the one hand you are arguing that the reason for closing this thing down is because patients are not accessing it, and you are telling them that they are not allowed to access it when they are. It is a self-fulfilling prophecy.

Mr Bowles: This will be a bit of a circular one. What we are talking about here is: we have described the policy under the Child and Adult Public Dental Scheme and we are describing what actions will need to happen on the assumption that the government policy goes through the normal legislative process. That is the context of this particular document. At the end of the day, if it is not legislated and if it has to remain in place, we will provide the appropriate advice that would happen at that point.

Senator DI NATALE: I point you to the second question, which you now have in front of you. Can you tell me whether that second question is accurate?

Mr Bowles: In the context of the policy, yes it is.

Senator DI NATALE: It says:

No, the Child Care Dental Benefits Schedule will close to all patients from 1 July 2016.

Mr Bowles: In the context—

Senator DI NATALE: No; in the context of reality, is that statement accurate?

Senator Nash: Perhaps, if I can assist—and I think we are perhaps jumping the gun a little bit here: parliament has not been dissolved yet. There has been no decision. This came in yesterday. We are working in the current environment. If parliament is to be dissolved, then this will be re-assessed.

Senator DI NATALE: Do you think it is appropriate to be telling patients that they cannot access the scheme while no changes to that scheme have been made? I point you again to question 2.

Senator Nash: I understand your concern; I really do. I know that you are very genuinely asking these questions. But I think we just need to look at it in the time frame that we are in at the moment—that parliament has not dissolved. It came into the parliament yesterday. If parliament is to be dissolved, this will be assessed. I think that probably assists in your concerns.

Mr Bowles: If I can just point out, what the website actually does say—and you are taking the Q&A out of a broader context—'the closure of the program is subject to the passage of legislation. Once the changes to legislation have been finalised the confirmation of the program's closure will be made available.' That is the context in which we are doing this. The government's policy, which is in the budget, is a Child and Adult Public Dental Scheme. In that context, that is what we have on the website. We are explaining what will happen to the child dental benefits scheme in that context.

Senator DI NATALE: Is question 2 accurate in these questions and answers?

Mr Bowles: In the context that it is in, it is absolutely accurate.

Senator DI NATALE: The context—

Mr Bowles: The context is the Child Dental Benefits Schedule and talking about the closure—

Senator DI NATALE: There is a definitive statement that says:

No, the Child Dental Benefits Schedule will close to all patients from 1 July 2016.

That is in response to the question:

I have a letter that states my child is eligible. Can my child continue to access Child Dental Benefits Schedule services until the end of 2016?

We are going around in circles.

Senator Nash: We are going around in circles. Can I just add to that, because this might assist? Clearly, and you would understand this: at the time those fact sheets were developed, that was the correct advice. I just think we need to—

Senator DI NATALE: And so—

Mr Bowles: It is very hard to take a set of questions out of the context of a broader conversation around a program.

Senator DI NATALE: It says:

Can my child continue to access Child Dental Benefits Schedule services until the end of 2016?

'No' is pretty straightforward!

Mr Bowles: Senator, you are taking things out of context. I just read you—

Senator DI NATALE: There is no other context to that question!

Mr Bowles: One question in the context of many questions, in the context of a broader policy statement is where we need to go—

Senator DI NATALE: Shall we move on? So, you are providing an assurance that that will be revised?

Mr Bowles: If it is not legislated—if, for some reason, that happens—we will provide the appropriate advice at that point in time.

Senator DI NATALE: We are not sitting.

Mr Bowles: Again, that decision has not been made.

Senator DI NATALE: We are going to an election on the weekend—let's stop being silly! Will this be revised after that date?

Senator Nash: Again, can I just take you back to what I said? I am really trying to be helpful here—

Senator DI NATALE: Yes.

Senator Nash: Clearly, the parliament has not been dissolved yet. When I say 'yet' we are assuming it will be, but it has not yet.

Senator DI NATALE: Okay.

Senator Nash: In terms of normal processes, let's just step through this process as it goes through and it will be assessed.

Senator DI NATALE: And so I am asking: will this be revised once the election is called?

Senator Nash: Sorry, you might not have heard me earlier. I did say that if parliament were to be dissolved then this would be assessed.

Senator DI NATALE: Assessed and changed?

Senator Nash: Well, assuming that those things were no longer appropriate to have on a fact sheet then yes, of course.

Senator DI NATALE: The reason I am asking this is that the rationale which has been given is that the scheme has been underutilised—and it is no wonder, when people are getting this sort of information. Let me ask about the information—

Senator Nash: No, Senator—just to be fair—I do not think that we can point to the immediacy of a fact sheet in the context of the last week and this legislation coming in yesterday—that it is really appropriate to look at it in terms of why the scheme has not been taken up. But go on.

Senator DI NATALE: Let me ask about the promotion of the Child Dental Benefits Schedule. What was done by the department to raise awareness of the program?

Mr Cormack: That is a question you should direct to the Department of Human Services. I think they are on later this evening.

Senator DI NATALE: Are you aware of anything that was done?

Mr Cormack: We are aware that they sent out a letter to all eligible families. They do that yearly. But beyond that, that is a question that is best directed there.

Senator DI NATALE: Was there any advice to general practitioners, that they might be able to refer patients?

Mr Bowles: Human services.

Mr Cormack: Again, human services deal with that. It is one of many payment and benefit schemes that they administer.

Senator DI NATALE: So if we look at the specific model that is being proposed which, effectively, is closing down a scheme in which 80 per cent of the workforce exists within the non-state, public dental sector and increasing funding for the state public dental sector—acknowledging that there has been a significant delay in the funding that was promised under previous budgets—how can you be confident that the state public dental sector, which already has significant waiting lists, will meet the needs of patients who may have been eligible under the Child Dental Benefits Schedule?

Mr Cormack: This measure legislates a long-term certain arrangement which doubles the amount of funding to the state and territory public dental services. That answers one very specific question, which is that the state and territory governments need to know they have a reliable source of revenue to be able to increase the capacity of their services.

The second point is that most jurisdictions also utilise the private sector and contract with dental practitioners to provide services on behalf of their existing scheme. So, that workforce is readily available to the state and territory governments. The workforce has not gone away. The state and territory governments are able to use this funding to contract directly with private dentists.

Senator DI NATALE: Through vouchers?

Mr Cormack: Through vouchers or whatever other arrangements they have. As you are probably also aware, the overall supply of dental practitioners—dentists and oral therapists, hygienists—has been improving significantly, so there is a broader range of oral health professionals, not just dentists, that will be able to manage this work program, either on a contracted basis or on a salaried basis, through the states. But the key point is that it is a legislated arrangement that gives the states surety of a significant increase in funding for public dental.

Senator DI NATALE: Will public clinics be able to apply a co-payment to those services?

Mr Cormack: The state and territory governments have a range of different co-contributions and co-pay rates.

Senator DI NATALE: There is no restriction on that?

Mr Cormack: There is no restriction on their raising a co-pay. However, in the context of finalising an agreement with the state and territory providers—and we have had a number of discussions with them about this—we will specify a maximum co-pay.

Senator DI NATALE: If this change is made to the Child Dental Benefit Schedule and someone is part way through a course of treatment, what happens? Let's assume the legislation passes, there is no more Medicare funded Child Dental Benefit Schedule, and they are part way through a course of treatment. What happens then?

Mr Cormack: Under the current arrangements for the legislated arrangements, once the scheme is turned off by virtue of a legislated change, then the ability to access the Medicare payment system for that service will cease.

Senator DI NATALE: So they could be halfway through a course of treatment through a private dentist and, once the legislation is passed, not be able to continue that course of treatment.

Mr Cormack: Senator, we have been working with the state and territory governments to make it clear what the arrangements will be. We will also work with and have consulted with the dental profession. But under the current legislated arrangements, once the CDBS is turned off then there is not a capacity to make payments.

Senator DI NATALE: I have a final question. If this agreement with the states is to be legislated to provide surety for funding to state public dental services, why are we not legislating the hospital agreement to provide surety to public hospitals? It is the same principle, is it not?

Mr Cormack: That is a matter of policy for the government to consider. It is not really an appropriate question to ask a public servant, Senator.

CHAIR: I will just remind senators that we are well past the time where we should have moved on to the next outcome, but I understand senators do have additional questions.

Senator PATERSON: Of the states that provide dental services now, do the majority charge a co-payment?

Mr Maskell-Knight: It is very mixed. There are several, including New South Wales, I think, that do not charge any co-payment at all. Others have a per-service co-payment. Others have it per course of treatment. So it is a very mixed situation.

Senator PATERSON: Can you give me a rough sense of the balance? Would you say a majority is free of charge and a minority charge a co-payment?

Mr Maskell-Knight: Off the top of my head, Senator, I would not. Certainly, the fact that New South Wales has a third of the population and they do not charge means I would guess it would be about half and half on a population-wide basis.

Senator PATERSON: I want to ask some questions about the current scheme, the CDBS. How much money has been spent promoting the CDBS?

Mr Cormack: That is a matter you would need to take up with the Department of Human Services. They are responsible for the promotion and communication of the program.

Senator PATERSON: So you are not aware of how much has been spent?

Mr Cormack: We do not have that information available to us, and it is more appropriately asked of that department.

Senator PATERSON: What proportion of eligible children are using the scheme?

Mr Maskell-Knight: It is around 30 per cent. I will get you a precise number, but 30 per cent is pretty close.

Senator PATERSON: Roughly, what is the total of those eligible and what is the total of those using it?

Mr Maskell-Knight: Roughly three million children have been eligible. It was just over three million in 2014; it was 3,062,000. It was 3,086,000 in 2015. So far 2.85 million children have become eligible during the year, so until the end of the year it is hard to tell exactly how many there are.

Senator PATERSON: But roughly three million?

Mr Maskell-Knight: Roughly three million. In the first year of the scheme, there were 903,000 children, which was 29.5 per cent of eligible children. In 2015 it was 1,015,000, which was 32.9 per cent. So far this calendar year 233,000 children have utilised the program, up until the end of March.

Senator PATERSON: How is that tracking on an annualised basis? If you were to take that out for a whole year, would it be roughly the same as the previous years?

Mr Maskell-Knight: I imagine it would be roughly the same. The front end of the year has relatively low utilisation compared to late in the year.

Senator PATERSON: To what do you attribute such a low rate of take-up of the program?

Mr Maskell-Knight: I think we need to bear in mind that before the scheme began 80 per cent of children were seeing a dentist anyway. That suggests that the scheme might have been substituting for other arrangements parents and families had to pay for services, and we presume that lots of families and parents continued with those pre-existing arrangements.

Senator PATERSON: That is an interesting point. So 80 per cent were privately providing for the dental care of their children?

Mr Maskell-Knight: Either through the private sector or through school dental services.

Senator GALLAGHER: And paying largely out-of-pocket costs.

Senator DI NATALE: Eighty per cent got some anyway. I think that is a problem.

Senator PATERSON: So 80 per cent were provided for. Is it your view that some of the people who were privately providing for their children are now being provided for by the taxpayer?

Senator GALLAGHER: Or being supported to access dental at a more affordable rate.

CHAIR: Senator Gallagher, Senator Paterson has the call. You have had plenty of time.

Mr Maskell-Knight: I am not sure it is appropriate for me to give a view, but I think the numbers indicate that that is certainly true for a reasonable number, yes.

Senator PATERSON: Thank you. How much of the allocated budget for the CDPS was not being spent?

Mr Maskell-Knight: It depends which year you are looking at. This year we expect to spend about \$313.7 million, and the budgeted allocation was virtually twice that. Somewhere I have exact figures on that. Here we go: for the 2014-15 financial year, the budget estimate was \$594.6 million and actual expenditure was \$312 million.

Senator PATERSON: Thank you. I understand that waiting times for children are generally lower than for adults. What information does the department have on waiting times for children?

Mr Maskell-Knight: Under the national partnership agreement, we are told by the states and territories that there were minimal waiting times for children in the public sector. In the private sector we have no visibility of waiting times for anyone.

Senator PATERSON: Could you quantify for me what 'minimal' means in the public sector.

Mr Maskell-Knight: When we were negotiating the partnership agreement and we were in discussions with the states about providing that information, they said it was essentially a waste of their time and our time to try to provide that.

Senator PATERSON: So it was so short that it would not be worth the effort to try to find out how short it is.

Mr Maskell-Knight: Yes.

Senator PATERSON: Thank you. The states are going to get increased funding under the new scheme. How significant is that increase in funding?

Mr Cormack: For 2016-17 they will be getting access to \$415.6 million, and their current public dental funding from the Commonwealth is about \$200 million.

Senator PATERSON: So about a doubling of the funding.

Mr Cormack: Yes.

Senator PATERSON: Great. That is enough for me for now.

CHAIR: All right. I will go to Senator Gallagher—and, as I reminded Senator Paterson, I remind Senator Gallagher that we are over time.

Senator GALLAGHER: I can be very quick. As part of the budget information, there is a table that I think is on the Health website called '2016-17 budget at a glance', and it has the Health measures outlined as part of that. Under the Child and Adult Public Dental Scheme, over the four years, the total result is minus \$17.4 million. Is that correct?

Mr Bowles: That is correct. That is just a change in overall cost—yes. That is not the spend.

Senator GALLAGHER: No.

Mr Bowles: The spend over the forward estimates is around \$1.7 billion. That is just the change in effect.

Senator GALLAGHER: So from what was expected to what is actually going to be done?

Mr Bowles: From what is in the current budget to what is actually happening.

Senator GALLAGHER: So over the forward estimates it is \$17 million less than what was originally projected across those four years?

Mr Bowles: I think it is \$17 million more.

Senator GALLAGHER: Seventeen-point-four.

Mr Bowles: It is \$17 million more. Minus is more, because it is about impact.

Senator GALLAGHER: The budget says:

Some savings from these two programs have already been included in the forward estimates.

Mr Bowles: Yes. There are two current programs, the national partnership agreement and the child dental benefits scheme. They have been combined into—

Senator GALLAGHER: Can you tell me what the savings are, and where you would see those figures?

Mr Bowles: Not off the top of my head. I think we might have to take that on notice. We can give you the spend, if you like—the \$1.7 billion over the four years. I think Mr Cormack read out a figure of \$415.6 million before, for 2016-17.

Mr Cormack: That is right.

Senator GALLAGHER: It says, 'Some savings have been included in the forward estimates.' Can I have that figure?

Mr Cormack: We will take that one on notice. We do not have that in front of us.

Mr Bowles: Where are you reading from, Senator?

Senator GALLAGHER: I think it was in the budget papers.

Mr Bowles: We will have to take it on notice to get the actual figures for that.

Senator GALLAGHER: Okay. There is a media report—I think it was on ABC—that the dental plan announced involved a net saving to the Commonwealth of \$1 billion over the forward estimates. Is that correct?

Mr Bowles: Yes, that sounds about right, but we would have to take that on notice to confirm it.

Senator GALLAGHER: Is that the answer that you are taking on notice? Are we talking about the same figures?

Mr Bowles: Roughly, that sounds about right but we will take that on—

Senator GALLAGHER: Okay. So it is roughly \$1 billion.

Mr Bowles: We will take that on notice, yes.

Senator GALLAGHER: I think some of these questions may have been asked. Actually, when will you be able to come back with that figure? It must be known if it is in the budget statements. Can we have that after lunch?

Mr Bowles: We will see what we can do.

Senator GALLAGHER: I know you have got it.

Mr Bowles: We would have to calculate it; that is all.

Senator GALLAGHER: You would have to calculate the savings?

Mr Bowles: It is the way the papers are structured.

Mr Cormack: The other thing is that, in any demand-driven area, there are estimates variations from year to year anyway, so each budget you make adjustments to your assessment.

Senator GALLAGHER: I understand that.

Mr Cormack: It is not just a simple matter of saying, 'Here is a save and here is a spend.' You have to have a look at those that are affected.

Senator GALLAGHER: The minister's office themselves have said, 'There is a net saving to the Commonwealth over the forward estimates of a billion dollars.' I am trying to understand: is that figure correct?

Mr Bowles: That figure is correct in the broad. We said we would take it on notice to be specific.

Senator GALLAGHER: And you will see if you can get that for me after lunch?

Mr Bowles: Yes. Mr Cormack's point is a very good one. Demand-driven programs are by nature demand driven, and therefore there are always estimates variations up and down; in this case, it did go down, and that is where that billion dollar figure came from.

Senator GALLAGHER: The budget measure also indicates that the states will provide 60 per cent of the cost of the new scheme. Have they agreed to do that, and what discussions have been held with them?

Mr Cormack: We have had a number of collective discussions with the states—probably three or four formal discussions with the states. We have had a number of bilaterals with them. The purpose of those discussions has been to consult with the state and territory governments in the context of this measure being considered by government and now of course announced, and we will be working with the states to implement that. So we do not have a formal agreement with the states. The measure has only recently been announced, but we have been working closely with them. We will hopefully get to that in the coming weeks and months.

Senator GALLAGHER: I think I saw a reference to the New South Wales minister saying that they were viewing this as a cost-shift to the states. Has that been some of the feedback that you have had?

Mr Cormack: There has been a lot of feedback. It is not really appropriate to go into the individual conversations we have had with the state and territory governments. The history here is that the states have had long-term responsibility for public dental services, and the Commonwealth has, at various times, had a number of different programs in place that have started and closed down. But the constant has been that state and territory governments have had the running on public dental services and children's dental services for a long time. So for us to suggest that we double the funding to them to do exactly what they are doing at the moment—only, potentially, in greater quantity—is hardly a shift in responsibilities. They are already doing this stuff, and we are just giving them capacity to do more of that. We are coming up with a rational pricing arrangement which, as it did for the hospital funding arrangements, will create transparency and drive efficiency in the expenditure of those funds.

Senator GALLAGHER: I have some questions on hospitals in this area, but it is moving onto dental services.

CHAIR: Do you have further questions on outcome 3?

Senator GALLAGHER: Yes.

CHAIR: Just another reminder that we are 55 minutes past the time when we should have moved to outcome 5, so you might want to keep your questions in this area short.

Senator GALLAGHER: And the answers short. For the Health Care Homes—

Mr Bowles: That is the next outcome, if you want to move on to that. That is outcome 5.

Senator GALLAGHER: It says 'Medicare services' and it is called Healthier Medicare, so one would assume it is under there!

Mr Bowles: It is just that Health Care Homes is in the primary care space; that is all.

Senator GALLAGHER: Okay. Primary health care.

CHAIR: So we are done with outcome 3, are we, senators?

Senator GALLAGHER: Yes.

[12:07]

CHAIR: All right. We will move to outcome 5, then. I will go to Senator Rice first.

Senator RICE: I want to start with the overall portfolio budget statement for mental health. There appears to be a fall-off in mental health funding. This is program 2.1, where we go from \$700 million in 2016-17 to \$717 million in 2017-18 to \$730 million in 2018-19 and then down to \$547 million in 2019-20.

Mr Cormack: It is the transition to the NDIS.

Senator RICE: What exactly is being cut to have that—

Mr Cormack: There has been no cut. There has been a transfer of portfolio responsibility for two programs that are currently in the Health portfolio. They are formally transitioning to the NDIS.

Senator RICE: What are the programs?

Mr Cormack: They are Partners in Recovery and Day to Day Living. They are the two program areas. That is the reason for the drop-off in the expenditure.

Senator RICE: Okay. But there is no increase in funding in the NDIS to account for those?

Mr Cormack: We are simply transferring what is currently in our forward funding profile. It is being transferred, without savings, to the NDIS.

Senator RICE: So the total funding package for those two programs, Partners in Recovery and Day to Day Living, is being transferred to the NDIS.

Mr Cormack: That is right. Yes.

Senator RICE: What happens to the people who are currently accessing Partners in Recovery who are ineligible for the NDIS?

Mr Cormack: At the present time we are working through a transition program where we are providing in-kind contributions. Essentially, we are holding those funds, and they are being distributed through a range of locally based organisations—some through former Medicare Locals and PHNs, and others through other locally based groups. We are working very closely with our colleagues, both in DSS and the NDIA, in a policy perspective to ensure

that the transition arrangements and the funding that goes with them are smooth, and that nobody misses out on—

Senator RICE: Those transitional arrangements are not in place at the moment though?

Mr Cormack: They are in place at the moment and they have been—can you just let me finish the question. We are making an in-kind contribution. What we are doing is more or less shadowing the way the scheme will operate in the future. We are merging into the NDIS world. So we are holding the funding, and at that point in the forward estimates you identified, the funding and the programs will then shift to the NDIS, and the current kind of continuity will shift over with the scheme.

Senator RICE: Okay. I could see that for the people who are currently accessing Partners in Recovery will be eligible for the NDIS will be covered. How about the people who are currently accessing Partners in Recovery who will be ineligible for the NDIS?

Ms Cole: You may be aware that there is a Council of Australian Governments' commitment to ensure that people with a disability or in this group that you are talking about, who are currently receiving services, are not disadvantaged in the transition. These program clients found not to be eligible for tier 3, which is the client group that you are really talking about, will continue to receive support consistent with the current arrangements.

Senator RICE: Where is that being funded from?

Ms Cole: There is some residual funding in the Partners in Recovery and Day to Day Living which is being held in the portfolio. There is a process in two years in 2016-17 or 2017-18 to review the transition numbers and to consider whether that residual funding needs to be changed as a result of the trial process.

Senator RICE: So that is not reflected in the budget at the moment? Is the quantum of that residual funding in the budget papers somewhere?

Ms Cole: Yes, it is. Within that overall figure of the mental health funding going forward in the fourth year, when the NDIS is expected to be fully operational, there is a small residual amount of funding left from those two programs within the Health portfolio, but that figure may well be adjusted when we have a clearer indication of the percentages of clients.

Senator RICE: What is that current figure then?

Ms Cole: It is around \$13 million.

Senator RICE: Okay. And you may adjust that. Is that your expectation of what would be required?

Mr Cormack: I think there is a very orderly process that we are going through with DSS and with the agency to transition our programs. We are making appropriate adjustments as we transition. If we need to make subsequent transitions that are not catered for within the current budget, then that will be a matter we will bring to the attention of government or DSS, and the agency will bring to the attention of government. But at this stage, we are working on the presumption that there will be sufficient funds to be able to effect the transition. We also have plenty of time to work through issues and bring them to the attention of government.

Senator RICE: What is the total funding for Partners in Recovery per year at the moment?

Mr Cormack: If you want to ask another question, we will get that one for you.

Senator RICE: Okay. Moving on to budget paper No. 3 on page 28, it notes that the national partnership on supporting national mental health reform is ending on 30 June this year.

Mr Cormack: Yes.

Senator RICE: So this is another \$50-million-a-year program. Is that also moving over to the NDIS?

Mr Cormack: No. That is an existing National Partnership Agreement that has come to an end; it is not being continued.

Senator RICE: Isn't that a cut over the forwards then?

Mr Cormack: No. There was an agreement struck with the states, a National Partnership Agreement that had a beginning point and an end point. It has come to an end, and the government has decided that it is not going to be extended.

Senator RICE: But, effectively, it is a cut, because effectively it is funding services that people—

Mr Bowles: It is a government decision.

Senator RICE: But it is effectively a cut.

Mr Cormack: It is a government decision not to continue the agreement.

Senator RICE: But in terms of maintaining funding—and we had been told that we are maintaining the same level of funding for mental health—it is effectively a cut. It is a program that is not being continued.

Mr Cormack: There are lots of national partnership agreements. They all have a beginning point and an end point. They do not all get continued. This is one of them—

Senator DI NATALE: There are lots of end points under this government—not many beginning points but lots of end points!

Mr Cormack: These are government decisions.

Senator RICE: Given that 30 June is also the rollover date for the PHNs beginning, do you think it is really the right time to be ending these payments to the states under this program?

Mr Cormack: These are decisions for government. We cannot comment on those sorts of decisions.

Senator RICE: So it is effectively a cut at the same time as we are having a big transition. My expectation is that you will have a lot of people who are currently receiving services who are going to find themselves high and dry.

Mr Cormack: We are talking about one national partnership agreement in the context of quite a few billion dollars in spending in this particular space. As Mr Cormack said, we have a range of national partnership agreements, and, if you go through some of the others, there is a range of them that will finish at the end of this year.

Senator RICE: But in this case, over the forwards, it is \$200 million that would have been being spent that is going—\$50 million a year.

Mr Cormack: No. That is not—

Senator Nash: No. The NPA has come to its natural end. I would not categorise it as a cut. It has come to its natural end.

Mr Bowles: It was never in the forward estimates.

Senator Nash: When we look at the \$2.9 billion that has just been injected into public hospitals, I think it is important—

Senator RICE: I am talking about mental health funding—

Senator Nash: I know you are, but you are talking about what you are categorising—

Senator RICE: as you were trying to tell the committee—

Senator Nash: as cuts, which is incorrect. So I am clarifying that for you. I am also putting it in the context of other government spending that is significant when it comes to health.

Senator RICE: We are clear about where the government is headed with that funding. In terms of the rollover of mental health services into the PHN flexible fund, can you outline, so that we are clear, which programs are being rolled over.

Mr Cormack: I will make a start, and Ms Cole will pick up on that. There are the youth focused programs, which include headspace. There are children focused programs, including beyondblue. Run through the list.

Ms Cole: The list is: mental health rural services program; that is one of them. There is the ATAPS program. There is some new funding for Indigenous mental health and also for Indigenous suicide.

Senator RICE: How much is that funding?

Ms Cole: The Indigenous mental health or the suicide funding?

Senator RICE: Both of them.

Ms Cole: Indigenous mental health is about \$84 million, but I can get you the exact figure. The suicide funding is about \$6.9 million per year, or around that, and again I can get you the exact figure on that one. There is also the headspace funding—

Senator RICE: So that is different from—

Ms Cole: Sorry—I am just going through the list for you. There is 'youth—severe' funding. There is also some funding for community regional suicide prevention programs.

Senator RICE: I have a couple of others that people have told me of: the early psychosis prevention and intervention centres?

Ms Cole: That is 'youth—severe'.

Senator RICE: And the Mental Health Nurse Incentive Program?

Ms Cole: And the Mental Health Nurse Incentive Program.

Senator RICE: Right—so you have left that one out. So that is the full list?

Ms Cole: That is the full amount going into the PHNs.

Senator RICE: The Mental Health Nurse Incentive Program has been successful because it uses credentialled mental health nurses. How are we going to guarantee that those elements of programs that are successful because of those particular criteria are going to continue to have the same quality when they are being rolled out under the PHNs?

Ms Cole: I guess, in a sense, the important thing to note is that, over time, those programs kind of generally move into a broad, flexible pool for the PHNs to address the community needs. So in a sense it is more accurate to say that the PHNs have an obligation to provide services for people who have consistent and severe problems rather than saying the program exists forevermore.

Senator RICE: So you are not going to require the PHNs to continue to engage the credentialed mental health community?

Mr Cormack: The policy basis of this is that the National Mental Health Commission undertook a large-scale consultation process and delivered a report to government. Government then considered that report and outlined in November last year a forward direction in response to that. Part of that forward direction was to recognise that, while there are a number of strengths with the current programmatic approach, what was more appropriate was to have regionally responsive, flexible funding arrangements that would enable PHNs to be able to commission services in response to local needs.

The intent was not to simply transfer over programs and forever maintain their existing program boundaries and restrictions, because the commission's report in fact found that those restrictions were problematic. The premise of your question is asking us how we are going to implement something that is contrary to government policy. Government policy suggests to us and requires us to move those funds into a flexible, regionally responsive mental health funding pool, and that is what we are doing.

Senator RICE: If you are shifting programs from ones which have been known to have been delivering very high quality and very effective results, I am interested to know how you are going with ensuring the accountability and ensuring that the PHNs are going to be delivering the same quality of services.

Mr Cormack: The PHNs are responsible for assessing community needs and devising commissioned services in response to community needs. They are required to present to us evidence of their planning, of their needs analysis and of their forward commissioning program. A range of quality indicators will be included within each of those schedules. There are very specific accountabilities for the PHNs to deliver a whole range of quality outcomes across mental health, but I repeat that it is not just simply novating existing Commonwealth programs that have been the subject of significant external criticism and scrutiny and continuing on in a hardwired fashion into the future. That is not the policy intent.

Senator RICE: Have you finalised those accountability measures for the individual PHNs in terms of the oversight and accountability that the department is going to have?

Mr Cormack: We have concluded all of our contractual arrangement with the PHNs, including the provision of funding arrangements for all of the mental health funds for the coming contract period.

Senator RICE: So you finalise the accountability and reporting measurements for that in those contracts?

Mr Cormack: Indeed, it is specified in there.

Senator RICE: My final question is about a program called the Children of Parents with a Mental Illness. My understanding is that funding for the program is ending on 30 June. Is that the case?

Mr Cormack: It has a six-month extension until the end of the year.

Senator RICE: Will it end then or will it be reconsidered?

Mr Cormack: That is a consideration for a future government, but the funding arrangements have been extended to the end of the calendar year.

Senator RICE: By all accounts it seems to be a very successful program. Is there a particular reason why the department has decided to discontinue the funding?

Mr Cormack: It was a decision of government. Like a number of programs—some come to an end, some get renewed, some get modified and some do not continue. This is one that the government has elected to continue for another six months. No doubt they will be seeking advice from the department in the lead up to further consideration of its future past December.

CHAIR: I have some questions on the health care home program. Briefly, are you able to tell some of the details about how this will work, about some of the benefits of the health care home program and about how people will be identified for it?

Mr Cormack: The measure announced focuses on 65,000 patients in up to 200 medical practices in seven PHN geographical regions. The first year will involve working closely with those identified regions and the various healthcare providers operating in the region to identify an appropriate patient identification mechanism, which is essentially a risk stratification tool that will enable us to identify the patients that will most benefit from that. Secondly, we will be embarking on the design of a care coordination model, obviously in partnership with those particular Health Care Homes. So there will be a new model of care that will be built around individual needs of the patient. The third element of that will be the design—

CHAIR: When you say, 'There will be a new model of care', how will that care be coordinated?

Mr Cormack: The care will be coordinated by the Health Care Home, which would normally be nominated. The patient will choose to enrol with a general practice, or in the case of an AMS the patient would enrol with an AMS. Their job would be to identify the specific care needs of the individual and to put in place a package of care options that are currently not necessarily available through the existing fee-for-service Medicare arrangements. The focus of that will be to keep them well, to prevent further decline in their condition and in the fullness of time to reduce the likelihood of them being admitted to hospital prematurely.

The other element I was just about to mention was a new payment arrangement whereby once those patients are identified and risks stratified we would effectively cash out a portion of their likely future MBS usage. That would be transformed into a blended payment that would be made available to the Health Care Home and their general practitioner to put in place a program to prevent decline in their particular condition and keep them well without them necessarily having to keep on coming in on a MBS-item-by-MBS-item basis.

CHAIR: So when you say you will cash out the MBS component and you are sort of bundling it into this program for this person, what does that mean, going forward? Does that mean they are not going to have access to those things? What do you mean by 'cash out'?

Mr Cormack: Cash out essentially means that we devise a risk-adjusted payment that is payable to the Health Care Home—to the practitioner. With that, the practitioner has

flexibility to be able to provide a whole range of different services that could be provided by nurses, social care providers, other members of the practice or, to an extent, even allied health. There is also—this is part of the announcement—the opportunity to pool funds with the local hospital district and, in some instances, with private health insurers who may choose to join in a program that is targeted at keeping people well through a range of services that are not restricted to GP consultations using the traditional Medicare fee-for-service payment.

CHAIR: Finally, will there be an assessment of the first phase of the rollout? If so, how will that be done?

Mr Cormack: The first year is getting the model sorted out, getting the patients enrolled and getting the practices and payment systems in place. The formal rollout would then commence in July 2017. Running alongside each phase of the rollout will be a very rigorous evaluation of all aspects of the program, including obviously and most importantly the health outcomes achieved for the patients enrolled in the program.

Senator GALLAGHER: Just to finish the Healthier Medicare side, from the profiling in the budget papers, it looks like in year 2 there is very little funding. It is lumpy in year 1, then it goes down to virtually nothing and then back up in the third year. Can you just explain that, quickly? I only have 15 minutes.

Mr Bowles: It has to do with the cash out that Mr Cormack mentioned earlier. There are a whole lot of flows in and out, and the net effect is the \$21.3 million over the forward estimates, which sees different impacts in different years just based on how it gets cashed out. That is largely how it works.

Senator GALLAGHER: Is there money in year 2?

Mr Bowles: Yes. If you are going to bundle payments, you have to cash out Medicare item numbers in that sort of context, so you will see pluses and minuses all the way through. Again, the budget papers reflect that.

Senator GALLAGHER: In terms of the amount of money, it says, Healthier Medicare—trial of the homes—\$21 million. You also have the budget measure, simplification of Practice Incentives Programs, which cuts \$21 million. Are you taking \$21 million and investing it in health for homes? Is that the idea?

Mr Cormack: It is a related save. The practice incentives payment overhaul is to collapse and simplify—there are about 10 or 11 PIPs at the moment—and we will be combining a number of flows into an overall quality improvement PIP. We will be working very closely, obviously, with the profession to effect that change. We anticipate that, within the context of that change period, there is likely to be a slow uptake initially, which will deliver a short-term, one-off save that would be able to be reinvested into general practice through Health Care Homes, but the overall money available to the PIP program will be unchanged over the forward estimates.

Senator GALLAGHER: With the seven PHNs that are going to trial this, what is the selection process for that?

Mr Cormack: We have done some preliminary work on that. That is really a matter for the minister to consider.

Senator GALLAGHER: When would they be announced?

Mr Cormack: That is her timing.

Senator GALLAGHER: Are they spread across the country? Is the idea that you will have a bit of diversity in the—

Mr Cormack: We have put a number of options to the minister that look at geography, the type of population you are talking about and size, so it will take into account a number of different factors. The minister will make that announcement directly.

Senator GALLAGHER: During the election campaign. Back to the mental health reforms, today is the day, I think, that the PHNs have to have their plans in—the regional operational mental health and suicide prevention plans. They are due to the department, I think, on 6 May. Are they in?

Ms Cole: I do not know whether they are in, because they are due in today, but my understanding is that they are they are highly likely to be in today.

Senator GALLAGHER: I notice from your website—the grants—there is a lot of money that has gone to the PHNs to do needs assessment planning. How much in total has been provided to PHNs, and has every PHN received funding for needs assessment?

Mr Cormack: We will get you the figures on the funding elements, but all of them have been provided with funding support to undertake that first phase of the commissioning work, which is the needs analysis.

Senator GALLAGHER: My quick calculation is that it was around \$9 million across 20-odd PHNs. Can I get a figure on how much money has gone out for needs assessment and planning, and whether all 31 have received funding?

Ms Cole: I can confirm that all 31 received funding. The funding was, I guess in a sense, funding to also allow them to engage the staff that they needed to take on the new responsibilities of mental health.

Senator GALLAGHER: Was that provided after you had finalised the overall funding allocations to the PHNs?

Ms Cole: No, that funding was provided prior to the funding allocations being finalised from 2016-17.

Senator GALLAGHER: So how did they know how many staff they were going to have to employ before they knew how much money they were getting?

Ms Cole: The funding was provided to allow them to set up and create the kind of preliminary work they needed to do in order to do their needs assessments and their activity based planning. The PHNs knew which programs were coming in, and they were already familiar with the ATAPS program and the rural health programs that they were running, so they had a concept of what was likely to be coming in their direction. As decisions were being made, we provided them with preliminary indications over the last couple of months.

Senator GALLAGHER: Each one, on average, seemed to get between \$500,000 and \$750,000 to do needs assessment and planning. Is that correct?

Ms Cole: And to engage the staff that they will need in the longer term in order to be able to do the necessary work.

Senator GALLAGHER: The contract is ending on 30 June, though, so how do you fund staff from that?

Ms Cole: That funding was to enable them to do set-up, essentially, for the new activities that they are required to do. Then from 2016-17, as part of the funding agreements which have just gone out, they are receiving additional money, including operational money.

Senator GALLAGHER: Can I get a list of the finalised funds going to each PHN.

Ms Cole: Yes.

Senator GALLAGHER: Thank you. In relation to some of the programs that have been under funding uncertainty, I understand from listening to COPMI that they now have a six-month funding extension, and others have been given a nine-month funding extension. Can you just give me the reasons why it seems that some organisations are being treated differently to others. Also, I am aware of a number of organisations that have been told their funding ends on 30 June and that, if they are going to get funding, they should go and speak to their local PHN, so there seem to be different arrangements depending on who you negotiate with, it appears.

Mr Cormack: It is not so much that. It tends to be the particular policy and program area that we are talking about. For example, in the case of headspace, they are just finalising today a two-year agreement with headspace national, and the delivery funds in that case are now locked in the PHN's program fund. So that is an example in one particular policy area. Then if we look at the digital mental health gateway, which is another area where we have about 20 providers that have contracts that were coming to conclusion at the end of June, they have all been renewed—predominantly, I think, for a 12-month period for most of them. Yes, a 12-month period. That is because, in their case, we are going to be establishing a new way of doing things. So it will depend upon which area—

Senator GALLAGHER: And then national suicide prevention got nine months—is that right?

Ms Cole: That is correct.

Senator GALLAGHER: And this is a new group—the group that is now getting six months. How many are in that? COPMI is getting six months. Who else is getting six months?

Ms Cole: That is the group that comes under our general program grouping, I guess, in a sense, of schools and children's mental health services. Those ones have been extended until the end of the academic year because there is an ATM process that is going to occur.

Senator GALLAGHER: That is KidsMatter and MindMatters as well?

Ms Cole: KidsMatter, MindMatters—

Senator GALLAGHER: And after six months they are due to go into the PHN to do that? Is that right?

Ms Cole: No, there is a national ATM process.

Mr Cormack: Approach to market.

Senator GALLAGHER: Yes, I understand what that is. In relation to the early psychosis program, they were advised around 19 April, as I understand it, that their funding would be

reduced by 25 per cent and 70 per cent—except for the Northern Territory, I understand, which is being treated a bit differently.

Ms Cole: Yes.

Senator GALLAGHER: Why was that information left essentially to seven weeks out from the change for advice to be provided to that service? When was the decision taken to end the early psychosis program?

Mr Cormack: The policy decision around the future of the early psychosis program was taken in November last year.

Senator GALLAGHER: I looked everywhere to find a reference to that, and I could not find it. I found oblique references to youth with severe mental illness, but I did not see the early psychosis program would be wound down and ended prior to it starting.

Mr Cormack: I think the important point is that the program is being transitioned. The same amount of funding that is available to the early psychosis program at the moment continues into the future.

Senator GALLAGHER: But you are ending the model.

Mr Cormack: We are transitioning the model to a regional model. The background to that is that the model was subject to very extensive national consultation in the context of the National Mental Health Commission's report, and they have identified—in fact, they have made some specific recommendations to government—that funding should be considered for inclusion in pooled regional funding with a much broader diagnostic focus. That was the recommendation from an expert body. The government took that on board and consulted another expert group before finalising its response to the National Mental Health Commission report; they recommended the same course of action.

Senator GALLAGHER: Is that the Expert Reference Group on Mental Health Reform?

Mr Cormack: Yes.

Senator GALLAGHER: I read their thing too, and none of them actually said, 'You should wind down and end the early psychosis program.' They all talk about opening up and extending access to treating people with—

Mr Cormack: And that is what we are doing.

Senator GALLAGHER: and all of the early psychosis program people that I have spoken to agree and believe that is a good recommendation.

Mr Cormack: And that is what we are doing.

Senator GALLAGHER: I guess the fundamental difference is that the advice that has gone out to the early psychosis program people is that the program is being wound down—that is the language used.

Mr Cormack: It is being transitioned.

Senator GALLAGHER: Well, the language in the letter says the program is being 'wound down'—that is the language, so it says to me it is ending—and that those funds will be provided to PHNs to commission those services.

Mr Cormack: That is correct.

Senator GALLAGHER: So that is actually a step beyond the recommendation of both the commission and—

Mr Cormack: No, it is not.

Senator GALLAGHER: Well, it is.

Mr Cormack: Senator—

Senator GALLAGHER: There is not a recommendation to end the early psychosis program as it stands and remove it from the model that is being developed.

Mr Cormack: That is very specific. But the formulation of the recommendation was that it should be reviewed in the context of our pooled regional funding framework, which we are now implementing. That was further confirmed by the expert reference group. Government took a decision on that, and we are implementing that decision, but we are expanding, in a geographical sense, access to specialised early psychosis programs. So we are working to transition that money from six centre-based programs out to the region, to the community.

Senator GALLAGHER: I get all that. But the South Australian one, for example, has been told it will be shutting its doors on 30 June—that there is no funding for that to continue. My understanding is it only opened officially in March—

Mr Cormack: That is right, yes.

Senator GALLAGHER: in a new, \$2 million building, and now people have been told that it is closing and ending. People involved in getting this model up are devastated at the loss of this model. Professor McGorry says diffusing this model out to PHNs will cost lives. It seems like a very rushed decision has been made, without time to appropriately look at alternatives. And I note the department's letter advises centres that an evaluation process will be undertaken post the decision to wind down and end the program. It seems like a very odd way of proceeding with this change.

Mr Cormack: We are implementing a decision of government, which is to implement a regional model of service delivery and commissioning for mental health. This money will be made more available to those jurisdictions, including the ACT and Tasmania, who do not have access to this funding at the moment. It will further be made available out to the regions, where they currently have no access to this. I think one of the criticisms of the model was that it was too centralised and centre based and did not necessarily provide equitable service provision right across the countryside. So what we have done—

Senator GALLAGHER: I understand that. I only have three minutes left before I have to go. I understand what you have done. I guess my question is: why didn't anyone look at working with the early psychosis program to extend its reach and maintain the levels of clinical standards and quality and the buy-in that you have from these highly skilled professionals to actually deliver the service?

Mr Cormack: Yes—and, certainly, in our most recent consultations and discussions with them collectively and individually we have recommended that, in partnership with the PHNs, the expertise that they have built up be applied to a regional context. We have asked them to do that. Secondly, we have sought further advice from Origin to assist us in the shaping of a regional service delivery model. So this is not a cut to funding. This is not a de-emphasis on early psychosis or, indeed, any other form of early onset mental illness for young people.

Senator GALLAGHER: It is.

Mr Cormack: It is about using the money that we have to have a more equitable geographical spread so that we can get better access right across Australia, not just in the existing six centres that were originally set up.

Senator GALLAGHER: Got it. When was the decision taken on headspace being contestable in year 3?

Mr Cormack: That was a decision of government in the context of the government response to the National Mental Health Commission's report.

Senator GALLAGHER: When was that announced? It was not part of any of the material that was released on—

Mr Cormack: That was part of the implementation where, in planning for a transition for the headspace centres, government considered that maintaining the current model footprint for two years as it is—

Senator GALLAGHER: Why is that?

Mr Cormack: It was just—

Senator GALLAGHER: Why two years and then contestable in year 3?

Mr Cormack: It is part of an overall implementation of the PHN model which recognises that service continuity is very important as we roll out the model and that not everything should be open to contestability from year 1, because we are gradually implementing quite a new and different way of commissioning services. In the case of headspace, it has a large footprint; it has a well-established geographical footprint. We wanted a gradual transition for that program—it will be up to over 100 sites soon—and so what we have recommended and incorporated in the contracts is that PHNs will maintain those for two years.

Senator GALLAGHER: What guarantee can you give to those communities where headspace operates that there will be a headspace in year 3?

Mr Cormack: What we are asking the PHNs to do is ensure that there are appropriate youth-friendly, youth-actionable mental health services. That will be part of their service contract.

Senator GALLAGHER: Can you guarantee that there will be a headspace in all of those communities in year 3?

Mr Cormack: It is a decision of government to roll out the existing headspace centres. That is what we have got in place, and further guarantees about government policy, Senator, should be directed to the government, not to the public servants.

Senator GALLAGHER: Okay. I will just finish with this. Senator, can you guarantee that where headspaces currently exist across Australia there will be a headspace centre in year 3? All of those headspaces will remain in year 3?

Senator NASH: Sorry, Senator. I was distracted. Would you mind just asking that again?

Senator GALLAGHER: For the headspaces that are currently operational across Australia, I am seeking a guarantee for those communities that their headspace will remain.

Senator NASH: There is no intention to change any of them.

Senator GALLAGHER: Why are they contestable for funding in year 3? Why do they have to apply, along with everybody else, for their funding?

Senator NASH: They have extended contracts for the two years. We believe—

Senator GALLAGHER: My question is about whether there is a guarantee in the third year that headspaces will remain in those hundred communities.

Senator NASH: That will be a matter for the PHN. Senator, this government has a view that we need to have efficient and effective service delivery through good use of taxpayers' dollars. That is what we base our decisions on. We think this is the appropriate way forward. Headspace is the government's youth mental health service. We make no apology for making sensible decisions about how we take these things forward.

Senator SIEWERT: I want to follow up on the money that was allocated a number of years ago now for suicide prevention in the Kimberley. It was allocated in around 2012. It was \$17.8 million. I want a clear answer as to whether that money has ever been allocated—either all of it or even part of it.

Ms Cole: Senator, are you referring to the \$17.6 million?

Senator SIEWERT: It is with regard to \$17.6 million or \$17.8 million.

Ms Cole: The decision was made in 2014-15?

Senator SIEWERT: There was a decision made under the previous government in, I think, 2012-13, which was basically about providing some funding for the overall bucket of money allocated for suicide prevention. Because of the crisis that was happening then, there was an allocation of money. There is a lot of commentary around that that money has, in fact, never been allocated, and I want to know whether it has or not.

Ms Cole: That money has been rolled into the PHN pool. I do not know if you were here earlier—there was a list of money. It is \$7.6 million ongoing.

Senator SIEWERT: So you are telling me that that money was never actually spent?

Mr Cormack: We will have to clarify that question for you. We will take that on notice.

Senator SIEWERT: 'Take it on notice' is not going to help me when the election is called.

Mr Cormack: We just need to clarify that for you.

Mr Bowles: We will come back after lunch and try to clarify that for you.

Ms Cole: It is \$6.3 million ongoing; I just need to correct that for you. We will take that on notice.

Senator RICE: When you said it to me, it was \$6.9 million.

Ms Cole: There are two components; one has gone into the PHN and then there is a small component which is retained for research. The \$6.9 million covers those two components—my apologies.

Senator SIEWERT: So \$6.3 million has gone to the PHN—

Ms Cole: Yes.

Senator SIEWERT: of the \$17.8 million.

Ms Cole: Ongoing—it is an ongoing amount each year. I believe the money that you may be talking about might be a four-year figure, but we will double-check for you.

Senator SIEWERT: So \$6.3 million for the Kimberley?

Mr Cormack: I think we have said we will take it on notice. We will get back to you soon as we can. I do not think you are going to get a clearer or better answer than we can—once we get the material available for you, we will deal with it then. We are not trying to avoid it; we just do not have the information at our fingers now.

Senator SIEWERT: I would have thought you would have the \$6.3 million information.

Mr Cormack: We will have it for you, but not right now.

Senator RICE: The answer I was given before was \$6.9 million for Indigenous mental health and Indigenous suicide programs, I thought, across the country.

Ms Cole: That is around \$84 million for Indigenous mental health, and there is a separate amount of money for Indigenous suicide prevention. Sorry if I was not quite clear on that for you.

Senator SIEWERT: All right. Can you come back after lunch. Thank you.

Mr Cormack: We will come back after lunch, if we can.

Senator PATERSON: I am just trying to understand the decision making behind the change to early youth psychosis services and what drove the government's decision making. Can you share with the committee what the key drivers of that decision were.

Mr Cormack: I am not going to begin to exercise the mind of government before you.

Senator PATERSON: Of course.

Mr Cormack: However, what I can say is that, in the context of a comprehensive response to the National Mental Health Commission's report, the government outlined a sweeping range of mental health service reforms which were announced last November. In the context of that root-and-branch review of mental health service delivery by the commission, the review recommended that the early psychosis program be considered for inclusion in pooled regional funding within a broader framework of regionally responsive health services. That was the advice that came to government through that process. The second element was that, in formulating the government's response to that, there was an expert reference group that was established, another independent group that assisted the government in shaping its response, and they further recommended the need for a regional approach—

Senator PATERSON: Why is that preferred though? That is what I am trying to get at. What is the advantage?

Mr Cormack: The policy advantage—and I kind of got to this before—is to make services regionally accessible and regionally responsive within a flexible pool of mental health funding.

Senator PATERSON: What I am trying to get at is that the current model or the previous model is not regionally accessible. That is the key issue—is that correct?

Mr Cormack: At the moment it is not. That is correct. It is accessible in some regions but not across the country. It is not accessible in rural areas, for example.

Senator PATERSON: So there are going to be more young people who are going to be able to access these services as a result of this change?

Mr Cormack: The policy intent is to make these available on a regional basis in a model that works well in each region. So we will draw on the expertise we have at the moment and we will make that available out in the 31 regions.

Senator LINDGREN: Mr Cormack, while we are still on that question, can I ask you when the PHNs will be ready to start commissioning mental health services in their regions?

Ms Cole: In a sense they commence on 1 July, but there are a number of transition arrangements in place—like, for example, headspace. So it depends on which element you are talking about.

Senator DI NATALE: I have just a few quick questions on the Health Care Homes trial. I will start by saying that I think the policy direction is good. My concern is that the funding might actually kill what is a good idea. So what does that \$21 million do?

Mr Cormack: The program actually incorporates more than \$21 million; 21 is the net. If I can just refer you to page 25 of the portfolio budget statement, you can see there under 'Healthier Medicare—trial of health care homes' there are a number of lines of expenditure that are identified there; there are administered expenses and also, effectively, a cash-out of MBS; so the 21 is just the net.

Senator DI NATALE: Yes. I get that. So you are cashing out the MBS and basically providing money for—

Mr Cormack: That is right, and as to the \$21 million, the additional money gives us infrastructure to be able to do the rollout.

Senator DI NATALE: So what does that mean?

Mr Cormack: It basically means we have work to do on the model. We have a lot of training to do across 200 Health Care Homes. There will be risk-stratification tools to be developed. There will be support for digital health. There will be a whole range of project support arrangements to make sure that the health care home, when it goes live, if you like, in July 2017, has been well developed and is well supported, and that the staff are well trained and we have recruited the right patients.

Senator DI NATALE: Sure. You have got 200 sites, so it does not seem a lot of money for what is a fairly significant change in the way that health care is being delivered. I will just move on quickly. There is no additional money for patient care, though, is there? It is basically just cashing out Medicare payments. Is that a fair representation?

Mr Cormack: Broadly what we are doing is that. But the other point—and this was also implicit in the COAG heads of agreement around public hospital funding—is the ability to engage and enlist other sources of funding, such as: the state and territory governments have significant commitments and investments in this space and, in many ways, the missing—

Senator DI NATALE: So chronic disease management is trying to get some money from the states to complement what has already been done through this?

Mr Cormack: That is exactly right. New South Wales, for example, is spending over \$100 million a year on this; Queensland announced a \$35 million program. Those funds, I think, we can coinvest, and this element will add to those.

Senator DI NATALE: What patient groups are you working with? Who are you consulting with to develop the trial sites?

Mr Cormack: We are only really just getting started. The consultation process we undertook led to the delivery of the Primary Health Care Advisory Group report. We will be doing the preliminary work now, but we will be doing that work in earnest from 1 July.

Senator DI NATALE: So how do you think patients will be selected? We have rural and remote and Indigenous—what is the process for selecting?

Mr Cormack: It is voluntary, for a start. So no patient will be forced into the health care home; it will be a voluntary enrolment. But it will be largely based on their clinical risk profile. They will look at all the different risk factors—

Senator DI NATALE: Who identifies that? Does the GP identify that?

Mr Cormack: Yes, it would be a clinical decision. They will risk-stratify the patients. Those who fit into the top tier of risks—

Senator DI NATALE: And will you get rural and remote?

Mr Cormack: Yes.

Senator DI NATALE: You will get a broad cross-section?

Mr Cormack: That would be the way to do it.

Senator DI NATALE: And evaluation—who is involved in the evaluation?

Mr Cormack: That is part of the first year development work. We will be engaging expertise to assist us with the evaluation—the design of the overall evaluation.

Senator DI NATALE: Are the payments going to be linked to outcomes in some way?

Mr Cormack: Yes. The idea would be to, when you cash out the MBS, create a risk based payment that would be payable to the health care home in return for them delivering a certain outcome, consistent with what the evidence is saying is best practice management of chronic disease.

Senator DI NATALE: Finally, will there be payment for allied health services, specialists and so on? Or is the payment really just for the GP?

Mr Cormack: It really depends. The MBS components that we have identified here are general practice related payments. However, in the context of arrangements we may enter into with the state and territory governments—

Senator DI NATALE: Some of that might go to others.

Mr Cormack: Indeed. Health insurers, for example. There could be others.

Senator RICE: Do you have an answer for me about the value of the Partners in Recovery funding, and, in fact, the Support for Day to Day Living in the Community program as well.

Ms Cole: I do, Senator. In 2016-17, Day to Day Living is \$15 million per year, and in 2016-17, Partners in Recovery is \$140 million.

Senator RICE: So that is \$155 million, yet we have got \$170 million.

Ms Cole: There is growth in those figures.

Senator RICE: Right, but the drop-off in 2018-19 to 2019-20 is \$170 million less.

Ms Cole: Because there is growth in those figures, Senator.

Senator RICE: Right, so that is \$155 million. Now, that transitional funding, which you said was \$13 million—

Ms Cole: That was the residual funding in year 4.

Senator RICE: That is expected to cover the people under both Partners in Recovery and Day to Day Living who are not eligible for the NDIS?

Ms Cole: Yes, senator. But, as we explained earlier in evidence, there is an evaluation process planned when the trials having been running a bit longer and we have a better indication of the percentages of clients who are likely to go.

Senator RICE: I have been told about a quarter of Partners in Recovery clients and about half of Day to Day Living clients will not be eligible for NDIS, which means that, at the moment, your estimation of that \$13 million is only about 15 per cent of the funding needed to cover that quarter of the Partners in Recovery clients and that half of the Day to Day Living clients.

Ms Cole: There is that automatic evaluation process that I mentioned. That is already to do. But actually our trial figures for Partners in Recovery, which is the big component, are actually a fair bit higher than that. They are around the 90 per cent mark to date.

Senator RICE: Ninety per cent being covered by NDIS?

Ms Cole: Yes, transitioning into the scheme—around that.

Senator GALLAGHER: Have the trial sites for the PHNs for the mental health reforms been identified?

Mr Cormack: They are under consideration by the minister at the moment.

Senator GALLAGHER: How many are there?

Mr Cormack: The minister announced seven PHN regions covering 200 healthcare homes and 65,000 patients.

Senator GALLAGHER: This is for the mental health reforms.

Mr Cormack: Sorry; the mental health reforms.

Senator GALLAGHER: Sorry; I am going back.

Mr Cormack: Sorry; I got that mixed up.

Ms Cole: The response indicated around nine sites would be identified, and we call them 'lead sites', which—

Senator GALLAGHER: Lead sites, yes. So they have been identified?

Ms Cole: Some proposals have been put to the minister, who may wish to make an announcement in due course.

Senator GALLAGHER: I have been told it is Murrumbidgee, north coast New South Wales, central and eastern Sydney, Brisbane and north-western Melbourne.

Mr Bowles: That is a decision of government, and the minister will make an announcement.

Senator GALLAGHER: In terms of the funding allocation that has been finalised for the PHNs, could I have that information today? I presume that that is ready at hand.

Mr Cormack: Is that all-up, overall funding, or just for this element?

Senator GALLAGHER: Just for the mental health reforms.

Mr Cormack: We can get that for you.

Senator GALLAGHER: Can I get copies of the implementation guidance material that has been provided to PHNs for the mental health reforms? I know different guidance material has been provided. Could I have copies of those?

Ms Cole: The guidance material is currently in draft. We are just getting the last round of stakeholder comments. So I am not able to provide those at the moment as they are only in draft. There are program guidelines.

Senator GALLAGHER: Will they be made public at some point?

Ms Cole: Yes, they will, when they are finalised, Senator, and we have taken into account the last comments from stakeholders. The program guidelines are now publicly available.

Senator GALLAGHER: Yes. I have seen the guidelines. That is the guidance. How many different sets of guidance are there?

Ms Cole: At the moment there are around six documents, with a few more planned.

Senator GALLAGHER: In terms of the implementation of the reforms, does that envisage PHNs using co-payments as part of the model?

Ms Cole: Some of the programs that are going into the flexible fund already have a co-payment arrangement.

Senator GALLAGHER: Like what?

Ms Cole: ATAPS. There is no change in the flexibility for those programs for co-payments. What we have said to the PHNs is that they need to have a clear policy about when a service provider might. Remember that the PHNs themselves are not actually providing services; they must have a clear policy around when it is appropriate for a co-payment to be charged by a service provider.

Senator GALLAGHER: On the current timetable, this is one thing that I have not understood from the beginning. With the plans only being provided to the department today, commissioning starts off immediately—does it?—because the services are meant to start rolling through on 1 July. How is that going to be managed?

Ms Cole: The first year, 2016-17, is very much a transition year. So, essentially, that is not a huge amount of flexibility for the PHNs in terms of—

Senator GALLAGHER: Do you expect services to be commissioned through the PHNs come 1 July?

Ms Cole: Yes, in some areas.

Senator GALLAGHER: What happens in the areas where it cannot be managed?

Ms Cole: We are expecting that there will be continuity of services. But the PHNs also have some new funding, and they are able to commission that new funding from 1 July.

Senator GALLAGHER: Some extra funding.

Ms Cole: Yes.

Senator GALLAGHER: But it is not ongoing; it is transitional funding.

Ms Cole: No, it is ongoing funding, but it is funding which was not previously available to the system. So, for example, the Indigenous funding is funding additional to programs that were existing. It is new additional funding, in essence. So that money, clearly, will be available to the PHNs to commission from 1 July, and they do not have quite the imperative that they do in existing programs to maintain service continuity in that sense.

CHAIR: We have come to the end of outcome 5, so when we come back after the break, Mr Bowles, we will commence with outcome 2. Mr Cormack, did you have something before we break.

Mr Cormack: I just wanted to respond to a question on notice from Senator Gallagher about the side arrangement with the ACT and Tasmania. The reference here is Budget Paper No. 3, page 15. The potential total impact over five years is \$6 million, which is provided for any side arrangements, and that is:

... in the event that growth in National Health Reform funding is lower than growth in CPI and population in a given year.

This is subject to further discussion.

CHAIR: We will break until 1.55 pm.

Proceedings suspended from 13:08 to 13:56

CHAIR: We are returning now to outcome 2: access to pharmaceutical services.

Mr Bowles: Senator Siewert, we will let you know. We are trying to find exactly where the number came from, but we will come back to you shortly.

Senator SIEWERT: I need to be next door so maybe we could organise a time when I should come back.

Mr Bowles: If you could maybe give us another hour and come back then.

Senator SIEWERT: That is fine.

Mr Bowles: When you walk in, hopefully someone will be ready by about then. We are just trying to track down the exact number you are talking about.

Senator CAROL BROWN: Is the government's PBS co-payment in the forward estimates?

Mr Stuart: Yes it is. The circumstance is still the same as at the last hearing where I think we went through these issues. It remains government policy. The challenge is in front of the minister either to take it forward or to find something else to replace it. It remains policy and it is in the forward estimates.

Senator CAROL BROWN: From when does it start in the forward estimates. Is it from 1 July 2016?

Ms Shakespeare: It is currently starting 1 January 2017.

Senator CAROL BROWN: Can you remind me of exactly what the policy is?

Ms Shakespeare: The policy would increase the patient co-payment for PBS scripts by 80 cents for concessional patients and \$5 for general patients.

CHAIR: Are there any other questions in this outcome? No? If that is the case, we will move on to outcome 11: ageing and aged care.

[13:59]

Senator POLLEY: I want to start by congratulating the department on managing to take six program areas and summarise them into four. You have successfully eliminated any resemblance of any detail within that portfolio budget statement. I would like to put on notice that I would appreciate some aged care expenses around things like, for instance, how much is allocated to DACs, DMAS, the flying squads and workforce development—which we know the government is not doing anything on. I would also really appreciate some detail about the expenses involved in My Aged Care, the Commonwealth Home Support Program and the usual sorts of programs that at the moment have all been lumped under one heading. We are going to have time over the next couple of days before the election is called, so if you cannot provide the details today, then we will have to have that on notice. But there are no details at all.

Mr Bowles: I am not sure what you mean.

Senator POLLEY: We could not find any details about the allocation of money. So could you take that on notice? I would like to turn to ACFI, if I could—

Mr Bowles: Sorry, Senator—

CHAIR: I think we need clarification there.

Mr Bowles: I am sorry, Senator: I have no idea what you just meant by that.

Senator POLLEY: Everything has been lumped together and you have reduced the amount of program areas from six down to four. There are not the details that there once were in previous budgets around DACs, DMAS, the flying squads and workforce development. Can you point me in the direction of where I can find those? I know we are pressed for time.

Dr Hartland: On a quick glance, I do not believe that the information in the PBS is substantially different to previous PBSs. I think you might be recalling that we usually publish more detailed reconciliations of expenditure looking backwards. That would not come out with the PBS. That is usually later in the year, associated with our annual reports. Because we are a bit earlier in the cycle they are not available at this point.

Senator POLLEY: Okay. Can we then turn to what the Treasurer said when he delivered the 2016-17 budget—that it was being focused, amongst other things, on cutting 'unnecessary waste'. Is aged care an 'unnecessary waste'?

Mr Bowles: I do not think the Treasurer made any reference to aged care in talking about that. I just do not get the reference.

Senator POLLEY: There was \$1.2 billion cut from aged care—

Mr Bowles: Let me explain that and then I will turn to my colleagues for the detail.

Senator POLLEY: If I could just finish my question?

Mr Bowles: This 'cut' issue is emotive language.

Senator POLLEY: No, it is not.

Mr Bowles: If you want me to explain the whole process, I will explain the process. If—

Senator POLLEY: No. We have very limited time, and if I could just finish my question then you have a right to reply.

CHAIR: Senator Polley—

Senator POLLEY: I have not finished asking the question.

CHAIR: Senator Polley, I am just going to give you some guidance. If you are concerned about long answers, I would suggest to you that you do not throw out political comments and then seek to move on. If you want short, sharp, concise answers, I suggest to you, respectfully, that you keep your questions tight.

Senator POLLEY: My question was very tight. It was what the sector—

CHAIR: But you are adding asides and you are inviting people to respond. If you want to get short answers, I would suggest that you stick to asking questions—

Senator POLLEY: If I could put my question—

CHAIR: Please do.

Senator POLLEY: and the question was very clearly what the sector is telling us and that is that there was a cut of \$1.2 billion in aged care. What I want the committee to be informed about is whether that was a decision by the health department to cut that money, or was that a direction from the Department of Finance?

Mr Bowles: Let me start here: what we are talking about with the \$1.2 billion is a reduction in overall unplanned growth within the overall program within the complex health domain. That had grown quite rapidly since the last budget—that is one issue. The Department of Finance put the budget together. They do not make the decisions for the health portfolio; the Minister for Health is the person responsible. Ultimately, decisions are made about budget related issues by the government.

Senator POLLEY: So long as I understand this very succinctly: the Department of Health were the ones who made the decision about cutting \$1.2 billion—

Mr Bowles: No.

Senator POLLEY: You can spin whatever you like, but if I can phrase my questions in relation—

Senator Nash: Senator Polley, the secretary has hardly had a chance to say anything, let alone spin, so perhaps he could finish his answer.

Senator POLLEY: But he just said it was not the Department of Finance that gave a direction to cut that money. He is saying that there is no cut. That, quite clearly, is not what people are taking from the budget or what the Treasurer said. So I want it clarified. On top of the MYEFO there were cuts to ACFI. In fact there has been \$1.6 billion cut from ACFI—is that it is not correct?

Mr Bowles: Firstly, let me make it very clear. I am a professional public servant; I do not spin—I will make that point very clear. I did not say anything of the sort that you have ascribed to me around the Department of Finance and the Department of Health making decisions. I have clearly said that the government of the day makes budget decisions irrespective of which portfolio they are in. There is a formal process that happens around ERC and budget that has been ever thus. We have not deviated from that in any way, shape or form.

Senator POLLEY: Does the department break down the impact of this \$1.2 billion to a residential day payment for that those people who receive complex health care in a residential

facility? Is that what you do? Do you break it down so that you can say that 'X' amount of money is paid to the provider? Is that how it works?

Mr Bowles: I will ask my colleagues to deal with that, but I did say before that it is about the increase in unplanned growth in the complex health domain.

Senator POLLEY: I know what you said—

Mr Bowles: I will get my colleagues to answer the rest.

Ms McCarthy: The way the funding works is that the providers fill out the aged care funding instrument and submit claims per person. The funding is then provided to the relevant service, but obviously there is a pool of funding that the service then works from in relation to funding the residents' care needs.

Senator POLLEY: So I will give you the scenario of a 65-year-old gentleman, residing in regional New South Wales. He has Parkinson's disease and is generally confined to a chair. He requires two hours of pressure care to avoid pressure sores and receives 20 minutes of massage four days a week from the home physiotherapist. This is to help relieve his arthritis pain. Currently, the provider gets \$66.82 a day to take care of 'Mr B', we will call him, around his complex care needs. But under the new arrangement, instead of \$66.82 he in fact gets \$16.25. That is a reduction of \$50 for the gentleman known as Mr B.

Dr Hartland: Senator, that will not happen.

Senator POLLEY: Sorry?

Dr Hartland: That will not happen.

Senator POLLEY: That will not happen?

Dr Hartland: The measure applies to new people entering the system and reassessments, so the circumstance you outlined will not happen.

Senator POLLEY: So for Mr C, who just entered residential care with the same issues, the provider will be given only \$16.25 instead of the \$66.82?

Dr Hartland: We could not confirm those figures. We do not have those figures or the basis on which they are calculated. We are not in a position to confirm them for you.

Senator POLLEY: The sector is. So you are you saying that those figures are not correct—that there will be no reduction in the money allocated per person in residential care?

Mr Murray: It is important to note that the Aged Care Act requires the provider to provide the care that the resident needs at all times. If the resident needs a particular type of care, they must be provided with that care. That does not change.

Senator POLLEY: But the government is reducing the funding to provide that care.

Senator Nash: No, Senator. I—

Senator POLLEY: Can I just finish? You cannot interrupt when I am actually asking a question. This is not a choice between care and—

Senator Nash: Absolutely, Senator, but this just might clarify and assist the committee.

Senator POLLEY: Chair, I had not even finished speaking. She cannot just interrupt—

Senator Nash: I think that I am entitled to respond.

CHAIR: Senator Polley, she is not interrupting.

Senator POLLEY: She is. She is interrupting when I—

CHAIR: You have been throwing a lot of things out there, and they are entitled to respond. I will allow the minister to respond.

Senator Nash: I am responding to your question, Senator Polley, and what you said. Thank you very much, Chair. The aged-care funding instrument, as you know, is on track to blow out to—

Senator POLLEY: I do not need a lecture from you.

Senator Nash: I am not giving you a lecture; I am assisting the committee.

Senator POLLEY: I think I understand this area.

Senator Nash: This is not just about you, Senator; this is about informing the committee.

Senator POLLEY: This is about older Australians. That is what this is really about.

Senator Nash: It is predicted to blow out by \$3.8 billion. What this government is doing is putting in place a process, the start of which we flagged at MYEFO, that will be transparent—

Senator POLLEY: This is a really good process of eating up time.

Senator Nash: and will properly result in dealing with this blow-out. I will take you back to the time, under the Labor government, when a similar blow-out happened with ACFI—

Senator POLLEY: Chair!

Senator Nash: No, this is very important, Senator. When a similar blow-out of \$1.6 million happened under ACFI, the Labor government actually did a one-off cut—

Senator POLLEY: I had not even finished my question and you jumped in.

Senator Nash: This is assisting in terms of the history.

Senator POLLEY: It is not assisting at all; it is just wasting time. I would be embarrassed with what your government has done as well if I were you.

CHAIR: Order!

Senator Nash: Chair, can I just finish answering and then I will hand back to the officials? The point of saying that is that it did nothing to address the structural issue of what is happening in the sector that is resulting in this blow-out. Unlike the Labor government, we are putting in place a process, which is going to be transparent, to make it efficient and manageable and to address the issue where one in eight claims are now judged to be incorrect.

Senator POLLEY: You are making allegations of rorting again, are you?

Senator Nash: The senator may wish scaremonger, but I think it is very important that we have some facts around this on the record and not just scaremongering.

Senator POLLEY: Chair, I had not even finished asking my question. If you are going to apply the rules to me then they should also be applied to the minister.

CHAIR: Senator Polley, you are wasting a lot of your time on this stuff.

Senator POLLEY: I do not think that speaking up for older Australians is actually a waste of time; nor is getting to the bottom of the fact that this government have actually cut \$3 billion out of aged care since they have been in government.

CHAIR: With your interjections and procedural points you are wasting a lot of your time. You have another three minutes before I throw to Senator Lindgren.

Ms McCarthy: Senator, it might be helpful to provide some context around the reduction against the unplanned, unbudgeted growth. The reduction of \$1.2 billion is against the part of the ACFI instrument where growth was significantly higher than in the other two parts of the instrument. If that growth were attributable to the overall increasing frailty of older Australians, we would expect the growth to be slower and much steadier in all parts of the instrument—that is, in the activities of daily living, in the behaviour domain and in the complex healthcare domain. But in the complex healthcare domain it was about 2½ times that in the other parts of the instrument, which tells us that there is something going wrong in relation to claiming patterns. The changes that are being made to the instrument are designed to ensure that the highest level of funding goes to those residents who need it most and that the aged-care system is sustainable. It is also notable that, even with that reduction, aged-care funding as a whole will grow on an annual average of around seven per cent, and residential care, which this save relates to, will still be growing by around 5.1 per cent per year. So aged-care funding will continue to grow in every year more than in any other part of the health portfolio.

Senator POLLEY: So can the department explain to the committee what has changed with ACFI since it was introduced in 2008? It is now 2016, and the government has made the decision to cut this \$1.2 billion. What has changed from 2008 to 2016?

Senator Nash: We have made a decision to rein in the blow-out, Senator.

Ms McCarthy: As the minister pointed out, this is the second time that there has been much-higher-than-budgeted growth in the aged-care funding instrument. Another decision that the government has taken at budget is because the department, the government and the sector all agree that this kind of volatility is just not sustainable. We are going to consult with the sector about finding a better way to determine the funding of care needs, including options such as separating the assessment process from providers.

Senator POLLEY: Is it the instrument that is faulty or is it that you are suggesting that providers are gaming the system?

Dr Hartland: We would not necessarily use words like 'gaming'. The instrument has some faults in it. One of them is that in a number of questions it is open to a fairly subjective interpretation as to whether a threshold has been met. That allows providers in some instances to be able under the current rules to claim more than what we think is justified by the level of need of the person. Effectively, a number of the changes in the measure tighten the definitions of questions and scores to make it more objective and to make the thresholds clearer for when someone needs additional assistance.

Senator POLLEY: You are saying then that the instrument is faulty and so the way to fix that is by cutting the amount of money that is provided per resident in an aged-care facility?

Dr Hartland: No, that is not what I said.

Senator LINDGREN: To clarify: ACFI has blown out before, and the previous government had to take similar actions? Is that correct?

Ms McCarthy: Action was taken, not the same action that is the subject of this measure.

Senator LINDGREN: How has the government addressed structural issues of having providers assessed for their own funding with the aim of providing greater funding certainty for all?

Ms McCarthy: As I indicated, because this level of volatility has happened twice in the last few years, we are going to consult with the sector about models for improving the way care needs funding is determined. That could involve separating the assessment process from providers.

Senator POLLEY: Can I ask a follow-up in relation to that answer?

CHAIR: You can come to that. Senator Lindgren has had one question. Let her finish, and then you can come in.

Senator LINDGREN: What percentage will residential care funding continue at? What percentage will it grow at?

Ms McCarthy: Residential care funding will grow over the forward estimates on average annually by about 5.1 per cent.

Senator LINDGREN: Thank you.

Senator POLLEY: I want to go back to what you said about separating the assessment. Won't that then actually mean that there will be an extra layer of bureaucracy, more red tape and more cost?

Dr Hartland: Not necessarily. There are already assessments done for residential aged care outside of the hands of providers. To get eligibility for the sector, you go through an ACAT assessment team, so it might actually reduce red tape.

Ms McCarthy: We also know that many providers comment on the red tape associated, in their view, with both the assessment process and the review process. That consultation obviously will include discussions about how in any new model we would seek to minimise red tape while maintaining the integrity of any funding process.

Senator POLLEY: I go to the change the ACFI is going to mean and how that is going to change. The sector is telling us there is going to be \$50 a day less per resident. Those people who reside in residential care in regional Australia get a supplement. There are then questions about the allocation of ACAR, and there has been recent media allegations that there are fewer beds being made available in regional Victoria. Is this part of the cost-saving measure so that those beds go back into metropolitan cities and save that regional supplement? Is that another budget cut?

Dr Hartland: No.

Ms McCarthy: I think you are talking about three separate things. I think the first issue you mentioned was less funding per resident. As my colleague Mr Murray mentioned, the new arrangements will only relate to new assessments and reassessments. The third thing you mentioned—I cannot quite recall what the second one was—was around the aged-care allocations round. I think you are referring to some media around the allocations process in the recent round in Victoria. The issue there, to clarify, is that places for the round are allocated on a state-by-state basis. The department then notionally allocates a certain number of places per aged-care planning region, but the ultimate result of the aged-care allocation round depends on the number and quality of the applications. If there are not enough

applications to meet the quality benchmark in a certain area, those places can be reallocated elsewhere. That is what happened in the situation that you are referring to.

Senator POLLEY: So that happened in Shepparton region. Of the 400 residential beds that were meant to be allocated, only 240 of those were, and the rest of them have gone to metropolitan Melbourne.

Ms McCarthy: My colleague Ms Moody can talk in more detail about that recent round.

Ms Moody: As part of the aged-care approval round, as Dr McCarthy said, places are allocated at a state level. The department then issues what we call the essentials guide, which attempts to give some indication, based on our planning and the work we have done, on where we think those places should be best used. Providers then make application. In many cases the final allocation differs from what is in the essential guide, and there are a number of reasons for that, but, to assure you: it was not about whether there was lots of demand in metropolitan and let's put them there. In fact, we do the assessment of each region against the places we have notionally said we would like to allocate there. It is only when we have determined that we do not have enough suitable applications to use those places in that region that we would then look for other suitable places somewhere in the state. While in this case in Victoria most of those cases went to the metro regions where there was very high demand, some of those places did also go into regional locations within Barwon. They did not go to Geelong.

Senator POLLEY: But they did not go to Shepparton region.

Ms Moody: No. In looking at the applications within Hume and a number of the other regions, we did not find enough that met our criteria to use those places. The choice is not to use those places or to find another location within the state where we can currently use them.

Senator POLLEY: I understand. Thank you.

Ms McCarthy: Mr Hartland can help you with another one of your questions.

Dr Hartland: I think we need to pause on the \$50 issue that you raised before in the first part of your question. I think the advice you have been given assumes that people go from a high score on complex health care to a low. That certainly would not be the average result of the measures.

Senator POLLEY: It may not be average, but it could happen.

Dr Hartland: I cannot confirm that that could happen. We would have to have a look at how they have calculated to be in a position to confirm it for you. Certainly it is not the result on average. On average, per-person funding will be continuing to increase. It will go up by 2.5 per cent a year. Most of the movement as a result of the measure will not be from high to low; it will actually be between the high and medium categories of the ACFI.

Senator POLLEY: I think we and the sector have differing views about what a cut of that magnitude is going to mean to them being able to provide the services that they can. What concerns me is that, if these figures are correct—and you are saying on average, but I am not convinced that they are not correct—if someone who is living with dementia—

Senator Paterson interjecting—

CHAIR: Senator Polley, I apologise for interrupting, but I am trying to get a sense. We are close to time for this area, and I have given you virtually of that time, which is fine.

Senator POLLEY: You ran over with others, and I have a lot more questions—

CHAIR: Indeed; but, putting that aside, I am trying to get an indication from you because Senator Paterson does have some questions and we are close to time. Will you be pushing on beyond the half an hour that you have allocated?

Senator POLLEY: Yes.

CHAIR: Okay. I will invite you to finish this line of questioning. I will then go to Senator Paterson and then come back to you for further questions.

Senator POLLEY: Great. If somebody is living with dementia and in residential care and they have chronic arthritis—and we know that people with dementia most of the time have difficulties being able to express the pain level they are in—can you assure me that there is not going to be a blow-out of service required by these flying squads that are now involved and that, ultimately, no money is going to be saved that will potentially put more pressure on these flying squads with this reduction?

Dr Hartland: Our view is that the effect of these measures will be that people who genuinely need help with pain management will continue to access it and the effect of the measures will be to return the allocation of money for pain management to the group for which it was originally intended. Combined with the overall increase in resources to the sector that we are anticipating over the forward estimates, our view is that there should be no need for any service to reduce what it provides to resident. That means, to follow your line of thought through, we would not expect, as a result of these measures, to see increased pressure on other aspects of the system.

Senator POLLEY: You do not expect any additional pressure on the system when so much money has been cut?

Dr Hartland: Because overall the sector is continuing to grow, as we have been saying. I know this is an area where we will not get to unanimity in this hearing, but our view is that overall the sector is continuing to grow. The reduction in funding announced by the government is effectively a reduction in unplanned growth that was on top of anticipated growth, so we do not see a reason why we would expect the sector not to be able to provide services to its customers.

Senator POLLEY: Did you consult with the sector before this decision was taken?

Dr Hartland: As we did with MYEFO, we consulted with the aged-care steering committee and some subgroups of the aged-care steering committee.

Senator POLLEY: According to the media and the contact we have had from the sector since the budget was brought down on Tuesday night, the sector believes that this is going to have a severe impact on them being able to provide the same quality of care to those people who need it. This is not a choice for these residents as to whether to have red wine with their dinner; this is about whether they are going to have physiotherapy available to them if they are suffering from arthritis.

Ms McCarthy: You mentioned the scenario of a gentleman with dementia. That actually relates to another part of the aged-care funding instrument: the behaviour domain. We have not seen a similar level of unplanned growth there. The severe behaviour response teams are out there working, have had 217 referrals and have closed 95 of those. As you have pointed out, they have been helping residential aged-care providers with things like undiagnosed pain and also, for example, the way in which environment can contribute to severe behaviours.

CHAIR: I will now go to Senator Paterson but will come back to you. I also have a couple questions in this area.

Senator PATERSON: I wanted to move on to some questions on the My Aged Care, but before I do I just want to dwell briefly on the issue of the Aged Care Funding Instrument, because I do not think Senator Polley's questions are really getting to the heart of the issue here. My understanding is that spending in this area has gone far ahead of what was planned. Is that correct?

Ms McCarthy: Yes. The two variations, one at MYEFO and one at this budget. It is about a \$3.8 billion upwards variation against what was planned.

Senator PATERSON: If the government had not taken action, how much extra funding would it have to find to continue the program as it is?

Ms McCarthy: \$3.8 billion.

Senator PATERSON: Has this happened in the past? Has funding got out of control like this in the past?

Ms McCarthy: Yes, as mentioned earlier, this has happened before in 2012-13.

Senator PATERSON: What action did the government at the time take when that happened?

Ms McCarthy: My colleague Mr Murray has that detail.

Mr Murray: They took a slightly different action but a similar action in terms of reducing the impact of that growth. They announced the measures to reduce the impact of the growth and bring it back down towards trend as well. For example, they announced measures to cause indexation for a year across all of ACFI.

Senator PATERSON: The current government is doing what previous governments have done, which is to keep growth at the planned levels by taking action?

Mr Murray: Yes, it is a very similar situation. Expenditure was exceeding growth at that time and government took some action to bring that growth back towards trend, and a similar sort of approach has been taken in this case.

Senator PATERSON: Great, thank you. I would now like to move onto the My Aged Care program. I understand the government has provided an additional \$136 million for My Aged Care. I would be interested to know how that money is going to be spent and how that will change the My Aged Care service.

Ms McCarthy: That additional funding of \$136.6 million for the My Aged Care centre is to deal with a significant increase in the volume of calls and correspondence. We know that the volume of calls and correspondence managed by the contact centre has increased from 110,000 in 2013-14 to an estimated 1,280,000 in 2015-16, and the volumes are expected to increase again by a further 41 per cent in 2016-17 and on 2015-16 volumes by 90 per cent by 2019-20, so a significant amount of funding to deal with the significant increase of volume.

Senator PATERSON: Rather than changing the service, extra funding has been given to ensure the demand for the service is met. Is that a fair summary?

Ms McCarthy: That is right, but we are also, within current funding, focusing very heavily—Ms Buffinton can speak to this—on not only dealing with demand but also working to improve the quality of the experience of the consumer who uses the contact centre.

Ms Buffinton: Some of the increases that we know are coming along are things like, from 1 July, the Victorian HACC program that has been outside the domain of the contact centre is going to be joining. With Victoria coming on, that, for example, is going to be about a 30 per cent increase in demand in the contact centre. Also, we have acknowledged in previous hearings that the volume of calls coming through to the contact centre is much higher than what we were expecting, so we have been going through quite a detailed enhancement project which looks at the user experience and the kind of information we get at the contact centre—both the information we give out and the screening we do of the calls coming in. Then, once the appropriate information has been located—either at the time of the screening phone call or when they are referred through for assessment, which is either a regional assessment or a comprehensive ACAT assessment.

Senator PATERSON: Excellent. Thank you very much.

CHAIR: I have a couple of questions now. I was little distracted for a moment. I am not sure if these questions have been asked; I apologise if they have. Have we covered the Severe Behaviour Response Teams yet today?

Ms McCarthy: Yes, we can speak to that.

CHAIR: I just want to get an update, because I know they replaced a former program—I think it was the dementia and severe behaviours supplement, which had blown out significantly. Can you give an update on how the severe behaviour response teams are operating?

Ms McCarthy: Yes, certainly. As I mentioned, the program has commenced. It commenced in November with phase 1. The program has received 217 referrals already and from every state and territory. It has closed 95 of those referrals already, and the service is being well received.

Ms Moody: It operates on referrals that come to it through the Dementia Behaviour Management Advisory Service, where a residential home is having trouble caring for a client, or a resident, who has particularly difficult behaviours. The two biggest issues that they have confronted are undiagnosed pain, or not enough pain treatment, causing the behaviours and also the physical environment in terms of lighting and placement within the facility.

They also provide support and training to the staff at the residential facility with the view that they can try to get to a point where the severe behaviour response team does not need to be involved anymore. It is a—I will get the term wrong—'cross-disciplinary' team. For instance, it may have gerontologists, it may have psychologists and it may have pharmacists to look at the medication. So it has the ability both to provide different advice and to garner the expert advice to get to the point where the residential facility is able to manage the client and care for them appropriately by themselves.

CHAIR: As I said, I think one of the reasons the previous program was replaced was because of the blowout from \$11.7 million to \$135 million. What is the cost structure here? How are we managing costs and what is the budget for these teams?

Ms Moody: This service is provided through a block grant, so there is no risk of blowout in—

CHAIR: So it is just a fixed amount? What is that amount?

Ms Moody: It is a fixed amount. In 2015-16 it was \$12.7 million, in 2016-17 it will be \$13.2 million, in 2017-18 it will be \$13.9 million and in 2018-19 it will be \$14.6 million.

CHAIR: Thank you. I just want to briefly go to another issue: the rural and remote viability supplement. Are we able to get an outline of the changes that are being made to that supplement?

Ms McCarthy: Yes. This measure responds, in part, to a report of the Aged Care Financing Authority into the viability of the financial factors affecting rural and remote service providers. That report found that while the viability supplement was generally well targeted, it was based on out-of-date census data in relation to the locational element of the supplement.

The supplement is made up of a few things: size of service, the number of special needs clients in the service and also location. Instead of that outdated census data the new viability supplement is based on a model developed in health called the Modified Monash Model, which has been used successfully in GP incentive programs. So there will be a total increase of \$102.3 million over the forward estimates for the viability supplement. Residents of around 250 mainstream services will benefit, around 100 multipurpose services will benefit, around 7,000 older Australians on home care packages will benefit and, because of the way the system works, a small number of homelessness services—not necessarily in regional and remote Australia—will also benefit.

CHAIR: All right, thank you.

Senator POLLEY: If I could go back to the My Aged Care web program and the additional money that has been put into that—\$136 million, I think it was—is that new money or is that money that has been taken from elsewhere?

Ms McCarthy: It is new funding for My Aged Care.

Senator POLLEY: Was that taken out of the aged-care budget or is this additional money the government has put in?

Mr Bowles: The way the budget works, there are a whole lot of ons and offs. This is new money to be spent on My Aged Care.

Senator POLLEY: That comes out of the existing pot for aged care.

Mr Bowles: Out of the overall portfolio of—

Senator POLLEY: Aged care.

Mr Bowles: health more broadly.

Senator POLLEY: Yes, but of the money that is allocated to aged care, it has come out of that pot.

Mr Bowles: It is new money in this particular area.

Senator POLLEY: It is new money in that particular area. I understand.

Mr Bowles: As is the \$102 million in the viability supplement.

Senator POLLEY: Yes, absolutely. That is great. One of the biggest complaints that I get when I move around the sector and, more importantly, when I talk to older Australians is about My Aged Care, because not everyone uses an iPad or a computer. Some people would prefer to speak one-on-one to a person. How much of this allocation is going to go to ensure that every Australian, not just those who are IT literate, are going to have the access that they need in a quick and timely manner?

Ms McCarthy: Ms Buffinton can speak in more detail, but the whole point of this measure is to deal with the increased volume of calls and correspondence to the contact centre. It is absolutely about ensuring that older Australians who call the contact centre to speak to somebody personally, are able to do that within a very short period of time.

Ms Buffinton: Just so we are clear, My Aged Care takes into account the website, the contact centre, the assessments and the referrals to service. So, in the first nine months of 2015-16, while there were just over two million visits to the My Aged Care website—that is a very useful background piece of information—there were nearly half a million calls to the contact centre. You can ring a person and not just rely on a digital platform.

Senator POLLEY: That is right. We have had this discussion previously. The community was told that older Australians would only have to tell their story once. What we are finding, and the feedback that I am getting, is that it is taking a number of calls. Older Australians get anxious when they have to keep repeating themselves and it becomes more complex than what I think it needs to be. You have not found that?

Ms Buffinton: No, we acknowledge that. Of course, there are hundreds of thousands of calls that go through much more simply. We absolutely acknowledge that in the early days of the adjustment of the contact centre to working as a brand new contact centre, there were issues with the level of assessment. There were also issues in changing the behaviours of the providers in getting used to change and not just sticking with the old methodologies.

One of the things that we have been really focused on, as we mentioned last time, is moving from just the quantity to the quality and, to your point, which is: making sure that we collect the information well at the contact centre so that the assessors rely on that information and do not ask for that same information a second time. During the early stages, they were not confident of that information so they did ask for some of that information a second time. It is also the fact that the providers are used to doing assessments in the past—this is for the sake of Commonwealth home support.

Senator POLLEY: Yes, I do understand that.

Ms Buffinton: That is trying to get that behavioural change but also making sure that we have got the quality of information so that we can guarantee to a consumer: 'Tell us your story once and not have to repeat it three times.'

Senator POLLEY: I think there is still some work. At least you acknowledge that there is still some work to be done in that area. If I could just quickly back to ACAR, as I understand, the minister was going to announce the allocation in June this year. Is that correct?

Ms McCarthy: The minister announced that earlier this year.

Senator POLLEY: There was not going to be a further announcement in June?

Ms McCarthy: The minister did announce that she expected the ACAR to open in June and, on current planning, that obviously still stands. It is up to government obviously when the round is announced.

Senator POLLEY: That will be put on hold, I take it, because we will be in the middle of an election campaign.

Ms McCarthy: Were we to be in the middle of an election campaign then, decisions would need to be taken about when it would be appropriate to open the round.

Senator POLLEY: Thank you. I will move on to aged-care quality. What is the leading cause of death in Australia?

Ms McCarthy: Sorry, Senator, can you repeat that?

Senator POLLEY: Yes. What is the leading cause of death in Australia? What is the leading cause of people dying in this country?

Ms McCarthy: I may need to call on the medical professionals behind us.

Senator POLLEY: It would be heart disease, would it not?

Mr Bowles: It would be hard for us to speak quite definitively.

Ms McCarthy: We have a number of doctors in the room.

Senator POLLEY: Do we know what the second leading cause—

Ms McCarthy: Is there an aged-care component to the question?

Senator POLLEY: There will be, yes, and that is that the second leading cause of death in this country is attributed to dementia.

Ms McCarthy: Dementia is a terminal illness—yes.

Senator POLLEY: And from what we understand dementia is the second-largest killer of Australians.

Ms McCarthy: My colleague the Chief Medical Officer is confirming that.

Prof. Baggoley: Certainly, cardiovascular disease is the leading cause of death. Whether dementia is second or third and cancer the other way around might depend on the date when the data was taken, but certainly dementia is in the top three.

Senator POLLEY: That is right. We will not argue about whether it is second or third. It is obviously a deadly disease. What concerns me is that, with what we know now, there are 353,000 Australians who have been diagnosed and are living with dementia. We do not know how many more Australians, and I would suggest there would be quite a few people out there who have not been diagnosed. In the budget, there was no talk about dementia funding at all. We know that it takes a long time for people to be diagnosed and we know the stigma that unfortunately is attributed to people who are living with dementia—the ignorance. I would like to know whether there is something hidden in the budget as a priority of the government that I was not able to find.

Ms McCarthy: There are no dementia-specific measures in this budget, noting of course that the viability supplement will assist obviously sufferers of dementia in those regions where the viability supplement will increase. We also know that, if funding to aged care as a whole is growing at seven per cent average annual and residential care is growing at 5.1 per cent average annual, and we know that around 50 per cent of people in residential care suffer

from dementia, the overall growth over the forward estimates will be assisting all recipients of aged care, including those suffering from dementia. Current total dementia-specific funding in the area of aged care is \$323.3 million over the forward estimates. That is both dementia-specific services and specific dementia projects, and of course, in an earlier budget—and colleagues in other parts of the portfolio can speak to this in more detail—the government committed \$200 million over five years for dementia research.

Senator POLLEY: Is dementia considered a chronic health issue by the department? Have we reached that point where the health department and obviously those in aged care are treating dementia as a chronic health issue? Will it be part of the Health Care Homes?

Ms McCarthy: In relation to the Health Care Homes, my colleagues can speak in more detail and have done so. But, of course, we know that older Australians suffer from chronic health conditions and in many cases more than one chronic health condition. In the regions where the Health Care Homes are being set up, older Australians would naturally fall into the cohort of people who will be considered for the Health Care Homes initiative.

Senator POLLEY: Now that aged care is back in health, which is a good thing, I would imagine it would be much easier for you to be able to update us. From the 2012 budget, \$39.2 million was allocated to improve hospital care for people with dementia; and \$41.3 million was allocated to improve timely diagnosis. With that money that was allocated, surely you must have some good data on how it has been allocated and the success of those projects?

Ms McCarthy: I think we answered a question on notice from you, from the last estimates, on that issue of the timely diagnosis.

Senator POLLEY: How much of that funding is left? That wasn't in the answer.

Ms Moody: I do not have the number. Most of the projects are still ongoing. A number of those projects continue to make significant strides. For instance, the use of a recognition symbol within hospitals, combined with training of all hospital staff in its use, has expanded to a number of hospitals—not just Ballarat, which is where it originally started. There is a series of those projects happening. Another one of those projects focused on the—and I will get the name wrong—health and safety commission looking at dementia in an acute sense. They issued some interesting reference material for practitioners, including hospitals, in that sense but they were also looking at the development of a standard that will make it one of the hospital standards in the acute setting. If you want more detail of those projects and where they actually at, I will need to take that on notice.

Senator POLLEY: I would really appreciate, if you could take it on notice and how much of that funding is left—bearing in mind that we would need to have those answers before the election is called on Sunday. If I could get that, that would be most useful. Then I would like to move on—

Ms McCarthy: On the question on notice that we answered from the last estimates, I think we went through updates on nine projects in relation to the dementia and aged-care services funding, including improving timely diagnosis.

Senator POLLEY: Excellent, thank you. And if we would get that final amount of funding and anything else that is useful, that would be great. I will go on to my last area, which relates to workforce development. I was wondering whether or not the department is

aware of any increase in the number of complaints about the quality of staff training that has been received by providers?

Ms McCarthy: We do not have any information on that in front of us.

Senator POLLEY: You would not be aware of providers' concerns about the quality of training of staff; when they come onto the floor, the training that they have been given by some of these private providers is less than adequate?

Ms McCarthy: I only have my own experiences travelling around Australia talking to providers. Some providers are very happy with the quality of students coming to them and others less so, but we do not have any overall data that we can provide you with.

Senator POLLEY: You are not aware of the sector having any black list—official or unofficial—of providers that have—

Ms McCarthy: I have never heard of that.

Senator POLLEY: Thank you. My final area is the Aged Care Roadmap. There was a lot of anticipation about this roadmap. Obviously, the minister has had it since last December. Quite frankly, it appears that it has got lost again; it is taking a long time. We got a copy of it a couple of weeks ago. It was slipped under the door in my parliamentary office. When will it be tabled? What is the time frame? With the election now about to be called, is the minister going to be making some announcement in the next 2½ days?

Mr Bowles: That is a decision of the minister.

Ms McCarthy: The roadmap has been published. It has been out there for a few weeks now.

Senator POLLEY: But there is no reference to it in the budget.

Ms McCarthy: There is no specific reference to it in the budget, but the overall direction of the budget measures and policy more broadly around increasing consumer choice and control is very much in line with the philosophy of the road map, as is the simplification of the assessment of care needs and potentially making it independent of providers.

Senator POLLEY: The road map has not been tabled in parliament. Do you have any knowledge of when—well, it will not be tabled now before the election—

Ms McCarthy: I am not sure whether there was ever any intention originally to table in parliament. It is available publicly and has been for a few weeks now.

Senator POLLEY: I was of the understanding that it would have been tabled because it was of such significance, but I could very well be wrong. When will we see an announcement of an independent reviewer for the legislated review of the Living Longer, Living Better aged-care reforms?

Ms McCarthy: There will be an announcement eventually. That review has to start, as I recall, no later than 1 August or as soon as practicable. That is a while away yet and an announcement would be made in due course.

Senator POLLEY: So you have not got a timeframe. Would we expect that to now be put on hold until after the election? Would that be the normal course when you go into a caretaker role—that that announcement will not be made during the election campaign?

Ms McCarthy: As I said earlier, whenever government is in caretaker mode, on a case-by-case basis, decisions are made about what is and is not announced.

Senator POLLEY: Will there be a response from the government in relation to the road map in terms of them announcing what they will do or are they just going to use this road map without giving a proper response? I think it would be fair to say that it is not only the sector that is waiting for a response; it is the workers and the Australian community who are concerned about where the workforce is going to come from in the future and what leadership the government is going to have. I think at last estimates Senator Nash said that it was not the responsibility of the government to lead the workforce development.

Ms McCarthy: I do not recall the minister's words exactly but I certainly recall we had a discussion about it being a shared responsibility, not the sole responsibility of government. I think that may have been more the tone of the conversation that we were having.

Senator POLLEY: I think she actually said that it was not the role of the government to lead. I think those were her words, but we will not play on words. There still has been no demonstration of the government responding to the road map to give either the sector or the Australian community a response on how the government is going to lead this policy development on how we are going to resolve the workforce issues. That is obviously causing a lot of concern both within the sector and within the community because we now have to compete with the disability sector to get people to work in aged care. We know that they are some of the lowest paid workers in this country. It is a crisis and it needs to be addressed. I think it needs to have leadership from the government at a federal level.

Ms McCarthy: I think you are referring, if you like, to a subset of what is addressed in the road map and that is about the workforce needed now and in the future. I would note that the department coordinated a whole-of-government submission to a Senate inquiry into that issue, which I think is under the leadership of the deputy chair, and that submission—and we worked across government on that submission—is designed to take that committee through the range of policy and funding levers available across government that help deal with that challenge.

Senator POLLEY: Will the review that is due to take place, that has been legislated to take place, incorporate ACFI?

Ms McCarthy: I do not have the terms of reference in front of me but, within the ambit of those terms of reference, funding and financing issues are part of what would be looked at. Mr Hartland may be able to expand.

Mr Hartland: That is certainly true. The terms of reference would allow the independent reviewer to go fairly widely across aged care. By the time the review starts, the government will also be talking to the sector about the work we talked before about, in relation to reviewing the instrument and whether there are options to do a needs assessment external to providers. It will be a matter for the reviewer to determine whether they want to forge on ahead and do a parallel review of ACFI or wait and see where the other work gets to. In either scenario, we could pretty much guarantee that the ACFI would be pretty thoroughly reviewed over the next six to nine months.

Senator POLLEY: Will that reviewer be someone from outside the health department and aged care?

Mr Hartland: It will not be a bureaucrat from the health department.

Senator POLLEY: Have any names been put forward to the government to fill that role?

Mr Hartland: We have been providing briefings to the minister on possible approaches to reviews and possible types of people she may wish to consider.

Senator POLLEY: You will be or you have?

Mr Hartland: We have.

Senator POLLEY: When was that advice given?

Mr Hartland: We have been working with the minister over the last few months on this.

Senator POLLEY: Since last December?

Mr Hartland: I do not have the date in my head. We have had a number of discussions with the office about the conduct of the review.

Senator POLLEY: Excellent. I thank the department.

CHAIR: Senator Siewert, do you have anything else on aged care?

Senator SIEWERT: I apologise for not being here when Senator Polley was doing the ACFI cuts, so I will look at the *Hansard*, but I did want to ask whether there was a consultation process before the announcement of the changes to ACFI.

Ms McCarthy: There was. That was a continuation of the process that, I think, we discussed at the last estimates, that had informed decisions about earlier measures at MYEFO.

Senator POLLEY: Can I just ask, Chair, with taking things on notice, whether we will get those back before the election is called—because it is critical, the things I have put on notice.

CHAIR: I guess they will do their best, given the time frame. We will see, I suppose.

Mr Bowles: I think the date you gave earlier was the ninth, anyhow, which is Monday. It depends on how many questions there are and how complex they are, is probably the answer.

Senator POLLEY: I assume you will do your best.

Mr Bowles: We will do our best.

Senator POLLEY: Excellent. Thank you very much.

CHAIR: That brings that to an end. Do we have something additional for Senator Siewert before we move onto the next outcome?

Mr Bowles: Yes. I would ask Mr Cormack to come up to the table.

Mr Cormack: Senator Siewert asked a question about a national Aboriginal and Torres Strait Islander suicide program. The former government committed \$17.8 million over four years, from 2013-14 through to 2016-17, for a national Aboriginal and Torres Strait Islander suicide prevention strategy. That funding has now been provided to PHNs, on an Indigenous population health basis, from 2016-17. This funding is in the forward estimates at \$25 million over the next four years. This is in addition to funding provided through the National Suicide Prevention Strategy, which also funds projects targeted towards Indigenous Australians. This is also separate funding from the \$85 million provided for Indigenous mental health services.

Senator SIEWERT: There was some specific money committed to the Kimberley out of that money. Was that ever spent?

Mr Cormack: There was a pause in expenditure, from that fund, over 2014-15 and 2015-16 in the lead-up to government consideration of the whole of the mental health sector, following on from the work that the Mental Health Commission undertook. That money is still in the system. I will have to look specifically and further to find out what, if any, was spent over the 2014-15 and 2015-16 financial year. I just do not have that to hand, at the moment.

Senator SIEWERT: It was committed in 2013-14, though, you said?

Mr Cormack: That is right.

Senator SIEWERT: Was there any money committed then, in 2013-14, out of the \$17.8 million? I want to be really clear about this.

Mr Cormack: I will have to take that on notice. All I am saying is the money is still there in the forward estimates.

Senator SIEWERT: You can see why the committee is so frustrated. This was committed—what, four years ago?

Mr Cormack: Yes.

Senator SIEWERT: And it still has not been spent and there is an ongoing crisis in the Kimberley. Surely you can understand how imperative this is.

Mr Cormack: I can certainly understand the committee's interest and concern in this area. I can only reiterate that in the context of the National Mental Health Commission report, the consultation and then the subsequent government response there was a pause on new programs starting, and that would have coincided with that period. But I will have to—

Senator SIEWERT: That was 2015-16, you said. Sorry, I did not mean to interrupt. Pardon me. Keep going.

Mr Cormack: During the period 2014-15 and 2015-16, which is when the commission was doing its work and the government was formulating its response, there was a pause on a range of new services in the mental health space. This program would have come into that category. That money is still there in the forward estimates. So there is \$25 million there and as part of the overall government response that money is distributed via the PHNs on an Indigenous population basis from 2016-17 onwards.

Senator SIEWERT: For what it is worth, could you please take on notice how much was spent in the Kimberley from the original commitment.

Mr Cormack: Yes. We have not been able to get that at the moment. We will take that on notice.

Senator GALLAGHER: I am wondering if there was an undertaking to consult with the minister around the pathology instrument. Has there been any update to that?

Senator Nash: There has not been any update. I do not have any further advice for you, unfortunately.

Senator GALLAGHER: So they are ignoring the request?

Senator Nash: No, not at all. Obviously the committee is going to until 11. Perhaps if there is something I can add, even though it is not in this particular time frame—

Senator GALLAGHER: I am going back to the things that were taken on notice.

Senator Nash: I understand that, but what I am saying is that the committee will continue to go through till 11 pm, so I will try to assist.

Senator GALLAGHER: This is fairly straightforward: has the instrument been signed?

Senator Nash: Yes.

Senator GALLAGHER: In relation to organ donation, is there a review under way into DonateLife?

Mr Bowles: There is no particular new review.

Mr Cormack: There is no new review. The review that was undertaken by Ernst and Young was released several months ago and the government is working on the next steps with that process. But it has been released.

Senator GALLAGHER: So no review has been undertaken into the DonateLife brand?

Mr Cormack: We do not have anybody from the authority here today, but I am not aware of any.

Mr Bowles: Not from the department's perspective.

Mr Cormack: It is one of the recommendations, but we have not determined whether it is being pursued or not.

CHAIR: We will move to outcome 1, population health.

Mr Bowles: While we are changing over, can we correct one thing on aged care from Senator Polley?

Ms McCarthy: Just a minor correction: Senator Polley asked a question about the forthcoming legislative review of aged care legislation. My colleague Mr Hartland referred to having briefed the minister. In fact, as he said towards the end of our discussion, there have been discussions with the office but not yet a formal brief to the minister. We just want to correct that.

[15:11]

CHAIR: Thank you for that. We are moving on to outcome 1.

Senator GALLAGHER: Does any element of this relate to health in the home or that other program at all? Is the Health Care Homes program working with any of the population-based programs through 1.1?

Mr Bowles: Not specifically. It is around chronic and complex disease and working initially with 65,000 patients that are eventually identified in 200 practices. 65,000 patients is the cover that they are looking at—65,000 patients, 200 practices and seven geographical areas based around PHNs.

Senator GALLAGHER: I know we are going back a bit, but you referred me to the portfolio budget statement, page 25, to read that in conjunction with the new initiatives funding or the measures funding of \$21 million. Taking the figures there of \$40 million and then \$63 million, do you have to read that in conjunction with the \$21 million as the cost of that initiative? This is under Healthier Medicare and trial of Health Care Homes. I need someone to explain that figure for me. Is this the cashing out?

Mr Cormack: Yes. The program 4.1 line there, which has negative \$41 million and negative \$52 million, is a cash out of MBS, and the line above is effectively converting that

into administrative expenses under program 2.5, which is where the Health Care Homes trial will be funded from.

Senator GALLAGHER: I get that. What is the difference between those two figures—the very small difference of a few hundred thousand?

Mr Cormack: It could possibly be something to do with the payments arrangements with DHS, but I will need to—

Senator GALLAGHER: In relation to 4.1, I do not know whether the change actually relates to public hospitals.

Mr Cormack: It is the new program structure.

Mr Bowles: Program 4 is public hospitals.

Senator GALLAGHER: In the new program structure everything is in 2, isn't it? Health access and support services is the new one. Is that money coming out of the public hospital agreement?

Mr Cormack: No, it is not.

Senator GALLAGHER: I am asking because it links to 4.1.

Mr Bowles: That is nothing to do with the hospital agreement. That is a separate issue again. We are linking the two issues in a chronic and complex context, but not the funding in that particular line item.

Senator GALLAGHER: So it is just cashing out of MBS—

Mr Bowles: Yes.

Senator GALLAGHER: That might be a mistake then—having the 4.1 there?

Mr Cormack: 4.1 is Medicare. 2.5 is the new primary health care quality coordination.

Senator GALLAGHER: So we have two different 4.1's now.

Mr Bowles: We have the old and the new.

CHAIR: Unless we are ready to go we will move to the next outcome. I think we will have to push through, given the time, as well.

Senator SIEWERT: We will have to put some questions on notice.

CHAIR: We will now move to outcome 6, private health.

Senator XENOPHON: This is something I can put to the secretary, if I may. Mr Bowles, I am not sure whether you saw an article by Sue Dunlevy, the national health reporter of NewsCorp, published today.

Mr Bowles: I have not.

Senator XENOPHON: I will walk you through it. It appears to be very significant. It says:

Health fund members were denied an immediate \$150 cut in premiums in the budget as News Corp Australia can reveal a key beneficiary was a hospital group set up by a major Liberal Party donor.

This relates to the issue of the government scheme that sets a price for hip, knee and other medical devices that are five times higher than the market price elsewhere in the world. The matters raised in Sue Dunlevy's article today are that health fund members in private health funds were denied a \$150 cut in premiums. Of course there would be the 30 per cent rebate

and impact on the budget bottom line as well. The assertion is that health funds have had to pay the higher government price to private hospitals, who can purchase the device at a much cheaper price from the suppliers. I understand that there was some consideration given by the department to look at lowering the prices of those prostheses and medical devices such as pacemakers and the like, and that it has cost health fund members some \$800 million a year and is forcing up premiums. I am trying to establish whether there has been a review of the pricing points for these medical devices. My understanding was that the government or the Minister for Health was looking at reducing those prices to be more in line with other countries, and that in turn would have driven significant savings in the system, including in terms of private health premiums.

Mr Bowles: I was unaware of Sue Dunlevy's article. It does seem to go off in all sorts of directions. In relation to private health insurance and prostheses, the broader issue, if you like, is that yes, the department did undertake some preliminary work around prostheses. We have been doing so for the last month or two. The outcome of budget deliberations by the government was to establish a new sector-wide committee to take some of that and think about that in the context of private health insurance, and also to reconstitute the PLAC—the Prostheses List Advisory Committee.

Senator XENOPHON: What is the acronym?

Mr Bowles: PLAC. You would think it was a dental program, but it is not. The decision was to reconstitute that with specific expertise around pricing of prostheses to try and get to the answer that I think the article starts to allude to. The early work was only interim work, but the budget decisions and the outcome of those budget deliberations by government was to re-establish the PLAC in a slightly different and more focused way and to establish a sector-wide committee.

Senator XENOPHON: What I am trying to understand is this: Ms Dunlevy's article says that the government's recent health fund reform inquiry urged it to reform the pricing system—is that correct?

Mr Bowles: There was a working group that met, yes.

Senator XENOPHON: Right. Were there views of the minister—of the committee—to reform the pricing system for these prostheses?

Mr Bowles: There were a range of views on this particular issue that resulted in the outcomes being a sector committee and a revamp of the PLAC committee.

Senator XENOPHON: What I am trying to understand—sequentially—is: did the minister form a view that there ought to be reform of the pricing?

Mr Bowles: I cannot comment on the minister's view.

Senator XENOPHON: The assertion in the article is that in the budget the government opted for a go-slow approach.

Mr Bowles: Again, I cannot comment on policy positions of the government, and I cannot comment on the minister's state of mind in relation to whether she formulated a view or not, but the outcome was that there does need to be more work in prostheses, hence revamping PLAC, and there does need to be more work done in the broader context of private health insurance.

Senator XENOPHON: We pay a lot more for these medical devices than other comparable nations. Is that right? Can you take that on notice?

Mr Bowles: Yes, I do believe that to be the case in certain sectors, not in toto. The private and the public sectors are different in this respect.

Senator XENOPHON: Right, but in the private sector we pay a lot more than comparable nations, correct?

Mr Bowles: I would have to take it on notice as to specifically where we fit in that list, but overall, yes, we pay a lot of money for prostheses.

Senator XENOPHON: Private Healthcare Australia chief Rachel David says: The Government can act immediately to stop the gouging of private health prostheses patients. Is that something that is being considered seriously by the government, with some alacrity?

Mr Bowles: It is serious enough to establish a sector-wide committee and to reconstitute PLAC to—

Senator XENOPHON: I am running out of time. How long has this committee been going for?

Mr Bowles: About a month and a half or two months.

Senator XENOPHON: No, before that. Wasn't there a review of that?

Mr Bowles: There has been a working group.

Senator XENOPHON: And how long has that working group—

Mr Bowles: About two months.

Senator XENOPHON: Two months. Is that all? So you have only been looking at this for the past three or four months.

Mr Cormack: The prostheses working group was established on 5 February.

Senator XENOPHON: How long have you known that Australian private hospital patients are being gouged for their prostheses?

Mr Bowles: That has been common knowledge for quite a while. That is why the working group was established.

Senator XENOPHON: What is quite a while? A year, two years, three years?

Mr Bowles: A number of years, I would suggest.

Senator XENOPHON: And still there has been no action on it?

Mr Bowles: The action is that we have had a working group meeting, which has led to the decisions within the budget context to establish the sector-wide committee and to revamp or reconstitute PLAC.

Senator XENOPHON: So for years the Australian consumers have been ripped off—those with private health insurance—

Mr Bowles: No, I would not necessarily characterise it as—

Senator XENOPHON: They are being gouged.

Mr Bowles: It is a private sector market, and the market is doing what it is doing.

Senator XENOPHON: No, it is not just a private sector market. It is a market where the government can say, 'This is what you can charge, in terms of MBS.' Is that correct?

Mr Bowles: They have. That is what is happening through these new processes.

Senator XENOPHON: It has not happened yet, because—

Mr Bowles: No, the price has not changed, but the government has made a decision to look at these things in a lot more detail through these two new arrangements.

Senator XENOPHON: Even though you know we have been paying a lot more than other comparable nations?

Mr Bowles: Again, our prices on a lot of things, across health and other industries, are different to other comparable nations. The minister established a working group earlier in the year—over the last few months, before the budget process—the outcome of which is a reconstituted PLAC with specific focus on that pricing, and the other.

Senator XENOPHON: Very quickly, when will we know the outcome of that? When will there be recommendations made to the minister? You say recommendations have not been made to the minister. Is that right?

Mr Bowles: The new PLAC will be reconstituted and will meet whenever it normally meets—

Senator XENOPHON: Okay, so when will the minister—presumably after the election—but when will there be some—

Mr Bowles: I do not have a specific time at this stage.

Senator XENOPHON: Three months, six months, nine months, 12 months—how long?

Mr Bowles: A sector-wide committee will be established as soon as practicable. We probably will not do that while there are caretaker arrangements around, but the decision of the government was to establish that, so we will start to do some work on establishing that. The government also made a decision about reconstituting PLAC to give it more expertise. We will do that. It will meet—and I do not know the specific times—it meets, probably, three or four times a year, I suppose.

Senator XENOPHON: So it might be another year before you get to some outcome on this.

Mr Bowles: Maybe, maybe not. Prostheses are looked at, usually, twice a year, in August and February, as is the normal course of events.

Senator XENOPHON: That will involve private hospitals and private health insurers as part of that process?

Mr Bowles: The sector-wide committee will involve a whole lot of people from across the sector.

Senator XENOPHON: And finally, the figure quoted in the News Corporation story about \$800 million a year, or about \$150—

Mr Bowles: That is the first I have heard of that figure.

Senator XENOPHON: per premium, in terms of premium cost—is that something that the department has analysed in terms of—

Mr Bowles: No. It is the first time I have heard that figure, and if that is someone briefing Sue Dunlevy they have obviously done the work, not us.

Senator XENOPHON: Thank you.

Australian Sports Anti-Doping Authority

[15:26]

Senator MADIGAN: Mr McDevitt, are you aware of a notice of motion that passed the Senate on Monday, 2 May, pertaining to documents to be tabled today?

Mr McDevitt: Yes, I am.

Senator MADIGAN: Has the minister approached your office in relation to those documents?

Mr McDevitt: I have not spoken to the minister in relation to the motion.

Senator MADIGAN: Has the minister's office contacted ASADA in relation to the documents requested?

Mr McDevitt: I have had two conversations with the minister's office, the first to advise that I was seeking urgent legal advice and the second to advise that I had received preliminary advice.

Senator MADIGAN: So what is the state of play? It was 4 pm today that those documents were asked to be tabled by, Mr McDevitt.

Senator Nash: Senator, I might be able to assist there with some information for you. In relation to the documents requested, I should start by advising that only one of those is held by my department. The rest are held by ASADA. The documents held by ASADA are legally and personally sensitive. The release of those documents does risk compromising the rights of athletes and participants in anti-doping matters. Not only do they contain personal information of those involved in various investigations, they also concern matters that, as you would understand, have yet to be finalised. So these are, again as you would understand, ongoing matters that are before the courts and current investigations.

I want to clarify, in considering the order, it is clear to me that there does exist considerable uncertainty around a number of matters—and I want to step through these—including: under the provisions of the ASADA Act there is doubt as to whether the Minister for Sport can direct ASADA's CEO to produce documents in ASADA's possession; under the provisions of the ASADA Act there is doubt as to whether ASADA can voluntarily provide the documents; and there may be grounds for which public interest immunity claims should be considered, including the potential to prejudice ongoing law enforcement interests and the impartial adjudication of cases and the disclosure of confidential sources of information in relation to the enforcement or administration of the law.

These are uncertainties that cannot be resolved in time to meet the specific deadline in the Senate order, so to proceed to release at this time would not be prudent. I note that Australia's anti-doping legislation, consistent with the World Anti-Doping Code, establishes and supports the operational independence of ASADA from government in terms of individual anti-doping matters. More generally, just to add, the anti-doping rule violation investigations are undertaken confidentially to encourage cooperation with the anti-doping effort and, as I am

sure you would understand, to protect the privacy of those participating. The tabling of these documents risks compromising the rights of athletes and participants in anti-doping matters.

So, in relation to the document that is held by my department, I will release, as per the order, a redacted version of that sole document that is in possession of the department, which was item (c), I think, in the order. I do note that that version has been released previously. Senator Madigan, I thought that might assist in terms of where we are at the moment.

Senator MADIGAN: Thank you, Minister. So you are saying that, of the seven documents asked for—

CHAIR: Senator Madigan, I apologise for interrupting. We have just had a request from an AAP photographer to come and photograph proceedings, so I want to see whether there is any objection from anyone in the committee. If that is not the case, then they are allowed in, subject to the usual conditions. Please proceed.

Senator MADIGAN: Minister, for clarity, of the seven documents required, there is only one document that is going to be made available, and that is item (c) in the motion, and that will be a redacted version—

Senator Nash: That is as I have indicated, Senator, yes. There is just the one document that sits with my department.

Senator MADIGAN: So you are saying there is only one document in the minister's possession, of those seven documents?

Senator Nash: There is one that is within my department that will be the responsibility of the minister to table.

Senator MADIGAN: And the other six you are unable to release?

Senator Nash: The rest are held by ASADA, as I indicated at the outset.

Senator MADIGAN: And ASADA does not have to release those documents? I am just trying to understand the process.

Senator Nash: Legal advice has been given that is being considered. I will pass to Mr McDevitt from ASADA.

Mr McDevitt: Senator, can I firstly say that of course ASADA fully respects the Senate, and a motion to produce documents is obviously a very serious matter that needs very careful consideration. The preliminary legal advice that I have received is not from internal ASADA lawyers, much as they are hugely competent. It is advice from the Australian Government Solicitor. I do not want to go through the advice, because it is preliminary, but let me just read a couple of lines to you: 'It would be imprudent of ASADA to hand the subject documents over to the minister for the purpose of them being tabled in the Senate by the stipulated deadline. This is because, in the present circumstances, serious doubts attend the lawfulness of any voluntary disclosure of the subject documents by ASADA to the minister.'

Obviously, as the CEO of ASADA, I am not going to act inappropriately or unlawfully, and I want to get full clarity of all the issues. This is not about me just not wanting to hand over documents, but there are very serious issues. All of the documents you have asked for contain material which relates to particular athletes and/or support personnel who are or have been the subject of the National Anti-Doping Scheme. In addition, there are other persons who are named in those documents who are totally innocent of any activity and, quite frankly,

I believe if these documents ended up in the public realm, we would have reputations very unfairly tarnished.

Secondly, the documents of concern contain material that is related, as the minister said, to ongoing investigations by ASADA under our act, and public disclosure of those documents may prejudice the integrity of those ongoing investigations. Further, all of the documents contain material that is being, or may in the future, be considered by one or more tribunals or panels which perform a role in relation to enforcement of the NADS, and public disclosure of those documents may prejudice the integrity of those proceedings.

So they are the major issues. I am extremely worried about the privacy of individual athletes and others, which is a cornerstone of our legislation and the way we work. I am also concerned about information which belongs to other agencies which has been given to us under strict guidelines relating to their legislation and so on, and there are a whole range of disclosure and other issues that need to be very carefully considered. So I want you to know that I respect the motion, but at this point there is no way that I am prepared to hand over the documents that are within my control.

Senator MADIGAN: So, ASADA will not comply with the order of the Senate to produce the seven documents? There will be only one document tabled today, by four o'clock, which is document C, and that will be a redacted document. Is that correct?

Senator Nash: That is correct. That is just repeating what we said before, yes.

Senator MADIGAN: Mr McDevitt, I appreciate the point you make about protecting people's privacy and not putting things that are currently in train in the public domain. But there are actions that have led to people having fines, and having their lives affected, and the lives of their partners, wives, children et cetera; they are all affected by these findings and the penalties that have been handed out as a result of these investigations. So, when do you think those issues have been dealt with? Do you think we are ever going to be able to see these documents so that people can have faith in the process—that these people were afforded a fair process, a fair trial—and the methodology under which they were found guilty?

Mr McDevitt: I think the primary document you would be referring to is the one relating to the Essendon 34 and the decision of the AFL tribunal. That is the only one of the documents that refers to the matters that have been fully completed. My view in relation to that particular document is not as strong as it is in relation to the other documents, which contain so much material that is still ongoing. You will recall that on the public record, after the AFL tribunal released its decision on 31 March last year, the very next day, on 1 April, I actually called for that particular document, that one document in relation to finalised matters, the decision, and the reasons in relation to those matters—not the second instalment, which was the Stephen Dank instalment, but that first instalment. I said I was comfortable and that it could be released, in my view. The tribunal itself made a decision when it issued those findings, and that decision around release required consent of all parties to the hearing to have that document released. ASADA consented to that release, the AFL consented to that release and two of the 34 players who were affected, through their legal counsel, consented to the release of that document.

As recently as today, I have spoken with the CEO of the AFL in relation to that particular document, and he has advised me that he continues to reach out to the other 32 players

through their legal representatives in order to see whether they would consent to that document being released. The minute that consent comes—it does not have to come to this committee or the Senate—it can be immediately published by me or by the AFL itself. I just wanted you to know that I have a slightly different view in relation to that particular document, which, as you say, relates to matters that had been finally completed. I also am very, very aware that selected parts of that document have, unfortunately, already been made public through the media.

Senator MADIGAN: Finally, Mr McDevitt, Minister: regarding the other documents that you say are currently legally sensitive, for want of a better term, there is no chance of those names being redacted and that supplied—that does not identify people, that could identify to the public the process?

Mr McDevitt: I think there are solid legal and policy reasons for resisting the release of those documents, even in a redacted form. As you and I know, because of the way this particular case, Operation Cobia, has been run, unfortunately—under a very public media spotlight from day one—I think merely blanking out of names would of itself serve little to protect the individuals.

CHAIR: Are there any other questions for ASADA or in sport generally?

Senator LINDGREN: My question pertains to the Girls Make Your Move campaign. I am interested to see how that is resonating with the community.

Dr Southern: The Girls Make Your Move campaign has resonated very well. The advice we have about the rollout and about access to the material through social media et cetera is that there has been a very strong and very positive response in the community to the materials that have been put out there. There is a lot of feedback around strong identification with the campaign and also that it appeals to a very broad range of girls and young women.

Senator LINDGREN: I guess it is too early to ask whether you have any statistical data on whether there have been great improvements. Is that something you have considered yet?

Dr Southern: The information we have to date really goes to the reach and effectiveness of the campaign in terms of the communications aspects of it. We do not have data to hand that would go to increased rates of participation or things like that. You would expect a much longer-term response and something that would take a while to flow through, and also something that would need to be monitored on a population basis. I think activity levels are picked up in the population based surveys that are done, and you would expect to see things flow through, but over a longer period of time.

CHAIR: Before we finish, Mr Bowles, you had something to add?

Mr Bowles: I have just a couple of quick notes for the *Hansard*. Today will be the last appearance of Ms Liz Cosson for the department. She is moving to the Department of Veterans' Affairs, so she will not be assisting us in committee hearings in the future. But probably on a little bit more of a profound stage, Professor Baggoley will be retiring before the next estimates committee, so this will be his last appearance, even though he had only one small cameo appearance today—which he was very pleased for!

Senator Nash: Extend time!

Mr Bowles: I just wanted the *Hansard* to note that Professor Baggoley has been at this table for many years now, providing very sage advice to the committee on a range of very important public health issues.

CHAIR: On behalf of the committee, my thanks to Professor Baggoley for all your outstanding work over a long period of time.

Senator Nash: I also would like to give my appreciation to Professor Baggoley, who is a most considered and well-informed member of the department. His contribution has been significant. Professor Baggoley, thank you very much.

CHAIR: With that, we have finished with the Health portfolio, so, thank you, Minister and Mr Bowles.

Proceedings suspended from 15:43 to 16:00

SOCIAL SERVICES PORTFOLIO**In Attendance**

Senator Fifield, Minister for Communications and Minister for the Arts

Senator Payne, Minister for Defence

Department of Social Services**Executive**

Mr Finn Pratt, Secretary

Ms Barbara Bennett, Deputy Secretary, Families and Communities

Ms Felicity Hand, Deputy Secretary, Disability and Housing

Mr Michael Lye, Deputy Secretary and Chief Operating Officer, Corporate Support

Ms Serena Wilson, Deputy Secretary, Social Security

Cross Outcomes

Mr Scott Dilley, CFO and Group Manager, Finance and Services

Mr Sean Innis, Group Manager, Policy Office

Mr Peter Qui, Group Manager, Information Management and Technology

Dr Tim Reddel, Group Manager, Programme Office

Ms Janean Richards, Group Manager, Legal Services

Mr Iain Scott, Group Manager, Housing, Homelessness and Assurance

Ms Tracey Bell, Branch Manager, Communication and Media

Ms Ailsa Borwick, Branch Manager, Project, Risk and Regulatory Reform

Mr Philip Brown, Branch Manager, Policy Strategy

Mrs Christine Bruce, Branch Manager, Relationships and Design

Ms Tracey Carroll, Branch Manager, Budget Development

Mrs Tracy Creech, Branch Manager, Selections and Establishment

Ms Allyson Essex, Branch Manager, Investment Approach Taskforce

Mr Alan Grinsell-Jones, Branch Manager, Commercial and Corporate Law

Mr Mathew Johnston, Branch Manager, Systems and Support

Mr Greg Keen, Branch Manager, Whole of Government Coordination

Ms Jan Lawless, Branch Manager, Assurance

Ms Diana Lindenmayer, Branch Manager, Ministerial, Parliamentary and Executive Support

Ms Helen Martin, Acting Branch Manager, Financial Management and Procurement

Ms Kathryn Mandla, Branch Manager, Policy Systems

Ms Catherine McLachlan, Acting Branch Manager, People

Ms Lyn Murphy, Branch Manager, Property, Security and Business Continuity

Mrs Stacey Pondes, Branch Manager, Strategy

Mr Matthew Roper, Branch Manager, Compliance and Public Law
Mr Stephen Sheehan, Branch Manager, Financial Accounting
Ms Chantelle Stratford, Branch Manager, Service Delivery Strategy
Ms Janet Stodulka, Branch Manager, Service Delivery (East)

Outcome 1

Ms Laura Angus, Acting Group Manager, Multicultural, Settlement Services and Communities

Mr Scott Dilley, Chief Finance Officer and Group Manager, Finance and Services
Ms Cath Halbert, Group Manager, Payments Policy
Mr Sean Innis, Group Manager, Policy Office
Mr Paul McBride, Group Manager, Social Security Policy
Ms Janean Richards, Group Manager, Legal Services
Mr Iain Scott, Group Manager, Housing, Homelessness and Assurance
Mr Philip Brown, Branch Manager, Policy Strategy
Ms Tracey Carroll, Branch Manager, Budget Development
Ms Anne-Louise Dawes, Acting Branch Manager, Multicultural and Communities
Mr Russell de Burgh, Branch Manager, Age, Disability and Carer Payments Policy
Mr Ty Emerson, Branch Manager, Family Payments and Child Support Policy
Ms Allyson Essex, Branch Manager, Investment Approach Taskforce
Mr Murray Kimber, Branch Manager, Social Security Performance and Analysis
Ms Emma Kate McGuirk, Branch Manager, Work and Study Payments
Ms Kathryn Mandla, Branch Manager, Policy Systems
Ms Mary McLarty, Branch Manager, Eligibility and Participation Policy
Mr Matthew Roper, Branch Manager, Compliance and Public Law
Mr Stewart Thomas, Branch Manager, Housing and Homelessness
Mr Andrew Whitecross, Branch Manager, Rates and Means Testing Policy

Outcome 2

Ms Laura Angus, Acting Group Manager, Multicultural, Settlement Services and Communities

Dr Roslyn Baxter, Group Manager, Families
Mr Scott Dilley, Chief Finance Officer and Group Manager, Finance and Services
Mr Iain Scott, Group Manager, Housing, Homelessness and Assurance
Dr Tim Reddel, Group Manager, Programme Office
Ms Janean Richards, Group Manager, Legal Services
Ms Helen Board, Branch Manager, Housing and Homelessness Programmes and DES Assurance
Ms Flora Carapellucci, Branch Manager, Children's Policy

Ms Tracey Carroll, Branch Manager, Budget Development

Mr Damian Coburn, Branch Manager, National Rental Affordability Scheme and Gambling

Ms Anne-Louise Dawes, Acting Branch Manager, Multicultural and Communities

Mr Alan Grinsell-Jones, Branch Manager, Commercial and Corporate Law

Ms Sarah Guise, Acting Branch Manager, Settlement Policy

Mr Leo Kennedy, Branch Manager, Settlement Support

Ms Stacey Pondes, Branch Manager, Strategy

Mrs Lara Purdy, Branch Manager, Family Policy and Programmes

Ms Eliza Strapp, Branch Manager, Financial and Specialist Support

Mr Tristan Reed, Executive Manager, Family Safety Taskforce

Mr Matthew Roper, Branch Manager, Compliance and Public Law

Mr Grant Witcombe, Director, Strategy

Outcome 3

Mr James Christian, Group Manager, Disability, Employment and Carers

Mr Scott Dilley, Chief Finance Officer and Group Manager, Finance and Services

Ms Helen McDevitt, Group Manager, National Disability Insurance Scheme

Mr Iain Scott, Group Manager, Housing, Homelessness and Assurance

Ms Janean Richards, Group Manager, Legal Services

Dr Russell Ayres, Branch Manager, Research and Analysis

Ms Helen Board, Branch Manager, Housing and Homelessness Programmes and DES Assurance

Mr Peter Broadhead, Branch Manager, Disability, Employment Services Policy

Ms Tracey Carroll, Branch Manager, Budget Development

Mr Damian Coburn, Branch Manager, National Rental Affordability Scheme and Gambling

Mr Alan Grinsell-Jones, Branch Manager, Commercial and Corporate Law

Mr James Kemp, Acting Branch Manager, Disability and Employment Sector Reform

Ms Jillian Moses, Branch Manager, Financial Policy and Performance

Mr John Riley, Branch Manager, Disability Employment Taskforce

Ms Alison Smith, Branch Manager, Policy and Legislation

Ms Bruce Smith, Branch Manager, Policy and Legislation

Ms Sharon Stuart, Branch Manager, Disability, Carer Policy and Access Policy

Mr Stewart Thomas, Branch Manager, Housing and Homelessness

Ms Deborah Winkler, Branch Manager, Governance and Stakeholder Relationships

Outcome 4

Mr Scott Dilley, Chief Finance Officer and Group Manager, Finance and Services

Ms Janean Richards, Group Manager, Legal Services

Mr Iain Scott, Group Manager, Housing, Homelessness and Assurance

Ms Helen Board, Branch Manager, Housing and Homelessness Programmes and DES Assurance

Ms Tracey Carroll, Branch Manager, Budget Development

Mr Damian Coburn, Branch Manager, National Rental Affordability Scheme and Gambling

Mr Alan Grinsell-Jones, Branch Manager, Commercial and Corporate Law

Mr Stewart Thomas, Branch Manager, Housing and Homelessness

National Disability Insurance Agency

Mr David Bowen, Chief Executive Officer

Mr Scott Dilley, Chief Finance Officer and Group Manager, Finance and Services

Mr Steve Jenaway, Chief Financial Officer

Ms Carolyn Smith, Deputy Chief Executive Officer, Organisational Capability

Ms Louise Glanville, Deputy Chief Executive Office, Stakeholder Relations

Ms Janean Richards, Group Manager, Legal Services

Ms Tracey Carroll, Branch Manager, Budget Development

Mr Alan Grinsell-Jones, Branch Manager, Commercial and Corporate Law

Department of Human Services

Mr Grant Tidswell, Acting Secretary

Outcome 1

Mr John Murphy, Deputy Secretary, Payments Reform Group

Ms Sue Kruse, General Manager, Business Transformation Division

Mr Russell Egan, Acting Deputy Secretary, Service Delivery Operations Group

Mr Darren Box, General Manager, Service, Performance and Coordination Division

Ms Michelle Lees, General Manager, Indigenous, Regional and Intensive Services Division

Mr Ian McInnes, Acting General Manager, Face to Face Service Delivery Division

Ms Jenny Teece, General Manager, Smart Centres Division

Mr Bill Volkers, General Manager, Child Support Smart Centres Division

Ms Malisa Golightly, Deputy Secretary, Participation, Aged Care and Integrity Group

Ms Karen Harfield, General Manager, Customer Compliance Division

Ms Melissa Ryan, General Manager, Participation Division

Mr Craig Storen, General Manager, Aged Care and Disability Division

Mr Mark Withnell, General Manager, Business Integrity Division

Assistant Commissioner Ray Johnson, Taskforce Integrity

Mr David Learmonth, Deputy Secretary, Families, Older Australians and Payment Services Group

Ms Vicki Beath, General Manager, Older Australians Division
Mr Marcus Markovic, General Manager, Customer Payment Services Division
Mr George Thiveos, General Manager, Families Division
Mr Barry Sandison, Deputy Secretary, Health and Information Group
Ms Kirsty Faichney, Acting General Manager, Health Programmes Division
Ms Melissa McClusky, General Manager, Health Support and Business Services Division
Ms Michelle Wilson, General Manager, Strategic Information Division
Mr Jonathan Hutson, Deputy Secretary, Enabling Services Group
Ms Rosemary Deininger, General Manager, Whole of Government Coordination Division
Ms Kristen Hannah, General Manager, Communication Division
Ms Annette Musolino, Chief Counsel, Legal Services Division
Mr Barry Jackson, Deputy Secretary, Shared Services Group
Mr Shane Bennett, Acting General Manager, People Capability Division
Ms Marianne Cullen, General Manager, Business Modernisation
Ms Vanessa Graham, General Manager, Corporate Operations Division
Mr Adrian Hudson, Acting General Manager, People Services Division
Mr Kim Terrell, General Manager, Portfolio Project Office
Mr Gary Sterrenberg, Chief Information Officer
Mr Mark Jenkin, Chief Financial Officer
Mr Tamati Shepherd, Chief Digital Officer
Mr Nathan Williamson, General Manager, Service Strategy Division

CHAIR: The committee will now commence its examination of the social services portfolio, beginning with the Department of Social Services. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee 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 with the 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 a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of 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 asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude

questions asking for explanations of policies or factual questions about when and how policies were adopted.

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

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)

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.

Witnesses may make a brief opening statement and may seek to incorporate longer statements into *Hansard*.

Department of Social Services

[16:02]

CHAIR: I welcome Senator Fifield, representing the Minister for Social Services and officers of the Department of Social Services. Minister, would you like to make an opening statement?

Senator Fifield: No thank you, Chair.

Senator CAROL BROWN: If I could quickly ask about questions on notice. There are a number of outstanding questions on notice asked by me and Senator Moore. I just wonder why they have not been answered.

Mr Pratt: I think we got 86 per cent of our responses in by the due date. We have been doing quite well in recent years. We are typically around 100 per cent or just under. I understand, on this occasion, the combination of the workload associated with the budget and also the complexity of a number of the questions, which had multiple parts, challenged us a bit. I apologise for the lateness of some of the responses to the questions. Unfortunately, that is the situation we found ourselves in.

Senator CAROL BROWN: Have you provided any responses to the outstanding questions to the minister's office?

Mr Lye: Yes, we have now.

Senator CAROL BROWN: When were those responses provided to the minister?

Mr Lye: We are obliged to provide to the President of the Senate details on when answers are provided. We provided the outstanding questions on a number of dates through March. I am happy to list those for you.

Senator CAROL BROWN: Thank you, I would like that.

Mr Lye: 10 March, we provided 15 draft answers to the office; 11 March, eight; 15 March, 14; 16 March, one; and one today.

Senator CAROL BROWN: So the department has actually answered all the questions that were put on notice.

Mr Pratt: We have provided responses to the questions. Of course, it is always open to ministers to seek to answer them themselves and have changes if they wish to do that.

Senator CAROL BROWN: Of those in March, have you had any indication from the minister's office that they wished to answer them themselves?

Mr Pratt: That is a matter for them of course. I believe that a number of those that were provided during that period have been provided to the committee.

Mr Lye: As Mr Pratt said, 85 or 86 per cent have been provided.

Senator CAROL BROWN: I am talking about the ones they have not been provided. You are telling me that the ones that currently have not been provided to the committee have been answered by the department and they are currently in the minister's office?

Mr Lye: There are 38 up there. I cannot tell you whether some of them have been subject to clarification. But as Mr Pratt said, a large number of the 271 questions that arose from the last estimates hearing had subparts—in fact, around 900 subquestions in total. So with the budget preparation as well as the time to answer those questions that is the reason there has been a delay.

Senator CAROL BROWN: According to you, you have responded to most of them by the first part of March. Minister, can you provide an assurance to the committee that these answers will be provided to the government before caretaker mode?

Senator Fifield: I will take that on notice. I am the minister sitting at the table representing the Minister for Social Services, so I cannot—

Senator CAROL BROWN: I understand, but can you see if you can get a response from the minister's office as to whether we can have those responses provided to the committee?

Senator Fifield: I will use my best endeavours.

Senator PATERSON: You said that 86 per cent of questions have been provided on time. How does that compare to previous years—say, the last five or six years?

Mr Pratt: While Mr Lye is finding the stats on this, I will say, on behalf of the department, that I have been quite proud of our record in recent years where we have been managing to get a very high percentage, and sometimes all of them, done by the due date. But it is obviously variable depending on how many we get and their complexity. My general assessment would be that we have improved our performance over the last five or six years.

Mr Lye: In the last lot of estimates, 85.97 per cent by the due date.

Senator PATERSON: Can you give the years along with the figures?

Mr Lye: That is 2015-16. In 2014-15, the corresponding estimates, 100 per cent; in the estimates before that, 2013-14, 21 per cent.

Senator PATERSON: That is a big drop.

Mr Lye: In 2012-13, 38 per cent and in 2011-12, 55.7 per cent.

Senator PATERSON: It seems to me that in the intervening period where there has been a change of government there has been a significant improvement. So I congratulate the department on that improvement.

CHAIR: Yes, well done.

Mr Pratt: Thank you.

Senator CAROL BROWN: I would now like to ask some questions about the DSS Data Exchange. Do all organisations funded under DSS grants program use the Data Exchange?

Mr Pratt: Yes, we can answer that now.

Ms Bennett: The use of the Data Exchange was part of the contractual arrangements with all of the organisations that we entered into grant contracts with. Some organisations were more advanced and able to use it more quickly, because of either their size or their capability. Some other organisations have required a bit more time and greater assistance, and some have had a longer lead time to do it. Dr Reddel will confirm in a moment, but I understand that a majority through that window are now providing information through the Data Exchange.

Dr Reddel: As Ms Bennett mentioned, as part of the 2014 grant round, organisations are required, within in-scope programs—and that is 47 program activities within the department's funding arrangements—to use the DSS Data Exchange, initially in what we are calling the mandatory requirements, where they provide core baseline information around the services they are providing. Then the second component is that we are engaging a partnership approach, where people can opt in. That is where we are working with those organisations to provide much richer, more outcome based data. To date, we have over 2,000 organisations that have signed up to the Data Exchange, with 8,000 users approximately. The early indications from the use of the Data Exchange are that we have around 2.75 million client interactions that have been reported. That has grown quite significantly in the last six months as people become used to the system. We are very conscious it is a new reporting approach, so we have been working—and Mr Johnston can provide some further detail about how we are providing support to organisations because we recognise it is such a significant change. But we see this as a really important part of our reform in terms of moving to much more outcome focused information from providers and also, importantly, reducing red tape in terms of the amount of information they need to provide.

Senator CAROL BROWN: With the 2,000 organisations that are registered, what is that as a percentage? I understand what you are saying about working with other organisations, and that is good, but what percentage would that 2,000 be?

Ms Bennett: As Dr Reddel explained, it is some programs that required it. Without the precise information, it is organisations where, instead of a one-off grant, it would be those where it is a longer term service that they would be providing. We may have to take it on notice what proportion of organisations, but it is still most. It may be that some organisations may administer more than one program. Some could be a service and one element of their funding may have been a project and that would not have connected to the DEX, but we will take that on notice.

Senator CAROL BROWN: Okay. Is it possible to get a list of organisations that do?

Ms Bennett: That are both partnering and utilising it?

Senator CAROL BROWN: That use the Data Exchange, yes.

Ms Bennett: We can take that on notice.

Senator CAROL BROWN: Okay. You mentioned client interactions, but how many clients are registered with the Data Exchange?

Ms Bennett: Do you mean partner organisations?

Senator CAROL BROWN: Yes.

Ms Bennett: How many organisations of our providers are registered on the DEX? Do we know?

Dr Reddel: That is the 2,000 organisations—over 2,000.

Senator CAROL BROWN: But, when you were talking about client interactions, I think you said 2.75 million.

Ms Bennett: By 'clients', we do not mean individual people that may be the clients of the service providers; we are talking about the service providers, and that interaction is the number of times that they have accessed the site and done something on the site.

Senator CAROL BROWN: Can you just remind me what was the cost of establishing the Data Exchange?

Ms Bennett: I do not think we have that with us at the moment. I think we will take that on notice—the funding of the DEX and over what years it was.

Senator CAROL BROWN: So you do not know what the ongoing costs are either?

Ms Bennett: No.

Senator CAROL BROWN: Is the department reviewing or evaluating the system?

Ms Bennett: We regularly engage with the providers. The partnership arrangement, particularly, is quite a rich way in which we can talk about the effectiveness of how it is working, if there is a glitch, if there is something that is a bit clunky or if there are things that work particularly well and we build on those. Mr Johnston can talk about our regular engagement and almost co-design with those partners and organisations, both in the support that we give them and how we receive their feedback.

Senator CAROL BROWN: Okay, that is fine. I will just get that other information on notice.

Ms Bennett: Okay.

Senator PATERSON: I want to ask about the parliamentary liaison unit. I understand that when we last met the PLU had only been established for about two weeks, so I would be interested in an update on, for example, the number of queries that the parliamentary liaison unit has received.

Mr Lye: You may be aware that Minister Porter established the parliamentary liaison unit on 28 January this year, and it provides federal parliamentarians and their staff with a point of access to the department for timely resolution of their inquiries relating to DSS policies, programs and services. The unit does not handle inquiries that are political in nature or relate to minister's events. It is a factual service provided to parliamentarians and their staff. Since the commencement to 27 April this year, the PLU has received 299 inquiries, with the majority—48 per cent—relating to the social security outcome—that is, our social security payments. It is operating as both an email and phone line on Monday to Friday from nine o'clock to five o'clock.

Senator PATERSON: What are the top five areas of inquiry?

Mr Lye: The top area of inquiry is the age pension, so people asking for information in relation to their entitlements and policy around the age pension. The second-top inquiry relates to matters dealt with by the Department of Human Services, so practical issues around payments. Paid Parental Leave, the National Disability Insurance Scheme and the National Rental Affordability Scheme are also the top areas.

Senator PATERSON: Very good; thank you.

CHAIR: I have just a quick one here. I just want to see if I can get a quick update on the new premises in Tuggeranong. I just want to know how that is going, whether it is on schedule and the like?

Mr Pratt: It is going swimmingly.

CHAIR: That is good to hear.

Mr Pratt: It is on time, and the first few floors are now underway. A lot of building work has happened. The good weather over recent months has helped.

CHAIR: Yes. There has not been much rain, has there?

Mr Pratt: No, that is right. So we have gone from a—what is the technical term?—whopping great hole in the ground to the formworks now going up for the first floor. I will let Mr Dilley handle it.

Mr Dilley: As Mr Pratt has outlined, the hole in the ground we talked about last time is now filled in. There are several floors there. We were on-site having a look around last week. It is progressing really well. The car park entrance is built down the back, the formworks are going in and there are a number of other developments. We have had some updates on some of the work that has been underway. The site was established on 31 August and we now have about 15 companies on-site. That represents up to 300 workers at its peak. I think that on the day we visited there were around about 100 workers, and there are two cranes and two concrete pumps that you can see when you drive past.

In terms of earth removed, they tell us that there is something over 18 swimming pools worth of earth that came out and some other interesting facts are that there is about 45 kilometres of cable that has gone in and just over two football fields worth of steel mesh that has gone in. There is a lot happening.

CHAIR: Very good. Firstly, is it still on schedule and on budget in terms of when you expect it to be completed? Is there any update on when you expect it to be completed?

Mr Dilley: I think at last estimates we talked about August 2017, and we are still on schedule for that.

CHAIR: Great. What about in terms of any other key milestones?

Mr Dilley: We touched on the design milestone; the fitout design has reached what we call 100 per cent, and that has been signed off. What that allows is that the builder can now build the building to the integrated works that go with that building—that is the air conditioning and some of the mechanical equipment—and also adapt that to fit the fitout that is now confirmed. What that does is manage costs across the whole project for both the developer and the customer—ourselves—so that things are done once and the integrated works are done in line with the expected fitout. It has progressed really well.

[16:24]

CHAIR: Fantastic. Well done. Thank you very much. Are there other questions in cross-portfolio, or are we ready to move on to outcomes? All right—it sounds like we are ready to move on to the outcomes. We are going to first move on to outcome 1. Who would like to kick us off?

Senator SIEWERT: Is this the appropriate place to ask about the new investment approach?

CHAIR: Yes.

Senator SIEWERT: I figured I should ask near the front, because it seems to be an overarching thing. I will ask about the funding first, then I have a few other questions about where the actuarial approach is up to. Is the whole project now called 'Try, Test and Learn'?

Mr Pratt: That is a budget measure which is the first step in the investment approach. I will correct myself: it is probably the second step in the investment approach, and it is the main budget measure relating to the investment approach.

Senator SIEWERT: The new budget measure is \$96.1 million?

Mr Pratt: That is right.

Senator SIEWERT: There is little detail in the PBS or the budget papers in terms of the approach; the fund is established and is part of the Australian Priority Investment Approach to welfare. Is that is the new name—the Australian Priority Investment Approach to welfare?

Mr Pratt: Yes.

Senator SIEWERT: You say you are going to test interventions, try new approaches, gather an evidence base and also identify the groups. Is identifying the groups the actuarial approach?

Mr Pratt: Yes.

Senator SIEWERT: I will come back to that. In terms of the interventions, the process, and how that decision-making is going to be done—how is that all going to work?

Ms S Wilson: We have not agreed the final detail of the approach, but you will recall us talking about the interdepartmental committee that supports the department and the minister and, through him, the government more broadly on the investment approach. We will work across government in looking at the priority groups that are identified in the actuarial analysis and also with experts outside government on the sorts of interventions for which there is an evidence base, or we would like to further test the evidence base, that might work in assisting those priority groups to achieve the outcomes that we have established for the Priority Investment Approach.

You will recall that they are to achieve independence from welfare—essentially employment, to reduce the risk of intergenerational welfare reliance and to reduce future lifetime cost. The intention is that we will, within government and then with experts outside government, work on the sorts of interventions that could be tested to assess whether they make a difference, as reflected against those three objectives and in future evaluations. We have not landed the precise details of how to go about that.

I think there are a few additional things that I might say. The intention is to try to be quite innovative in this space, so rather than telling you what the fund is not—it is not a grant program; it is not a program in the traditional sense of the word—it is actually about testing innovative approaches. They could be behavioural insights, different forms of service delivery or individually focused supports of a different nature to what we currently fund through employment assistance or through disability assistance, for example. They could be changes in service delivery, and they could even extend to more innovative approaches—for example, if there were propositions that came forward, and we were able to develop them, in an even more innovative space like social investment bonds. Nothing has been ruled out or in in a very precise way at this stage. It will fall out of the finalisation of the priority groups and then canvassing what we know, both within and outside government, on what the evidence currently is and what could be further tested to work with those priority groups to achieve the outcomes that the government is seeking.

Senator SIEWERT: Okay. Thank you. How did you determine the size of the fund?

Ms S Wilson: The size of the fund is around \$80 million. The whole measure is \$96.1 million—

Senator SIEWERT: That is the whole measure, not—

Ms S Wilson: The actual funding pool is just shy of \$78 million, and there is around \$2 million for evaluation. In addition, there is funding for ICT, both capital and staffing, and for our own staffing. The actual funding pool is \$77.8 million.

Senator SIEWERT: How did you come up with that figure?

Ms S Wilson: I might look to colleagues to assist. It is about what we think is a fair thing and what we can get agreed in the process in the budget, but I will look to my colleagues for a more scientific explanation.

Ms Essex: I can take you a little into the science around calculating the amount that was likely to be needed. Remember that it is a testing of innovative approaches, and so you are not looking at things at full-scale; you are looking at things that you are trying in a very targeted way.

Senator SIEWERT: I understand that.

Ms Essex: We looked at a broad range of possible innovations that have been used around the world and within Australia, the sorts of costs that might exist in relation to groups of between 5,000 and 10,000 people and then broader behavioural insights that might apply to very large cohorts. We developed an understanding of what might be possible to implement in each year in the forward estimates. As a result of that, we agreed with the Department of Finance on an envelope, if you like, for the fund over those four years.

Senator SIEWERT: I know we are going to be short on time. I just have so many questions here, so I am going to try to race through them. In terms of the process that you are going to undertake, I understand there is an interdepartmental committee, and you referred to experts. Is there going to be a formal process to involve those outside experts, rather than a more ad hoc, 'What do you think of this; what you think of that?' sort of thing?

Ms S Wilson: We have not landed the exact process, it is fair to say. We are still finalising our advice on the options for going forward around that, and we have not got decisions yet on the precise approach to be taken.

Senator SIEWERT: I suspected that might be the answer—

Mr Pratt: Mind you, Senator, I think it is likely that we will look to have some rigour around the process. It is not going to just be casual and informal, where anyone can come along and have a good idea, but we are yet to determine exactly how it would work.

Senator SIEWERT: Thank you.

Mr Innis: For example, the IDC is considering what criteria and assessment tools might be used—

Senator SIEWERT: You're going exactly where I was going to go!

Mr Innis: These things are in development, but they are not fully developed. I think the message is that we are in ideas receiving mode. We are very keen to get the best ideas possible from a broad group of people and we will be engaging broadly.

Senator SIEWERT: Do I take it from that that you are going to be going through a consultation process to actually look at some of these issues?

Mr Innis: We are developing ways the government might choose to do an ideas generation process, yes.

Senator SIEWERT: In terms of the evaluation, I am very aware that in New Zealand they have their SPRU process, which is actually a quasi-independent process that publishes all the research that is undertaken of the approach that they are taking over there. Is that what you also have in mind, in terms of that process? It seems to me to be a very rigorous approach so that everybody can have a look at the evidence and see for themselves what is useful and what is not.

Ms Essex: It would be true to say that we are in the process of considering a range of different evaluation models. Part of the selection of the appropriate evaluation model depends on the kinds of things that you might fund under the Try, Test and Learn Fund. We are working through what the possible models are. An independent model is one of the things that is being considered, but it is obviously not the only model.

Ms S Wilson: The sorts of things that are on the table—if I might add—include the possibility of randomised control trials, for example. We have also been in discussion with the behavioural insights team at PM&C, who have attendees at our interdepartmental committee. We have been doing some early work with some possibilities to consider, but we are still in that development phase.

Senator SIEWERT: I am really looking forward to October estimates, I have to say. A lot of what you are talking about depends on the delivery of supports and services from various agencies: obviously Employment, your agencies, DHS—a range of agencies. I am sure you are aware of what is going on in New Zealand; in fact, I know you have all been over there. They have their process where each department is required to, as part of this process, report against their key performance indicators—the police, the justice system et cetera. I am aware that this is a relatively small fund and that you are starting off; they

actually started this a while ago. I am not necessarily endorsing it, but I think there are some good things there. One of those is getting government agencies to be delivering.

Ms S Wilson: I think what you are referring to there is that they have some whole-of-government performance measures and goals which they all have to report against their contribution, in terms of achieving it. I think there are 10 or a dozen of them. We do not currently have quite the same approach here. That is not to say that we do not work in a whole-of-government way—we do. That is why we have the interdepartmental committee, and that is why the IDC is drawing on the expertise and representations from Education, Employment, Health, Human Services, the central agencies and so on. The whole-of-government performance measures and goals that you are talking about extend beyond the investment approach and beyond social policy. It is a broader purpose for which they were developed.

Senator SIEWERT: They have been key to delivering these outcomes as well.

Ms S Wilson: Sure.

Mr Pratt: There have been no decisions taken by government to consider something along those lines at this stage. We need to walk before we run. That is something that governments consider down the track. The other thing is, of course, that we need to consider what will work best in Australia. Unfortunately for the New Zealanders, they do not have state and territory governments.

Senator SIEWERT: That is where I was going next: at this stage, where are you engaging with the states and territories? Are they on board? Have you done that bit yet?

Mr Pratt: Yes, they are very interested.

Ms S Wilson: We have had some discussions and we hosted an early workshop on the methodology with state and territory colleagues. Mr Innis or Ms Essex may wish to speak to that.

Mr Innis: We are continuing to engage with the states. Most recently the engagement was around the methodology. We are very keen for groups to understand how the actuarial numbers are put together—what they mean—so that when the report is released people have a beginning understanding of it. We will engage again once government has released the initial report.

Senator SIEWERT: Is the engagement with the states and territories more around that process rather than the fund process?

Ms S Wilson: So far, yes.

Senator SIEWERT: And the actual program itself, the—

Mr Pratt: Clearly, they are a group of stakeholders we would like to engage on the Try, Test and Learn Fund in due course, because they also may have good ideas.

Senator SIEWERT: So we have the Try, Test and Learn Fund and PaTH—Prepare-Trial-Hire.

Mr Pratt: That is the youth employment program that the employment department is—

Senator SIEWERT: Yes, I know—all these new three-word—

Senator GALLAGHER: Do you have any role in the youth PaTH program?

Ms S Wilson: We worked with the employment department. They consulted with us about the development of that program. We do not have a formal role per se, because it is employment department funding and they are implementing the program, but we certainly were consulted along the way as they developed it.

Senator GALLAGHER: Would you administer the payment on top of Newstart?

Ms S Wilson: No.

Senator GALLAGHER: So that would come from the education department?

Ms S Wilson: The employment department.

Senator GALLAGHER: Sorry, employment.

Ms S Wilson: It is not a social security payment.

Senator SIEWERT: Where are we up to with the first round of the actuarial process?

Ms S Wilson: The department has received the final baseline report. We have not yet briefed the minister on it.

Senator SIEWERT: How long ago did you receive it?

Ms S Wilson: It was 14 April. We have been a bit overtaken, I guess you could say. There is a fair bit in there to digest and to be in a position to provide the quality of advice to the government that we would like to, so we are still in the process of finalising that advice and have not yet briefed on it.

Senator SIEWERT: I am thinking that we have an election coming, so this is going to be some time away, but the idea is that that will be publicly released, once you have analysed it and, at whatever time down the track, spoken to whoever the minister is?

Mr Pratt: That is ultimately a matter for government, but that is our expectation.

Senator SIEWERT: And that will be the basis of the decision making for the TTL fund?

Ms S Wilson: That is correct. We anticipate that it would identify a range of priority groups for government to consider and test some interventions. The government will need to consider those groups and then make decisions about the way forward with the funding response to the report.

Senator GALLAGHER: Can the department provide a list or outline the various unlegislated measures in your portfolio that are counted in the budget but have yet to pass the Senate.

Mr Pratt: In terms of outcome 1?

Senator GALLAGHER: Yes.

Ms Halbert: You were just asking for a list of measures? We have the Social Services Legislation Amendment (Youth Employment) Bill, the Social Services Legislation Amendment (Enhanced Welfare Payment Integrity) Bill—they are all social services legislation amendment bills—the Social Services Legislation Amendment (Interest Charge) Bill, the Social Services Legislation Amendment (Budget Repair) Bill, the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill, the Social Services and Other Legislation Amendment (2014 Budget Measures No. 5) Bill, one that is just called the Social Services Legislation Amendment Bill, and the Social Services and Other Legislation Amendment (Student Measures) Bill.

Senator GALLAGHER: What are the total financial implications of all of that legislation?

Ms Halbert: I have not got it added up, but we can give you the details of each. Perhaps Mr Dilley can answer.

Mr Dilley: I am sorry, I missed the question.

Senator GALLAGHER: I am just trying to understand the costs. Ms Halbert just outlined about 10 different pieces of legislation that are currently factored into the budget but have not passed yet. I just wanted the global figure for the financial implications in the budget of those various pieces of legislation.

Mr Pratt: To clarify that, you are looking for legislation which is yet to pass, which is live, and how much it saves in total. Is that right?

Senator GALLAGHER: That is right.

Mr Dilley: I believe it is in Budget Paper No. 1—and I will need to get a copy. Someone might have one.

Senator GALLAGHER: Yes, I had a look through Budget Paper No. 1 because I thought I saw a reference to it too, but I could not find it.

Mr Dilley: There is a figure in there—and I will have the page number in a moment for you—of around \$13 billion, I think, of measures that are outstanding.

Senator SIEWERT: Can you say that again?

Mr Dilley: I believe it is \$13 billion, but I would need to check. But that is not this portfolio.

Senator GALLAGHER: No. I had seen that line too. There was a line saying that the government remains committed to the \$13 billion worth of savings. I am trying to understand how much of that \$13 billion relates to this portfolio and particularly this outcome.

Mr Dilley: That is a Finance figure, and we are involved in preparing estimates but we are not involved in—

Senator GALLAGHER: Knowing exactly.

Mr Dilley: that estimate. But, in terms of the legislation that has been brought through over a period of time and is still before the parliament, a figure of around \$4 billion would be relevant for this portfolio.

Senator GALLAGHER: So \$4 billion of that \$13 billion?

Senator SIEWERT: That family bill—I can never remember the names of all the bills—

Senator GALLAGHER: Family payments structural reform?

Senator SIEWERT: The family payments structural reform bill is included?

Mr Dilley: Yes.

Senator GALLAGHER: Does that include the paid parental leave?

Ms S Wilson: No.

Senator GALLAGHER: Because that is in a different outcome, is it?

Ms S Wilson: Yes.

Mr Dilley: The figure that I was referring to was for this portfolio in its current construction. I am excluding former iterations of this portfolio, which might have included child care, aged care and so on. Those are with other portfolios. The legislation that we have before the parliament now would have approximately \$4 billion outstanding. Can I just qualify that—

Mr Pratt: I am going to make an assumption here and we will correct this if I am wrong. I think that would include paid parental leave.

Mr Dilley: Correct.

Senator GALLAGHER: The \$4 billion includes the paid parental leave?

Mr Dilley: Yes, it would.

Senator GALLAGHER: I thought it must.

Mr Dilley: Could I just clarify those numbers? Some of those measures are in different budget contexts over a period of time. Therefore, they are over different estimates periods. We regularly update the estimates every budget context, so that figure is an indicative figure based on the numbers as they were published at the time of the relevant measure.

Senator GALLAGHER: Okay. Presumably, that would be growing over time.

Mr Dilley: It would grow with the populations, and the indexation factors cause it to grow. I probably could not conclusively say whether it will grow or shrink. It depends on the time in which we assess it.

Mr Pratt: It will do both, in fact, depending on the time in which we assess it, because it depends on when we make a judgement about whether or not, if the legislation is passed by a certain date, it could be implemented by a further later date, and that later date may push out, in which case the actual saving will shrink over the forward estimates. Does that make sense?

Senator GALLAGHER: Yes, I think so. Your best advice to the committee at this point in time is that it is roughly \$4 billion worth of cuts.

Mr Dilley: If we went back through all iterations of all the books over time, we would get to a figure of roughly \$4 billion. But of course those books and the parameters change almost as soon as the next budget rolls around. We have not re-costed, and have not been asked to re-cost, a revised figure.

Senator GALLAGHER: Okay. Those figures, though, flow through your financials?

Mr Dilley: Yes. Because we update those estimates, they are up to date, which is not the same as saying we have re-costed the individual measures. What we have done is we have re-estimated them each estimate.

Senator GALLAGHER: You have re-estimated each estimate?

Senator SIEWERT: How do you do that?

Mr Dilley: I will expand on that. We have an estimate for a given payment. We know what population is; we know what the government's policy settings are; we know the various parameters, whether that is unemployment rates, interest rates or the growth in the economy. We apply all of that to the population of the relevant payment, and we have a revised estimate for that payment on the assumption that the legislation will be passed in accordance with government policy. So we re-estimate the entire payment. That is not the same as re-

estimating the effect of the measure moving from when it was originally developed to what part—

Mr Pratt: It is January 2016—clearly it is not happening this year, so now we will assume it is January 2017, and that sort of thing.

Mr Dilley: We cost it once. It goes in as a measure and then we keep the estimate of the entire population up to date based on that policy.

Senator GALLAGHER: This is a question for the minister. Having the \$4 billion in savings in this portfolio factored into the forward estimates despite there being blockages in the Senate—is this the government showing its commitment to cuts?

Senator Fifield: Government policy remains government policy until such time as there might be change. I cannot really add to that. The fact that something has not been successfully passed through the parliament does not mean that it ceases to be government policy. If it continues to be contained in the forward estimates then it is government policy.

Senator GALLAGHER: So the cuts to family payments, PPL and pension as outlined in this, flowing through these forward estimates, remain government policy?

Senator Fifield: If something is in the forward estimates, it is government policy.

Senator GALLAGHER: With the election coming, if you were re-elected, would you pursue these changes through in the next term?

Senator Fifield: If something is policy then it is the intention of government to seek to give effect to it.

Senator GALLAGHER: With the accumulating pieces of legislation—various ones changing a number of different payments—has the department done work and analysis on the compounding impact of the cuts and how they will affect particular families or recipients of support from the department? I know you have just been saying that they get slotted in the forwards, but do you update the compounding effect of these changes through cameos or examples?

Mr Pratt: Certainly in the past we have done that. I do not believe we have necessarily done that in this budget but, for example, in the last budget one of the measures around family payments was looked at alongside the significant investments in the childcare package.

Senator GALLAGHER: Which have been delayed.

Mr Pratt: The combined effect of those was, from memory, considered jointly. So, yes, on occasion we do that, but not for this budget, I believe.

Ms S Wilson: We tend not to do that for the budget per se, because Treasury does that work. What we do after a budget is program into our models what changes there have been in our portfolio to update what the models will tell us about expenditure and, if you like, entitlements of individuals and families under the new parameters for the social security system and other things that interact, like tax and child care. So that normally takes place after the budget, because that is when we know what all the moving parts are. We do not do it for the budget. We are able to look at the average impacts for each measure as it gets determined, and that might be part of the advice that is provided to government which falls out of the costing, but it is not a cameo per se.

Senator GALLAGHER: With the changes that have been made to child care in this budget and the decision, essentially, to delay by a year at least, and then with the changes to tax that have been announced, are you saying that you have not analysed what the tax changes and the childcare changes are when these are building up?

Ms S Wilson: Post every budget, we update our models to take account of what has changed in the tax and transfer system, and we are going through that process currently, but it takes a bit of time, so we cannot do it until we understand the moving parts that have to be programmed into those models.

Senator GALLAGHER: And it is normal practice for you to do it that way, is it?

Ms S Wilson: Yes. We are not privy to every decision; we generally only know about the decisions in our own system. Because of the interactions, we need to take account subsequently, after things are in the public arena, of those other interactions and parameters.

Senator GALLAGHER: Who provides the executive with advice, then?

Ms S Wilson: Treasury.

Senator GALLAGHER: So Treasury would pick up your—

Ms S Wilson: Yes, and I have given evidence on this in the past. For modelling that looks at the impacts on individuals and households of the consolidated set of decisions in the tax and transfer system, Treasury gives that advice to government, not us.

Senator GALLAGHER: So, when making the decisions about the childcare changes and the tax changes, the executive would have information about the impact of those and how they interact with the social security system and recipients?

Mr Pratt: Treasury would have that for you, but generally I think that is right.

Senator SIEWERT: Can I go to the income support for people with disability. Is this the right place to talk about the eligibility criteria?

Mr Pratt: For disability support pension?

Senator SIEWERT: Yes.

Mr Pratt: Yes.

Senator SIEWERT: Okay, thank you. Can you talk me through the new process for the extra 30,000 that are expected to come off the disability support pension.

Mr Pratt: This is the 30,000 reviews per year?

Senator SIEWERT: There are more than that who are going to be reviewed, aren't there? Sorry, have I jumped to the—

Mr Pratt: There are 30,000 reviews per year.

Senator SIEWERT: Per year, yes.

Ms Halbert: So in total there will be 90,000.

Senator SIEWERT: Going on the other figures, about a third of them—

Ms Halbert: Of the 30,000 each year, it is expected that about 10,000 will go to government contracted doctors. There are about 650,000 people on DSP who have not been assessed against the new impairment tables.

Senator SIEWERT: And, at the time, they were not expected to be?

Ms Halbert: That is correct. Out of those 650,000 people—655,000, I think it is—the Department of Human Services will need to undertake a risk analysis, in the first instance probably to exclude those people there would be no benefit in reviewing.

Senator SIEWERT: That is what you mean by 'risk analysis', is it?

Ms Halbert: Yes, that is right.

Senator SIEWERT: That was going to be one of my questions. These are people you already know are—

Ms Halbert: There are a whole range of factors.

Ms S Wilson: There is a high likelihood that the review would not change anything, and so there is a process by which DHS goes through a number of criteria to develop an algorithm or a form of selecting people for whom there would be no benefit but a cost and an inconvenience of doing a review for them.

Ms Halbert: I do not believe they have developed that yet, but you can direct that question to them.

Senator SIEWERT: They are going to develop an algorithm?

Ms Halbert: That is right. So those 30,000 a year will be selected for review. In the first instance, we expect they will go to a job capacity assessment, but we estimate that about 10,000 of them will require further examination and therefore will go to the government contracted doctor.

Senator SIEWERT: Then they will go to the—

Ms Halbert: A disability medical assessment with a government contracted doctor.

Ms S Wilson: So about a third of the 30,000—around 10,000—who have gone through a job capacity assessment will require a further assessment by a government contracted doctor, and we call that a disability medical assessment.

Senator SIEWERT: And there will be about 10,000 each year?

Ms Halbert: Yes, so 30,000 all up.

Senator SIEWERT: How many of those do you expect will then be dropped off DSP?

Ms S Wilson: Our estimate is that we expect a net cancellation rate of around 8.5 per cent. For the raw cancellation rate, before reviews and appeals et cetera, we are expecting about 3,000, or 10 per cent. We expect the vast majority of those will appeal, so 75 per cent of those people who have been cancelled will appeal against it. We would expect around 450 of those who appeal to have their payment reinstated after the appeal. Therefore, the net cancellation rate—after the appeal process—would be about 2,550 people's payments cancelled. Of them, we expect 1,785 will go onto Newstart, about 64 onto Austudy, around 383 onto parenting payment—

Senator SIEWERT: Is this based on stats from the last process you undertook?

Ms S Wilson: This is based on our experience. They are the sorts of spreads of payments that we expect people to generally go on, and then we expect around 10 per cent or so would not be eligible for another income support payment.

Senator SIEWERT: Ten per cent of the 2,550?

Ms S Wilson: That is correct.

Ms Halbert: This is based largely on our experience with the under-35s, but of course this is a different age and population make-up.

Senator SIEWERT: Basically now you are saying everybody on DSP is up for 'reassessment'? Those that obviously meet the manifest eligibility criteria—the 20 points on one table—will be screened out, but they will still be assessed as part of the risk assessment process?

Ms Halbert: You would assume that people with very significant disabilities would be more likely to be screened out. As I said, DHS has not yet developed its algorithm, but yes. The whole population could be reviewed, but the whole population will not be reviewed.

Senator SIEWERT: In a way they will be, because they will be put through the algorithm.

Ms Halbert: That is true.

Ms S Wilson: Yes, but there will be no personal contact with them. There will be a way of screening using data to assess—

Mr Pratt: It is more a process of excluding them, really, than reviewing them.

Ms S Wilson: Yes. Who should be appropriately excluded.

Senator SIEWERT: You are going through the entire community that is on DSP; some will not get personal contact, some will meet the next stage that goes through the job capacity assessor process and—

Ms S Wilson: There is a process of analysis using data whereby it excludes whole groups and says, 'Not appropriate to go and interact with that person.' Then, there is a smaller population that is left to be selected from.

Senator SIEWERT: That is what I just said.

Ms S Wilson: There is a whole group that has no contact; this all happens in the back office.

Senator SIEWERT: That is what I said. They will go through the algorithm. Then, you will go to the people who will go through the job capacity assessment process, first, and a percentage of those will go through the government doctor.

Ms S Wilson: Disability medical assessment.

Senator SIEWERT: The disability medical assessment.

Ms S Wilson: That is correct.

Senator SIEWERT: I want to find where the final figures on those under-35-year-olds are; is there an updated table from the one you gave me in February?

Ms Halbert: Yes, there is.

Senator SIEWERT: Is it possible for you to table that so we do not waste the committee's limited time?

Ms S Wilson: We will get the table for you.

Senator SIEWERT: It is 30,000 per year for three years. That is right, isn't it?

Ms Halbert: Each year, yes.

Mr Pratt: Senator, it would be quicker to read it out.

Senator SIEWERT: All right.

Ms Halbert: So 84 per cent did not meet the medical requirements—that is, they scored less than 20 points on the revised impairment tables; eight per cent failed to participate in the review process; two per cent withdrew or voluntarily surrendered their payment; one per cent were found to be working over 30 hours a week; one per cent were cancelled because of earnings, including partner earnings; and four per cent were cancelled for some other reason.

Senator SIEWERT: How many of the 84 per cent were found to—

Ms Halbert: Did not meet the medical requirements, so they did not get enough points.

Senator SIEWERT: What happened to them? How many were onto Newstart?

Ms Halbert: Of those, 732 were no longer on income support; 47 went to Austudy or their current payment is Austudy; 64 carer payment; 48 DSP—they must have come back onto DSP.

Senator SIEWERT: Forty eight back to DSP.

Ms S Wilson: Presumably, that was the consequence of an appeal.

Ms Halbert: Presumably.

Senator SIEWERT: Yes; that is what I am presuming.

Ms Halbert: So 1,489 went to Newstart allowance; 135 to parenting payment, partnered; 245 to parenting payment, single; one to sickness allowance—this is their current payment; it may not have been the first destination they went to—197 to youth allowance; and there are a few whose current payment is suspended. One is on DSP, 20 are on Newstart allowance, and seven are on youth allowance and are not getting payment, at the moment, because they are suspended.

Senator SIEWERT: That has now been completed hasn't it—that under-35?

Ms Halbert: I think there are still 1,700 that have not been completed. I think that was the same in February. They had been initiated but not completed.

Senator SIEWERT: They are still waiting on that process?

Ms Halbert: The Department of Human Services could provide you with an update on that.

Senator GALLAGHER: I do not want to repeat the questions to officers, but in terms of the previous reviews of DSP recipients, do you know the cost of those reviews?

Ms S Wilson: Sorry, I do not have that with me. It would have been in the previous budget papers. We can endeavour to get you the answer as soon as we can, but I just do not have it with me.

Mr Pratt: We do have that.

Senator GALLAGHER: Anyone would think there is an election coming!

Ms Halbert: The total for the measure—the whole-of-government—was \$14.8 million. There is a cost here because of the cost of the support that they have to be provided once they are activated on Newstart allowance; \$12.4 million in 2015-16; \$9.4 million in 2016-17; and \$9.4 million in 2017-18.

Ms S Wilson: It is a net cost measure, because when people move onto other payments, like youth allowance or Newstart, they then have employment services to assist them to find work, and that means that that is an additional cost that they do not attract when they are on disability support pension, unless they are a volunteer in employment services.

Senator GALLAGHER: Okay. Can you explain the save that is factored into the 2016 budget of \$62.1 million.

Ms Halbert: The new reviews? Did you say the—

Senator GALLAGHER: Yes. The \$62.1 million that is factored in as a save in this budget. How does that correspond with the cost of the reviews in previous years?

Ms S Wilson: Essentially, I guess we have updated experience, having done the under-35 recipient reviews on the people under 35 years. We made some estimates at the time that we put the last budget measure through. We did not have enough experience to know what the outcomes would be, so our estimate was that it would be a small net cost, as Ms Halbert set out. Our experience has been that a higher proportion than we would otherwise have estimated did not go on to an income support payment, and, consequently, there is a savings associated with those—and it is a higher level of cancellation that we are estimating as we go to a bigger group.

Senator GALLAGHER: Okay. I think I get that. So in those first two years it was more expensive; it was \$14.8 million and it comes down to \$12.4 million, and then you have \$9.4 million factored in—is that right?—for 2016-17 and 2017-18.

Ms Halbert: That is right. That was for the under-35 reviews.

Senator GALLAGHER: But then as you broaden it out—

Ms S Wilson: We have refined our estimates based on experience. The previous budget measure was based on the estimates of what we thought the outcomes were likely to be. We now have more experience and we are going to a different group, so we have updated our estimates of what we think the outcomes are likely to be in terms of what will happen after review in respect of the payments that people receive and those that will not receive payments.

Senator GALLAGHER: So in the under-35 review, roughly half went onto Newstart. Is that right, or is it a bit more than that?

Ms Halbert: Yes. That is right.

Senator GALLAGHER: What have you factored in?

Ms S Wilson: We just gave that to Senator Siewert—

Senator GALLAGHER: Did you?

Ms S Wilson: Yes.

Ms Halbert: It was about 70 per cent of those who were cancelled were expected to go onto Newstart. That would be 1,785.

Senator GALLAGHER: Okay. I have some other questions but not on DSP.

Senator CAROL BROWN: Can I just ask one question.

CHAIR: Sure.

Senator CAROL BROWN: In the budget papers you are amending the portability rules for para-athletes preparing for the Paralympic Games. What about athletes that are going to those games that are on other forms of income support like youth allowance? Is there any provision made for them in terms of the additional weeks overseas for overseas travel?

Mr McBride: The measure was confined to the disability support pension.

Senator CAROL BROWN: So there was no discussion about whether athletes on other forms of income support would be extended the same portability?

Ms S Wilson: The government decided that it would apply to the disability support pension.

Senator CAROL BROWN: Did you look at other—

Ms S Wilson: We cannot discuss what advice was provided to government.

Senator CAROL BROWN: So you cannot tell me whether you—

Mr McBride: This measure was in response to the changes to the disability support pension—

Senator CAROL BROWN: I understand that.

Mr McBride: and it was considered that it was an inadvertent impact on—

Senator CAROL BROWN: I understand that. It is just that I have a constituent—

Mr Pratt: This was in the context of the change to the portability arrangements applying to the DSP. There have been no changes to the portability arrangements for other payments—Newstart allowance or the youth allowance—so there is no question.

Senator CAROL BROWN: Okay. That is all I wanted to ask here.

Senator GALLAGHER: I have some questions in relation to the savings around carbon tax compensation. I think this is still under 1.3. Can you inform the committee of the payments that form part of what is described as carbon tax compensation.

Ms Halbert: That includes the energy supplement, which is attached to all payments, and the single income family supplement.

Senator SIEWERT: So it is just the two?

Ms Halbert: The energy supplement has a range of payments.

Senator SIEWERT: So there is the energy supplement—

Ms Halbert: and single income family supplement.

Senator SIEWERT: Okay. They are the only two.

Senator GALLAGHER: And those two payments equal \$1.4 billion over five?

Ms Halbert: That is right.

Senator GALLAGHER: Is there a breakdown between the two of them?

Ms Halbert: Yes. The energy supplement is \$1.3 billion of that.

Senator GALLAGHER: And it is much smaller, then, for the—

Ms S Wilson: single income family supplement, yes. It is a smaller payment—a much smaller population.

Senator GALLAGHER: Who is currently receiving these payments?

Ms Halbert: People on all payments receive some level of energy supplement. I think over the whole-of-government there are over 100 different rates of energy supplement, although some of them are the same amount.

Ms S Wilson: Also, Commonwealth Seniors Health Card recipients.

Ms Halbert: That is right.

Senator GALLAGHER: Can you tell us how many health card recipients as well.

Ms S Wilson: Commonwealth Seniors Health Card recipients.

Senator GALLAGHER: Seniors, sorry.

Ms Halbert: I can give you some examples: 3.6 million pensioners receive the energy supplement with rates ranging from \$10.60 to \$14.10 a fortnight; 1.2 million allowees receive it, with rates ranging from \$7.90 to \$14.10. Do you want me to go through the full list?

Senator GALLAGHER: I think that is fine. In terms of what is informing the \$1.4 million, what are you factoring in? Am I right to understand that this affects people going forward?

Ms Halbert: For the energy supplement, if you are in receipt of it on 20 September this year and you remain in the welfare payments system—so you could change payment, but as long as you have not gone off payment—you will keep it. People who come into the system after that will not receive it.

Senator GALLAGHER: So that is 20 September 2016?

Ms Halbert: That is right. For the single income family supplement, that is paid at the end of the financial year. People who receive it at the end of the coming financial year will also be grandfathered. People will not come into the system after that—

Senator GALLAGHER: What are the numbers that have given you the 1.4 billion?

Ms Halbert: For the single-income family supplement, about 113,000 families will lose up to \$300 a year up to 2019-20.

Ms S Wilson: They will not receive it in future rather than lose because of the grandfathering provisions. Overall, over the same period, around 2.2 million new payment recipients would not receive the energy supplement over the forward estimates.

Senator GALLAGHER: I am just looking for the line of how you flow it over the five years. What is the profile of the save? Is in the budget papers?

Ms S Wilson: Yes. I will see if I can find it in BP2 for you, Senator. The information I have is for the profile over four years: 2016-17, 109.3 million; 2017-18, 299.6 million; 2018-19, 434.9 million; and 2019-20, 561.4 million. That is across both the clean energy supplement and the single-income family supplement.

Senator GALLAGHER: Because it is over five years, is it just the final year that is missing?

Ms S Wilson: Yes. I just do not have that. I didn't give 2015-16, which has an up-front implementation cost. That is a cost of \$1.6 million in 2015-16.

Senator GALLAGHER: Why is that?

Ms S Wilson: It is ICT and other costs to implement—

Senator GALLAGHER: To change?

Ms S Wilson: Yes.

Senator GALLAGHER: I have some questions about income support for carers.

CHAIR: Before you do, Senator Lindgren had some questions.

Senator LINDGREN: I know that you have probably just touched on some of these, but I need some confirmation around some of those answers once again. This may require just a yes or no answer. You talked about how many existing recipients will continue to receive a carbon tax compensation payment under this budget measure. Can you confirm how many exist?

Ms Halbert: Over the period, I think 6.5 million will continue to receive it.

Senator LINDGREN: Could you please confirm that the carbon tax compensation payments were introduced to offset the cost of living increases directly attributable to the carbon tax?

Ms Halbert: That is correct.

Senator LINDGREN: Can you confirm that this budget measure will only remove carbon tax compensation payments for new welfare recipients after 20 September 2016?

Ms Halbert: Yes, and also people who go off payment.

Senator LINDGREN: How much will these measures save over the forward estimates?

Ms S Wilson: I think we already gave that. It was \$1.4 billion.

Senator LINDGREN: Is there a plan for these savings to be used for something else?

Ms S Wilson: They are being directed towards the National Disability Insurance Scheme Savings Fund.

Senator LINDGREN: So we are prioritising the NDIS Savings Fund?

Ms Halbert: Yes.

Senator LINDGREN: Can you confirm that those impacted by the carbon tax will still receive compensation payments due to the grandfathering? I know you have answered, but I just want confirmation.

Ms Halbert: Those who are grandfathered, yes, will continue to.

Senator LINDGREN: Despite the fact that the carbon tax was removed under the current system, people will still receive compensation to offset the cost of the tax that no longer exists?

Ms Halbert: Existing recipients, yes.

Senator LINDGREN: Thank you.

Senator SIEWERT: In relation to the savings that are going into the NDIS fund, there is no longer going to be any backdating of carer allowance. When is that going to start?

Ms S Wilson: 1 January 2017.

Senator SIEWERT: What numbers are expected to not be receiving the backdated payment then?

Ms Halbert: There are about 120,000 claims each year. Of those, around 40,000 will be affected by this measure, but nobody's actual payment will be affected once they have received their payment. The people who are receiving the payment will continue to.

Senator SIEWERT: Yes, ongoing payments are not going to be affected.

Ms S Wilson: It is new claimants. Of the 120,000 new claimants each year, currently around 40,000 get back paid, and so that will no longer occur.

Senator SIEWERT: What is the average back pay?

Ms S Wilson: I do not have that. We will have to take that on notice.

Ms Halbert: Not all of them will have been backdated for the full 12 weeks.

Senator SIEWERT: I know. That is why I want to know what is the usual—

Mr Pratt: I think we would have to take that on notice and break it up for you, week by week.

Senator SIEWERT: If you could—thank you. This is a particularly sensitive area, given that people who are thrown into a crisis—the situation can sometimes be fairly traumatic for people—do not always know to apply.

Ms Halbert: Just note that carer allowance is not a person's main income support payment. Carer payment would be the income support payment. Carer payment is not backdated.

Senator SIEWERT: But carer allowance can be. The same situation applies.

Ms S Wilson: I guess the point is that it is a supplement rather than a primary income support payment. It is unusual, across the social security system, to have backdating of this nature. It is a bit historical. It actually originates from when child disability allowance was the payment, prior to carer allowance being introduced. Backdating was argued to be necessary. The rationale was that it had a very strong diagnostic basis and some families took some time to get a diagnosis for their child that would qualify them for child disability allowance. Now that we have tools that look at the impact on functioning and the care load rather than taking a diagnostic specific approach, there is not the same need for a diagnosis in order to qualify for carer allowance.

Senator SIEWERT: It is still a large number of people. A third applied for back pay, so it is obviously used by a number of people.

Ms S Wilson: Certainly.

Senator LINDGREN: How much does this measure save?

Ms Halbert: \$108.6 million over the forward estimates.

Senator LINDGREN: Can you confirm that the savings from this measure will be redirected into the NDIS savings fund special account?

Ms Halbert: That is correct.

CHAIR: Perhaps we will move on to outcome 5?

Senator GALLAGHER: Sorry, Chair, just before we do: Senator Brown asked a question around the essential medical equipment payment. That was not included—

Ms S Wilson: No, it was not.

Senator GALLAGHER: So that just continues under a stat dec?

Ms S Wilson: That is correct.

Senator GALLAGHER: Okay. You are free to go!

Ms S Wilson: Thank you.

Senator SIEWERT: Mr Pratt, sorry to be a pain.

Mr Pratt: Sorry, Senator?

Senator SIEWERT: Sorry to be a pain. I have discovered two more questions about outcome 1.

Mr Pratt: Right—

Senator SIEWERT: Sorry; you nearly got out the door!

Mr Pratt: Fire away! They are still in the room!

Senator SIEWERT: I genuinely thought I had finished. The changes to student payment means testing: the budget measure says 'simplifying student payments'. It says that the government will align means testing for student payments with other welfare payments. What does that mean?

Ms Halbert: Mr McBride will come and explain that.

Ms S Wilson: I can do that for you, Senator—just bear with me.

Mr Pratt: Sorry, while we are getting ready to answer that one, what was your next question?

Senator SIEWERT: The other one was about the revised social security arrangement with New Zealand.

Mr Pratt: Thank you.

Senator SIEWERT: What are the changes to domestic law in Australia and New Zealand that this refers to? Why is the measure not for publication?

Mr McBride: It is hard to discuss in specific terms what is being negotiated, and the reason is the same for why it has not been published, because negotiations can allude to the outcome of these negotiations. I know that is a kind of a circuitous answer, but—

Senator SIEWERT: Yes.

Mr McBride: it is a tidy-up of provisions. For example, age pension age—retirement age—was 65; is going up to 67. So if our domestic laws change and the treaty still has as old provisions in it then occasionally we get together for an update. We are going through a process to update the treaty to reflect domestic laws. That is one example. But the outcome of those negotiations is still ongoing, and so signalling what the treaty may cost or save would potentially signal our negotiating position. That is why the dollar amount is not published in the budget figures.

Senator SIEWERT: Okay, thank you. But it is not addressing this long-term issue of people from New Zealand being able to access certain payments?

Mr McBride: No. There was a measure in the budget to address that partially, but the treaty negotiations won't have that as their main purpose.

Ms S Wilson: Senator, you asked about the welfare payments simplification. I can sort of kick off on this and then if there is any more detail my colleagues Mr Whitecross or Mr McBride can add to it.

There are three main components to this measure. The first is to update the reference to the Australian Standard Geographical Classification document, which is used for youth allowance, independence criteria and relocation scholarships. At the moment we have to actually change the whole act to change this. We will change the legislation—that reclassification happens periodically—so then the payments can just reflect the youth criteria.

Senator SIEWERT: It is like a regulation—

Ms S Wilson: That is correct. It will be simpler and more accurate in terms of assessing eligibility by making a small number of improvements and alignments to means testing for student payments. For example: removing the exemption from the assets test for youth allowance and Austudy recipients who are partnered to another social security or veterans' affairs income support recipient—as per other social security payments, they will have the same assets test arrangements—extending the means test rules that apply in other payments to independent youth allowance and ABSTUDY recipients that assess interests in trusts and companies; and align the way we treat gift payments from immediate family members with existing pension rules.

Under the pension, if a family member gives you a gift—I am not talking about the deprivation measures in the aged pension—for example, if you get \$500 from a grandparent because you are a uni student, at the moment the requirement is that you are supposed to declare that and it gets assessed as part of your means; whereas, in other payment provisions, we do not do that. So that is in alignment there—

Senator SIEWERT: So actually that is a positive—

Ms S Wilson: It is a benefit. It is reinforcing that we want families to help support their dependent young people and, where they do, we do not want to penalise them through the means test for those one-off gifts, and it is harmonising the use of family tax benefit income details for the youth parental income test. At the moment, someone might provide their income details for children in their household, for whom they are receiving family tax benefit, but, separately, the youth allowee has to provide parents' income details for the purpose of youth allowance so we can connect them in the system. The third component is to simplify eligibility for the healthcare card issue to students so that from January 2019 they will automatically get access to the healthcare card. They will not have to apply separately.

Senator SIEWERT: How much is that?

Ms S Wilson: It is a minor save overall. There are some costs in some components. It is essentially close to neutral. The whole-of-government save is \$52,000 over the forward estimates, so it is effectively cost neutral.

Senator CAROL BROWN: Questions on investment approach study and investment approach trial are in outcome 2?

Ms S Wilson: We have done that already in outcome 1.

Senator SIEWERT: I did it first up in outcome 1.

Senator GALLAGHER: But we can ask about them in outcome 2?

Ms S Wilson: No, Senator. The Try, Test and Learn Fund and the Priority Investment Approach are in outcome 1.

Senator CAROL BROWN: I must have been out of the room. Did you ask about the—

Ms S Wilson: Unfortunately, I think I have let those staff go home. I can take something on notice.

Senator CAROL BROWN: Did we ask whether the report has been made public?

Ms S Wilson: Yes, we provided evidence about that.

Senator CAROL BROWN: And what was the answer?

Senator SIEWERT: No, because they only just got it.

Ms S Wilson: No, we have not provided it to the minister yet. We got it in mid-April, we have been pretty caught up and it is a substantive piece of work that we want to seriously consider our advice in relation to, so we have not yet briefed the minister and provided the final version to the minister.

CHAIR: We have now finished outcome 1. Thank you. We are now going to push on to outcome 5: disability and carers. Who would like to kick off?

[17:34]

Senator GALLAGHER: I have some question around the NDIS savings fund. From the budget papers, I think the savings fund is being credited with savings that come from the cuts to social security payments.

Ms Hand: Sorry; what was that?

Senator GALLAGHER: That the savings from the cuts to social security payments are being directed into the savings fund.

Ms Hand: There are a range of savings that are being redirected to the savings fund from the DSS portfolio which cut across the whole portfolio. There are some from NDIS itself, there are some from outcome 1 and there are some from outcome 2. If you want me to list those, I can, if you bear with me.

Senator GALLAGHER: Yes, that would be good, because it is not clear. You have a global figure from Social Services.

Mr Pratt: Essentially all of the savings measures that came from the Social Services portfolio, net of some small expenditure items which appear in the budget papers—all of them, as Ms Hand as said, from the social security area, from the programs areas, across a number of streams—went into the NDIS account.

Ms Hand: In total, the DSS department and portfolio identified \$2.3 billion worth of savings in the budget. Of that, \$2.1 billion went into the NDIS Savings Fund, because some of it was used to offset other measures like—you may have seen in the budget papers—the mobility allowance. There were changes to the mobility allowance, so there was an offset for that. Also, should the states agree to the Commonwealth's offer of proportional access to the DisabilityCare Australia Fund, there is a provision for that too.

If I go through the list that makes up that total I just gave you: ceasing the energy supplement with grandfathering is \$1.3 billion; cessation of the single-income family supplement, \$67.2; removing backdated provisions for carer allowance, nothing; disability

support pension review of recipients granted payment prior to 1 January 2012, \$62.1; and reducing payments under a range of programs and ceasing the National Disability Insurance Scheme communications campaign, \$66.7. Then there were additional savings. There were two areas predominantly, for the NDIS, where savings came. As you would know, we have reached that amazing milestone of signing all bilateral agreements today—well, we reached it a while ago but it was officially done today—apart from, of course, WA, who have not yet signed up to the full scheme.

Senator SIEWERT: I was going to keep my mouth shut!

Ms Hand: I had to get that out because we are very excited about it.

Senator GALLAGHER: You should be.

Senator SIEWERT: I wish I were excited about my state.

Ms Hand: Minister Fifield started the journey, and we have just finished it with Minister Porter. We are excited. Out of the Queensland, and Northern Territory agreements and Western Australian expansion and extension, which I can talk about more if you wish, because there were some changes to phasing that the states wanted to agree with us—because they wanted aged based rollout, or geographic rollout, or there were issues around market readiness—there have been some changes to the phasing and the timing of certain cohorts of participants coming in in those respective state jurisdictions. This means that there were savings over the forward estimates and those savings are being reinvested into the NDIS through the savings fund to make sure that they are used for NDIS. I should stress there, though, that all agreements are consistent with the heads of agreement for the transition to the full scheme. The overall time line has not changed at all in any of those states. It is just a matter of phasing of who comes in when. For instance, you might have lower cost participants coming in now in some jurisdictions with some higher cost later—that type of thing. Therefore, the costs are pushing out further, if you get me.

Senator GALLAGHER: So the transition to full scheme dates have not changed?

Ms Hand: They have not changed at all.

Senator GALLAGHER: But the populations and subsets of that, and when they come into the scheme, have changed?

Ms Hand: That is right.

Senator GALLAGHER: That is the \$711.2 million is it?

Ms Hand: That is right. If you wish to break that down, it is \$595.3 million from Queensland, \$54.7 million from the extension and expansion of the NDIS trial in Western Australia, and \$9.4 million from some tidying up that we had to do in the ACT. Because they went straight to a full scheme—you know all about it, Senator—we did not have a bilateral agreement like we have had with the jurisdictions that we are negotiating with for full schemes. There were things that we negotiated with the other jurisdictions around cross-billing, the Health Reform Agreement impacts and a range of other things like that that we wanted to tidy up with the ACT. As a result of that, there was a small saving of \$9.4 million. That does not mean any cut to the NDIS in the ACT at all; it is just some tidying up. There is \$91 million from the Northern Territory and \$14 million from adjustment to the Northern

Territory item in the contingency reserve. If you add all that up and then take away the money for the DisabilityCare Australia Fund provision we have made, it is about \$2.257 billion.

Senator SIEWERT: Why did you set up a new fund rather than going into DisabilityCare Australia?

Ms Hand: It was a government decision. It was felt that because the government—Minister Fifield and the secretary may wish to speak further on this—is so committed to parking these savings and keeping them solely for the use of the NDIS, and because it is a Commonwealth fund rather than the DisabilityCare Australia Fund, which covers payments for both the states and the Commonwealth, it would be cleaner and better to have a separate fund.

Mr Pratt: This is a matter for government, but I think that putting money into a fund which is also used to compensate the states for their costs as well as the Commonwealth would complicate things, and so it was decided to have a separate fund.

Senator SIEWERT: I am sceptical, that is all. The DisabilityCare Australia Fund was set up to—

Mr Pratt: The resources of the DCAF, as we call it, come from the Medicare levy, and so they are—

Senator SIEWERT: Why would it complicate things?

Ms McDevitt: One of the reasons is that, because it has the Medicare levy, DCAF is an investment fund, whereas the savings fund is not intended for that—it is purely to meet the Commonwealth's obligations to fund the NDIS. It is not intended to hold money and invest it; we just want to make sure that we have enough in there to pay for the NDIS. Because the Medicare levy is collected, invested and interest is earned on that, which is then dispersed, they do have slight differences as mechanisms.

Mr Pratt: Anyway, it was a government decision to do it this way.

Senator SIEWERT: I take your point.

Senator GALLAGHER: Is that about how the fund was established?

Senator SIEWERT: Why it was established rather than DisabilityCare Australia.

Senator GALLAGHER: Whose decision was it to link the various savings from the payments to funding being put into the NDIS Savings Fund?

Mr Pratt: That is a government decision.

Senator GALLAGHER: If these savings do not pass the parliament, what does that mean for the funding of the NDIS?

Mr Pratt: They will not go into the account.

Ms Hand: He means that the funding gap will be bigger than it is intended to be as a result of those savings going into the fund.

Senator GALLAGHER: I am looking at the report that was tabled very late—today sometime. NDIS tracking showed higher participant satisfaction with the scheme, which is excellent. It showed that more people were coming into the scheme and that total scheme costs are within budget for the three-year trial period. So that is all good news for the scheme, and it is tracking as it was projected?

Mr Pratt: Yes. On track, on budget and with high client satisfaction is the summary.

Senator GALLAGHER: It is a good job—to everyone who has been involved. Going back to the budget in 2013-14, there was an outline of how the costs for the NDIS would be achieved over time. Presumably that was ticked off at the time by Finance and Treasury as a reasonable outline of how the scheme would be funded over time?

Senator Fifield: I might jump in there, because I well recall, when I was sitting on that side of the table, asking similar questions and Mr Pratt referring me to the Department of Finance in relation to those things which had been identified—

Senator GALLAGHER: Are you referring me there?

Senator Fifield: No, I will not refer you there; I am going to be as helpful as I can be.

Senator GALLAGHER: That makes me nervous.

Senator Fifield: You are right that the previous government in various budget papers did outline how they thought that the NDIS would be funded. Just to break things down: as I think colleagues know, the NDIS funds come from, in effect, diverting existing Commonwealth spending on a range of disability programs into the NDIS pot and state disability funding into the NDIS pot, plus the Medicare levy proceeds into the DCAF. When you add all those together, at full scheme there is about \$5 billion a year which is not covered by those funding sources.

The previous government endeavoured to point to how that \$5 billion would be covered. In the 2013-14 budget, I think it was, the previous government produced a table which purported to show those measures. If you look at the table, you will see there is an asterisk. You then go to the bottom of the graph, and next to the asterisk it says: 'other long-term savings'. Those other long-term savings were not specified; they were just deemed to be other unspecified long-term savings. There were, I grant you, some particular measures in that graph that were identified, such as the previous government's changes to private health insurance reforms. But \$1.1 billion of those, which was earmarked for the NDIS, had also been counted previously to partly offset the previous government's dental health reform package. It was also identified by the previous government as representing a contribution to what was then that government's surplus target. So that \$1.1 billion of private health insurance reform monies was actually counted three times, and the largest category—

Senator GALLAGHER: So that got through Finance?

Senator Fifield: I think the government of the day presented three different scenarios to Finance, and Finance took the government at their word on each occasion. It just happened to be that, over time, the previous government made reference to those particular savings for three different purposes. The largest component of savings, as I said, was in a graph which, as I said, had an asterisk and 'other long-term savings'. Those other long-term savings were never identified.

Senator GALLAGHER: I am at a slight disadvantage here because this predates my time as a senator. I find it a bit hard to believe that Treasury and Finance would have allowed that scenario to play out and be printed in the budget papers.

Senator Fifield: They were in a budget glossy document and while the budget papers themselves have the name of the Treasurer and the finance minister on the front, the budget

glossy documents do not necessarily. And I should make the point: the budget papers are not issued in the names of the Department of the Treasury and the Department of Finance; they are issued in the name of the Treasurer and the finance minister so they are owned by the Treasurer and the finance minister as opposed to the Treasury and the Department of Finance.

Senator GALLAGHER: I think we could get into a long discussion there about what that means for the budget that has just been presented but perhaps—

CHAIR: We could have a long discussion, Senator Gallagher.

Senator Fifield: I will speak from personal experience as someone who worked for federal Treasurer on eight budgets. What is in the budget papers is ultimately signed off by the Treasurer and the finance minister, as we know.

Senator GALLAGHER: It has been put to me by individuals who are very interested in the NDIS that the way that the savings are being made into this savings fund are essentially pitting pensioner against pensioner. In order to fund the NDIS, other people on income support and various payments have to make a sacrifice to go into the scheme. Have you received any of that feedback?

Senator Fifield: I have not.

Senator GALLAGHER: What would be your response to that?

Senator FIFIELD: I do not think that would be a fair characterisation. I actually think it is a very good mechanism because it ensures that where there are savings that are identified in the social services portfolio they indeed stay within the social services portfolio and they can be specifically earmarked to provision the NDIS. So I think it is a good mechanism.

Senator GALLAGHER: So if the measures that have been outlined to go into the savings fund are not able to be passed, what would be the government's response to that?

Senator FIFIELD: It is our intention to seek to secure the passage of legislation to give effect to those savings measures.

Senator GALLAGHER: So it is not the NDIS being put at risk?

Senator Fifield: No, it is not. The government are committed to funding the NDIS but, as a government, we think it is prudent to identify as far as possible where dollars will come from to fund the NDIS.

Senator GALLAGHER: In the lead up to the budget there was a reference in *The Australian*, an article by journalist Rick Morton, which said that the Treasurer had said to him that the NDIS savings fund could be 'used by any future government for any of its spending whims'. I understand the shadow minister for disability, Jenny Macklin, got a letter from the minister the day before that giving her the assurance that the legislation is not intended for funds to be used for any purpose other than to fund the Commonwealth NDIS obligations. Which of those ministers is correct?

Mr Pratt: I might comment on this. Certainly my understanding is that the funds in the account that are hypothecated to future NDIS expenditure will only be used for that purpose. In the event that way into the future the funds available in the account were to exceed the requirement for it then presumably it could be available for the government or a future government to use in other ways whether to pay down debt or other expenditures in social

services world or elsewhere. That might be possible but that is hypothetical. That would be in the event that the funds available exceeded the requirement.

Senator GALLAGHER: So does the legislation have a protection for that?

Mr Pratt: We have not got the legislation through the parliament.

Senator GALLAGHER: I am aware of that.

Ms Hand: It is very specific in the drafting of the legislation that the funds can only be used for the NDIS. I do not have the legislation here, I am sorry, but I believe—Ms McDevitt will correct me if I am wrong—it also states what Mr Pratt has said, that if the funds exceed the level of funding required by the NDIS then that could be returned to the contingency reserve for other purposes.

Senator GALLAGHER: So the legislation has a specific requirement that funds cannot be siphoned out and used for any other purpose?

Ms Hand: That is right.

Ms McDevitt: The reason for the special account is that it has a legislative purpose, and the purpose is to meet the obligations of the NDIS. If in the future, whatever the funding requirement the Commonwealth had, if there was more money in the fund than needed then a decision could be made to put back some of it into the contingency reserves, so the idea is you are only retaining enough in the fund to meet your obligations; you are not building up an excess of funds that are not used for anything.

Senator GALLAGHER: So you can make withdrawals from the fund for other purposes, but that would only be at the point where the full scheme costs were being met, and that is explicit in the legislation?

Ms Hand: Yes.

Senator GALLAGHER: I had some questions on the \$711 million but I think you answered them earlier. I think you mentioned the advertising campaign, \$66.7 million going into the fund for not proceeding with that—

Mr Pratt: That is not just advertising. The majority of that is from underspends on a range of programs which has gone into the account.

Senator GALLAGHER: Yes—by identifying funds not being spent in 2015-16 and not proceeding with the advertising campaign. What is the component of that related to advertising?

Mr Pratt: It is \$13.9 million.

Senator GALLAGHER: Was that advertising campaign like a general raising of awareness? What was the original intention behind that?

Ms Hand: The original intention was more a general raising of awareness but as we did market research and a range of other things it became clear that there would be much more value from having local targeted communications activity particularly in those areas where we were going to be transitioning to full scheme, and the NDIA and DSS are working very closely together on what we call an integrated communications strategy and plan. The NDIA may wish to talk to this, but they are doing an enormous amount of communications activity

in local areas that is proving very effective to get the cut through to people who need to know now.

Ms Glanville: The agency has developed quite a comprehensive campaign that targets participants, providers and communities and mainstream, and we are very much aligning it with the rollout and tailoring the sorts of messages that we ourselves have learnt that people need to hear from trial and the things that people are interested in hearing from us. It is very local; we will see how effective it is but so far so good. We launched yesterday our #NDISready, which is a campaign that allows people to see the sorts of things they need to be thinking about in order to become ready for the NDIS as it approaches their particular community.

Senator GALLAGHER: So you still have an advertising budget?

Ms Glanville: We have developed the resources we need from the communications and engagement division of the NDIA, so it is part of our operating costs. It is just an extension of the work we have been doing through trial but at a much greater level to cover off all the new areas under the bilats that are coming into play.

Mr Bowen: Our experience in the trial with the mass media advertising was that it prompted a lot of disinformation, giving people an expectation that the scheme was coming to them much earlier than it was, and it was a significant administrative cost for the agency to get the right information out to the right people at the right time. That is why we think this local approach is a much preferable one.

Senator GALLAGHER: Some of that funding is not required, and that is going to go into the savings fund, but you still have enough to target your information and make sure it gets to the right people?

Unidentified speaker: Yes.

Senator GALLAGHER: And that has been informed by market research that the agency has done—or the department?

Mr Bowen: Both the agency and the department.

Senator GALLAGHER: Joint research? Or you have both done your own research?

Mr Bowen: We have shared with each other.

Senator GALLAGHER: So you have both done your own research which you have then shared, and it has said the same thing?

Mr Bowen: At different points in time for slightly different purposes.

Senator GALLAGHER: But it picked up the same feedback?

Mr Bowen: Yes, it has picked up the same messages.

Senator GALLAGHER: There is a line, I think—I cannot remember what paper it is—where it talks about staffing numbers for the NDIA going down from an expected peak of 10,300-odd to 3,000?

Mr Pratt: Yes, that is right. I think one of the budget papers covers this. Under the previous government the expectation was that at full scheme the agency might be between 10,000 and 11,000 FTE. As you would know, the government has a policy of maintaining Public Service numbers at the level of 2007—which we are just under, from memory. Part of

ensuring that number was maintained included putting a hard cap on the agency ASL of 3,000, which means that the functions that were originally anticipated as being insourced will probably be funded through various outsourcing strategies.

Mr Bowen: I could add just a little bit to that. The number was actually the recommendation from the agency to the former minister, so I do not feel like we are having a cap imposed; we are quite happy to work to that cap. A lot of the services, when we did an analysis, we thought were better delivered through partner arrangements at a local community, particularly the local area coordination. I am quite happy to say that, even though we are only at the point of having issued the initial contracts, our partners are now starting to employ staff in New South Wales and Victoria. The Tasmanian ones have been signed up today. We think this is a great way to deliver government services.

Senator GALLAGHER: Can you tell me, just for my information, what are the things that you were planning to insource that you are now considering sending out?

Mr Bowen: I do not think we were ever planning to insource. We had—

Senator GALLAGHER: I am just using Mr Pratt's language there.

Mr Bowen: The funding of the scheme was based around—if the agency were to deliver all of the services itself, it would have an FTE of around about 11,000. We deliberately used the trial to test different models of local area coordination—insourced, outsourced, some hybrid with planners—and we formed the conclusion last year that we were better to look at outsourced partnership arrangements for local area coordination, and we have been progressing that way ever since. Some of the other areas where we are looking at outsourcing, if you like, are in shared corporate services, which we do with DHS.

Senator GALLAGHER: Shared corporate services?

Mr Bowen: Local area coordination is the large one.

Senator GALLAGHER: That would be to the NGO sector presumably?

Mr Bowen: We went out to the market. We set out what we thought were the critical elements. We had submissions in from local organisations, the NGO sector and the for-profit sector. In fact, we got a little bit of a mix. Although the tendency is, because of their existing connections, for community based organisations to have the strongest credentials, if you like, to meet our criteria. But as we roll it out we would be expecting other organisations to bid. We want a mixture of some that are just at the local area and others that have a broad spread right across the nation, because we think there is a benefit in having that type of mixture in place, to ensure sustainability of the market.

Senator GALLAGHER: When you talk about 'corporate services', that is essentially your HR, your payroll and that sort of thing?

Ms C Smith: We have already, during the trial period, had shared services with the Department of Social Services, and we will be moving to be supported by the Department of Human Services from 1 July onwards. The Department of Human Services is delivering the ICT solution to support the full scheme rollout. We will also be purchasing a range of corporate services from DHS. We keep what I would call the strategic corporate services within the agency, but the transactional services, we believe, can be more efficiently done on our behalf by DHS, because of their scale.

Senator GALLAGHER: So we have shared corporate services and local area coordination; is there anything else?

Ms C Smith: That is it. But we remain open, I suppose, to continuing to learn what is best done within the agency and what is best done by external partners as we move from the trial period to full scheme.

Mr Bowen: We have just introduced the early childhood early intervention. That is being delivered through access partners. You might call it something like a very specialist local area coordination for children under six entering under early intervention. We remain open to getting some highly specialist assessments done external to the agency and perhaps some complex planning, but for the moment we are planning to do that initially through the agency. But we are open to where it is best delivered.

Senator GALLAGHER: What is your FTE now?

Ms C Smith: Our ASL is around the 1,000. We have an ASL target of 1,220 for this financial year and we expect we will come in at around 1,100. But we are growing rapidly, as you would expect.

Senator GALLAGHER: You expect to grow to 3,000, and then that is at the full rollout and everything is on board?

Ms C Smith: If you look at the budget papers, we have an ASL number in each financial year that reflects the growth of the agency as we progress the rollout in the various jurisdictions.

Mr Bowen: We actually expect in the longer term for the agency to diminish, as we do with providers; because, as we are enabling people who are participants in the scheme to have greater self-management and ability to manage their own plans, we are reducing the need for the agency to provide that support.

Senator GALLAGHER: I know it is down the track, but are there any savings attached to that decision?

Mr Bowen: Not at this stage. We have a target of getting to less than seven per cent of the total cost being tied up in administrative costs associated with the agency.

CHAIR: Senator Gallagher, sorry to interrupt. I am just trying to get an idea of timing, particularly for the Department of Human Services, in terms of both this and the other outcome.

Senator GALLAGHER: This is virtually it. I am just finishing off this question about the savings. You say you have a target of seven per cent administrative costs; that is what you would like to get to?

Mr Bowen: This was set back in 2013. It recognised that the agency would have a growth period and a period of additional capacity to assist people into the scheme, and then that would reduce and that seven per cent at maturity was a reasonable place to be in terms of a level of productivity and efficiency—recognising of course that our focus is that the money should be spent principally on supports for people with disability.

Mr Pratt: Senator, I think it is worth just reflecting on the fact that each of these areas—whether it is the original estimates around staffing numbers, whether it is the estimates around the resources which will go into the administrative functions against those provided for

people with disabilities—were done before the agency was created. They are based heavily around estimates done by the Productivity Commission in its report and were worked on primarily by Commonwealth officers here in Canberra between 2011 and 2013. All of this really demonstrates the value of having this trial phase, so that we can test out all of these things, rather than throw everything into the mix in one big go. I think that has worked really well for us.

Senator GALLAGHER: So, as of today, the NDIS is running to budget?

Mr Pratt: Yes, that is right.

Senator GALLAGHER: And was confirmed in the report released today?

Mr Bowen: Yes, it remains on budget and we are very confident that, at the end of the trial, the scheme will come in below the funding envelope. The information we are getting out of the trial is still projecting it will be within the overall funding parameters predicted by the Productivity Commission.

Senator GALLAGHER: What is the average cost?

Mr Bowen: That is included in our report.

Senator GALLAGHER: It was only tabled today; I have not had time to read the whole thing.

Mr Bowen: I do feel like I should channel the actuaries here. They are talking about 'average' being a difficult measure because, if you have fewer people coming in at the lower end, your average cost goes up but your expenditure might still be controllable. It is still within range.

Mr Pratt: And it varies from trial site to trial site based on population.

Senator GALLAGHER: Because of the populations going in.

Mr Pratt: Yes.

Senator GALLAGHER: I know the savings fund has not passed, but, Minister, from the government's point of view the money going in cannot be used by any future government for any of its spending whims.

Senator Fifield: No. Its purpose is wholly and solely for the NDIS—until it reaches such a point, if it does in the future, where it can cover all of the NDIS's expenditure. But, until that point in time, it is wholly and solely for the NDIS.

Senator CAROL BROWN: I understand that there has been a decision to continue the funding for PlayConnect for a further year.

Ms Hand: Reconnect, was it, Senator?

Senator CAROL BROWN: PlayConnect.

Ms Hand: If it is Reconnect, which is a homelessness youth focused—

Senator CAROL BROWN: No. Did you announce anything yesterday around funding in the NDIS? Sorry, not in NDIS but in the disability—

Ms Hand: I have just conferred with my other group manager, who looks after broader disability and carer matters, and neither of us have heard of this.

Senator CAROL BROWN: It is a playgroup for children with disability.

Mr Pratt: Unless it is an education measure—

Senator FIFIELD: Or unless it is funded by a state government through their program.

Senator CAROL BROWN: No. I think Playgroup Australia operate—

Ms Hand: What I can confirm is that we the Commonwealth, DSS, do not fund PlayConnect—because I know every disability and carer program and we do not fund that.

Senator CAROL BROWN: I will look at my information.

CHAIR: Minister Fifield wants to make a brief statement before the end of this outcome.

Senator FIFIELD: It is primarily to acknowledge the work of the staff of the Department of Social Services and the NDIA, not only in seeing the scheme reach a point where it is on time and on budget but also in the efforts of staff of the Department of Social Services in concluding bilateral agreements with all jurisdictions and working on the proposition with Western Australia still. I make that point for a couple of reasons—firstly, because I think it is timely to do so, just as the bilaterals have been executed, but also in the light of a newspaper article by Rick Morton of *The Australian*. He is a journalist I know, like and respect, but, in a piece on 16 April, he made reference to two officers of the Department of Social Services, Nick Hartland and James Christian. They were adverse reflections but, I think, were a disservice, and an unjustified one, to those two staff members. Mr Morton was basing his comments on something that had been put to him. I do not doubt that someone put a proposition to him, but I think journalists do need to be careful when talking about public servants. I feel a particular duty as the person who was minister at the time of the events that are referred to in the article, and I put on the record that James Christian and Nick Hartland have absolutely slogged their guts out for Australians with disability, to see the NDIS become something that can provide support to Australians who face challenges for reasons beyond their control. They are two of the finest public servants I have had the opportunity to work with, and I think it is important to make clear my view, as someone who worked as closely with them as anyone, that they have done outstanding work and that I do not think the references to them in Mr Morton's article are an accurate reflection of them as public servants or of the work that they have done.

CHAIR: Thank you, Minister.

Senator CAROL BROWN: Can I return to my question?

CHAIR: Certainly.

Senator CAROL BROWN: I am looking at the DSS website, which refers to PlayConnect Playgroups, or autism specific playgroups. This is on your website, under 'Disabilities and Carers'.

Mr Christian: I have had a chance to quickly gather some information on this particular organisation, and it is a HCWA funded organisation. We funded it in 2014 and again in 2015-16. They provide 47 PlayConnect Playgroups and a total of around 600 children attended last financial year, about 441 of those with autism spectrum disorder.

Senator CAROL BROWN: Have you provided funding for the 2016-17 year?

Mr Christian: If I can temporarily take that on notice, I will ask officers in the background to get the latest update, but they were funded in the current financial year. We

may not have made a decision on future funding for that program, which is rolling into the National Disability Insurance Scheme.

Senator CAROL BROWN: Will I get that answer after the dinner break? I only want to know whether it has been funded and when it was announced, if it has.

CHAIR: Perhaps they could come back as soon as possible so that Senator Brown can have that answer. Is that all you need, Senator? You do not have further questioning?

Senator CAROL BROWN: Just when the announcement was made and when the provider was informed, if it has been.

Senator GALLAGHER: Chair, can I make a comment in response to—

CHAIR: If Senator Brown is finished.

Senator CAROL BROWN: Yes.

Senator GALLAGHER: In response to the minister's comments, I am sure that the shadow minister, Jenny Macklin, would want me to add our support to the comments that the minister made about the hard work of officials, at both DSS and the agency, to get it to this point and to transform the lives of so many Australians living with a disability, to ensure they get the care and support they need. It has obviously been a passion of both Jenny's and mine, and many others, to see this scheme up and running, so it is very important that we acknowledge all the work of the officers involved and the milestones that have been reached. In relation to *The Australian*, I think the campaign that is being waged against the NDIS in that paper is unfortunate. It reminds us to stand up to those kinds of inaccuracies when they emerge, particularly in a paper like *The Australian*. I just wanted to add that from federal Labor's point of view.

CHAIR: Thank you. It is noted.

[18:21]

CHAIR: We have finished with outcome 5. We are going to move onto outcome 2.

Senator CAROL BROWN: I have a few questions around paid parental leave. How many people have accessed paid parental leave since the scheme was established in 2010?

Ms Bennett: I am not certain that we have the data from 2010 but, as at 21 March this financial year, 129,249 commenced receiving PPL. That means you could have commenced receiving it in the 2014-15 financial year and the payments were continuing. That is the registration to start receiving a payment in the 2015-16 financial year up to 31 March.

Ms Carapellucci: I can confirm Ms Bennett's comment that we do not have the figures, here, about recipients since the scheme commenced. We would have to take that on notice.

Senator CAROL BROWN: I put these on notice before and they have been sitting in the minister's office since March. Perhaps, somebody would like to go and get some information for us. These are questions we ask regularly and, each time, we are fobbed off. Is there anyone who can get that information for me?

Ms Bennett: We will see what we can do.

Mr Pratt: Ultimately, it is a decision for the minister as to whether or not he is going to release a response to a question. We answer on behalf of the minister.

Senator CAROL BROWN: It is a pretty simple question.

Mr Pratt: I am just saying that we cannot do it unilaterally. It is, ultimately, the minister's call.

Senator CAROL BROWN: That is, questions on notice?

Mr Pratt: Yes.

Senator CAROL BROWN: That is why I am asking you now.

Mr Pratt: If we have basic information we can get for you, we will do our best to get it.

Senator CAROL BROWN: What we normally ask is: who has accessed the scheme, by state and territory? Do you have any information about dads' and partners' pay?

Mr Pratt: Yes. I would just draw the distinction that if you are after the most recent information we probably do have that to hand. The question is whether or not we had something back in 2010, I think.

Senator CAROL BROWN: Yes, since the establishment of the scheme.

Mr Pratt: That is something we just do not have with us.

Ms Bennett: We can tell you the number of people since the scheme commenced but we cannot break it down, with us, at the moment, year by year.

Senator CAROL BROWN: Okay. So how many?

Ms Bennett: Since 1 January 2011 to 30 June 2015—so you could add that other 129—606,530 accessed the scheme.

Senator CAROL BROWN: You do not have that information state-by-state, do you?

Ms Bennett: No, I do not think we do. Do you recall what question that might have been that you asked previously?

Senator CAROL BROWN: No; I am sorry.

Ms Bennett: I will ask someone to see if we have the data.

Senator CAROL BROWN: Thank you. I am interested in how many people—

Ms Bennett: Apparently, we do have it. Since 1 January 2011 to 30 June 2015—I do not have a breakdown for this year—

Senator CAROL BROWN: That is fine.

Ms Bennett: In the ACT there were 14,019. In New South Wales there were 195,935. In the Northern Territory there were 5,720. In Queensland there were 119,712. In South Australia there were 40,990. In Tasmania there were 11,771. In Victoria there were 156,284. In Western Australia there were 61,268. And there were 831 where their state was unknown. That totals 606,530.

Senator CAROL BROWN: Do you have any of that sort of information for the dad and partner pay since the scheme was established?

Ms Carapellucci: We provided that information, in response to question 168 on notice, last time.

Senator CAROL BROWN: Can you remind me what that information was?

Ms Carapellucci: Yes, certainly. It was the number of people who have accessed dad and partner pay, since the scheme was established, by state. The total number was 173,140. That

was from 1 January 2013 to 30 June 2015. The breakdown by state was ACT 3027, New South Wales—

Senator CAROL BROWN: Are you sure you have provided that response on notice?

Ms Carapellucci: That is my understanding, yes.

Senator CAROL BROWN: You had better keep reading, then, just in case.

Ms Carapellucci: Do you want me to keep going through?

Senator CAROL BROWN: Yes. If that is a copy of the question on notice you can just table that.

Ms Carapellucci: I can quickly read through. New South Wales is 52,312. The Northern Territory is 1,255. Queensland is 34,143. South Australia is 13,792. Tasmania is 3,707. Victoria is 48,451. Western Australia is 16,328. Unknown is 125.

Ms Bennett: In this financial year, for 2015-16 up to 31 March, it is 59,216, but we do not have that broken down by state and territory.

Senator CAROL BROWN: Great. Are the government's planned changes to Paid Parental Leave still in the budget?

Mr Pratt: Yes, they are.

Senator CAROL BROWN: That is all for paid parental leave. I hope I am in the right section to ask some questions on women's safety?

Mr Pratt: Yes.

Senator CAROL BROWN: What is the status of the consultation for the Third Action Plan of the National Plan to Reduce Violence against Women and their Children?

Mr Reed: Consultations for the third action plan started on 24 March. It was done in two phases. We have had roughly 14 round tables to date, and we have roughly three to go. It should conclude by 26 May.

Senator CAROL BROWN: What happens after that?

Mr Reed: As we progress through the consultations we are also meeting regularly with our state and territory government colleagues, developing actions under the plan. Once the consultations are finalised then we will be close to finalising the draft plan.

Ms Bennett: Each jurisdiction will agree to the plan—the respective ministers—and when there is agreement reached there will be an announcement of the plan between the Commonwealth and the state and territory governments.

Senator CAROL BROWN: So it will be a number of months now, given that there may be an election?

Mr Reed: That is right.

Senator CAROL BROWN: Okay. What is the breakdown of the \$100 million for the third action plan? What is it going to be spent on? Is it all new funding—all new money?

Ms Bennett: It is all new funding. The budget papers explain that because we are still in consultation about the specific elements of the plan and about what projects or activities will be funded, there is no breakdown at this stage.

Senator CAROL BROWN: Okay—but it is definitely all new funding?

Ms Bennett: To explain the budget process: it is money that has been allocated through the budget process to the department. It is not recounting money that was in previous years.

Senator CAROL BROWN: All right. Is there further funding budgeted for 1800RESPECT?

Mr Reed: There was additional funding announced through the Women's Safety Package to #StoptheViolence last year, and there is some ongoing base funding included that has already been announced through previous action plans under the national plan. If further funding is required for 1800RESPECT that would form part of the \$100 million that has been allocated for the third action plan, but no decisions have been made on that as yet.

Senator CAROL BROWN: Okay, so that is all wrapped up in that \$100 million—yes?

Mr Reed: If additional funding is required.

Senator CAROL BROWN: Can you let me know where Australia's National Research Organisation for Women's Safety and Our WATCH are in the budget—and also the level of funding?

Ms Bennett: There is not a specific item in the budget papers for the funding for those organisations. If you were reading the budget papers, the third action plan is on page 141 of budget paper No. 2. It does not give the details for the reasons I have explained—that the third action plan is not finalised or endorsed by the respective governments of each jurisdiction—but it gives you a forecast for what the funding will be.

Mr Reed: Existing funding for Our WATCH and ANROWS is aggregated under the national initiatives component, which is on page 64.

Ms Bennett: Of the PBS.

Mr Reed: Of the PBS.

Senator CAROL BROWN: So it is on page 64—

Mr Reed: Of the PBS, yes—component 5: national issues.

Senator CAROL BROWN: I will check that.

Mr Reed: But it is at an aggregated level.

Senator CAROL BROWN: Yes. Can you advise the status of the National Cybercrime Working Group's recommendation to criminalise nonconsensual sharing of intimate images? And what progress has been made in relation to preparing proposed Commonwealth legislation in that regard?

Ms Bennett: That sits with the Attorney-General's Department. You will recall that in the Women's Safety Package, which was announced on 24 September, there were some components that belong to the department and which we administer. Of that \$100 million for Women's Safety DSS administers \$58 million and the other elements belong to Prime Minister and Cabinet, the Department of Health, the Department of Education and Training, and Attorney-General's. That element sits with the Attorney-General's Department.

Senator CAROL BROWN: In terms of the work that you are doing with the Department of Human Services to ensure that child support program clients facing family violence receive referrals or assistance, where is that up to? What action has been taken?

Mr Reed: So the policy from our end is that people who are subjected to domestic violence can get an exemption from certain mutual obligation requirements and one of those is child support in the family assistance space. If there are services people have been referred to, it is possibly a matter for the Department of Human Services.

Senator CAROL BROWN: So there is no work within your department to ensure that the client—

Mr Pratt: I suspect this work is probably covered off by outcome 1 in their work with DHS on child support.

Senator CAROL BROWN: Okay. I will try next time then. The family and domestic violence campaign ads that are currently being broadcast on the internet do not contain captions. Is that contrary to the department's web content accessibility guidelines?

Ms Bell: The current ads that are running meet all the guidelines. All of the web content also has all the right requirements under our guidelines with respect to all the disability requirements. The ads themselves have met all the requirements as well.

Senator CAROL BROWN: Are they captioned?

Ms Bell: No, they are not captioned.

Senator CAROL BROWN: Why not?

Ms Bell: Under the guidelines we were not expected to caption those particular ads. We do do a range of activities with our specialist audiences with our print product and the ads have been adjusted for placement in CALD television spots and on Indigenous television as well.

Senator CAROL BROWN: I do not really understand why you would not caption it, but okay, I will take that. I want to go back to 1800RESPECT. I understand what you said to me. There was \$5 million allocated. How much of that \$5 million is still in the budget for them? There was \$5 million allocated.

Mr Reed: \$5 million, that is right. The department undertook a review of the 1800RESPECT business model prior to allocating further funding. That review has recently been completed by KPMG and recommendations are being considered prior to funding being allocated.

Senator CAROL BROWN: Of that \$5 million that was allocated how much has been expended?

Mr Reed: Just the KPMG contract and that was \$85,000.

Senator CAROL BROWN: How much does the women's esafety website cost?

Mr Reed: That is a matter for the eSafety Commission. That is not our department.

Senator CAROL BROWN: Really? Where is that?

Senator Fifield: I think it is in the Communications portfolio.

Senator CAROL BROWN: Can you tell me?

Senator Fifield: I do not have the figure with me, sorry.

Senator CAROL BROWN: I know you would help me out if you could.

Senator Fifield: I would.

Senator CAROL BROWN: How many clients have benefited from the Safe at Home allocation in the Women's Safety Package?

Mr Reed: At this stage, we have been negotiating with state and territory governments on how best to allocate that funding. An agreement has been reached, but no funding has been allocated at this stage. But it is imminent.

Senator LINDGREN: I will be touching on a number of the topics that Senator Brown has gone over. The first one pertains to the national campaign to reduce violence against women. Can I just get a money figure on how much the Commonwealth is investing in that national campaign and how much of that was contributed to by the states and territories?

Ms Bell: It is a \$30 million campaign. It is contributed to by both the Commonwealth and the states and territories through a COAG agreement. The Commonwealth is contributing \$15 million of the administered funding and the states are contributing a combined \$15 million as well. I do have the breakdown, if you would like me to—

Senator LINDGREN: No, that will be fine. Do you expect a surge in demand for services since you have increased the budget? Will the additional funding be provided to upgrade critical services when the campaign is announced?

Ms Bennett: The nature of the campaign—which Ms Bell can go into—is basically focused on behaviours and responses and is targeted to influencers. We are not expecting increased demands, but we are watching closely if there are increased demands in services. We do know, anecdotally, from the sector, that a lot of things can trigger an increase of demand, including awareness. It can be a report. Victoria's Royal Commission might trigger people accessing services more. Speeches given by Ms Rosie Batty can also draw attention. This was not a campaign with a focus on that particular service but rather about trying to making people think about the way in which they can influence respectful relationships, which are important to preventing violence against women. The answer is that at this stage we are not anticipating that, but we are working with the states and providers and watching closely what might happen.

Senator LINDGREN: What progress has been made on the COAG priorities?

Ms Bennett: For the Third Action Plan or—

Senator LINDGREN: For the national campaign.

Ms Bell: All states agreed to the campaign and signed off on the campaign. They have all contributed to it. They were involved in the fundamentals of the campaign. There are numerous briefings and they provided feedback, most of which was taken on board in finalising the campaign. The campaign has had an impressive start. It has been on air for a week and we have had 15 million views, which possibly breaks Commonwealth ad campaign records.

Senator LINDGREN: That is very good.

Ms Bell: But it is not just the views; we also have a very early insight into the tracking research—it has only been a week and we normally would not expect the researchers to give us a heads-up, but they have because already it is quite impressive. The response has been a 19 per cent increase in understanding of the issue; 65 per cent of people, unprompted, know about the ads and have engaged with close members talking about the ads and have shared

and passed them on on social media as well. With only one week, we are already reaching fairly impressive targets and that will only grow from there.

Senator LINDGREN: Is that on Facebook or some other media?

Ms Bell: It was bought across all platforms: television, radio, print, digital, and there is a big out-of-home buy, so that is trains, bus stations et cetera. They are all out now. Also there is print for CALD and print for Indigenous audience, as well as radio.

Senator LINDGREN: That is fabulous. Just with relation to 1800RESPECT, can you give me an outline of what type of services 1800RESPECT provides?

Ms Bell: Just with respect to the campaign, as Ms Bennett indicated, it is a campaign targeting influencers. It is not a perpetrator, victim or bystander campaign, but we did provide the 1800RESPECT number on the campaign website for anyone who may be triggered by the campaign. There is also another number there for people who are seeking information about the campaign materials, specifically. There has not been a big take up on that number, but there has been a very large download of product from the websites. We have already had 1,500 downloads of the information available.

Senator LINDGREN: What is the status of call times, and has there been an improvement since the additional funding was received?

Ms Bennett: As we explained earlier to a question from Senator Brown, the first step that we did with the additional money available for 1800RESPECT was to engage KPMG to undertake some work on a better triaging model that would provide for quicker response times. We have received that report. We are expecting to make a decision shortly.

Senator LINDGREN: I have just a couple more—around the sports grants and how they have helped curb domestic violence. Can you tell the committee about the sports grants and who is responsible for those sports grants?

Mr Reed: The sports grants were awarded to a number of the sporting organisations. They are administered by Our Watch, and they have been awarded to the Australian Football League, the National Rugby League, Netball Australia and Australian Rugby Union players. Our Watch is doing a lot of work with those organisations to improve their capacity to deal with domestic violence and to train players and staff in those organisations.

CHAIR: I will go back to Senator Brown.

Senator CAROL BROWN: Could you explain briefly, in relation to the Strengthening Communities grants redesign, which is in the budget, what the expected time frame is for this work.

Ms Bennett: I will have to bring some other officers to the table.

Ms Angus: Can I ask you to repeat the question, please.

Senator CAROL BROWN: In the budget, there is a Strengthening Communities grant redesign.

Ms Angus: Yes.

Senator CAROL BROWN: What is the expected time frame for the work?

Ms Bennett: It would be undertaken during this financial year. So that is not the one we are in at the moment, but the 2016-17 financial year.

Senator CAROL BROWN: Will the current activities that are funded still be funded while the redesign work is undertaken?

Ms Bennett: They are funded at the moment, and that will continue until—this has been timed for the end of those contracts. As with other programs, there will be a new design explanation about what those new programs are so that organisations that are currently funded under those arrangements will be clear about the changes that have been made, and they will be able to apply.

Senator CAROL BROWN: Does that mean that the Volunteer Management grants, which are due to finish at the end of this financial year, have been extended?

Ms Angus: That is not the correct date for the end of those contracts. They were originally slated to finish on 31 December. Then, in the budget, they were just rolled forward for a further six months.

Senator CAROL BROWN: At 31 December 2015?

Mr Pratt: 2016.

Ms Angus: This year, but they have been rolled forward.

Ms Bennett: So they coincide with this redesign work.

Ms Angus: Yes.

Senator CAROL BROWN: Yes, they do.

Ms Angus: So they have been aligned to the other contracts.

Senator CAROL BROWN: That is fine. Can you give me an update on the state of the volunteer grants round? There was a round that was open on 29 October 2015 and closed on 9 December 2015. Is that right?

Ms Angus: That is correct.

Senator CAROL BROWN: What is happening?

Ms Bennett: We expect an announcement shortly.

Senator CAROL BROWN: So recommendations for funding have been provided to the minister?

Ms Bennett: Yes.

Senator CAROL BROWN: When was that? What date?

Ms Bennett: I do not have the date with me, but it was just recently. I would have to take that on notice.

Senator CAROL BROWN: It has taken a long time.

Ms Bennett: There were a lot of them.

Senator CAROL BROWN: So the minister signed off on the funding?

Ms Bennett: It is with the minister.

Senator CAROL BROWN: What happens then? They are with the minister. Just in case tomorrow or the next day there might be an election called, what happens when we go into caretaker mode? Just help me out.

Ms Bennett: It depends on when the decision is made.

Senator CAROL BROWN: If he were to make the decision—

Ms Bennett: It is not particularly about grants, but if the government or an individual minister makes a decision before the writs are issued, that decision is made and it is then followed through and actioned.

Senator CAROL BROWN: So he can make the decision prior to the writs being issued. What about announcements? Can they be rolled out during the election campaign?

Ms Bennett: We will be able to advise people and send them a contract and proceed because a decision has been made.

Senator CAROL BROWN: That is what you can do as the department, but what about the minister? Can he make those announcements?

Ms Bennett: Since the decision is made, I see no reason why he could not make an announcement about the outcomes.

Senator CAROL BROWN: During caretaker mode?

Ms Bennett: I do not think that is a problem if the decision has been made beforehand.

Senator CAROL BROWN: How many volunteer grants are there? How many were successful?

Ms Bennett: That would be going into the outcomes. As you know, there are amounts of up to \$5,000 that organisations can apply for. So it depends on how many applied for how much and on what sort of configuration we determine within the budget that is available.

Senator CAROL BROWN: How many volunteer grant rounds have there been since 2013 under this government?

Ms Bennett: There was one in 2013-14.

Senator CAROL BROWN: Under this government?

Ms Bennett: Yes. Due to the issues that we had with dealing with the 2014 grants, the round was delayed last year and this has been combined. This is combining two years worth of funding in one grant round.

Senator CAROL BROWN: So they have had one, and it is just going to be announced during this election campaign. I will move on unless you have some information for me.

Ms Bennett: No.

Senator CAROL BROWN: I spoke too soon. I have a couple of quick questions on the National Framework for Protecting Australia's Children. In relation to the National Framework for Protecting Australia's Children, can you confirm that the \$5.1 million over four years is in addition to the \$2.6 million per year referred to when the action plan was announced.

Ms Bennett: Yes, that is right.

Senator CAROL BROWN: Great. How many sites have been funded under the building capacity in Australian parents trial?

Ms Carapellucci: That has not been finalised yet.

Ms Bennett: No.

Ms Carapellucci: We are anticipating that the trial will be run in two locations, but it is subject to discussion through the National Forum for Protecting Australia's Children, which includes the Commonwealth, state and territory governments and the Non-Government Organisation Coalition. It is then subject to final sign-off by the Children and Families Secretaries Group.

Senator CAROL BROWN: So there is a recommendation and then it goes to the secretaries group.

Ms Carapellucci: Yes.

Senator CAROL BROWN: But only two?

Ms Carapellucci: Yes.

Senator CAROL BROWN: Is there no tender process when you are deciding who is going to conduct the trials?

Ms Carapellucci: We will be engaging a provider to run the trial and we will need to determine the appropriate process for engaging with that provider.

Senator CAROL BROWN: Last question: how many local area personal advisers will be funded under the Towards Independent Adulthood trial, and will these positions be directly funded by the department, or will the funding go to an NGO or a state or territory?

Ms Carapellucci: For that trial, the intention is to run it within one jurisdiction. We are still in discussions with the states and territories as to which jurisdiction that will be. The intention is that we would fund an NGO to run that trial, and they in turn would engage the personal advisers.

[18:55]

CHAIR: We will now move on to outcome 4. I am told Senator Gallagher has a brief question.

Mr Pratt: We have a quick answer in regard to PlayConnect and the Helping Children with Autism program.

CHAIR: Go ahead.

Ms Hand: Senator Brown, my apologies for before. The Helping Children with Autism program was in my mind, not PlayConnect. Helping Children with Autism—as we call it, HCWA—funded PlayConnect playgroup in 2014-15 for \$1.125 million and in 2015-16, this financial year, for \$1.125 million. We have just verbally advised PlayConnect playgroup that we will be extending their funding for another 12 months, at the same quantum.

Senator CAROL BROWN: That funding was due to finish up at the end of this financial year?

Ms Hand: It was due to finish on 30 June 2016. It has now been extended for 12 months. We have not yet issued a funding agreement, but they have been advised.

Senator CAROL BROWN: Why is it so late to extend?

Ms Hand: I am not across the details, but HCWA, as Mr Christian said, is one of the 17 Commonwealth programs that are transitioning to the NDIS. There has been some analysis done by us and advice given to the government that with some of those programs it is probably better, to ensure a really smooth transition of clients under, say, HCWA into the

NDIS, to extend some of those programs for 12 months to make sure that all the issues are managed well, there are no service gaps and people who are eligible or not for the NDIS are supported just as people who were ineligible before NDIS were. So it is actually a mitigation measure.

Senator CAROL BROWN: That is fine. Thank you very much for that answer.

Senator GALLAGHER: In terms of the National Partnership Agreement on Homelessness, I could not see any funding allocated beyond the 2016-17 financial year.

Mr Pratt: The partnership runs through to the end of next financial year.

Senator GALLAGHER: That is right, 2016-17, so we have 14 months or so to go. But next year's budget is only a few weeks ahead of the expiration.

Mr Pratt: I think I know where you are going with this.

Senator GALLAGHER: Well, it is a question. Is it in the budget somewhere and I cannot see it, or—

Mr Pratt: No. My experience over the last five years is quite often what happens is decisions around the homelessness partnership get taken around midyear—around the MYEFO time—or there is an early announcement, because people of course get very anxious about knowing the future of the programs—

Senator GALLAGHER: It makes it difficult to plan.

Mr Pratt: and so waiting until the budget is very difficult. For example, last time, from memory, the announcement was before the budget, and that might have been the case under the previous government as well.

Senator GALLAGHER: Is it the government's intention to renegotiate that partnership?

Mr Pratt: The government has not taken any decisions in this area yet.

Senator GALLAGHER: So, as it stands at the moment, come 1 July 2017, there is no allocation for the national partnership.

Mr Pratt: I am not aware of any government decisions that have been taken in this area yet.

Senator GALLAGHER: With the housing agreement, that continues, doesn't it? That is the SPP—that goes on.

Mr Pratt: That is right, and there is a substantial homelessness component in the NAHA.

Senator GALLAGHER: Yes—this is the additional \$115 million that is being rolled over probably for—

Mr Pratt: That is the homelessness partnership.

Senator GALLAGHER: Yes, the NP.

Mr Pratt: So the National Affordable Housing Agreement, which has also got about several hundred million dollars in it for homelessness.

Senator GALLAGHER: The Housing Affordability Working Group that was established once the Federation process lapsed—has that provided an interim report to government?

Ms Hand: Not yet. It is not due to report to Heads of Treasury until midyear and to COAG by the end of the year; December this year.

Senator GALLAGHER: That is for its final report?

Ms Hand: That is right.

Senator GALLAGHER: I was just wondering whether there was an interim report that had been provided.

Ms Hand: No.

Senator GALLAGHER: The make-up of that working group from memory was essentially officers from state governments and Treasury.

Ms Hand: Treasury, Prime Minister and Cabinet; DSS; and three representative states.

Senator GALLAGHER: And they have been holding round tables and various forums.

Ms Hand: Mr Scott may want to talk to it.

Mr Scott: Yes, the Affordable Housing Working Group—just to quickly double-check on the membership—is: at the Commonwealth level, Department of Social Services, Commonwealth Treasury; and, from the state levels, it is the WA, New South Wales and Victorian treasuries and they have also bought in their housing staff. Call for public submissions—we received 77 submissions, and the that were acknowledged as being able to be made public have been put up on the Treasury website. There have been two all-stakeholder round tables that were conducted: one in Sydney and one in Melbourne. We are also anticipating, as we work our way through the submissions, that there will then be further targeted stakeholder consultations.

Senator GALLAGHER: Thank you. So that is due to report by the end of the year to COAG.

Mr Scott: Just to clarify: the working group is due to report to the Heads of Treasuries by 30 June. We are anticipating that the work that comes out of that report and any subsequent work would then also feed into the report back to COAG on housing and homelessness at the end of the year. So there is not an explicit link from the working group to the report in COAG, but we see that as a principal piece of work that will inform the—

Senator GALLAGHER: So not to the final COAG meeting at the end of the year—you have got the end of the calendar year as your line in the sand. Did you mention homelessness forms part of the discussion as well?

Mr Scott: The decision from COAG was to have housing assistance. The work that was going on under the reform of Federation, which was both housing assistance and homelessness, would then be progressed through existing processes between the Commonwealth and states. The two main streams of work are housing and homelessness. Just to pick up on your comments about future directions in homelessness: the Commonwealth-state housing ministers met at the end of March and commissioned officials to undertake work on future directions in homelessness policy and funding to report back to the next meeting of housing ministers. That is anticipated to be during October.

Senator GALLAGHER: So a busy time for officials while an election campaign is underway. You are beavering away.

Mr Pratt: We have plenty of work to do, Senator.

Senator GALLAGHER: I am sure. That is it.

CHAIR: I think we are all done but I think Senator Paterson had a very quick question.

Senator PATERSON: Just two on this line of questioning. Traditionally, has housing been a state government or federal government responsibility?

Mr Pratt: Practically, it is blended responsibility. Constitutionally, it is primarily a state government responsibility.

Senator PATERSON: Thank you. This particular program we have been discussing, the National Partnership Agreement on Homelessness—did the previous federal government fund this program?

Mr Pratt: Yes, there were homelessness partnerships under the previous government.

Senator PATERSON: What was going to happen to that funding after 30 June 2014?

Mr Pratt: At that stage, no decisions had been taken about future funding of it.

Senator PATERSON: So it had not been provided for in the 2013 budget?

Mr Pratt: It was not covered in that budget.

Senator PATERSON: Thank you very much.

CHAIR: Thank you, we have done fairly well. Thank you, Mr Pratt. Thank you, Minister—we appreciate all your officials' help. They get to go home at a reasonable hour. We are going to suspend for half an hour for dinner and come back to the Department of Human Services.

Proceedings suspended from 19:05 to 19:35

Department of Human Services

CHAIR: We will resume. I welcome Minister Payne and Mr Tidswell. I understand you are now acting in the secretary's role, Mr Tidswell, so congratulations on that. I am told if the answers are relatively concise, we could be out of here in a little over an hour. We will see how we go.

Senator CAMERON: Welcome, Minister, Mr Tidswell and Mr Hutson. I understand Ms Campbell is on reservist leave—is that right?

Senator Payne: She is, indeed; in my good care, broadly speaking.

Senator CAMERON: Is that a negotiated thing in the SES—reservist leave? I am interested; I am not making any issue of it.

Mr Tidswell: I do not know the answer to that. But Ms Campbell is on leave on military service for three months, starting 3 May through to 3 August. I am doing the job in that period of time. She has been a longstanding Army reservist.

Senator CAMERON: So you are acting secretary?

Mr Tidswell: That is correct.

Senator CAMERON: Can you explain why there are so many outstanding questions on notice?

Mr Hutson: The questions which have not yet been tabled for the committee are still under consideration.

Senator CAMERON: Have they gone through the departmental process?

Mr Hutson: Yes.

Senator CAMERON: So they are in the minister's office?

Mr Hutson: Yes.

Senator CAMERON: So questions have been answered but are in the minister's office?

Mr Hutson: Yes.

Senator CAMERON: Minister, do you have any idea what the delay is? These are well overdue.

Senator Payne: I do not, but I am very happy to seek a response to that. I understand, and I stand to be corrected by the chair with advice from the secretariat, that there were about 155 or 156 questions in total and 128 of those have been returned with answers. So that would leave 28 or so unanswered, and I will ascertain their status.

Senator CAMERON: As you would be aware, some of those questions are fundamental questions about the operation of DHS. I was ready to come after the department on the issue, but the department have indicated they have done their job; it is the minister who has not complied in terms of the return on notice.

Senator Payne: I will seek some advice on that.

Senator CAMERON: Okay. Mr Tidswell, your public relations people have been working flat out recently. There are some big issues. On Medicare payments privatisation, where is the analysis of where this goes up to?

Mr Tidswell: We are still waiting for advice from the Department of Health. The secretary of health today explained what was going on. There is still a process underway. We await advice in that process.

Senator CAMERON: I did not hear the secretary from health; I was in another committee. What is the situation, as you understand it?

Mr Tidswell: We are awaiting advice from health. Basically, no decision has been made and we are awaiting further information and advice from the Department of Health.

Senator CAMERON: But you are on the committee that is—

Mr Tidswell: I might ask my colleague Mr Jackson to provide advice to that matter.

Mr Jackson: Yes, we are on the committee. There are two committees. There is an executive steering committee and a task force advisory committee. I sit on the executive committee.

Senator CAMERON: Is there anyone on the task force advisory committee?

Mr Jackson: We have two or three staff members on the advisory committee.

Senator CAMERON: Who are they?

Mr Jackson: Just going back to the steering committee, there are actually three DHS representatives on that. On the steering committee is me, Deputy Secretary Malisa Golightly and Deputy Secretary Barry Sandison. On the task force committee there are three staff members: Craig Storen, Kirsty Faichney and Marianne Cullen.

Senator CAMERON: How many times has it met?

Mr Jackson: The committee met on 23 February and 14 April.

Senator CAMERON: The steering committee?

Mr Jackson: Yes, that is the one I am more familiar with.

Senator CAMERON: Who is here that can help me with the task force advisory committee?

Mr Jackson: I think most of those members are here as well, if needed.

Senator CAMERON: When has that met?

Mr Jackson: There was a meeting yesterday, I believe, but we will have to have someone give assistance as to the other times it has met.

Senator CAMERON: Can someone come to the table that can help me?

Mr Jackson: Yes, sure. We will just wait for someone to come from the back room.

Senator CAMERON: While we are waiting, does the executive steering committee that you are on have senior executives from Health as well?

Mr Jackson: That is correct, yes. It is a health committee chaired by Health.

Senator CAMERON: I still do not have a number of answers to questions on the Medicare payments system. They are in the minister's office, I assume under lock and key. You cannot go to any of these questions that are in the minister's office?

Mr Jackson: I can answer questions. I am not 100 per cent sure what exactly is in the minister's office, but I will endeavour to answer questions where I can.

Senator CAMERON: In relation to the Medicare payments system that is being looked at to outsource, there are 1,400 staff. Can you provide the state, location and gender profiles of the staff that would be affected?

Mr Jackson: I would have to take that on notice.

Senator CAMERON: You have already taken it on notice. You have advised the minister on this issue. You have said you have answered these questions. So you cannot answer me?

Mr Jackson: I believe that the issues associated with the answer to that question were very significant and I would have to again take it on notice to refresh myself.

Senator CAMERON: But you have given this advice to the minister, have you not?

Mr Jackson: We have given advice to the minister, and that is advice to the minister.

Senator CAMERON: So how do you see your responsibilities then to the Senate?

Mr Jackson: In answering questions as openly and honestly as I can, Senator.

Senator CAMERON: So I am asking you the question, and if you are not prepared to answer the question you need to seek public interest immunity.

Mr Jackson: I do not think that is correct. I am prepared to answer the question; I just do not have that information. That is a very detailed question you have asked.

Senator CAMERON: But I asked you this months ago. You understand that this is a question that was asked in writing after the last estimates.

Mr Jackson: I understand that.

Senator CAMERON: And you still cannot answer the question?

Mr Jackson: I would have to go back and check the actual question to see if that was one of the specific parts of the question you did ask.

Senator CAMERON: What do you mean?

Mr Jackson: I do not have the specific question in front of me to determine—

Senator CAMERON: I am telling you what the question is. I want you to answer me, to give me the answer. There are 1,400 staff—what is the state, location and gender profile of the jobs?

This is not a complex issue.

Mr Tidswell: We do not obviously have that information in our pack. It is obviously quite an extensive piece of information that would go across the country. We will do our best to provide some information that we have here.

Senator CAMERON: You have provided this to the minister?

Mr Tidswell: That is correct. And the minister is considering the response.

Senator CAMERON: Minister, where do you see the minister's obligation being on this?

Senator Payne: I have already said that I will seek advice from the minister on the matter for you. Obviously, as I indicated, there are in excess of 150 questions. Of those, 128 have been answered. A relatively small number have not. I gather from your questioning that this question is part of that number. I will seek some advice on that for you.

Senator CAMERON: It is not just a relatively small number. It is some of the most important questions that have been in writing to the minister and to the department. There are responsibilities to answer questions and they have not been met.

Senator Payne: And I have said that I will seek advice from the minister on that for you.

Senator CAMERON: What is the potential impact on full-time employment in DHS if Medicare, DVA and PBS payment systems are outsourced.

Mr Tidswell: That is a hypothetical question. We do not usually answer those hypotheticals, because we are nowhere near that proposal.

Senator CAMERON: Mr Sterrenberg reported to the February estimates that there is a four-year window in which to update the MPS. Have you done an analysis to assess the cost, timing and technical requirements of upgrading the MPS?

Mr Tidswell: I do not have that information with me. I will ask Mr Sterrenberg if he can come to the table.

Senator CAMERON: I will repeat the question: Mr Sterrenberg, you reported in the February estimates that there is a four-year window in which to update the MPS.

Mr Sterrenberg: Yes.

Senator CAMERON: Have you fixed that argument with Secretary Campbell about what it is? We will call it the MPS. Has DHS done any analysis to assess the cost, timing and technical requirements of upgrading the MPS?

Mr Sterrenberg: No, not at this stage.

Senator CAMERON: So the whole focus is on the outsourcing?

Mr Sterrenberg: The focus of our costings has been about the quantification of the remediation work we need to do to maintain a well-performing system over the next couple of years.

Senator CAMERON: Has the minister requested any advice on the MPS?

Mr Sterrenberg: Not from me.

Senator CAMERON: Has DHS offered any advice on the MPS?

Mr Sterrenberg: Not specifically.

Senator CAMERON: I have asked for any reports, details or analysis of the Medicare payment system and the projected need to upgrade it, including the time frame for when it will no longer be fit for purpose in its current state. Have you got detailed analysis of that?

Mr Sterrenberg: No.

Senator CAMERON: You said 'four years', last time. Is that still your best estimate?

Mr Sterrenberg: Yes. It is my professional opinion.

Senator CAMERON: But you have not done any of the detailed analysis.

Mr Sterrenberg: We have been focused on the near-term remediation to ensure the stability of the payment system in the near term.

Senator CAMERON: Have you had any involvement in the taskforce on the outsourcing?

Mr Sterrenberg: No.

Senator CAMERON: What in Medicare, PBS and aged care would remain in DHS if entitlement calculation, claims processing and payment dispersal were done by a commercial provider?

Mr Tidswell: I don't think we are anywhere near that level of detail. This is still a concept. We have not gone to those levels of specifics.

Senator CAMERON: You must understand what the implications are. The whole process is about outsourcing the Medicare payment system, isn't it?

Mr Tidswell: We have not go to that level of granularity.

Senator CAMERON: Except that you have said that the government has established the taskforce.

Mr Tidswell: Our instructions come from the Department of Health, and we are assisting in the various processes.

Senator CAMERON: Will DHS be providing commercial-in-confidence information to the task force on any potential bidders for the MPS system?

Mr Jackson: Again, that requires speculation, and if it was that we did need to, we would ensure the appropriate privacy of that information.

Senator CAMERON: Would potential bidders be provided with technical details of the system?

Mr Jackson: Again, as the process is being run by the Department of Health, it is probably best directed to them. But, again, given that the information is commercial-in-confidence, I would be very surprised if appropriate processes were not followed.

Senator CAMERON: With some of the questions I have asked you, why couldn't you respond and just say, 'Go to Health'? That would have been an easy thing, and then I could have asked some of these questions at Health.

Mr Tidswell: Well, that is often the case here. We are often at the end of the food chain rather than the start of it. We help, we assist and provide advice, but we are not central decision makers on this process. We are a delivery agency. We do not call the shots in terms of these sorts of things.

Senator CAMERON: I asked some questions on the telephony system, given that these are locked up in the minister's office. I have asked for an update on the rollout of the new telephony system—its cost, training and any impacts it will have on staff numbers. Do we have that answer?

Mr Tidswell: We can give you an update on the MTS—the managed telecommunication system. Mr Sterrenberg can give you an update.

Mr Sterrenberg: In terms of our progress to date, we have migrated the Medicare and child support telephony systems onto the one DHS routing system, so they are now onto the single organisational backbone. We have started the rollout of the contact centre software. It is a five-week process. We have just passed a go decision on week 3, entering week 4. We have implemented some of the smaller lines. A total of 48 per cent of our call network is now transitioned over to the one DHS routing system, and in the next two weeks we will be taking over the remainder of the Centrelink program network.

Mr Tidswell: And by that stage we will have the ability to distribute calls across 15,000 handsets across the country. It is the first start of the opportunity for us to improve how we route calls and move our work around the country, so it is very exciting for us to get this in.

Senator CAMERON: Mr Sterrenberg, at estimates on 11 February you indicated: I think the Australian public can be confident that we will continue to deliver payments through that system.

That is the Medicare payments system. Is that statement still current?

Mr Sterrenberg: Yes.

Senator CAMERON: Have you briefed the current minister on the MPS system?

Mr Sterrenberg: No.

Senator CAMERON: You have not briefed the minister on the system?

Mr Sterrenberg: We gave an initial briefing on where we were overall with ICT when the new minister was onboard, but that was broadbased—these are the assets we have, this is the service, this is the size—but there was no specific request to brief on a particular system.

Senator CAMERON: Is DHS carrying any of the cost of the \$20 million task force?

Mr Tidswell: I will have to ask Mr Jackson for that advice.

Mr Jackson: Short answer: no.

Senator CAMERON: Minister, can you, on behalf of the government, rule out the privatisation of the Medicare payments system?

Senator Payne: I think we have had this discussion before, and Minister Ley has spoken in relation to this as well. This is not about, as you I think pejoratively put it, the privatisation of the system. It is about doing some analysis of the approaches to the delivery of health payments, which in 2016 and 2014, when the process began, is a sensible thing to look at. It is very early days, as the officials have indicated to you. There will be the appropriate

methodical consideration by government of the material that is brought to them, and, as people have indicated, the protection of private data is a matter of the highest priority. It is about enhancing and improving the Medicare payments system.

Senator CAMERON: Can we move to youth allowance issues? I will just indicate, Mr Sterrenberg, that there might be some questions on IT issues under youth allowance. How many outstanding youth allowance claims are there?

Mr Tidswell: We are back to normal, standard claims on hand—around 14,200. That is the base level of claims that we would have over any period. We have got on top of our peak. It came at us very hard. We have been putting in place a new operating system that is going to vastly improve things. We got caught out in terms of some backlog, particularly around March and thereabouts. We have put a considerable number of extra staff on. We should have done that earlier. That was our mistake; we did not take the right action early enough. We have taken that action. We are now below the figures we had this time last year with youth allowance. Every year there is this peak and bubble, because students enter the system. We have a lot of work that we have to do. About 44 per cent of all the claims we process turn out to be invalid. We get people trying to get youth allowance. We get a whole lot of other claims that come to us that are incomplete. It is challenging for us to keep on top of that workload. But we have been making great inroads into the volume and the demand on hand, and we are back to where we need to be at this stage.

Senator CAMERON: How many claims have been rejected?

Mr Tidswell: I am not sure whether we have that information. Mr Egan might have that information

Mr Egan: I do not have the absolute number, but I can say that it is approximately 43 per cent of claims.

Senator CAMERON: What is the percentage increase in the number of claims since last year?

Mr Tidswell: We have not got to that stage yet. We are still working our way through it. We do not have a figure yet that gives us the exact amount. We are still working through that kind of peak period. What we know happened is that they came to us particularly around April in a more concerted way, and that caught us off guard as well.

Senator CAMERON: How, then, can you make the statement that you were caught out because of this unexpected—

Mr Tidswell: We found it difficult to improve our productivity to where we normally would be, so we allocated a staff complement. It was below what we needed to do. We needed to take those staff off other work. We moved some work around. We then had to train those staff to do this new work, and that caused us a period of time in which naturally, as the volume increased, we got into a greater backlog.

Senator CAMERON: But it was not an unprecedented number of claims, was it? You would have expected the claims to—

Mr Tidswell: We had an unprecedented number of claims on hand.

Senator CAMERON: But you cannot tell me the number.

Mr Tidswell: Well, it changes day by day, bit by bit. What we do not have at this stage is our total claims finalised. We usually do have—

Senator CAMERON: I am not asking for that; I am asking how many claims you have had.

Mr Tidswell: I think we have had about 340,000, or thereabouts.

Mr Egan: That is right: approximately 344,000, in relation to the question about the number of claims.

Senator CAMERON: But the claims in 2014-15 were 424,000.

Mr Tidswell: We are not through the financial year yet. It is all year to date and what comes in and what we process.

Senator CAMERON: We are not far from the end of the financial year, are we?

Senator Payne: Two months.

Mr Tidswell: And we get another spurt as students—second semester. So, it is approximately similar to what we had in previous years.

Senator CAMERON: I am just interested: how can you make the assessment that you have an unprecedented number of claims. You must have some statistics to demonstrate that.

Mr Tidswell: 'On hand'—an unprecedented number of claims on hand.

Senator CAMERON: Is that because—

Mr Tidswell: We did not take action, as we should have, to put a number of staff on to do the processing that was required. We have done that now. We have had a fourfold increase in staff. We have dramatically reduced those claims. We are back to normal levels. We are below where we were last year. And our aim is to improve things. Mr Sterrenberg has built a very clever operating system. It has taken us a little while to get it working to the best standard. But in the future it is going to vastly improve how we process our claims. It will mean we do not have to train our staff to learn the system; they just have to learn the policy. And this is all part of our major plan. We have renovated the front end for the customers; 94 per cent of students lodge online. We still had staff, up until this time, using the old mainframe screens to process claims.

Senator CAMERON: Perhaps I could just hold you there. I do not want to interrupt you, but you are sort of going into another area. I am interested in this issue of an unprecedented number of claims. The transactions are reported in the same period in 2013-14 and 2014-15, and they were about 10.7 million, and then they went to 12.5 million. I am advised that currently in 2015-16 it is 7.1 million.

Mr Tidswell: Sorry, Senator: I am not sure what transactions—

Senator CAMERON: These are transactions.

Mr Tidswell: For youth allowance?

Senator CAMERON: Yes.

Mr Tidswell: Transactions for youth allowance can be a claim, can be an inquiry, can be an update to circumstance—in terms of transaction volumes—

Senator CAMERON: The point I am making is that the transaction numbers compared with previous years, even though there are still eight weeks to go, do not seem to be unprecedented.

Mr Tidswell: We had an unprecedented number of claims on hand.

Senator CAMERON: So, that is a different thing. You had an unprecedented number of claims 'on hand'. You have not had an unprecedented number of claims.

Senator Payne: That is what Mr Tidswell said.

Mr Tidswell: But we have not yet finished the financial period, so, who knows?

Senator CAMERON: Then why did the minister say there was an unprecedented number of claims and not say that there was not an unprecedented number of claims 'on hand'?

Mr Tidswell: All I can tell you is the information before us—that the claims came to us quicker, particularly around April, so we got caught out—

Senator CAMERON: Yes, you have gone through that.

Mr Tidswell: Speed of claims and—

Senator CAMERON: An unprecedented number of claims is different from an unprecedented number of claims on hand, isn't it?

Mr Tidswell: Yes, but at the moment the thing is—and I know it is May—we still have some considerable way to go through to the end of the financial year, so it is still too early to call.

Senator PATERSON: Could you tell us about the rejected claims? For example, what is the main reason a claim is rejected? Is there a category that is more—

Mr Tidswell: It is a complex payment, and there is a raft of things. There are 40-plus—and this is a standard figure—year in, year out, where they are claimed. The largest one is parental income. Mr Sterrenberg and I were talking to some staff last week and we found an individual claiming where the parental income was \$½ million. We get a range of that going on, so parental income and then the course and then independent status—are you independent; are you living at home or not living at home—and a range of things in that area. The dilemma for us is that it is not simple or straightforward to go forward and adjudicate to sort through these rejections, so it takes us quite a long time to work through that.

Senator PATERSON: Would I be right in saying that one of the big categories for rejection is when an applicant provides insufficient detail, or does not fill out the form correctly?

Mr Tidswell: We give people time to do that, but that is part of the next part of the story. It takes us a long—that is why we get a backlog. Absolutely, we are waiting for information—we are waiting for the parental income, we are waiting for the course start date and other information about the course they are doing—you are absolutely right, and that means more time is taken than being able to pick up a claim and get it finalised as soon as it comes through.

Senator LINDGREN: What is your department planning to do in terms of improving in that area?

Mr Tidswell: We have made some major inroads. Effectively, Mr Sterrenberg is building a world's best payment capability so that we can improve our productivity. It will mean that I do not have to train staff as much to learn the operating system. They will have to learn the policy—they will always have to do that—and we are in the process of making some significant improvements, but Mr Sterrenberg could give you more details.

Mr Sterrenberg: The success we have had with the onlines has meant that the majority of students are choosing to use online channels to do their claiming. And, as Mr Tidswell mentioned, as a result we are getting claims submitted earlier. A key point of what we are trying to do in comparison to the old system—it was very much dominant in manual entry; when the claims came through, our officers were required to do a significant amount of recapture of the information. Obviously the time that it takes to do that adds to the burden, the administration burden, on our officers. Where we are going with the new system is to make sure that the information that comes through to the processing officers is fully validated so that the predominance of effort on behalf of our processing officers is on making that decision within the legislation, to make sure that (1) in initial stages the student has in fact coded the correct information, (2) the information is relevant to that particular course and (3) the decision is really one that is based around the legislation.

Senator LINDGREN: We just talked about rejecting claims before. Are they rejected because they are incomplete? If they are incomplete, what are you doing with them? What is the next process?

Mr Tidswell: In some cases we have to go back to the individual customer. We do send them SMSs and other notifications to tell them what they need to do, but students seem to be a bit slow sometimes in giving us the information so that causes us some processing backlogs and delays. Into the future, what we are planning to do with our WPIT program is increasingly get data provided to us from third parties, like universities and other institutions, to give us information about course details and start and finish dates and attendance, as well as data from the Australian tax office into the future. It will give us the income that we are currently do not have, because we have to ask for it, and sometimes it is pretty difficult for young people to get parental income details.

Senator LINDGREN: Just out of curiosity, some of those incomplete forms—would you happen to have a percentage of those that might be ESL, so English as a second language?

Mr Tidswell: No, I am not sure that we do. We do not have that, but I think this one cuts across all divides. We get a higher percentage of incomplete material, even with all our intentions—and our aim is eventually to design it so that you cannot keep going any further until you have submitted what you need to submit. It means we have to put more staff on and do more work and sometimes it is an invalid claim that goes nowhere, so it wastes everybody's time. We are keen to improve that so that we can improve our performance.

Senator CAMERON: Mr Tidswell, I think you indicated earlier that there were some staff productivity issues, but you then went on to concede that this was a management error.

Mr Tidswell: Basically we are trying to bed in a new operating system, and every so often it does not work out perfectly. Every so often sometimes our training is not as good as it could be. We are moving people from an operating system they have operated for years—we call it

black-and-green screens—into a mainframe that is the new world that Mr Sterrenberg is building. And it is challenging for some of our staff. There is absolutely no doubt about that.

Senator CAMERON: Solar systems Sterrenberg—is that where they are going?

Mr Tidswell: We are learning as we are doing it. One of the things we have done in the last month that has really improved things, and maybe it is a bit longer—

Senator CAMERON: Can I come back to this? Do not be so defensive; I just want to get this clarified. Lack of staff training is not a staff issue; it is a management issue.

Mr Tidswell: Yes, I am admitting that.

Senator CAMERON: Okay, so that is not a staff issue. Lack of productivity because of lack of staff training is a management problem. Change to the IT system is not a staff problem; it is a management issue.

Mr Tidswell: I do not think I blame the staff.

Senator CAMERON: You do not blame the staff? That is good.

Mr Tidswell: We should have taken corrective action earlier to get on top of the back load. We know there is an increase in claims at that time of year. We needed to increase the staff to the level we have done. We have fixed it; we are on top of it. We are below where we were last year. We are back to a kind of normal level of claims. We were sitting there last week seeing claims submitted two weeks ago being processed and that is—

Senator CAMERON: I think we are narrowing it down. It is not the problem of the staff; it is a management issue. It is not a problem for students, that students are making wrong claims. This is a normal process that basically has ended up being clogged up in the system. That is fundamentally where it is—isn't it?

Mr Tidswell: The dilemma for us is we have peaks and troughs in our work, and it is challenging to always meet every peak that we get. This one came on faster and harder than we had experienced previously, and, as I said, there was a lag factor for us to get—we cannot just invent staff to do this sort of work. They needed training, so we had to take people off who were doing processing to train the new people to do the processing. There was a combination of events here, but we have fixed it. We are on top of it.

Senator CAMERON: So basically you moved from the blue-green system to the SAP system—is that what happened?

Mr Sterrenberg: We ran them in tandem. Clearly there is a change of process that we need to go through, so during the period we were migrating some of the staff members over to work on the new system while others continued on the older system.

Senator CAMERON: So the switch to the SAP system, that was in November 2015?

Mr Sterrenberg: The original migration started a little bit before then, but it was smaller pilots that we were doing on the new system.

Senator CAMERON: And were there approximately 7,000 outstanding claims before you made the switch?

Mr Sterrenberg: I am not aware of the number at the time.

Senator CAMERON: Who can tell me that?

Mr Tidswell: Around that time we would have been at the standard kind of level, between 12,000 and 15,000. To run an efficient processing capability, you cannot have—

Senator CAMERON: You are saying 12 to 15?

Mr Tidswell: Twelve to 15 are our standard claims that we have—

Senator CAMERON: I understand that, but could it have been 7,000?

Mr Tidswell: I do not think so. We have some data here to show a time period over that time.

Senator CAMERON: So what was it?

Mr Egan: I do not have an exact number. It was less than our regular BAU figure of 12 to 15.

Senator CAMERON: It was less than 12 to 15?

Mr Egan: It was less than 10, but I do not have the exact figure.

Senator CAMERON: It was less than 10, so we are getting near to seven.

Mr Tidswell: But that is the time of year when it is the end of the period, and it is the lower sort of time. It is what we expect to happen over the course of events, because the tracking is quite clear. It happens—

Senator CAMERON: But as I understand it, when you went from the blue-green screens to SAP you were indicating 'a standard amount'. I have got figures of 7,000. I would ask you, on notice, to check that, if you have not got the figure now. And after the switch in December, that had increased to about 100,000.

Mr Tidswell: No, we never had a backlog at that level.

Senator CAMERON: What was your highest backlog?

Mr Egan: On 4 March, the backlog peaked at 92,000 claims.

Senator CAMERON: So on 4 March it was 92,000; it is 8,000 away from 100,000, so it is up there. It is a big backlog, isn't it?

Mr Tidswell: Senator, I have said. I agree with you. We had unprecedented claims on—

Senator CAMERON: Who made the decision to move from the blue-green system to the SAP system? Was it the secretary who made that decision?

Mr Tidswell: It would have been part of the project team. We were working our way through that changeover and training more of our staff piece by piece.

Senator CAMERON: But who says, 'Yes, do it'? Somebody has to say, 'Yes, do it.'

Mr Tidswell: I am not quite sure if we know the exact name. There was a project team working on this. It would have been a combination of conversations with Mr Sterrenberg's people and people who normally report to me. I am not quite sure who exactly would have made that call.

Senator CAMERON: Was Ms Golightly consulted on this, and did she agree?

Mr Tidswell: Yes. Ms Golightly is here, but I am sure she was involved in some conversations.

Senator CAMERON: Did she agree to the switch?

Mr Tidswell: I do not know.

Senator CAMERON: Is she here? Can I ask her?

Mr Tidswell: We will get her to the table.

Mr Egan: While that is occurring, in relation to your question before about the lowest number of claims on hand, at the end of September last year we had about 8,733 claims on hand. That is the lowest I can find.

Senator LINDGREN: What was the actual peak? What number would you have?

Mr Egan: This year it was 92,000.

Senator LINDGREN: Even compared to that time, if you have the figure. You would obviously have down times when you would not have any—

Senator CAMERON: Chair, can I finish this line of questioning, please? Ms Golightly, were you consulted about this decision?

Ms Golightly: As Mr Tidswell mentioned, there were a number of project committees that look after these projects and variously we all sit on that many of them. I cannot quite recall the one that would have considered this particular decision about this particular project. I am sorry, but I do not have the history of my meetings here or those of all the project committees that we are running at any one point in time.

Senator CAMERON: When did you first hear that there was a significant problem with the system?

Ms Golightly: As Mr Tidswell and the team and Mr Sterrenberg have been looking at this through the last little while to try and work out what needed to be done.

Senator CAMERON: Mr Sterrenberg, did you provide advice to Ms Golightly and Mr Tidswell or any of the senior executive service that they should press the button and move from blue-green to the SAP system?

Mr Sterrenberg: The decision was about moving forward in parallel, as I mentioned. We went forward with both systems operational. The project team that was running this was looking at how to increase the load moving—

Senator CAMERON: Is that project team responsible to you?

Mr Sterrenberg: No, it is a joint project team.

Senator CAMERON: Who is responsible for the decision-making process of the project team? A project team says that we should do this—who makes the decision?

Mr Sterrenberg: Our process in normal projects is that the business will make a final call based on the advice of the readiness of the system from ICT.

Senator CAMERON: Your ICT? You are the head of ICT.

Mr Sterrenberg: Yes.

Senator CAMERON: Did you provide advice that you should press the button and move from blue-green, shut that down and go to SAP on its own?

Mr Sterrenberg: As I said, the advice was that we felt that the SAP system was ready and the advice to the business was to proceed with onboarding more and more volume.

Senator CAMERON: When you say 'we felt', was it that your department felt?

Mr Sterrenberg: When I say ICT, I mean the decisions of the CI group which I take responsibility for.

Senator CAMERON: So it was your responsibility to give advice on the switch-over?

Mr Sterrenberg: Yes.

Senator CAMERON: Do you regret that advice now?

Mr Sterrenberg: No. As Mr Tidswell mentioned, given the information that we had this year, based on the volumes and time lines, it was the appropriate decision given the information we had at that point in time.

Senator CAMERON: Mr Tidswell, how can it be the appropriate decision when it ends up with 92,000 backlogged?

Senator PAYNE: Are you asking the acting secretary or the CIO?

Senator CAMERON: Sorry—Mr Sterrenberg. How can it be the correct decision when it ends up that young students around the country are getting no income and some have had to cancel, as I am advised, their education because they cannot get the money to go? You do not accept any responsibility for that; you simply see that as the correct decision and we will get a meltdown in the youth allowance payment system across the country. How is that the correct decision? Can you just explain that to me?

Mr Tidswell: This would have been a joint decision. This would not have been a decision that Mr Sterrenberg's team would have made. As Mr Sterrenberg said, 'a business', and that collectively is people who report to Mr Egan and report to Ms Golightly.

Senator CAMERON: So Mr Sterrenberg is the IT person responsible to provide the advice?

Mr Tidswell: Yes.

Senator CAMERON: If you are not an IT specialist, you would expect to depend on appropriate and proper advice, wouldn't you?

Mr Tidswell: Yes, Senator.

Senator CAMERON: So Mr Sterrenberg's team, whom he accepts responsibility for, advised to turn the blue-green system off and move to the SAP system, and that is when we end up with, I am told, higher numbers, but you are saying there was a 92,000 backlog. That is basically what happened, wasn't it?

Mr Tidswell: People were working around the clock to improve the operating system and we were hoping for those significant productivity improvements so that we could get through what we know is surging demand. Could I also put on the record that we worked hard to ensure that anybody in hardship receive their payment on the same day. So, if people contacted us and came through to us, we made sure that for those students in hardship their claim was sorted and in the next few days they would have been paid. We have apologised. This is not what we wanted to be doing. We understand the concern that has been raised, so what we had to do was put the action in to get on top of it.

Senator CAMERON: Mr Tidswell, I am happy that you have apologised, but that does not help the students who have had no money.

Mr Tidswell: Effectively, they have been backdated. They have received their payments. We are literally now finalising claims that were lodged two weeks ago or thereabouts, so we are on top of any backlog. We are in normal range of doing what we have to do and we will process those hardship claims.

Senator CAMERON: Some students have said that they waited months. Is that true?

Mr Tidswell: I am not quite sure of the claim length for some people. Some people would have waited some period of time.

Senator PATERSON: Very quickly, could you tell us about the hardship processing provisions?

Senator CAMERON: That is a different issue. I am interested in keeping on this line of questioning.

Senator PATERSON: It is pretty closely related.

CHAIR: Senator Cameron, I will get you to ask a couple more questions on this and then I will give Senator Paterson the opportunity to ask about that.

Senator CAMERON: When was the minister advised there was a problem?

Mr Tidswell: I do not know exactly. I am slightly challenged because I was on some long service leave and only returned on 28 or 29 February. When I returned to my substantive position, this was the highest priority for me. I suspect I would have personally briefed the minister face-to-face on these matters around that time, when I returned.

Senator CAMERON: What date was that?

Mr Tidswell: About 28 or 29 February. However, I am sure we provided some advice previously about what we were doing in that area.

Senator CAMERON: Can you take on notice to provide the dates when the minister was briefed on this issue?

Mr Tidswell: Yes, Senator.

Senator CAMERON: Tell me if I am right: the blue-green system was eventually turned off?

Mr Sterrenberg: No, it has not been turned off. As I mentioned, we were running parallel and we were migrating users, as their training had been completed, to the new system.

Senator CAMERON: So did we have two systems operating in parallel?

Mr Sterrenberg: Yes.

Senator CAMERON: If the SAP system was causing a problem—it was causing a problem, wasn't it?

Mr Sterrenberg: There were some issues. Just to put it on the record, one of the reasons why we were moving down this path in late 2015 was the significant issues we were having with the processing time. The changes we were making were not just in the new SAP system; we were also making changes in the older M204 system. We were trying to relieve the burden on our processing officers. The efforts were in equal parts on both of those systems so that we could remove the inefficiencies that we had through the errors we were having in both systems.

Mr Tidswell: In terms of the duel system capability in processing, we have also discovered that some of our staff are very good on the black and green screens; some of the staff we brought in to assist are very good on the SAP systems. So we trained both groups of staff to get through the backlog and get on top of it. We have been operating that parallel system capability for some time.

Senator CAMERON: Given the hardship and the impact of this problem on young Australian students, has the department looked at doing some external inquiry into what went wrong and how you can ever avoid this again?

Mr Tidswell: No, no external inquiry, But we have been having conversations at the executive table about making sure that we do not allow this to happen again.

Senator CAMERON: You are having conversations at the executive table. What does that mean?

Mr Tidswell: Effectively, meetings with Ms Campbell and the rest of us from the executive about what we need to do to ensure that we get these sorts of major implementation approaches better managed.

Senator CAMERON: How many auto rejections are there under this new system?

Mr Tidswell: That is a furphy—there is no such thing as an auto rejection.

Senator CAMERON: Well tell me how it works.

Mr Egan: As Mr Tidswell said, there is no auto rejection process. Each and every claim is individually assessed based on its merits against the established eligibility criteria.

Senator CAMERON: Is that electronically assessed?

Mr Egan: It is assessed by a service officer. There are, however, a large number of claims that are rejected, and some of the rejection reasons relate to the fundamental eligibility criteria. What we have done through the student peak period is to implement what we call a quick manual rejection process, where we look at those key criteria first that many claims are rejected on. If the claim are rejected on that basis, then the service officer does not proceed to look at the rest of the claim. In making an assessment against those core eligibility criteria, the service officer does look at both the claim as well as all the other information that was provided by the applicant.

Senator CAMERON: Given the scale of the problem that we have just gone through, given the implications for young Australians and others as a result of this problem, Labor would call on you to set up an inquiry and not just sit around the executive table talking about the problem—we would seek an independent analysis of what has happened. Why can that not be done?

Mr Tidswell: We regularly conduct what we call PIRs to look at—

Senator CAMERON: What is a PIR, for those who are not sure?

Mr Tidswell: A post-implementation review, to look at what worked and what did not work. We are quite forensic in that process, and we look at what we need to do better in terms of training, in terms of planning, in terms of migration. But there is no doubt about it—we are on a pathway of changing how we do our work. The process that Mr Egan was outlining on improving how we assess and finalise—

Senator CAMERON: But, Mr Tidswell, excuse me for being cynical about this, but you have conceded that it was a management stuff-up. You have a management issue that caused this problem. Whether it was a technical issue or not, the management decision caused huge problems. You are getting sent around to forensically analyse your own stuff-ups. I do not think that is good enough. I think you have an obligation to the Australian public to get an independent analysis as to why young kids were left with absolutely no capacity to pay for food or rent or to start their education. This is not just an easygoing thing that has been a small problem that you can fix around the executive table. How about getting someone to assess the performance of the executive team in relation to this major problem? Why will you not do that?

Mr Tidswell: As I said, we have a normal process and we are not through the complete period of time—

Senator CAMERON: So we could have more stuff-ups, could we?

Mr Tidswell: No. We are going through the normal course of events. I can assure you we take this very seriously.

Senator PATERSON: I want to come back to the hardship processing.

Mr Tidswell: I might ask my colleague Ms Teece to give us a run-through about how we understand who is in hardship and what we do to process them.

Ms Teece: We put in a triage capability. People ring us up on the telephone, broadly speaking, but in particular with a student situation. They say if they are in hardship. We have IVR—interactive voice response. We route those customers to a priority triaging area. We take their details. We ask them questions in relation to hardship, such as how much in funds they have available, what rent they have to pay et cetera. Then, if they meet the hardship requirements, we triage them to a specialist group and processing team that process that claim immediately. In some cases, customers had not provided information in relation to their income et cetera, so we then contacted them, talked to them, got the information over the phone and then processed the claim.

Senator CAMERON: I must indicate on the public record my concern at the executive response to this to get to the problem. I just cannot accept that the executive team should be investigating the executive stuff-up that has created such a problem and that you are not prepared to get an external analysis of the executive problem—both the IT problems and the management system problems that have brought this hardship on ordinary young Australians. Have you started an audit?

Mr Tidswell: No.

Senator CAMERON: You have not started an audit? I have to tell you that I find this completely unacceptable.

Mr Tidswell: We are working hard to fix it.

Senator CAMERON: You have indicated that there could even be problems still waiting to happen.

Mr Tidswell: No, I did not.

Senator CAMERON: You cannot guarantee there are not. There are eight weeks still to go.

Mr Tidswell: In that sense, we will have another spurt of activity.

Senator CAMERON: When would you start an internal audit of the executive?

Mr Tidswell: No, it is really about looking at the processes and mechanisms, what worked and what did not work and what we need to do for the next raft of implementations that we put in place.

Senator CAMERON: Again, I will put on the record that the opposition says to you that it should not be left in the hands of the executive of DHS to self-examine your failures. There should clearly be an external audit of the problems that went on here. That is what would satisfy me. I am sure lots of young students would want that as well, students who went without any money, food or payment for accommodation, some of them for months. I think your response to this is totally unacceptable.

Mr Tidswell: We have carefully analysed what went on. We have taken corrective action. We have fixed the issue and the problem. Every year we have a peak with students, and that is the standard.

Senator CAMERON: I will finish on this.

Senator LINDGREN: Mr Tidswell, you are confident that you have dealt with this and you will not have these problems next year?

Mr Tidswell: Senator, we are very confident that we have built a better capability. Our aim is to significantly improve the time it takes to process these claims. Our job is now to train our staff to use the new operating system so that we are ready for the next peak.

Senator CAMERON: Could you give me an update on progress in relation to the ANAO recommendations on call wait times and Centrelink performance.

Mr Tidswell: Yes. I will ask Mr Egan.

Mr Egan: There were three recommendations made by the ANAO in 2015 in relation to call performance. The first was in relation to a pathway towards the implementation of a channel strategy. The channel strategy remains under development by the department. The channel strategy, we think, is a key piece of strategic architecture for us, but it is fundamentally dependent upon some detailed analysis of our existing business, and that is what we are undertaking at the moment. The second recommendation was in relation to quality call listening. The department has a quality program in place in relation to call—both an informal and a formal quality framework—that it applies. The department is currently reviewing its quality framework and will update it accordingly. The third recommendation was in relation to the performance metrics that are used in the call channel. The department at the time did indicate that it felt that it had robust performance metrics in the call channel. We still think that is the case but we will review those call metrics in light of any changes that are needed, following the implementation of the channel strategy.

Senator CAMERON: Can we get Mr Sterrenberg back? I don't know why he didn't hang around. I might move to WPIT.

Senator Payne: Are you finished on that question, the ANAO?

Senator CAMERON: I am finished on that.

Mr Tidswell: We will get Mr Murphy and Mr Sterrenberg to the table.

Senator CAMERON: Is Mr Jongen around?

Mr Tidswell: No.

Senator CAMERON: He's not?

Mr Tidswell: No, Senator.

Senator CAMERON: I did indicate previously that I would have questions for Mr Jongen on an ongoing basis.

Mr Tidswell: We have our general manager for community engagement here. Kristen is here to answer questions.

Senator CAMERON: I need her here on this one. Mr Tidswell, the 2015 portfolio budget statement at page 19, table 1.2, has WPIT in the forward estimates for \$93,341,000 and in 2015-16 for \$29,387,000. What has happened to that in the forward estimates?

Mr Tidswell: I will ask the CFO to come to the table.

Mr Jenkin: Effectively, we have money for tranche 1, and that flows through to this financial year, but we have to go back to government for tranche 2. That is the plan next financial year.

Senator CAMERON: What is the total value of tranche 1?

Mr Tidswell: I will ask Mr Murphy.

Mr Murphy: We do not have the full estimate for tranche 1. We are operating under the approved budget of 2015-16 of \$60.5 million. I think it is worth noting that this is a complex program across multiple years. What we are looking to do is fundamentally transform the welfare business. Obviously, a significant component of that is the technology component that Mr Sterrenberg is leading. I think it is important to say, as Mr Tidswell said, that will be reverting back to government for tranche 2 funding. We are now working through the requirements of the program. We are working very hard on procurement. We have a couple of very significant procurement processes currently underway. I think the answers to those questions will inform the amount of funding that we will be seeking from government for tranche 2 and for the future tranches.

Senator CAMERON: So you are undertaking procurement, but you get no guarantee of funding from the executive government?

Mr Murphy: We have got funding for tranche 1. I think it—

Senator CAMERON: How much?

Mr Murphy: It is \$60.5 million over four years. But with the program running over multiple years, the approach we are adopting is to essentially run discrete tranches, which means that the funding—

Senator CAMERON: I am not sure, Mr Murphy, if you realise—and welcome and congratulations on your appointment—but I have heard all of this before. I do not really need this history of WPIT. I have been here since day one, when it was announced, and I have asked questions on it. So I understand the approach that has been taken on tranches, but you are saying that the forward estimates—the \$60.5 million over the next four years—is it?

Mr Murphy: No. We will be going back to government for the funding for tranche 2, when we are clear about the funding that is required. The approval that was given requires us

to revert to government for funding for the future tranches. Tranche 1, which we are currently actively working on, is really, as you know, Senator, funding the set-up of the program and the procurement process, as well as some digital projects. That funding is sufficient to cover phase 1 or tranche 1. Then, as I say, we will be reverting to government for funding for the future tranches, when we know the amount that we will be seeking. Today we do not know. That is what we are working on.

Senator PATERSON: For the benefit of newer senators such as myself, perhaps you could explain why the preferred approach is to do it in tranches. Is that best practice?

Mr Murphy: Yes, it is. Part of the work that was done in the early phases of the program was, in fact, to look at best practice both within the public sector and in the private sector. For programs that are going to run across multiple years like WPIT, it is a very significant business-led transformation that is going to take multiple years. Breaking it down into discrete tranches, where you can fund the tranche and then deliver the benefits, as compared to waiting for the end of the program and hoping that the program is going to be delivered and the benefits will be delivered, is the approach we have adopted. Certainly, it has been tested, as I said before, with best practice in the private sector—and there are some examples of that—as well as canvassing the public sector.

Senator PATERSON: Thank you.

Senator CAMERON: Mr Murphy, does this tranche approach allow a government to bail out of this in the future?

Mr Murphy: What it allows is this: the individual tranches do not require, for example, tranche 1 to wait till tranche 7 for the benefits to be delivered. I think it is a very responsible approach to say that there are separate tranches, largely independent of the other tranches. I think the way that we are approaching what is a very large transformation program is a very responsible approach from the department.

Senator CAMERON: Because we do not have much time, would you be in a position to give me—the opposition—a more detailed briefing on this?

Mr Murphy: I will take that on notice.

Senator Payne: You might have to wait about eight weeks.

Senator CAMERON: How might you allow the opposition to have a briefing?

Senator Payne: You are as optimistic as ever, Senator Cameron!

Senator CAMERON: Yes, I am. Can you show me where this \$60.5 million is in the 2016-17 budget papers?

Mr Murphy: It is in the 2015-16 budget papers.

Senator CAMERON: Why hasn't it carried through into 2016-17?

Mr Tidswell: I might ask our CFO, Mr Jenkin, to give you an answer.

Senator CAMERON: How does this work? I must say, I went looking for it right away and went 'What has happened?'

Mr Tidswell: We noticed.

Senator CAMERON: Did you?

Mr Tidswell: Yes.

Mr Jenkin: The book I think you are referring to is the 2015-16 PBS, where you see the line of funding that government decided in the 2015-16 budget.

Senator CAMERON: I have got that on my computer.

Mr Jenkin: In the 2016-17 budget, there is no new funding as yet for subsequent tranches. We are being funded for tranche 1, which includes funding for next year, but there is no new funding, so it does not appear as a separate line item because what you see there are the other budget measures—so the new budget decisions made in the 2016-17 budget context. Because there is no decision yet on tranche 2 or subsequent tranches, all you will see is the amount of funding we have for tranche 1 already contained within our overall appropriations. It is not a specific separate line item.

Senator CAMERON: Mr Murphy, is this still a seven-year project?

Mr Murphy: Yes, it is.

Senator CAMERON: The Commission of Audit estimated, I think, between \$1.3 billion and \$1.5 billion. Is there any estimate that you made in terms of that figure?

Mr Murphy: Not me personally. I said before what we are working on in relation to tranche 2 is getting an accurate costing before we return to government for the funding for tranche 2, and we will follow the same process for the outer tranches. I think, given the size of the program, it would be very difficult today to even guess at what the total cost would be.

Senator CAMERON: In table 2.12 on page 32 of the 2016-17 budget papers, you have 'welfare payments infrastructure transformation budget measure'. It says you have achieved your target, and then it says that the target is expected to be met. What is it? Has it been achieved or is it expected to be met?

Mr Murphy: I certainly expect it to be met. As I mentioned previously, tranche 1 covers a number of areas, including the establishment of the program and the procurement of the commercial partners, who will be essential and core to the ultimate success of the program. So significant effort and progress has been made on two quite significant procurement activities, which are interrelated. There are four digital projects that are being delivered as part of tranche 1, and they are in line to be delivered with the commitments that we have given.

Senator CAMERON: So what is it? Have we achieved the targets or are we still working towards them?

Mr Murphy: We are still working through them. Tranche 1 is still in progress.

Senator CAMERON: Why then does it say that you have achieved it in table 2.12? Can anybody help me? Mr Murphy?

Mr Murphy: No.

Senator CAMERON: Can anyone tell me why it says 'achieved' when Mr Murphy has just indicated it has not been achieved?

Mr Tidswell: Obviously, with the statements in the PBS—and Mr Hutson can provide some more detail—the financial year period has not yet ended. So, in a sense, we provide information through to say how the various key performance measures are going.

Senator CAMERON: Who was the officer that authorised 'achieved' in the WPIT 2015-16 target?

Mr Hutson: That would have been reported in our annual report.

Senator CAMERON: Who authorised it to go in here as achieved when it is not achieved?

Mr Hutson: Sorry, that will go in our 2015-16 annual report. If you look at the way in which the PBS has been redesigned following some recent changes requested by the Department of Finance, in respect of each target, we are expected to provide information on what that target is, and then we are expected to indicate whether or not we anticipate meeting that target or not.

Senator CAMERON: No. It is the performance criteria—

Mr Hutson: The performance criteria are the key. It is either achieved or not achieved. The target of achieved is currently expected to be met. We do not have any doubts.

Senator CAMERON: So that is one sentence, is it? Why then is there a capital letter in 'Target'? Why is there a capital T?

Mr Hutson: Sorry, it is not one sentence. It is actually two words. Can I just make it a little bit clearer. If I go down to a different one on that same page, you will see in respect of 'Centrelink: delivery of correct payment for Indigenous Australians' that the first number there in that target column is 'greater than or equal to 95 per cent'. That is the target we are seeking to achieve. That is our key performance indicator. The words underneath it, 'Target expected to be met,' indicate that in 2015-16 we expect to meet that performance target of greater than or equal to 95 per cent. In the case of the Welfare Payment Infrastructure Transformation budget measure, our target is that we achieve the budget measure.

Senator Payne: That is a very good explanation, Mr Hutson.

Senator CAMERON: Let's go back to page 31, and let's have a look at customer satisfaction for 2015-16: 'Achievement of customer satisfaction standards—target not expected to be met'.

Mr Hutson: That is correct.

Senator CAMERON: Isn't this a fundamental problem for an organisation that delivers services to the Australian public?

Mr Tidswell: We set this target back in 2011-12, I believe, when we created the department in July 2011. It has always been a stretch target.

Senator CAMERON: Eighty-five per cent?

Mr Tidswell: It has always been a stretch target and we have been challenged to meet it. If you are running a service organisation, you want to try to aim for the best possible result.

Senator CAMERON: What is the international standard for customer service organisations?

Mr Tidswell: We often benchmark against other like organisations around the world, and we are commensurate with those like organisations: Work and Pensions in the UK, Service Canada in Canada, and the American equivalent, the Social Security Administration.

Senator CAMERON: On notice, can you provide me details of the benchmarking that you have undertaken on customer satisfaction.

Mr Tidswell: We will take that on notice, yes.

Senator CAMERON: And not just the details of it but the results that you have of that benchmarking, so it can be compared on why you cannot meet your targets of customer satisfaction.

Mr Tidswell: Yes. The target levels are high—

Senator CAMERON: Just let me say this, Mr Tidswell. If you attempt to reduce this target, I think it says you have failed, because, out of everyone that rings my office and everyone that emails me, I have not had one person email me since I have been the shadow minister to say that DHS is a satisfactory organisation to deal with—not one.

Senator PATERSON: That does not sound like a scientific sample, Senator Cameron.

Senator CAMERON: It is what the public seem to think, and I think, if you look at it and what is out there, the reputation of DHS is just crashing.

Mr Tidswell: We are not saying that we are going to change that target. Effectively, what we know is that we have set a high bar. We have hundreds of thousands of people who contact us every day. I just read a letter today—a compliment for service we provided in Newcastle. So it is not factual to say that everybody is not happy with what we do.

Senator CAMERON: No, I did not say that. I said, 'People that ring me.' They are obviously the people that are unhappy.

Mr Tidswell: That is right.

Senator CAMERON: Your public relations and analytical people would not be saying that the public are happy with the performance of DHS over the recent period, are they? Your own customer satisfaction target shows that they are not. Is that true?

Mr Tidswell: We have set the target. We aim to try and meet that target. We analyse the results. We look at what is going on across the country. We try to think through: are there systemic issues? As we move more and more work in the digital world, how do we actually get customer satisfaction results for people using the vast array of digital capability?

Senator CAMERON: Is tranche 1 of the WPIT project going to deal with call wait times, Mr Murphy?

Mr Murphy: It could, indirectly.

Senator CAMERON: Can you explain that to me?

Mr Murphy: Within tranche 1 there is a number of digital projects that we have initiated. Some of those are intended, for example, to give a welfare recipient the status of their claim. If they are able to get the status of their claim through an online source, then you could draw the link to say that that could reduce the number of calls into the call centre. The three digital projects are meant to have an impact on the ability to provide more services to the recipients.

Senator CAMERON: Going back to the Medicare payment system, were any other of your programs affected by the change from the blue-green screen to the new system?

Mr Tidswell: We have been progressively moving our operating systems for our staff off the mainframe—the old screens; the old capability; the stuff that takes a long time, that takes

me up to six weeks to train any staff member to learn—and so we have a phased approach. Students was the first one, and we have a plan to go through and renovate those payment claiming processing engines. Our aim is to take advantage of what Mr Murphy will build in WPIT—we need to do that renovation work. We cannot have the old capabilities sitting there. But Mr Sterrenberg probably has a better answer.

Senator CAMERON: Let me ask a specific question on it: was the farm household allowance put into the SAP system?

Mr Sterrenberg: Yes, it was.

Senator CAMERON: Aged care payments?

Mr Sterrenberg: Yes—one tranche of aged care; it was the home care.

Senator CAMERON: Okay. Are they still being delivered by the SAP system?

Mr Sterrenberg: They are currently running on the SAP system, yes.

Senator CAMERON: Were there any delays in either the farm household allowance or the aged care payments?

Mr Sterrenberg: Can you be more specific about—

Senator CAMERON: Similar to the youth allowance—did the changeover produce a build-up of unpaid claims?

Mr Sterrenberg: Not that I am aware of.

Senator CAMERON: Not that you are aware of. Is there anyone who can tell me better than 'not that I am aware of'?

Mr Tidswell: There is no doubt about it—we have faced similar change management issues as we have trained our staff to use the new operating system.

Senator CAMERON: How does the chief of the IT department not know this? Mr Sterrenberg, how could you not know this? You said 'not that you were aware of', and yet here we have Mr Tidswell immediately saying that yes, there were problems. You are the guy who is handling this. What is going on?

Mr Tidswell: Senator, you asked if there were backlogs, and Mr Sterrenberg said that he had no information on that matter. What I am telling you is that we have struggled to train our staff appropriately to use the new capability, so we are learning better approaches to do that. It is a big change to move from the old ways of doing things into a new pattern approach.

Senator CAMERON: I understand that what happened with these other areas was that there were fewer delays—though there were still delays—but there was more incorrect information of payments. Is that correct?

Mr Tidswell: I do not have that information with me. Somebody else in the room might have that information, but—

Senator CAMERON: Can anyone help me?

Mr Tidswell: effectively we are on top of doing our work in that area.

Senator CAMERON: You are on top of it? Can you take those questions on notice, then?

Mr Tidswell: Yes.

Senator CAMERON: What are the implications of the budget cuts for call wait times? I understand there are two different numbers for job cuts in the budget papers. Maybe we could clarify that first?

Mr Tidswell: I will ask Mr Jenkin to explain the two different things for you.

Senator CAMERON: Budget Paper No. 4 on page 139 says that the job cuts are 810 and in the PBS at page 13, table 1.1, it says there are 918 job cuts. What is the figure?

Mr Jenkin: The correct number is 918. That is reflected in our PBS.

Senator CAMERON: So how come there was—

Mr Jenkin: We do not put together the budget papers, as you would be aware. Talking to Finance about, there was a transposition error in the 2015-16 estimated actuals. So, in Budget Paper 4 on page 139, it has an ASL figure for 2015-16 of 30,102. That should be 30,210. That would mean that the difference is 918.

Senator CAMERON: Let's just check some other figures to make sure there are no mistakes there, so I know what figures I am working on. So, unfortunately, there are 100 more jobs than are in the DHS budget paper for job cuts. Is that correct?

Mr Jenkin: The DHS budget paper contains the correct figure.

Senator CAMERON: Was that 810?

Mr Jenkin: No, it is 918.

Senator CAMERON: Is that as a result of \$18 million cut over the next four years and the efficiency dividend?

Mr Jenkin: It is the result of a whole range of things. As you would see, the total resourcing, our departmental appropriations, drops by about \$100 million year on year. That is the accumulated effect of a whole range of things—for example, measures that have terminated, ceased or slipped from previous years and new measures that have come on. There have been new measures that have come on. There have been a range of parameter updates. There has been the application of the normal efficiency dividend and, as you rightly say, there is a special efficiency measure applying to us of \$20 million per annum. So the accumulated effect of all of that is a reduction in our funding, which flows through, naturally, into the number of staff we employ.

Senator CAMERON: Is that the total departmental resourcing on page 13?

Mr Jenkin: On page 13 you will see a number of figures you can make reference to. But the number we would normally use is the departmental appropriations, because the total resourcing there on page 13 includes administered items, which include child support and things like that—payments which are administered, not the cost of running the department.

So I would refer you to page 41 of the PBS. You will see on page 41, towards the bottom, a line there for 'Revenue from government' with a footnote against it. That change from the estimated actual for this year, of \$4,219,000 less the \$4,120,000, is the amount of money we are getting from government for our operations.

Senator CAMERON: And that is how much?

Mr Jenkin: That is about \$98 million.

Senator CAMERON: So that is where you go to actually find out how much money you have got?

Mr Jenkin: Correct. It is how much we are given from government. We do have other sources of money, as you would be aware, from other agencies—sometimes we will enter into arrangements with them—but, in terms of just the appropriation revenue for that year, that is the figure.

Senator CAMERON: But the payments saved from Health and from Social Services make a difference, don't they?

Mr Jenkin: We are funded to deliver those services on behalf of those agencies, and, yes, that funding that we get from government is included in that—our departmental money. That is not the amount of money we pay to recipients, obviously.

Senator CAMERON: Yes, I understand that. So you are \$98 million down. Is the efficiency dividend on top of that?

Mr Jenkin: That includes all of the various measures, including the \$20 million for that year and the standard efficiency dividend applying to all agencies.

Senator CAMERON: So that means job cuts. We have just gone through—

Mr Tidswell: Senator, it is important to draw a distinction here. Because we are a service delivery agency, we rise and fall on the work that comes to us from the policy settings. In that reduction of revenue, there is work we will not do next financial year. There are things that have moved to other departments, where we lose the staff and the revenue, and there are things that were planned to proceed in the next financial year, in the previous budget, but they are not going ahead.

Senator CAMERON: Can you give me a list of them on notice?

Mr Tidswell: Certainly. In the sense of how we manage this, obviously we have some efficiency dividends to deal with. Our aim always is to protect core services as much as possible. But it is important to note that, in five out of the last six budgets, we have had staff reductions, starting in 2011-12. And we have paid for things. We have given back to government half a billion dollars in savings to achieve the things out of service delivery reform, the things we have talked about previously.

Senator CAMERON: Obviously, the issue for me is DHS being able to meet its obligations under its key performance indicators—what government requires it to do. Are there going to be any forced redundancies?

Mr Tidswell: The level of ASL reduction that we are predicting and moving forward to is three per cent, and in the last financial year or last period we have had about a 6½ per cent attrition rate, so you can see that we do not need that. Plus, some of that work has gone. Some of those people have moved.

Senator CAMERON: Yes, I understand.

Mr Tidswell: So we think we can manage this within our normal approaches to business as usual. Now, we will have to look at how we operate and how we protect core business, because the funding technically has come from a whole variety of buckets and sources, but we receive the core envelope of dollars that we have through the funding model, and there are

ups and downs in terms of customer numbers. So our goal—and we will do this work over the next little while—is to work out how we manage next financial year.

Senator CAMERON: I am just trying to get the balance here. Some work is not going to be yours; it will be done somewhere else. You have just put a number of people on, haven't you?

Mr Tidswell: Yes. We are staffing again. We are heading into one of our peaks, as you well know, through to July, so we have—and you know this—recruited significantly. Mr Jackson can give you figures about those.

Senator CAMERON: I want to talk about the peak. It seems to me now that we are in a 52-week peak period! Every time you see any statement from Mr Jongen or from the minister, it basically says, 'We can't deliver because we're in a peak period.'

Mr Tidswell: We certainly—

Senator CAMERON: Just wait a minute, Mr Tidswell. Can you provide me details of your expected peaks by delivery—

Mr Tidswell: Absolutely. We will take that on notice.

Senator CAMERON: You understand where I am going on that?

Mr Tidswell: I can tell you off the top of my head now. We had the student peak that kicks in from February, and we head into July-August, and July has got busier and busier. Our difficulty is trying to get the flexibility to get enough staff when those peaks hit.

Senator CAMERON: Minister, I should indicate that I remember that when I asked—Mr Tidswell, you have taken it on notice, and I think, Minister Payne, you have taken it on notice—for a briefing on the WPIT the minister wrote to me and said that I would not be getting a briefing and that I would have to ask in the forums that are available to me: questions on notice in the Senate, questions without notice and estimates. I must say—and thanks very much—that when you were minister and I asked for a briefing I got a briefing, and I appreciate that. Could you ask the minister for an explanation as to why briefings were previously provided to the opposition and why that has changed under his ministerial tenure.

Senator Payne: I will take that question up.

Senator CAMERON: Thank you. On a general issue, has the bargaining come to a halt?

Mr Tidswell: No, we have resumed bargaining in good faith. I think we reconvened on around 20 or 21 April, but Mr Jackson can give you an update.

Senator CAMERON: Just let me raise these issues. The 2015 APS *State of the service* report found that only 59 per cent of APS staff believed they were paid fairly, down from 67 per cent the previous year. Have you done any internal analysis to determine if your staff believe they have been paid fairly?

Mr Tidswell: No, I cannot recall that we have, but Mr Jackson might have some further details.

Mr Jackson: We do regular pulse polls within the department but I cannot, off the top of my head, remember if we asked that question. But I am assuming that someone in the room will know the answer.

Senator CAMERON: Who is leading the bargaining for the department?

Mr Jackson: The lead negotiator is Mr Adrian Hudson.

Senator CAMERON: Is he here?

Mr Jackson: Yes, he is here. We can bring him to the table. Going back to Mr Tidswell's comment, we did have a bargaining meeting on 21 April and our next one is scheduled for 10 May.

Senator CAMERON: I understand that there was an email from you, Mr Hudson, regarding the EBA to all staff.

Mr Hudson: Yes, I have sent several emails to staff in relation to bargaining.

Senator CAMERON: That EBA was forwarded to some external addresses—is that correct?

Mr Hudson: Yes. I believe that you are referring to the email of 10 March.

Senator CAMERON: Were these emails monitored?

Mr Hudson: In what way?

Senator CAMERON: Were they monitored? Did somebody look at them? What do you mean by 'in what way'?

Mr Hudson: I am just trying to understand what you are asking me.

Senator CAMERON: Was there a monitoring of the emails that were sent to external addresses?

Mr Hudson: We did discover that some were sent to an external address.

Senator CAMERON: How did you discover that?

Mr Jackson: The department does have processes in place to monitor a range of emails. We monitor emails as part of our compliance and for other issues. Mr Withnell would be able to give details of how we do that. But we are also cognisant of the fact that we do not want to make available some of the tools that we have at hand to deal with some of the fraud and other issues that may occur in the department.

Senator CAMERON: Mr Hudson, do you know what I mean?

Mr Hudson: Yes.

Senator CAMERON: Then why didn't you answer me in the first place?

Mr Hudson: I apologise.

Senator CAMERON: Was the email marked 'confidential'?

Mr Hudson: No.

Senator CAMERON: Was it marked 'not to be sent on externally'?

Mr Hudson: No, it was not.

Senator CAMERON: Did the monitoring that was undertaken result in code of conduct investigations or inquiries?

Mr Hudson: Yes, there certainly are some inquiries, including some code of conduct inquiries.

Senator CAMERON: How many investigations?

Mr Hudson: We looked at around 60 emails in total.

Senator CAMERON: How many people were involved in the investigation?

Mr Hudson: In terms of conducting them or the subject of?

Senator CAMERON: Conducting them.

Mr Hudson: We had one person looking at those 60 emails.

Senator CAMERON: From your department?

Mr Hudson: Yes.

Senator CAMERON: What was the APS level of that person?

Mr Hudson: I believe the person who looked at those emails was an executive level 2 officer.

Senator CAMERON: Of those 60 investigations, for how many was it deemed not to proceed with anything?

Mr Hudson: Not to proceed at all? Of those 60, there were 40.

Senator CAMERON: Was the APS involved in this?

Mr Hudson: The APS Commission?

Senator CAMERON: Yes.

Mr Hudson: No, they were not.

Senator CAMERON: Has this all been done internally or have there been any other agencies involved?

Mr Hudson: No. We do these things internally in terms of considering code of conduct matters.

Senator CAMERON: How much has it cost to undertake these investigations?

Mr Hudson: That is something I would not be able to approximate here, but I could take that on notice.

Senator CAMERON: How many people have been involved in the investigations?

Mr Hudson: In terms of conducting them?

Senator CAMERON: Yes.

Mr Hudson: I believe one, but it is possible there could be a second person who has assisted that particular individual.

Senator CAMERON: Did 40 people send the email on externally? Were these 40 found to have sent the email on externally?

Mr Hudson: Yes—those 40 being a subset of the 60 that were looked at. Yes.

Senator CAMERON: And the other 20? Why are there still investigations taking place into those 20?

Mr Hudson: Of the remaining 20, 13 of those employees were reminded of their obligation when using departmental facilities. Five of those employees were issued with a formal warning regarding their conduct, and one of those matters has been referred to a formal code of conduct investigation, which is currently underway.

Senator CAMERON: Who authorised the outcome? Was it the secretary? Mr Tidswell, were you involved in this?

Mr Tidswell: No, I was not. I think I may well have been on leave at this time.

Senator CAMERON: Was Ms Campbell involved in this?

Mr Hudson: No.

Senator CAMERON: So who makes the call on this?

Mr Hudson: Decisions regarding whether a matter proceeds to a code of conduct are generally made in the People Services Division, which is the division that I am responsible for.

Senator CAMERON: So you are responsible for this?

Mr Hudson: I am responsible for this division and I am responsible for the area that investigates suspected breaches of the APS Code of Conduct.

Senator CAMERON: Why were 13 reminded of their obligation, when the email was not marked 'confidential' and not marked 'not to be sent externally'?

Mr Hudson: The concerns that led to the department considering these particular matters were not related to the mere fact that they were forwarded. They related to the content that was contained within those emails that the individuals added to the original message.

Senator CAMERON: Was there content added on the 40?

Mr Hudson: There was content added on all 60.

Senator CAMERON: Yes, because you would not just send this out. So did somebody have a bad word about you and you did not like it?

Mr Hudson: It was not an issue about having bad words. It was an issue about whether or not the contents included from the individual employees met the requirements of the APS Code of Conduct or not.

Senator CAMERON: But you would have some capacity to judge this issue, wouldn't you?

Mr Hudson: Yes.

Senator CAMERON: So are you the one that decided that 13 would be reminded, five would get a formal warning and one would get a code of conduct?

Mr Hudson: Yes.

Senator CAMERON: You're a pretty powerful guy, yeah?

Mr Jackson: I think Mr Hudson was doing his job and, as he did point out, it is the nature of the comment that associated with the email. The email per se being sent is not the concern.

Senator CAMERON: What was the comment?

Mr Jackson: The comment that led through to a code—and I will get it approximately right—was: 'If I had a knife, I would like to put it through his heart.' I find that extremely offensive and a threat to our staff that we take extremely seriously.

Senator CAMERON: Are you seriously saying that the individual who did this meant it in a literal manner? Mr Hudson, who did the investigation?

Mr Hudson: The investigation is currently underway.

Senator CAMERON: Are you saying that you felt that your life was threatened?

Mr Hudson: The comments that Mr Jackson referred to were very serious in nature, and I formed a view that they had the potential to be inconsistent with the APS Code of Conduct. As a result, the matter has been referred for investigation for that to be determined.

Senator CAMERON: Did you refer it to the police?

Mr Hudson: I am not sure whether that matter was referred to police or not.

Senator CAMERON: What do you mean you are not sure? You are responsible, aren't you?

Mr Hudson: I am certainly responsible for the code of conduct elements.

Senator CAMERON: Okay. Did you feel that your life was threatened?

Mr Hudson: Certainly I did take that particular message to be inappropriate, and I did—

Senator CAMERON: No, that is not what I am asking. There is a difference between 'inappropriate'—I agree it was inappropriate—and you feeling that your life was threatened. Did you feel your life was threatened?

Mr Hudson: As I was saying before, I certainly viewed that to be inappropriate, and I believe that, following an investigation, it is possible that that could be deemed to be a threat.

Senator CAMERON: When did this happen? When did you discover this email?

Mr Hudson: I do not have the exact date. It was within two weeks of me sending the all-staff email on 10 March, if I recall correctly.

Senator CAMERON: Have you advised the Australian Federal Police? If not, why not?

Mr Jackson: The investigation is still ongoing. I stand to be corrected, but the actual code of conduct investigation per se is not undertaken by Mr Hudson.

Senator CAMERON: I put it to you that the reason you did not go to the Federal Police is that you never considered for one minute that your life was threatened. Never for one minute did you consider your life was threatened, and what you are doing is setting about trying to make an example of this individual. If this were an issue, you would have gone directly to the Federal Police.

Senator Payne: Senator, I think you are placing on the record your own opinion. The officials have answered within the guidelines and processes that apply in the department from the APS Code of Conduct. You appear to have a different opinion. That is your opinion.

Senator CAMERON: I am just asking why someone who said that they saw this as a big issue—it is quite clear that Mr Hudson did not see this as a threat to his life. If he saw this as a threat to his life, he would say that now, and he is not prepared to say it.

Mr Hudson: This is a serious issue, and that is why the department is undertaking investigation as to whether or not this conduct by this particular employee is in breach of the APS Code of Conduct. That is a serious thing for us to do.

Mr Tidswell: And we do this across the country where people are using emails to send this sort of inflammatory language about coworkers, managers, team leaders and others. We take appropriate action. Obviously this is in the construct of an industrial dispute and enterprise bargaining conversations, and we understand that. In the light of things, you understand why people get heated, but we think this crossed the line.

CHAIR: Senator Cameron, you said a little while ago it would be five minutes. It is almost 15 minutes.

Senator CAMERON: Yes. I will go for a couple of minutes. I have to finish. I will finish this, and then I will wind up. I see this as very important. Mr Hudson, which of your superiors have you advised of this issue?

Mr Hudson: I have advised Mr Jackson.

Mr Jackson: I am fully aware of it. As you just mentioned, Senator, we take this extraordinarily seriously.

Senator CAMERON: It is 'extraordinarily seriously' now, is it?

Mr Jackson: We get a range of threats made to our customer and executive staff.

Senator CAMERON: Did you advise Ms Campbell of this?

Mr Jackson: Yes, I did.

Senator CAMERON: Did any of you consider going to the Federal Police?

Mr Jackson: That is a decision that is made by Mr Hudson.

Senator CAMERON: Okay. Tell me, Mr Hudson, why you have not sent this to the Federal Police.

Mr Hudson: At this point in time I have chosen not to do that. At this point in time I have chosen to consider whether the matter is consistent or not consistent with the APS Code of Conduct, and that is why I referred it for that investigation.

Senator CAMERON: So the code of conduct is the important issue, not a perceived threat to your life? Is that how you have done this?

Senator Payne: I may have missed part of this conversation, Senator; I do not think so. I think that is a construct that you are putting on this. Mr Hudson is answering and has been answering consistently within the arrangements of the department and the APS.

Senator CAMERON: I have to say, if Mr Hudson for one minute thought there was a genuine threat to his life, he should have, he has got an obligation to go to the Federal Police.

Senator Payne: Thank you for your opinion.

Senator CAMERON: He has got an obligation to go to the police.

Senator Payne: Thank you for your opinion.

Senator CAMERON: It is not 'thank you' for my opinion.

Senator Payne: Well, it is actually.

Senator CAMERON: What does that mean?

Senator Payne: I know what you were doing, just as well as you purport to know what someone else is doing.

Senator CAMERON: What I am doing is making sure that Mr Hudson does not act beyond his responsibilities and actually treats this with a bit of fairness and decency. Fairness and decency are all I am asking and we will watch this very carefully, Mr Hudson. I want all correspondence in relation to this issue.

Senator Payne: You would like to ask for that, Senator; is that what you are saying?

Senator CAMERON: I would like all correspondence. I want all internal emails in relation to this, I want all correspondence between yourself and Mr Jackson and between Mr Jackson and the secretary. I also want any internal memos, any file notes and the dates of any phone calls in relation to this.

Senator Payne: We will take that on notice.

Senator CAMERON: I see this as extremely serious. We have got an officer pursuing this. We have got Mr Jackson saying it is extremely serious and not one move to the Federal Police because this is not a matter that anyone treated seriously. I will leave it at that.

Senator Payne: On the contrary, I think the evidence says otherwise but thank you very much.

Senator CAMERON: Oh come on.

CHAIR: Thank you, Minister and thank you to all our officials. We are now adjourned.

Committee adjourned at 21:26