

Senate Foreign Affairs, Defence and Trade Legislation Committee

Budget supplementary estimates hearing

2 December 1999

DEPARTMENT OF VETERANS' AFFAIRS

OUTCOME 1

Output 1.3

DVA QUESTION 3: Numbers of veterans refused legal aid (compared with three years previously, commencing 1995–1996)

SENATOR SCHACHT (Hansard page 79–80, 2 December 1999)

Question

You gave me an answer about legal aid in reply to my question last June...

Please take it on notice that when you get the 1998–99 figures I will be interested to see whether that training has meant that the doubling [of legal aid applications refused] for the last three years has started to taper off.

Answer

In answering the question on notice from the Senate Foreign Affairs, Defence and Trade Legislation Committee 2 December hearing, we originally provided the answer: “The Attorney General’s Department is responsible for administering the legal aid program. We have sought the information and will forward the information when available”.

The Attorney General’s Department has now provided the following figures for 1998–1999.

<i>State/territory</i>	<i>Approved</i>	<i>Refused</i>	<i>Total</i>	<i>% approved</i>
NSW	351	32	383	91.64
Vic	359	13	372	96.51
Qld	440	86	526	83.65
SA	53	01	54	98.15
WA	25	03	28	89.29
Tas	34	--	34	100.00
ACT	--	--	--	--
NT	--	--	--	--
Total	1262	135	1397	90.34

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**ADDITIONAL ESTIMATES HEARING
9 FEBRUARY 2000
DEPARTMENT OF VETERANS' AFFAIRS**

OUTCOME 1, 2, 3 & 4
Output Group 5

DVA QUESTION 3: IBM Contract question

SENATOR SCHACHT (Hansard page 16)

Question

Since we met in December has there been an improvement in the reduction in outages, breakdowns, et cetera, in the computer system?

Answer

Yes.

There has been minimal disruption in mainframe service since mid 1999 and no reported outages since October 1999. The WAN environment has been relatively stable over this period and while there are isolated problems still occurring in the LAN environment there has been a noticeable improvement. Problems with the Secure Gateway Environment caused some difficulties for the Intranet/Internet service in late 1999.

The performance of major applications also reflects major improvements where some applications have not experienced any outages over several months and the remainder have experienced outages of well under 1-days duration.

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OUTCOME 1, 2, 3 & 4
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DVA QUESTION 5: Costs of implementing Accrual Accounting and the new tax system

SENATOR SCHACHT (Hansard page 3—Written question on notice—generic questions for estimates committees)

Question

Can the agency provide the estimated and actual cost of the move to accrual accounting? This information should cover the cost, specification, recipient and whether a tender process was undertaken for the awarding of such contracts.

Can the agency provide the estimated and actual cost of implementing the Government's new tax arrangements set to commence on 1 July 2000? This information should cover the cost, specification, recipient and whether a tender process was undertaken for the awarding of such contracts.

Answer

1. The cost of the move to accrual accounting

Senator Schacht asked a similar question at the Senate Foreign Affairs, Defence and Trade Legislation Committee, Budget Estimates Hearing 7–10 June 1999. The answer was:

- a) The increased workload in moving to accrual accounting was undertaken by Departmental staff, but the effort involved has not been recorded.
- b) No outside consultants were engaged to advise on accrual accounting. However, \$330,000 was allocated in additional funds for training of DVA staff in National Office and all State Offices (contracted to the Canberra Institute of Technology), and hiring of temporary staff to assist with the implementation of accrual accounting.

There has been no further significant activity on the move to accrual accounting to report on since that time.

2. The cost of implementing the new tax arrangements

These costs fall into two categories:

- (a) Income Support - tax reform impacting the veteran community, and
- (b) the cost of ensuring that DVA is GST compliant.

(a) Income Support - Tax Reform impacting the veteran community

In the 1999-2000 Budget, the Government allocated \$3.605 M to Departmental Impact measures to:

- change the pension system to reflect the provisions of the new tax system; and
- pay the aged person's savings bonus.

It was estimated that a further \$3.089 M will be needed in the year 2000-01 and \$0.042 M in each of the two subsequent years.

DVA is on target to spend the Budget allocated amounts.

Most of the systems development and implementation expenditure will occur in the June quarter when the information technology tasks are completed.

Most of the administrative expenses expenditure will also occur in the June quarter when the Aged Person's Savings Bonus (APSB) mail-out occurs.

To the end of February, administrative expenses expenditure is estimated to be \$300,000.

Salary expenditure is pro-rata ie to end of February, salary expenditure is approximately \$1.3 M.

The selection of the telephone answering centre to support the queries generated through the APSB mail-out and claim process has been conducted through a tender process.

(b) Costs of ensuring DVA is GST compliant

A summary of the Department's estimated expenditure and actual costs for the implementation of the new tax arrangements is attached below.

DEPARTMENT OF VETERANS' AFFAIRS

NEW TAX ARRANGEMENTS

IMPLEMENTATION BUDGET - IN SUMMARY

<u>BUDGET SUMMARY</u>	<u>N</u>	<u>Actual Expenditure to 29 February 1999</u>	<u>Total Estimated Expenditure in 1999-2000</u>	<u>Estimated Expenditure in 2000-2001</u>	<u>Total Project Expenditure</u>
<u>Specification</u>					
<u>IMPLEMENTATION START UP AND ADMIN COSTS</u>		270,700	544,591	280,612	825,203
<u>TRAINING</u>	1	22,000	66,000	48,000	114,000
<u>SYSTEMS</u>	2	45,000	492,000	20,000	512,000
<u>TAX CONSULTANTS</u>	3	112,000	500,000	0	500,000
<u>Total Budget</u>		449,700	1,602,591	348,612	1,951,203

Notes

1 Training

DVA has entered into a Subscription Agreement with Deloitte Services Pty Ltd to provide an online interactive and assessment tool (GST Tutor) to provide a comprehensive understanding of the GST for all DVA employees. Gazette Office advised. Estimates for training also allows for Implementation Team member's attendance at GST Conferences/Seminars and training for Team Members.

2 Systems

Estimates for systems are for modifications to current systems only and there will be no need to seek tenders, as all upgrades are covered under licencing agreements/arrangements. Systems providers are members of the OGOL Shared Systems Suite Panel.

3 Tax Consultants

In September 1999, DVA invited 3 consultancy firms (KPMG, Ernst & Young and Deloitte Touche Tohmatsu) to submit proposals to provide assistance to DVA in the implementation of the new tax arrangements. The successful applicant was Deloitte Touche Tohmatsu. Gazette Office advised.

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DVA QUESTION 2: Clarification of comparison between value of TPI when first introduced and now, with average weekly male earnings.

SENATOR SCHACHT (Hansard page 8)

Question

You list eight dot points [ameliorating factors regarding other benefits which TPI beneficiaries would receive that they did not receive earlier]. What is needed here is a bit more definition about what 'free health care' actually means - what they got in 1920, 1930 or 1940. ...

The last point in your answer says that in addition, since November 1982, the financial situation of most TPI pensioners has been significantly improved ... Is there a group of TPI pensioners that have not got that benefit?

Answer

Free health care for TPI veterans was introduced in 1943. This meant that TPI veterans could receive treatment for any condition, whether it was related to their service or not. Currently holders of the Gold Card receive this benefit.

Service pension on the grounds of permanent unemployability was introduced in 1936. The service pension was targeted towards disabled returned soldiers who could not prove unequivocally that their "troubles" were due to war service. Veterans who had served in a "theatre of war" and were permanently unemployable, whether due to war service or not, were eligible for service pension. The principle that service in a theatre of war had indefinable and intangible effects that could lead to premature ageing was applied to service pension on age grounds to the effect that veterans could receive an age service pension five years before their civilian counterparts qualified for the civil age pension.

Pharmaceutical Allowance and pharmaceuticals at the concessional rate were introduced in 1990. Sales tax exemptions on motor vehicles and spare parts became available in 1947. Child add ons to the service pension was introduced in 1965, the Veterans Children Education Scheme in 1921, the Recreation Transport Allowance in 1927, Attendance Allowance in 1922, Clothing Allowance in 1959 and the Vehicle Assistance Scheme in 1986. This scheme replaced the Gift Car Scheme which was introduced in 1950. The automatic entitlement to a war widow's pension for the partner of a TPI veteran on the veteran's death was introduced in 1936.

In 1973, 25% of disability pension was exempted in the means test in the assessment of the service pension. This exemption was increased to 50% in 1975, 60% in early 1982, and 100% in November 1982.

TPI veterans who have not benefited from the exemption of disability pension in the assessment of income support are those who do not have qualifying service and receive an income support payment from Centrelink. Currently there are 980 TPI veterans who are receiving a Centrelink income support pension.

In addition, there are 4,618 TPI veterans who have not applied for income support. It might be assumed that their levels of income and/or assets are such that they are not eligible for income support due to the means test.

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**OUTCOME 2
Output Group**

DVA QUESTION 1: Cost of Morbidity Studies

SENATOR SCHACHT (Hansard page 5)

Question

How much are you spending per annum on those programs [set up as a result of the morbidity study mentioned by Ms Grimsley] in response to the morbidity study?

Answer

- In 1999 Lifestyle Programs run for veterans and their partners cost \$940,000.
- In 1999 VVCS trialled programs specifically aimed at young and adult children costing \$20,600.
- The cost to date of the publication, "I Thought it was Just Me", has been \$21,900, with a further reprint under-way of approximately \$5,500.
- Production and mail-out to veterans of the booklet by the National Centre for PTSD on PTSD and War - Related Stress is \$106,400.
- The satellite broadcast will cost approximately \$60,000.
- The suicide prevention workshops for veterans and their spouses will cost approximately \$46,000.

The lifestyle programs run for veterans and their spouses are designed to help families function better and, while a healthy, functioning family will reduce the risk-taking behaviours, including suicide, of children, these programs are ultimately designed with the needs of the veterans in mind. Therefore it is not possible, nor appropriate, to attempt to identify exactly how much of the cost can be attributed as a specific response to that part of the health study which dealt with the suicide of veterans' children.

However, the number and aim of the programs has expanded and developed since the first report of the Vietnam Veterans Morbidity (Health) Study was released in 1997 and it became clear there were problems with higher suicide rates amongst the children of Vietnam veterans. In the two-year period from 1997 to 1999 these programs increased from 26 a year to 47 a year.

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OUTCOME 2

Output Group 2.1

DVA QUESTION 10: Community nursing services

SENATOR SCHACHT (Written questions on notice)

Question

- (a) Can the Department provide more information on the audits carried out against contract requirements.
- (b) How will these audits be carried out? (e.g. site visits, interviews with recipients?)
- (c) What information will be examined in the audit process? (e.g. staffing levels and qualifications, levels of servicing?)
- (d) How often will providers be subject to random audits?
- (e) Can the Department explain the rationale behind the audit process. Why were random audits chosen as a means of monitoring providers?
- (f) What penalties can be applied against providers for inappropriate servicing and fraud?
- (g) Has the Department imposed any of these penalties on providers? (if so how often and for what reason)
- (h) Can the Department provide more information on how the monitoring of payments will occur?
- (i) What beneficiary and service data will be collected and compared?
- (j) How will that data be collected?

Answer

The Australian National Audit Office report into Veteran Health Care (p. 54) indicates the controls specified in the contracts for community nursing providers.

(a) Australian Healthcare Associates (AHA) conduct the audits on behalf of the Department. The audit process commenced in March 1999 after extensive pilot testing. To the end of January 2000, 111 audits have been conducted.

The key objectives of the audits are to:

- ensure compliance with the contractual arrangement, including the Department's administrative requirements;
- monitor the quality of health outcomes for veterans and war widow(er)s;
- minimise the risk of fraud; and
- encourage financial compliance with the Department's contractual arrangement.

It should be noted that a major component of the audit process is to provide feedback and constructive advice to the provider.

(b) Once a provider site has been selected for audit, an initial questionnaire, regarding the provider's systems and processes is sent to the provider for completion. Prior to the visit to the provider site, the initial questionnaire is reviewed by the auditor, along with the provider's profile of claims for payment and a background briefing from the Department. Upon completion of the audit, AHA drafts an audit report. The audit report is forwarded to the provider for comment prior to finalisation. Provider comments are included in the final audit report forwarded to the Department.

(c) The audit process includes an administrative review and a nursing care review. The administrative review assesses and verifies the reliability of systems, practices based on documentation and policies. The nursing care review assesses the classification of veterans and war widow(er)s and the quality of care provided. The information examined includes the organisational profile of the provider, financial and administrative systems and procedures, staffing mix, servicing patterns, care classification of veterans and war widow(er)s, quality of care, care documentation and health outcomes.

The current audit process while primarily focussing on compliance issues also contains a degree of quality control in respect of documentation and process. This includes staff training, complaints mechanisms, accreditation standards, use of clinical pathways etc. There is also an examination of individual client records to determine the appropriateness of the classification and the service level. visits.

The second phase of the audit process is the introduction of clinical audits and goes beyond the examination of records to the actual care being provided to an individual. This will include veteran visits to enable validation of the documentation to ensure the appropriateness of the care being provided.

(d) Over the period between March 1999 and October 2001, 285 audits will be conducted. If the audit identifies a lack of compliance, a reaudit will be undertaken within 6 to 12 months of the original audit, depending on the remedial action required to be undertaken by the provider to achieve compliance. Allowing for reaudits, it is estimated that 240 provider sites will be visited during this period. The Department currently has contractual arrangements with 460 provider sites, including large providers with multiple sites which will be audited individually. The number of

provider sites audited during the three years will represent 52% of all contracted provider sites.

(e) The Department allows veterans and war widow(er)s to be referred directly to contracted community nursing providers for care. The provider is responsible for assessing the veteran or war widow(er) and determining their care requirements. This assessment enables the veteran's or war widow(er)'s care to be assigned to a particular classification for which a fee has been determined within the Schedule of Fees. The provider submits a claim for payment directly to the Health Insurance Commission (HIC). A separate process has been implemented for veterans and war widow(er)s who have care needs which place them outside of the Schedule of Fees.

The task of auditing all providers across Australia within a three-year period was determined to be too difficult for the auditor and too costly for the Department. At the same time, the Department's risk analysis determined that the use of random audits would provide the Department with a representative view of the quality of care being provided to veterans and war widow(er)s by providers. As a result, the decision was made that not all providers would be audited during this three year cycle. However, due to the nature of random audits, all providers have the possibility of being selected for audit.

(f) The Department would/can terminate its contractual arrangement with the provider. It can also recover any relevant payments from the provider through the withholding of payments for future services or the recovery of excess payments. In the case of fraud, the Department investigates and, if required, refers the case to the Director of Public Prosecution.

(g) Since the implementation of the contractual arrangement on 4 May 1998, no provider's contractual arrangement has been terminated. However, there has been voluntary relinquishment of provider status where providers have not considered it to be in their interest to conform to the Department's contractual requirements.

Excess payments have been recovered from providers. The vast majority of these are based on claiming errors by the providers, and are often picked up by the providers themselves.

(h) The Department has a post payment monitoring system for all allied health services. Reports are collected and analysed from the Department's databases. A number of standard reports are compiled on a monthly, quarterly and annual basis. These reports include the monitoring of claims, services, demographics and expenditure. They can be used to analyse high service patterns, expenditure trends and predict future service needs.

(i) The beneficiary and service data that is collected and compared relates to claims and expenditure data, service information and the demographics of the individual veterans and war widow(er)s.

Comparisons are made between providers of similar organisational size, between the metropolitan, rural and remote providers and between the public and private sector by

examining the claiming patterns of providers comparing postcodes, states and nationally.

(j) Providers can retrospectively submit one claim per 28 days for community nursing services delivered to a veteran or war widow(er). These claims are submitted to the Health Insurance Commission (HIC) which is responsible for organising the payment of claims on behalf of the Department. The HIC's claims data is copied to the Department's database for monitoring and analysis.

Extra data, known as the minimum dataset, is also to be submitted by the provider on a regular basis to the Department in paper or electronic form. The minimum dataset comprises details of the claims made and the actual treatment delivered by a provider in a given 28 day period.

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OUTCOME 2
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DVA QUESTION 6: Agreement with DoFA on use of program funds

SENATOR SCHACHT (Written question on notice)

Question

What were the terms of the agreement with DoFA that program funds could be used for functions once associated with the Repatriation hospitals; on what date was that agreement obtained? Were the functions to be retained by the Commission or not sold/transferred clearly identified?

Answer

Prior to divestment, funding for each of the Repatriation General Hospitals was through a separate appropriation to individual hospital trust accounts. As hospital divestment occurred over a period of years, agreement with the then Department of Finance was reached on a case by case basis. Although similar processes were used for each hospital, there is no single date on which the arrangements took effect.

On divestment, each hospital's appropriation was transferred to other program (administered items) and departmental running cost appropriations after agreement with the Department of Finance. At that time, activities were identified and decisions made on whether they should be funded from running costs or program. The transfers reflected these decisions.

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DVA QUESTION 7: Information regarding 165 people

SENATOR SCHACHT (Written question on notice)

Question

Given that it is apparently too difficult to check the employment details of 165 people,

- a) What is the name of each of the 165?
- b) In what capacity is each engaged?
- c) Which of the 165 perform functions once the responsibility of Repatriation hospitals prior to sale/transfer?

Answer

- a) While this information is available, it would be inconsistent with privacy principles to provide names in a public forum without the permission of individuals concerned.
- b) The role of these contractors is to provide independent professional advice to the Department on both proposed treatment regimes and general clinical health care matters under consideration by the Department.
- c) None of the sessional contractors is performing functions "once the responsibility of Repatriation hospitals prior to sale/transfer", ie, direct treatment of individual veterans.

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DVA QUESTION 8: Contracts of employment and Commission's powers

SENATOR SCHACHT (Written question on notice)

Question

- a) Were the contracts of employment for each of the 165 authorised by S181(5)?
- b) Were the Commission's powers to engage contractors ever formally delegated to DVA officers? If so, could a copy of the relevant Commission decision be provided? ** If not, did the Commission formally approve each employment contract? Can copies be provided?

Answer

- a) The relevant power of the Commission to engage persons to perform services for it is contained in S181(3)(d) of the Veterans' Entitlements Act, and the contracts were authorised in accordance this provision.
- b) This authority has been delegated to relevant DVA staff, nationally, under S213 (1) of the VEA. (See the attached instruments.)

<p>** Attachments supplied to the Committee are not included in the electronic version of the answer.</p>

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DVA QUESTION 9: Clauden P/L consultancy

SENATOR SCHACHT (Written question on notice)

Question

- a) For how many years has Clauden P/L been engaged by DVA/Repatriation Commission, and what has been the total payment made for each year?
- b) What is the purpose of the consultancy?
- c) As the contract has never been put to tender what is the 'Specialised' nature of he (sic) service that renders other consultants in the industry incapable of providing the same analysis or advice?
- d) What in kind costs such as office space are consumed by Clauden P/L?
- e) Has a formal contract existed for each year of Claudin's (sic) engagement, and what is the term of the current contract?

Answer

- (a) From 1993 until present.

1993/1994 –	\$154,273.80
1994/1995 –	\$154,946.60
1995/1996 –	\$101,325.50
1996/1997 –	\$218,103.00
1997/1998 –	\$132,993.75
1998/1999 –	\$299,703.75
1999 – 3 Feb 00	\$414,480.97

The figure for 1997/98 includes \$86,025 paid to Ballyteague Pty Ltd, which has the same principal as Clauden Pty Ltd.

- (b) Clauden Pty Ltd has been engaged to provide a range of services to the Department, the common theme being problem definition, advising on options for resolution, and assisting with project management associated mainly with tendering and contracting requirements for which precedent was lacking. The particular skills, experience and knowledge of the persons whose services were offered by Clauden Pty

Ltd were recognised in the first consultancy that was entered into by the Department in 1993.

The consultancies entered into with Clauden Pty Ltd include providing advice on major project management and outsourcing projects at a time when the Department had little experience and in-house skills in these areas.

DVA was the first Commonwealth agency to outsource IT functions and Clauden Pty Ltd provided significant assistance in developing a precedent approach that has been subsequently followed by most Commonwealth agencies.

The particular skills, experience and knowledge of the persons whose services were offered by Clauden Pty Ltd were also extremely relevant to assisting in the preparation of the tendering processes for the sale of the Repatriation Commission Hospitals, in particular, developing contract methodology and market testing on health services issues.

(c) See answer to (b). It should also be noted that Clauden Pty Ltd signed a formal contract with DoFA under their CTC Standing Offer Arrangements on 16 February 1998 and was on its panel of project managers prior to the date of signing the current contract with the Department.

DoFA negotiated 'standing offers' with a number of consultants where each contractor made an offer to supply listed services at stated levels. A full tender process was undertaken by DoFA. Accordingly, agencies then had only to make a pro-forma order invoking the standing offer to create a contract; the tender process had already been done.

(d) Representatives of the consultant company have an office made available to them in Canberra and work stations/ meeting rooms made available in State Offices on an 'as required' basis.

(e) As stated above, the consultancy services obtained from Clauden Pty Ltd have been for a variety of tasks over a lengthy period of time. Some of these services were performed pursuant to "standing offers" which predated the establishment by DoFA of the above Panel. Others have been performed under the DoFA arrangement.

Currently, DVA has orders against the "standing offer" accepted by DoFA for consultancy work by Clauden Pty Ltd until August 2000.

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OUTCOME 3
Output Group 3.1

DVA QUESTION 4: Anzac ceremonies—85th celebrations for Anzac Cove

SENATOR SCHACHT (Hansard page 17)

Question

Can you give me any information as to who else will be attending as part of the official party, with the Prime Minister, in view of the fact that this is an important ceremony?

Answer

The composition of the official party is currently being considered by the Government.