The Auditor-General
Audit Report No.54 2004–05
Performance Audit

Administration of Health Care Cards

Health Insurance Commission
Department of Health and Ageing
Centrelink
Department of Family and Community Services

Australian National Audit Office

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Australian National
Audit Office

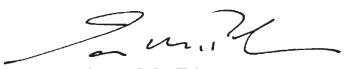
Canberra ACT
22 June 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Health Insurance Commission, Department of Health and Ageing, Centrelink and Department of Family and Community Services in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Administration of Health Care Cards.*

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely



Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Contents

Abbreviations

AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
BPA	Business Partnership Agreement
CEM	Concession Entitlement Manager
CEV	Concessional Entitlement Validation
CPI	Consumer Price Index
CRN	Customer Reference Number
CSC	Customer Service Centre
CSHC	Commonwealth Seniors Health Card
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DHS	Department of Human Services
FaCS	Department of Family and Community Services
FTB	Family Tax Benefit
GP	General Practitioner
HCC	Health Care Card
Health	Department of Health and Ageing
HIC	Health Insurance Commission
IRG	Interagency Reference Group
PBS	Pharmaceutical Benefits Scheme
PCC	Pensioner Concession Card
QOL	Quality On-Line
SIS	Service Integration Shop
SPA	Strategic Partnership Agreement

Glossary

Alliance 2004	The arrangement under which FaCS funds Centrelink to provide various services on its behalf, including the provision of Health Care Cards to individuals who claim low–income and/or foster child Health Care Cards and to recipients of social security payments for which FaCS has policy responsibility. Alliance 2004 includes a number of Business Frameworks that guide the overall arrangements. The FaCS/Centrelink relationship is currently under review.
Business Assurance Framework	Mechanisms through which FaCS assures itself concerning the reliance that can be placed on the accuracy of benefit payments made by Centrelink.
Carrier	The carrier is the document accompanying a Health Care Card when it is posted to a customer. The carrier can include information related to the benefits available to the card holder.
Claim-required Health Care Card	There are two types of claim-required Health Care Cards under legislation, the 'low-income Health Care Card' and the 'foster child Health Care Card'.
Concession Entitlement Manager (CEM)	The CEM system sources information it requires to make concession entitlement determinations and presents views of concession entitlements from existing Centrelink payments and cards systems. The CEM system commenced full operation in Centrelink in 2004.
Concessional Entitlement Validation Project	Part of a 2003–04 Budget initiative that aims to improve the accuracy of the entitlement validation of concession cards used under the PBS. Under this project, Centrelink and HIC have received funding to make changes to their systems and improve the reliability of the data they hold on concession card holders.
eValidation service	Service provided by Centrelink to State/local government and private providers of benefits to Health Care Card holders that allows such providers to confirm the current eligibility of card holders at the time of applying for benefits. This service is provided by electronic means.

Health Care Card—Auto Issue	Centrelink issues Health Care Cards automatically to customers after a successful application for certain Centrelink benefits (for example, Sickness Allowance and Newstart Allowance).
Medicare Safety Net	The Medicare Safety Net covers 80 per cent of out-of-pocket medical costs (that is, the difference between the Medicare benefit and the fee charged by the doctor) for all out of hospital services. Once the relevant threshold is reached or exceeded, patients will receive a Medicare benefit that comprises the existing Medicare benefit plus an additional Safety Net benefit amount of 80 per cent of the difference between the existing benefit and the amount charged by the doctor. For Health Care Card holders, the threshold is $306.90 (compared to $716.10 for non-concessional claimants).
PBS Online	PBS Online is a new initiative that will allow pharmacists to carry out eligibility checking electronically before they dispense/supply. This initiative is currently under trial.
PBS Safety Net	When a Health Care Card holder and their family have a record of spending $239.20 (52 prescriptions) on PBS medicines in a calendar year, they may ask for a Safety Net Entitlement Card. This entitles the card holder to further PBS medicines free of charge for the rest of the financial year.
Quality On-Line (QOL)	Centrelink's on-line quality assurance tool, where either five per cent or 100 per cent of a Customer Service Officer's work, depending on their experience, is referred to a qualified officer, who checks for accuracy.
Random Sample Reviews	These are a point in time analysis of customer circumstances designed to establish whether the customer is being correctly paid in accordance with the Business Assurance Framework.
Scripts	The term given for the facility in the Centrelink computer system that assists Customer Service Officers provide a tailored letter for a client who requires confirmation of their Health Care Card status.

Summary and Recommendations

Summary

Background

1. A Health Care Card (HCC) is one of three types of concession cards issued by Centrelink for the Australian Government. The other two cards are the Pensioner Concession Card and the Commonwealth Seniors Health Card. Until recently, the main Australian Government benefit available to HCC holders has been access to prescription medicines available under the Pharmaceutical Benefits Scheme (PBS) at a cheaper rate. HCC holders, and holders of other Centrelink concession cards, can obtain medicines under the PBS at the subsidised rate of $4.60[1] and subsequently free of charge when they reach the PBS Safety Net.[2]

2. Pharmacists submit claims to the Health Insurance Commission (HIC) for reimbursement for the costs of supply of subsidised medicines under the PBS to concession card holders. HIC does not compile data that readily shows the cost to the Australian Government of the PBS subsidy that is provided to HCC holders. However, HIC advised the ANAO that some $5 billion in total was paid in PBS benefits in 2003–04 and that around $4 billion, or some 80 per cent, of this related to PBS subsidies provided to Australian Government concession card holders and their dependants.

3. In 2004, the Australian Government introduced a number of changes under Medicare that had the effect of providing additional benefits to a range of groups including HCC holders. Under the extended Medicare Safety Net, Medicare will continue to pay the 85 per cent rebate of the schedule fee. However, once an individual or registered family reaches a set threshold[3] in a calendar year, Medicare will also cover 80 per cent of all the individual's or family's out-of-pocket costs for out-of-hospital Medicare Benefit Schedule services for the rest of that calendar year.[4] The Australian Government also introduced in 2004 incentives for general practitioners to bulk-bill Medicare for services provided to Australian Government concession card holders (or their

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1 People who do not qualify for Centrelink concession cards pay the General Patient rate of $28.60. The Health Insurance Commission adjusts these rates annually, in line with the Consumer Price Index (CPI).

2 When a HCC holder and their family have a record of spending $239.20 (52 prescriptions) on PBS medicines in a calendar year, they may ask for a Safety Net Entitlement Card. This entitles the card holder to further PBS medicines free for the rest of the year.

3 For HCC holders, the current threshold is $306.90 (compared to $716.10 for non-concessional claimants). However, on 14 April 2005, the Prime Minister announced the Government's intention to increase the threshold for low income earners, including concession card holders, to $500 and for all other people the threshold will increase to $1 000.

4 Holders of all Commonwealth concession cards and recipients of Family Tax Benefit Part A are eligible for Medicare Safety Net benefits once the concessional threshold of $306.90 is reached.

dependants) and all children under 16 years of age. This incentive is currently either $5.10 or $7.65 per visit depending on location.

Audit approach

4. Fieldwork for this audit was primarily undertaken during the period February 2004 to April 2004. During this period, Centrelink was undertaking considerable changes to its administration processes for concession cards and HIC and Centrelink were working together on implementing the PBS Concessional Entitlement Validation project.[5] The ANAO updated its knowledge of agencies' progress in implementing these changes in August 2004.

5. ANAO delayed finalisation of this audit for two months at the request of HIC. HIC made this request in November 2004, following the October 2004 machinery of government changes, to allow the agency time to clarify the impact of these changes, and the establishment of the new Human Services Portfolio and Department, on the administration of HCCs. However, in the event, no significant further information was provided to the ANAO.

6. Centrelink administers HCCs, and HIC administers both the PBS and Medicare, under which concessions are provided to HCC holders. At the time of audit fieldwork, the Department of Family and Community Services (FaCS) had policy responsibility for all HCCs issued by Centrelink while the Department of Health and Ageing (Health) had policy responsibility for the PBS and Medicare.[6] Accordingly, the objectives of the audit were to assess:

- the effectiveness of whole of government approaches to administering HCCs by FaCS, Centrelink, Health and HIC;
- the adequacy of performance information relating to HCCs, including monitoring the use of the card and its budgetary impact, as well as the cost of administering HCCs; and

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5 Part of a 2003–04 Budget initiative of Health, *PBS—Improved Entitlement Validation of Concession Cards*, that aims to improve the accuracy of entitlement validation of concession cards used under the PBS.

6 On 22 October 2004, the Prime Minister announced machinery of government changes affecting, among other things, the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the FaCS Portfolio and, while it had agreements in place with other agencies, such as the Department of Employment and Workplace Relations (DEWR) and the Department of Education, Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS. Until 22 October 2004, HIC was located in the Health and Ageing Portfolio. As a result of the changes announced by the Prime Minister, both Centrelink and HIC are now part of the newly established Human Services Portfolio. In addition, DEWR now has policy responsibility for the delivery of working age income support payments and programs, and DEST has policy responsibility for income support payments for students. However, FaCS retained policy responsibility for all concession cards, including HCCs.

- the effectiveness of controls relating to the issue, maintenance and cancellation of the HCC, and to limit its incorrect or fraudulent use.

7. No significant changes have been made to policy regarding HCCs or the arrangements for the administration of HCCs following the October 2004 machinery of government changes.

8. As the principal cost to the Australian Government associated with the use of HCCs is related to the additional subsidies provided to card holders under the PBS, the major focus of this audit was on the controls around the provision, maintenance and cancellation of HCCs and the use of HCCs in obtaining access to subsidised medicines under the PBS. In response to the section 19 proposed report, FaCS noted that, while the focus of the audit was HCCs, the Pensioner Concession Card and the Commonwealth Seniors Health Card have a similar purpose that is to provide access to cheaper medicines and certain Medicare services. FaCS advised that it welcomed the report's recommendations and will consider their application with respect to these other cards.

Key findings

Administration of Health Care Cards (Chapter 2)

9. Four agencies had a major involvement in the administration of HCCs and related Australian Government benefits at the time of fieldwork for this audit. These agencies were Centrelink, FaCS, HIC and Health. Their key responsibilities are set out below:

- FaCS is responsible for policy relating to eligibility for HCCs. It funds the administration of HCCs by Centrelink.[7] Three categories of HCCs are involved, low-income[8] and foster child[9] HCCs as well as HCCs automatically issued to recipients of income security payments.
- Centrelink issues HCCs to customers who meet eligibility requirements and provides data on HCC holders to HIC to allow it to determine eligibility to additional PBS (and Medicare) subsidies.
- Health is responsible for policy relating to the PBS and Medicare (including the additional subsidy under the PBS available to HCC holders and access to additional Medicare benefits). Health also funds the benefits provided by HIC under the PBS and Medicare.

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7 Subsequent to the machinery of government changes, DEWR is responsible for funding HCC administration associated with the working age income support payments transferred to it from FaCS.

8 Low-income HCCs are available, on application to people who meet relevant means test requirements.

9 Foster children are also entitled to a HCC, on application, regardless of the income of the family looking after them.

- HIC administers HCC holders' access to additional subsidy under the PBS and additional Medicare benefits. HIC receives directly appropriations to fund this work.

10. The ANAO considers that the operational functions of the four agencies were clear and well understood concerning issuing HCCs, and their use to obtain subsidised access to the PBS and certain additional Medicare benefits.

11. Bilateral arrangements that specify roles and responsibilities in relation to HCCs exist between FaCS and Centrelink, and between Health and HIC. These bilateral arrangements allow for a clear separation of administrative responsibilities. However, there are some weaknesses in them. For example, Health and HIC only consider HCCs as part of the general group of Australian Government concession cards and cannot separately identify the costs of HCCs or the differing risks associated with this category of concession card to inform policy development and program management.

12. Recently, steps have been undertaken to improve management arrangements for the provision of concession entitlement data to HIC by Centrelink. In particular, the agencies have an Exchange of Letters in place outlining responsibilities and expectations of each agency for the exchange of concessional information. It is important that the agencies also address the quality of data to be provided to HIC by Centrelink.

13. In addition, there is an agreement between Health and Centrelink that makes appropriate arrangements for managing the PBS Concessional Entitlement Validation Project, including oversight by an Interagency Reference Group. However, this agreement does not cover the longer-term issues relating to the oversight of the issue and use of HCCs, and the cost of subsidies that card holders and their dependants receive.

14. The ANAO considers that, to better inform future policy development and program management, there would be benefit in Centrelink, HIC, FaCS, Health, the Department of Human Services (DHS) and other relevant agencies enhancing their coordination of the delivery of the HCC and other Centrelink concession card programs. This could include an interagency committee or forum that oversights the complete management process associated with HCCs, from their issue by Centrelink to their impact on the Federal Budget through the level of subsidies paid by HIC under the PBS and through aspects of Medicare.

Performance information and costing Health Care Cards (Chapter 3)

15. The ANAO found that little performance information is compiled relating to HCCs, either by FaCS/Centrelink or Health/HIC. For example, Centrelink collects some limited performance information in relation to one

group of HCCs (low-income HCCs), which it provides to FaCS under the relevant bilateral agreement and reports in the agency's annual report. However, Centrelink does not collect and/or report any performance information in relation to either foster child HCCs, automatic issue HCCs or administrative activities such as providing HCC holders with letters confirming entitlement.

16. In particular, the cost of additional subsidies provided to HCC holders under the PBS and Medicare, as distinct from the costs relating to the total population of Australian concession card holders, is not known or reported. The HIC neither collects nor reports any information that relates specifically to these subsidies provided to HCC holders or their dependants because both HIC and Health treat all three categories of Australian Government concession cards as comprising a single component of both the PBS and of Medicare.

17. However, the eligibility requirements and the risk profile for HCC holders vary considerably from other Australian Government concession cards. Proper identification of the costs associated with HCCs would allow for analysis of trends over time, and would promote more in-depth analysis of factors affecting costs incurred by HIC and Centrelink.

18. Collection and analysis of such cost information specifically relating to the impact of the issue and use of HCCs on Australian Government outlays would also support decision-making in relation to future policy development to meet the Government's policy objectives. In addition it could inform the formulation of risk management approaches and general administration. Reporting of relevant information in agencies' annual reports would also improve accountability, through improved transparency to the Parliament of the HCC program.

19. FaCS has advised the ANAO that information on the actual cost of subsidies/benefits provided to each type of concession card holder, including HCC holders and their dependants, would allow greater accuracy in costing new policy proposals in the various portfolios, as it is possible that there is a different pattern of usage for each of the cards in relation to the various subsidies/benefits.

20. Consistent with the approach of costing HCCs separately from the other concession cards, the ANAO considers that there would be benefit in relevant agencies also collecting and reporting other appropriate performance information on HCCs as a single program.

21. To support such an approach to performance monitoring and reporting, Centrelink should collect and present performance information related to all types of HCCs (not just low-income HCCs). In addition, HIC should collect and report information on the subsidies provided to HCC holders and their dependants under both the PBS and Medicare, as separate

from the total level of subsidies provided to holders of all Australian Government concession cards.

22. Given the current lack of performance information that specifically relates to HCCs, there are risks that there will be an absence of firm data to guide the strategic direction and overall management of HCCs. The need for coordinated management of HCCs is particularly important in light of recent policy changes that have increased the Australian Government outlays associated with them.[10]

Controls related to the issue and use of Health Care Cards (Chapter 4)

23. The risks associated with the issue and use of HCCs have been broadly recognised by Centrelink and HIC for many years. The key aspect of weakness in controls over subsidy payments for the PBS is starting to be addressed, although at this time the weaknesses have not yet been overcome.

24. The ANAO found that Centrelink has a number of controls in place relating to HCC matters that are similar to the controls that Centrelink applies to all its benefit payments. However, the ANAO considers that the controls relating to cancellation of HCCs could be improved. Some 25 percent of all HCCs are cancelled by Centrelink before they expire. A large proportion of these cancellations occur because a person ceases to be eligible for the primary Centrelink benefit that provided their entitlement to an automatically issued HCC. The letter Centrelink sends to a customer informing them that their HCC is cancelled does not inform the customer that it would be illegal to continue to use the card after the date their eligibility ceases, or that electronic validation processes exist that may detect use after that date.

25. FaCS' Random Sample Reviews[11] are a crucial element of its quality assurance processes, designed to establish whether the customer is being paid correctly. However, these reviews do not assess the correctness of Centrelink's issue, reissue or cancellation of HCCs, or, therefore, the correctness of Centrelink's decisions about customers' eligibility for HCCs. The ANAO considers that there would be benefit in FaCS reassessing the extent of checking undertaken in relation to HCCs as part of these reviews, or via an alternative quality assurance mechanism. Such an assessment should consider

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[10] Specifically, the enhanced Medicare Safety Net, for which a significantly lower threshold applies for HCC holders as opposed to other users of Medicare, and bulk billing incentives for doctors in respect of HCC holders and other eligible individuals.

[11] Random Sample Reviews are a point in time analysis of customer circumstances designed to establish whether the customer is being correctly paid in accordance with the FaCS/Centrelink Business Assurance Framework.

all costs incurred by the Australian Government in providing benefits to HCC holders, including those incurred by HIC.

26. HIC has indicated that, prior to about 2000, it had only been able to successfully relate 80 per cent of concession entitlement records provided to it by Centrelink to HIC Medicare Number records. Due to this and other data transfer problems, HIC advised that it had not previously considered the data provided by Centrelink to be sufficiently reliable to enforce the non-payment of PBS subsidies to pharmacists who provided medicines at the HCC concessional rate to people not entitled to this concession. This represents a significant weakness in controls that has endured to the present time. On the basis of information provided by HIC, the cost to the Australian Government because of these control weaknesses in relation to HCCs and other Australian Government concession cards may have been up to $78 million per annum.

27. In recent years Centrelink has been improving the accuracy of the data it provides to HIC, with the number of Centrelink records that HIC has been able to successfully relate to Medicare Numbers rising to over 96 per cent. Further, the introduction in 2004 of the new Concession Entitlement Manager system[12] has enabled Centrelink to identify a large number of people who had previously been receiving HCCs even though they were not entitled to them and to take action to address this.

28. The PBS Online initiative is the major project being implemented by HIC to improve its controls related to the payment of PBS subsidies to holders of Australian Government concession cards, including HCCs. PBS Online allows pharmacists to carry out eligibility checking electronically before they dispense/supply. PBS Online has been trialled and HIC is currently addressing some performance issues with a view to rolling out PBS Online to pharmacies from 1 July 2005. The ANAO notes that it is intended that pharmacists' participation in PBS Online will be optional. Accordingly, it is important that effective alternative control mechanisms are also put in place in regard to pharmacies that do not choose to participate in PBS Online.

29. The ANAO considers that it is important that strengthened control arrangements, scheduled to be introduced as part of the Concessional Entitlement Validation Budget measure and the PBS Online initiative, be introduced as a matter of priority.

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[12] The Concession Entitlement Manager system is an information technology system designed to improve the quality of the data Centrelink holds relating to concession cards. It therefore aims to assist Centrelink to improve concession entitlement determinations. The Concession Entitlement Manager system commenced full operation in 2004.

Recent Medicare initiatives affecting Health Care Cards (Chapter 5)

30. Controls over additional bulk-billing payments to medical practitioners, including in respect of patients who are HCC holders, have included the provision of educational material to the practitioners explaining the requirements for bulk-billing claims, and also post-payment monitoring by HIC to check whether the patient was eligible at the time of service. The ANAO considers that these controls are generally stronger than those applying to the PBS, mainly because PBS post-payment monitoring is not as effective.

31. HIC also introduced a pre-payment check for patient eligibility on 15 November 2004. This process was suspended in early December 2004 due to concerns from general practitioners that some eligible claims were being incorrectly rejected. Doctors were particularly concerned that some claims were being incorrectly rejected despite the patient showing them what appeared to be a valid concession card. From 4 December 2004, post-payment checking of the validity of claims has continued with pre-payment warning notices appearing on benefit statements to notify doctors of possible non-valid concessions.

32. The ANAO notes that, similar to the situation facing pharmacists dispensing PBS medicines, the patient may have presented a HCC to the medical practitioner on which there is an expiry date that has not yet been reached but the data available to HIC may indicate that the patient does not have a concessional entitlement. HIC proposes to check these specific instances with Centrelink.

33. The ANAO considers that the difficulties thus far encountered in making these pre-payment checking processes work supports the view that it is important that data integrity be improved. HIC intends to continue to work with Centrelink to improve the integrity and reliability of concessional data matching. In the longer term, HIC proposes to include entitlement checking as part of a proposed electronic payment arrangement with medical practitioners.

Overall audit conclusion

34. Operational functions of Centrelink, FaCS, Health and HIC in respect of HCCs are clear and well understood. There are bilateral arrangements between FaCS and Centrelink, and between Health and HIC, that allow for a clear separation of administrative responsibilities. However, existing arrangements do not consider the issue and use of HCCs in a fully integrated manner.

35. To better inform future policy development and program management, there would be benefit in Centrelink, HIC, FaCS, Health, DHS, and other relevant agencies, enhancing their coordination of the delivery of the HCC program. This could include the establishment of an interagency committee or forum that oversights the complete management process associated with

HCCs, and considers the full impact of HCCs on the Federal Budget, including PBS and Medicare program costs, and administration costs.

36. Little performance information is currently compiled relating to HCCs. Collection and analysis of performance information specifically relating to the impact of the issue and use of HCCs on Australian Government outlays would support decision-making in relation to future policy development to meet the Government's policy objectives. In addition it could inform the formulation of risk management approaches and general administration. Reporting of relevant aspects of this information in agencies' annual reports would also improve accountability, through improved transparency to the Parliament of the HCC program.

37. Given the current lack of performance information that specifically relates to HCCs, there are risks that there will be an absence of firm data to guide the strategic direction and overall management of HCCs. The need for effective management of HCCs is particularly important in light of recent policy changes that have increased the Australian Government outlays associated with them.

38. Over the past two years there have been concerted efforts to improve the quality of concession eligibility data provided by Centrelink to HIC. While these measures have improved the quality of data provided to HIC, there remain doubts as to whether the data is sufficiently accurate to be used as part of electronic eligibility checking and payment arrangements proposed for HIC. Manual interventions are still required for the level of eligibility matches to reach a satisfactory level. The ANAO concludes that despite recent improvements, there are still control weaknesses in relation to the provision of concessions to HCC holders under the PBS.

39. The ANAO considers that all agencies concerned should continue with their efforts that support improved controls. Together, the Concessional Entitlement Validation Budget Measure and the PBS Online initiative provide an opportunity to put effective controls in place. However, these initiatives are still in the process of implementation. Once implementation is completed, it will be important for agencies to establish that the anticipated effectiveness of the controls to be provided by these initiatives has been delivered. If not, then further mechanisms may be necessary to deliver effective controls.

Recommendations

40. The ANAO made six recommendations to improve the administration of HCCs and related subsidy payments made by HIC. Six agencies responded to relevant recommendations—Centrelink, HIC, FaCS, Health, DEWR and DEST.

41. Centrelink agreed with all recommendations relevant to the agency. HIC agreed with all of Recommendation No.s 1, 5 and 6, although HIC's agreement to Recommendation No.1 was with qualification. HIC also agreed with Recommendation No.2 in so far as it was relevant to the agency, noting that part (c) of this recommendation was not applicable to the HIC as were Recommendation No.s 3 and 4.

42. FaCS and Health agreed with all recommendations, although Health's agreement to Recommendation No.1 was with qualification as was FaCS' agreement to Recommendation No.4. DEWR agreed with Recommendations No.s 1, 2, 3 and 4. The Department had no comment on Recommendation No.s 5 and 6. DEST specifically agreed with Recommendation No.s 3 and 4 but also indicated support for the report's remaining recommendations.

Responses

43. Each agency's summary response to the audit findings is presented below. DEWR did not provide such an overall summary response.

Centrelink

Centrelink notes ANAO's view that there would be benefit in all parties involved in policy development and program management of Health Care and other Centrelink concession cards enhancing their coordination of these activities. Centrelink welcomes the opportunity to work more closely with other stakeholders in this respect and considers the new Department of Human Services as being well placed to lead this process from the service delivery perspective.

HIC

HIC welcomes the assurance provided by the ANAO that the operational functions of the agencies involved with HCCs are clear and well understood and that the bilateral arrangements between HIC and the Department of Health and Ageing allows for a clear separation of administrative responsibilities.

FaCS

FaCS acknowledges the recommendations of the audit of the Administration of Health Care Cards and will consider their application with respect to the administration of all concession cards.

Health

Overall, the Department is generally supportive of the report and its recommendations. The Department has provided specific comments, including some qualifications, against each of the recommendations.

DEST

DEST agrees with the audit report's overall findings and supports its recommendations that aim to improve the administration and quality assurance of HCC arrangements through consideration of enhanced performance information and improved controls relating to the issue and use of HCCs.

Recommendations

Recommendation No.1 Para 3.11

The ANAO recommends that those Australian Government agencies responsible for various aspects of policy and administration relating to Health Care Cards collect and report appropriate performance information relating to the Health Care Card program to inform decision-making in the context of future policy development and to inform the formulation of appropriate risk management approaches and service delivery strategies.

Centrelink, FaCS and DEWR responses: Agreed.[13]

Health and HIC responses: Agreed with qualification.

Recommendation No.2 Para 3.40

The ANAO recommends that:

(a) the Health Insurance Commission establishes mechanisms to measure the annual cost of providing Medicare Safety Net payments, Pharmaceutical Benefits Scheme subsidies, and Medicare bulk-billing incentives to doctors, in respect of Health Care Card holders and their dependants;

(b) the Health Insurance Commission establishes processes to allow for robust estimates to be made periodically of the cost to the agency of the administration associated with providing Medicare and Pharmaceutical Benefits Scheme benefits to Health Care Card holders and their dependants; and

(c) Centrelink establishes processes to allow for robust estimates to be made periodically of the costs of the administration of Health Care Cards (including the costs associated with customers seeking evidence confirming their entitlement to a Health Care Card in order to obtain benefits from State/Territory and/or local government agencies).

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[13] In some instances, agencies used the term 'supported' rather than 'agreed' to recommendations. The ANAO has reported all such responses as 'agreed'. While these terms are similar, Health in particular considered that 'agreed' related to those recommendations that required the agency to take action, while 'supported' was used for recommendations that were indirectly of interest to the agency but did not require it to take actions. Health considered that 'supported' or 'supported with qualification' was therefore the appropriate response for the department to all six recommendations in this report.

Centrelink response: (a) not applicable, (b) not applicable, (c) agreed.

HIC response: (a) agreed with qualification, (b) agreed with qualification, (c) not applicable.

FaCS, Health and DEWR responses: Agreed.

Recommendation No.3 Para 4.16

The ANAO recommends that Centrelink, in consultation with relevant policy departments, review the advice provided to customers relating to cancelled Health Care Cards, with the objective of reducing the likelihood that cancelled cards will continue to be used after the customer has been advised to destroy the card.

Centrelink, FACS, Health, DEWR and DEST responses: Agreed.

HIC response: Not applicable.

Recommendation No.4 Para 4.36

The ANAO recommends that the Department of Family and Community Services and Centrelink, in consultation with the Department of Employment and Workplace Relations and the Department of Education, Science and Training where appropriate, establish quality assurance processes for Health Care Card entitlement assessment that identify the number of incorrect entitlement assessments and incorrectly issued cards, and the number of entitlements not cancelled appropriately.

FaCS response: Agreed with qualification.

Centrelink, Health, DEWR and DEST response: Agreed.

HIC response: Not applicable.

Recommendation No.5 Para 4.68

To facilitate the planned implementation of processes whereby pharmacists can check a customer's entitlement to the concessional level of subsidy under the PBS Online initiative, the ANAO recommends that Centrelink, the Health Insurance Commission and relevant policy departments jointly investigate and implement a cost-effective and timely means by which concessional data integrity can be assured.

Centrelink, FaCS, HIC and Health responses: Agreed.

Recommendation No.6 Para 4.85

To improve and strengthen controls over the payments to pharmacists in respect of medicines provided at the concessional PBS rate to customers presenting Health Care Cards, the ANAO recommends that, as a matter of priority, the Department of Health and Ageing and the Health Insurance Commission progressively introduce arrangements, including measures proposed as part of the Concessional Entitlement Validation 2003–04 Budget Measure and the PBS Online initiative, that would provide effective controls over these payments.

Health, HIC and FaCS responses: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides background information on the administration of Health Care Cards, explains the audit approach and describes the structure of the report.

Background

1.1 Health Care Cards (HCCs) are one of three categories of Australian Government concession cards issued by Centrelink. The other two categories are Pensioner Concession Cards (PCCs), and Commonwealth Seniors Health Cards (CSHCs).[14]

1.2 Health Care Cards (HCCs) are issued to eligible people to provide them with access to:

- certain prescriptions for medicines at a cheaper rate;
- reduced thresholds for the Medicare Safety Net; and
- bulk-billed medical services (at the discretion of the doctor).

1.3 HCC holders also have access to other concessions provided by State governments, local governments and other providers. The range of such concessions available to HCC holders varies according to card type and differs from State to State.[15]

1.4 Until recently, the main Australian Government benefit available to HCCs has been access to prescription medicines available under the Pharmaceutical Benefits Scheme (PBS) at a cheaper rate. HCC holders, and holders of other Australian Government concession cards, can obtain medicines under the PBS at the subsidised rate of $4.60[16] and subsequently free of charge when they reach the PBS Safety Net.[17] HIC does not compile data that readily shows the cost to the Australian Government of the PBS subsidy that is provided to HCC holders. However, in 2003–04, HIC indicated that $5 058 million in total was paid in PBS benefits and that $4 023 million, or some 80 per cent, of this related to PBS subsidies provided to Australian Government concession card holders and their dependants.

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[14] All Centrelink concession cards have differing eligibility criteria, as well as differences in the durations of issue.

[15] Department of Family and Community Services, *Annual Report 2003–04*, Output Group 2.2: Community Support.

[16] People who do not qualify for Centrelink concession cards pay the General Patient rate of $28.60. HIC adjusts these rates annually, in line with the Consumer Price Index (CPI).

[17] When a HCC holder and their family have a record of spending $239.20 (52 prescriptions) on PBS medicines in a calendar year, they may ask for a Safety Net Entitlement Card. This entitles the card holder to further PBS medicines free for the rest of the year.

1.5 In 2004, the Australian Government introduced a number of changes to Medicare that have increased the range of Australian Government benefits available to HCC holders.

1.6 Under the Medicare Safety Net the Government covers 80 per cent of out-of-pocket medical costs (that is, the difference between the Medicare benefit and the fee charged by the doctor) for all out of hospital services. Once the relevant threshold is reached or exceeded, patients will receive a Medicare benefit that comprises the existing Medicare benefit plus an additional Safety Net benefit amount of 80 per cent of the difference between the existing benefit and the amount charged by the doctor. For Health Care Card holders the current threshold is $306.90 (compared to $716.10 for non-concessional claimants). However, on 14 April 2005, the Prime Minister announced the Government's intention to increase the threshold for low-income earners, including HCC holders, to $500 and the threshold for all other people to $1,000.

1.7 Medicare also now provides incentives for doctors to bulk-bill children under 16 years of age and people with an Australian Government concession card (which includes HCCs). This incentive is either $5.10 or $7.65 per visit depending on location (following indexation of Medicare Benefits Schedule Fees on 1 November 2004).[18]

Overview of administration of HCCs

1.8 At the time of fieldwork for the audit, four Australian Government agencies were responsible for either policy matters or administration of programs related to HCCs:

- the Department of Family and Community Services (FaCS);
- Centrelink;
- the Department of Health and Ageing (Health); and
- the Health Insurance Commission (HIC).

1.9 On 22 October 2004, the Prime Minister announced machinery of government changes that included the establishment of the Department of Human Services (DHS) in a new Human Services Portfolio within the broader Finance and Public Administration Portfolio. DHS was established to bring together for the first time six diverse agencies that in total administer payments and services worth $80 billion to the Australian community each year. These agencies include Centrelink and HIC.

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[18] Chapter 5 discusses the MedicarePlus and Strengthening Medicare initiatives in detail.

1.10 The October 2004 machinery of government changes also affected the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the Family and Community Services Portfolio and, while it had agreements in place with other agencies such as the Department of Employment and Workplace Relations (DEWR) and the Department of Education, Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS.[19]

1.11 As a result of the changes announced by the Prime Minister, not only is Centrelink now part of the newly established Human Services Portfolio but also policy responsibility for the delivery of working age income support payments and related benefits has been transferred to DEWR and policy responsibility for income support payments for students has been transferred to DEST. However, FaCS has retained policy responsibility for all concession cards, including HCCs.

1.12 Fieldwork for this audit was primarily undertaken during the period February 2004 to April 2004. Figure 1.1 shows the roles of the agencies related to the administration of HCCs as they were during fieldwork for the audit. It illustrates the connection between all agencies then involved in the issue and ongoing management of HCCs and the benefits provided by the Australian Government. Centrelink also undertakes administrative activity to assist with ongoing relationships with State/local government and private providers of benefits to HCC holders.[20]

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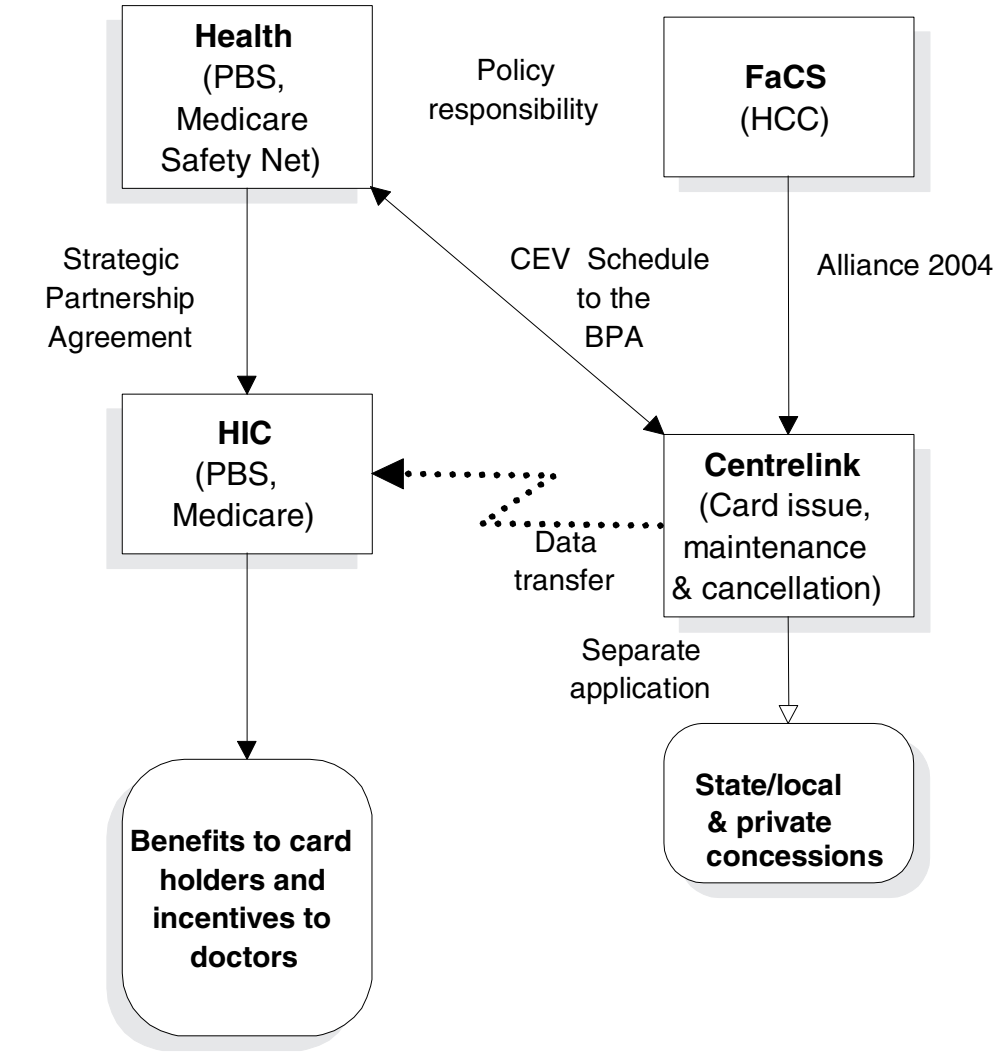
[19] Until October 2004, FaCS was Centrelink's major source of revenue, providing approximately 91 per cent of Centrelink's revenue in 2003–04. *Centrelink Annual Report 2003–04*, p.196.

[20] Centrelink liaises with such providers regarding its eValidation service that allows providers to confirm the current eligibility of card holders at the time of them applying for other benefits.

Figure 1.1

Administrative responsibility for concession cards (including HCCs) up until October 2004



Note: CEV is the Concessional Entitlement Validation project that HIC and Centrelink currently have underway. The BPA is the Business Partnership Agreement between Health and Centrelink.

Source: ANAO analysis.

1.13 Centrelink is primarily responsible for assessing an individual's eligibility for a HCC, including its issue, ongoing maintenance, and cancellation. As noted above, FaCS has been responsible for all policy on these matters.

1.14 Health provides policy and strategic guidance to HIC on the PBS and Medicare. HIC provides service delivery of these programs through making

sure that; entitlement exists, claims are correct, and reimbursements (payments) are accurate.

1.15 Centrelink issues HCCs automatically to customers after a successful application for certain Australian Government benefits (for example, Family Tax Benefit Part A at the maximum rate[21]) or by a separate application for a low-income HCC.[22] As at 16 April 2004, 2.4 million Centrelink customers and dependants were covered by HCCs.[23] The card holders were primarily receiving Newstart Allowance, Parenting Payment (partnered), Family Tax Benefit Part A at the maximum rate, low-income HCCs, Youth Allowance[24], or Carer Allowance. There also exists a claimable foster child HCC that is targeted at foster children.

1.16 As shown in Figure 1.2, HCCs display information on the card holder and the period of eligibility.

Figure 1.2

Sample of a Health Care Card

Source: Centrelink.

1.17 HCC holders present their card to a pharmacist when seeking to obtain medicines at the price applicable to Australian Government concession card holders ($4.60 until the Safety Net is reached). The pharmacist claims reimbursement of the remaining cost of the medicine from HIC.

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21 HCCs are issued to Centrelink's Maximum Rate Family Tax Benefit Part A customers who receive fortnightly payments.

22 In addition to being available to eligible students, the low-income HCC is available to anyone who meets the low-income HCC income test, including people on low incomes who do not receive income support.

23 Automatically issued cards accounted for 86 per cent of card holders and dependants, while the application required cards accounted for 14 per cent of recipients in April 2004.

24 Youth Allowance (jobseekers) receive an auto-issue card, while Youth Allowance (students) and Austudy recipients do not receive an auto-issue card, but are able to apply for the low-income HCC instead.

1.18 The cost to the Australian Government associated with HCC holders being provided with additional subsidies for their medicines falls to HIC, not Centrelink, the agency that issues the HCCs. Accordingly, it is important that Centrelink only issues HCCs to eligible customers, and that HIC only pays the additional subsidies related to HCCs when a valid HCC entitlement exists.

1.19 Health has estimated the total cost of PBS benefits provided by HIC in 2003–04 for all Australians at $5.1 billion.[25] In 2004, with the introduction of MedicarePlus, additional subsidies have been provided in relation to HCCs (with further associated costs to the Australian Government).[26] There are also costs accruing to State and local government agencies in respect of concessions provided by those agencies to HCC holders. These agencies also need to be able to make sure that they are only providing concessions to eligible people.

Previous audits and reports

1.20 In 1991, the ANAO undertook a joint review with the Department of Finance entitled *Review of Estimated Savings from Proposed System for Eligibility Checking*. This report found that savings from a proposed improved entitlement checking arrangement under the PBS would not be as large as had been anticipated. This report noted that there was a significantly higher rate of ineligible claims in the category of beneficiary that now receives HCCs, than for other concession cards.

1.21 In 1997, the House of Representatives Standing Committee on Family and Community Affairs published a report *Concessions: Who Benefits?* This report was prepared following a public inquiry and submissions, and made twenty-six recommendations. The majority of these recommendations related to the use of smart card technology, and improved administration of concession cards. In this report, the Committee recommended:

> the introduction of a single concession card for the Commonwealth and State/Territory concessions, titled the *Commonwealth Concession Card.* The Committee proposes that the *Commonwealth Concession Card* be issued in a smart card format.[27]

1.22 However, this has not occurred.

1.23 Several audits by the ANAO have covered major benefit programs administered by Centrelink and the steps before the issue of a HCC to an eligible recipient.[28] In April 2004, HIC completed an internal audit report on

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[25] Advice from Health, January 2005.

[26] See paragraph 1.5.

[27] *Concessions: Who Benefits?* Report on concession card availability and eligibility for concessions, October 1997, page xi.

[28] Refer to Appendix 1 for a list of audits.

PBS Safety Net Entitlements.[29] Relevant findings of these audits have been taken into account in developing this audit report. Centrelink has not carried out any internal audits on the agency's administration of HCCs.

Audit approach

1.24 The audit objectives were to assess:

- the effectiveness of whole of government approaches to administering HCCs by FaCS, Centrelink, Health and HIC;
- the adequacy of performance information relating to HCCs, including monitoring the use of the card and its budgetary impact, as well as the cost of administering HCCs; and
- the effectiveness of controls relating to the issue, maintenance and cancellation of the HCC, and to limit its incorrect or fraudulent use.

1.25 As the principal cost to the Australian Government associated with the use of HCCs relates to additional subsidies provided under the PBS, the majority of this audit was directed at the controls around the provision of HCCs and their use in obtaining access to subsidised medicines under the PBS.

1.26 The audit examined HCC administration broadly. It assessed the strategic management of the HCC, key administrative processes and key controls across the four agencies then responsible.

1.27 The audit assessed major elements of HCC issue, maintenance and cancellation, in particular, controls on eligibility. The ANAO examined the financial impact of the card on the PBS as well as whole of government issues surrounding the governance and operation of HCCs. In response to the section 19 proposed report, FaCS noted that, while the focus of the audit was HCCs, the Pensioner Concession Card and the Commonwealth Seniors Health Card have a similar purpose that is to provide access to cheaper medicines and certain Medicare services. FaCS advised that it welcomed the report's recommendations and will consider their application with respect to these other cards.

1.28 The audit did not examine Centrelink's processes for determining if a recipient would receive a primary benefit, for example Newstart, and therefore also receive a HCC.

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[29] HCC holders can obtain Safety Net cards that give them access to free medicines (see Chapter 5).

Audit methodology

1.29 The audit methodology included:

- interviews with managers from all stakeholder agencies in Canberra;
- interviews with managers and staff of Centrelink in the National Support Office in Canberra, Adelaide and Melbourne Area Offices, an Adelaide Call Centre and selected Customer Service Centres in Melbourne and Adelaide;
- observing live demonstrations of HCC processing (including low-income HCCs) both in a Centrelink Call Centre and in Customer Service Centres specialising in HCCs;
- observing claims processing in the national office of HIC;
- analysis of key agencies' documentation, files and Intranet;
- discussions with two State government stakeholders (in South Australia and Victoria); and
- undertaking analysis of data transferred by Centrelink to HIC for the purpose of allowing HIC to determine payments to pharmacists. This analysis was based on a 'point of time', that is, a specific nightly batch.

1.30 Fieldwork for the audit was primarily undertaken during the period February 2004 to April 2004 in all agencies. During this period, Centrelink was undertaking considerable changes to its administration processes for concession cards and HIC and Centrelink were working together on implementing the PBS Concessional Entitlement Validation project.[30] The ANAO updated its knowledge of agencies' progress in implementing these changes in August 2004.

1.31 In November 2004, HIC requested a two-month delay to the audit, to allow agencies to consider the impact of the machinery of government changes on the administration of HCCs, and inform the audit. The ANAO provided this extension to HIC and the other three Australian Government agencies, and incorporated their comments when finalising the report. However, in the event, little additional information was provided to the ANAO as a result of this extension of time.

1.32 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of some $490 000.

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[30] Part of a 2003–04 Budget initiative of Health, *PBS—Improved Entitlement Validation of Concession Cards*, that aims to improve the accuracy of entitlement validation of concession cards used under the PBS.

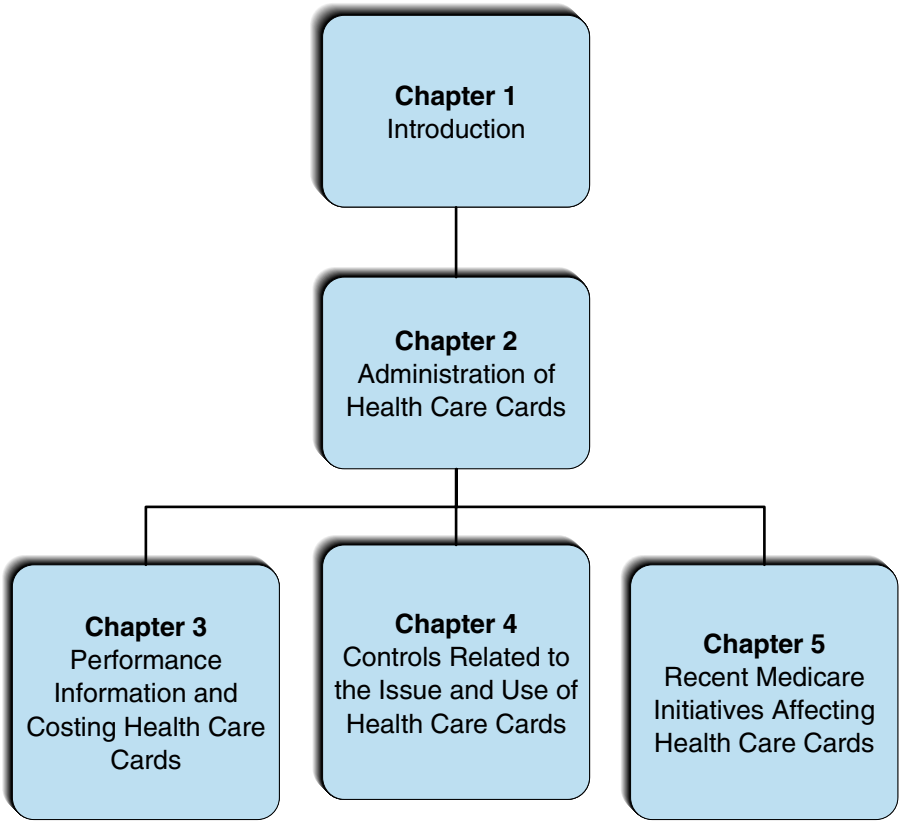
1.33 The ANAO engaged Pat Farrelly & Associates Pty Ltd to assist with the conduct of the audit.

Structure of report

1.34 Figure 1.3 outlines the report structure.

Figure 1.3

Report structure



Source: ANAO

2. Administration of Health Care Cards

This chapter focuses on arrangements for the administration of Health Care Cards by Australian Government agencies.

Introduction

2.1 Centrelink, in administering HCCs, and FaCS, in oversighting the HCC program, consider HCCs separately from other types of Australian Government concession cards. However, both HIC and Health, for the purposes of the PBS, do not differentiate between HCCs and other Australian Government concession cards. Accordingly, data on the nature and costs of the benefits provided specifically to HCC holders, as a distinct subset of the total population of Australian Government concession card holders, is not readily available.[31]

2.2 However, the HCC card holder population is significantly more volatile than the populations of holders of other concession cards issued by Centrelink (PCCs and CSHCs). HCCs are generally issued for shorter periods than other Australian Government concession cards.[32] The beneficiaries of HCCs are more likely to be subject to frequent changes in circumstances and, accordingly, are more likely to cease being eligible for a concession card before their card's expiry date. For example, a HCC holder on Newstart allowance may obtain employment and so cease to be eligible for Newstart Allowance and the associated HCC, even though the expiry date on the card is yet to be reached.[33]

2.3 For agencies to administer HCCs properly, and to inform their advice to the government on future strategies, it is important that they are able to ascertain the costs specifically associated with HCCs and to monitor those costs over time.

2.4 Figure 2.1 provides information relating to the number of people who were covered by HCCs in April 2004. This information shows that some 12 per cent of the Australian population were eligible at that time to receive additional subsidies under the PBS because they held a HCC or were a dependant of a HCC holder.

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31 That is, separable from information held on all Australian Government concession card beneficiaries.

32 HCCs are issued for shorter durations (for example, three or six months, as opposed to 12 months for PCCs and CSHCs) because many recipients are in the labour market, and their employment and income status can be highly changeable.

33 In this situation, Centrelink sends a letter to the person asking them to destroy the card. However, there are exceptions as the extension card provisions allow a Newstart customer on payment for 12 months or more, who leaves payment due to employment income, to be issued with an extension HCC for six months after leaving payment.

Figure 2.1

Comparison of key attributes of Australian Government concession cards as at 16 April 2004

Type of concession	Number of card holders	Number of dependants	Per cent of Australian population[1]	Length of initial issue[2,3]	Access to additional subsidy for PBS medicines[4]
Health Care Card – Auto Issue	1 186 557	922 516	10.4	Varies. Based on primary benefit term. For example: Newstart Allowance 12 weeks Carer Allowance 52 week	✓
Health Care Card – Claim-required	309 421	18 235	1.6	Low-income HCCs 26 weeks	✓
TOTAL Health Care Cards	**1 494 978**	**940 751**	12.0		
Pensioner Concession Card	3 176 102	1 147 549	21.4	12 months.	✓
Commonwealth Seniors Health Card	288 518	Not applicable	1.4	12 months.	✓

Source: FaCS, Superstar report: *Concession Cards* (including dependants).

Notes: (1) As at 9 December 2004, the Population Clock indicated that the Australian population was 20 214 058. Available from <http://www.abs.gov.au>.

(2) All cards are subject to ongoing eligibility testing.

(3) Renewal forms for low-income HCCs are sent to customers 48 days before card expiry and must be returned no later than 28 days before the card expires to continue eligibility.

(4) Current patient contribution under PBS for a HCC holder is $4.60 (once a HCC holder reaches the Safety Net threshold, medicines are free).

(5) There are two types of claim-required HCCs under legislation, the low-income HCC and the foster child HCC.

2.5 Figure 2.2 shows the number of HCCs that were issued, reissued and cancelled during 2003.[34] Of the total number of HCCs issued or reissued in 2003 (7 363 511), 25 per cent were cancelled in the course of the year and therefore should have subsequently been destroyed by the customer.

Figure 2.2

HCCs issued, reissued and cancelled in 2003

	Issued	Reissued	Cancelled
Automatic HCCs	1 121 513	5 459 453	1 520 491
Claim-required HCCs	323 219	459 326	323 347
Total	1 444 732	5 918 779	1 843 838

Source: Data provided by Centrelink (2004).

2.6 Accordingly, at different points during the year there was the potential for 1.8 million HCCs to be on issue that indicated a valid eligibility existed (in that the expiry date on the card had not yet been reached) when it did not. The issue period for an auto-issue HCC is 12 weeks. Thus, auto-issue HCCs would have between one day and 12 weeks left to go before the expiry date would be reached. The shorter period of eligibility for HCCs as compared to other Australian Government concession cards is a deliberate strategy to mitigate the risk of cards being used when the customer is no longer eligible.

2.7 State and local government agencies provide a number of concessions to certain members of the public where they use Australian Government concession cards, including HCCs, as the basis for establishing eligibility for a particular concession. The reason for this is principally that it enables the State and local governments to use Australian Government concession cards as the yardstick for who should receive concessional benefits and save themselves the expense of establishing their own income test benchmarks.

2.8 The ANAO considers that it is important that all public sector agencies providing benefits to Australian Government concession card holders have access to data that would enable them to determine whether eligibility exists, given that sole reliance on the information available on printed HCCs is problematic.

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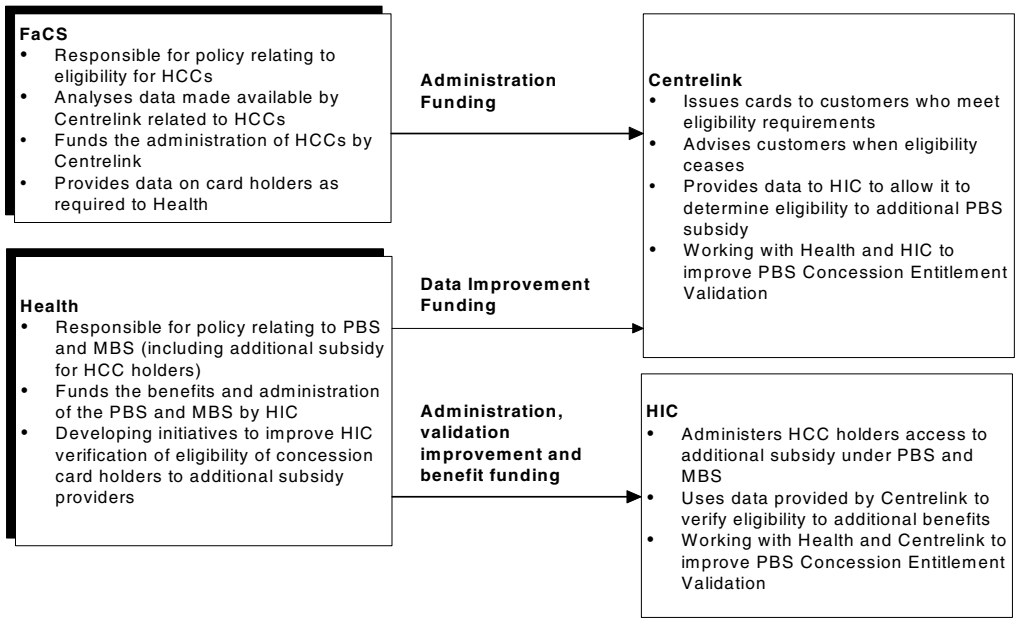
[34] The ANAO requested that Centrelink update the table using 2004 data. However, Centrelink advised that this could not easily be done, and would be very expensive.

Roles and responsibilities

2.9 Figure 2.3 summarises the main responsibilities of Australian Government agencies in administering the HCC during audit fieldwork.

Figure 2.3

Summary of responsibilities of Australian Government agencies[A]



Note: (A) This was the situation at the time of the audit, and does not take into account any changes that may occur following the machinery of government changes in October 2004.

Source: ANAO analysis.

Department of Family and Community Services

2.10 During fieldwork for this audit, FaCS was responsible for the policy relating to the provision of HCCs, including the determination of eligibility criteria. FaCS was also responsible for the policy relating to all of the primary benefits (for example Newstart) with which HCCs are provided automatically. FaCS remains a significant policy agency in relation to HCCs as it is responsible for both the low-income HCC, the HCC provided for foster children and the HCC provided to recipients of Family Tax Benefit Part A.[35]

[35] As explained in footnote No.7, subsequent to the machinery of government changes, DEWR is responsible for funding card administration associated with the many primary payments transferred to it from FaCS.

2.11 FaCS has in place an arrangement[36] whereby Centrelink undertakes the administration of the provision of HCCs and FaCS funds Centrelink to undertake this task. There is a close relationship between FaCS and Centrelink relating to the distribution of HCCs. FaCS considers the provision of HCCs as being a separate policy responsibility to that of PCCs or CSHCs, although the primary policy responsibility for all cards has rested within one area of FaCS.

2.12 FaCS provides Health with information related to HCC numbers and the number of card holder dependants on a monthly basis.

2.13 Centrelink has the role of administering the distribution of HCCs, both HCCs that are automatically provided alongside primary benefits and HCCs for which applications are required (low-income HCCs and HCCs for foster children). This involves taking steps to make sure that only eligible persons receive HCCs, advising customers when their eligibility ceases and informing the public of benefits available to holders of a HCC. Individual customers are responsible, under the relevant legislation, for advising Centrelink of changes in their circumstances that would affect their eligibility for a HCC (or the underlying benefit where applicable).

2.14 Centrelink administers HCCs independently of PCCs and CSHCs, although the oversight and management of matters related to the three cards are carried out in centralised areas. Centrelink undertakes its administration through a network of Customer Service Centres located throughout Australia, as well as a number of Call Centres. Centrelink also provides entitlement verification mechanisms on a fee for service basis to non-Australian government bodies that use HCCs as a basis for the provision of subsidised services (for example, rates and vehicle registration charges levied by State and Territory governments).

Department of Health and Ageing

2.15 Health has overall responsibility for policy relating to Medicare. The HCC plays a key role in providing card holders with access to a benefit that is part of Health's Outcome 2 Access to Medicare. The two strands of subsidised access to health care for which the HCC provides additional benefits are:

- drugs and medicinal preparations listed under the Schedule of Pharmaceutical Benefits; and
- medical and diagnostic services listed under the Medicare Benefits Schedule (Medicare).

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[36] The provisions relating to this arrangement are set out in the Alliance 2004 between FaCS and Centrelink. The FaCS/Centrelink relationship is currently under review.

2.16 The policy relating to the level of benefit that is available to holders of HCCs under the PBS and Medicare is the responsibility of Health. Health also funds HIC for benefits provided. HIC separately receives appropriations to fund the administration of both the PBS and Medicare.[37] In recent times, Health has also funded Centrelink to undertake improvements in the quality of data provided to HIC for entitlement validation purposes. From Health's perspective, there is no policy differentiation made between HCCs, PCCs and CSHCs. Under the PBS and Medicare, the same level of benefit is provided irrespective of which concession card is held.

Health Insurance Commission

2.17 HIC administers the provision of benefits in relation to HCCs under both the PBS and Medicare. In carrying out this responsibility, HIC has a close relationship with Health and receives certain data related to HCC eligibility from Centrelink. In the case of the PBS and Medicare, a large part of HIC's administration occurs in State-based processing centres. Pharmacists submit claims to HIC and if a customer has a HCC there is a specific level of subsidy provided by HIC to the pharmacist.

2.18 Given that the level of subsidy provided to a holder of a HCC is the same as that given to a holder of a PCC or a CSHC, HIC does not differentiate between these cards in its administration of the PBS and Medicare.

Arrangements that govern the relationships between FaCS, Centrelink, Health and HIC

2.19 In considering the formal agreements under which the four agencies interact, better practice standards provide that these agreements would include:

- the purpose of the agreement;
- the roles and responsibilities of each agency;
- funding arrangements;
- processes for managing risk;
- mechanisms for reporting performance and resolving disputes relating to performance; and

[37] With the introduction of the bulk-billing incentives for doctors and the Medicare Safety Net in 2004, HCCs have increased importance in relation to Medicare.

- the existence of an effective performance management framework.[38]

2.20 In the case of HCCs, it is important to remember that the four agencies have been required to work together to provide a series of benefits to holders of HCCs and their dependants. The Management Advisory Committee[39] has defined 'whole of government' in the Australian Public Service as:

> public service agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to particular issues. Approaches can be formal and informal. They can focus on policy development, program management and service delivery.

2.21 Based on this definition, the administration of HCCs by Centrelink and the provision of various PBS and Medicare benefits to HCC holders by HIC, constitute a whole of government matter. The recent machinery of government changes have only accentuated this situation with the introduction of DEWR and DEST as new players in the system. The agencies involved need to make sure that only eligible people have HCCs and are able to access concessional benefits under the PBS and Medicare. Accordingly, the ANAO has assessed the arrangements in place at the time of audit fieldwork, in terms of whether they provide for an integrated government response to HCC issues.

FaCS—Centrelink Alliance 2004

2.22 Alliance 2004 between FaCS and Centrelink governs the relationship between the two agencies. The Alliance requires Centrelink to provide eligible customers with concession cards.[40]

2.23 The Alliance sets out a number of Business Frameworks that guide the overall arrangements between FaCS and Centrelink. For example, there are frameworks relating to: Business Assurance; an Information protocol; and an Outcome and Outputs Framework. The details relating to specific services and performance measures are included in Output Plans.

2.24 The *Output Plan Community Support, Output Group 2.2*, gives priority to:

- FaCS and Centrelink implementing agreed recommendations of this ANAO audit of HCC administration;

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[38] These criteria are based on those used in ANAO Audit Report No.1 1999–2000, *Implementing Purchaser/Provider Arrangements between the Department of Health and Aged Care and Centrelink,* July 1999 and ANAO Audit Report No.46 2000–2001, *ATO Performance Reporting under the Outcomes and Outputs Framework,* June 2001.

[39] Management Advisory Committee, April 2004, *Connecting Government: Whole of Government Responses to Australia's Priority Challenges,* p. 1.

[40] The FaCS/Centrelink relationship is being reviewed to reflect machinery of government changes, and the restructure of FaCS' Outcomes.

- Centrelink managing issues arising from the implementation of Centrelink's Concession Entitlement Manager system (see paragraphs 4.40 to 4.44); and
- FaCS and Centrelink conducting an annual Concessions and Allowances Policy and Service Delivery Directions workshop.

2.25 Centrelink provides management information relating to HCCs to FaCS as a continuing service. This data is provided four weekly using the Superstar software. FaCS uses this data to answer questions that may arise from its Minister and other parties, and to assist with the development of Budget initiatives.

2.26 Staff of FaCS' Concessions and Allowances Section and the Centrelink Rural and Cross Payments Services Branch, generally meet each six weeks to discuss matters related to the administration of concession cards. In many instances these meetings focus on concession cards generally rather than a particular type of card. Examples of topics discussed include information products, Great Southern Rail concession[41] confirmation arrangements, implementation of specific Budget initiatives and claim forms and processes. There is an agenda prepared for each of these meetings and minutes summarise the result. The actions flowing from each meeting are documented.

2.27 The ANAO observes that this process works satisfactorily in relation to the administration of HCCs by Centrelink. The focus of the discussions between Centrelink and FaCS is on the card administration carried out by Centrelink. Broader questions related to controls on the usage of concession cards are not generally part of the discussion.

2.28 The ANAO considers that while the Alliance contains the key ingredients required by better practice relevant to such a bilateral agreement, the agreement does not address how an ongoing, integrated approach to the overall management of HCCs, and their costs, should occur.

The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission

2.29 In Audit Report No.5, 2002–2003,[42] the ANAO examined the Strategic Partnership Agreement (SPA) between Health and the HIC. The ANAO concluded that administrative arrangements between Health and HIC, including the SPA, generally act to support a co-ordinated implementation of

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[41] The Australian Government has an agreement with Great Southern Railway under which the company is funded to deliver rail travel concessions to PCC holders, eligible veterans and CSHC holders on Great Southern Railway lines (the Ghan, the Overland and the Indian Pacific).

[42] ANAO, Audit Report No.5, 2002-2003, *The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission*, Summary, paragraphs 15, 20, 21 and 23.

Medicare and the PBS. The report indicates that the SPA incorporates essential elements of a governance framework for the relationship, including joint management structures, a performance monitoring and reporting framework, and protocols for communication between the policy agency and the administration agency.

2.30 The SPA indicates that Health's role reflects its policy focus and its role in promoting, developing and funding Health services. Health formulates estimates of Medicare and PBS expenditure and monitors expenditure relative to the Budget estimates. Health also produces and maintains the Pharmaceutical Benefits Schedule.

2.31 HIC's role is described in the SPA as that of program administration. This involves maintaining the Medicare Enrolment file, producing and issuing Medicare cards, assessing claims for Medicare and PBS benefits and making payments of benefits to eligible claimants.

2.32 In Audit Report No.5, 2002–2003,[43] the ANAO found that schedules to the SPA typically address matters such as management arrangements, financial arrangements, undertakings of each organisation, monitoring and feedback arrangements, including the identification of performance indicators and data reporting requirements. In addition to the schedules, a number of protocols have been agreed by Health and HIC to guide their relationship at an operational level. Protocols address communication and consultation processes in relation to Budget, Cabinet liaison and maintenance of legislation.

2.33 For the purposes of this audit, the ANAO notes that the SPA is specifically focused on Health's policy responsibility relating to the PBS and HIC's responsibility relating to the administration of the PBS. The 2003 Budget Initiative relating to the PBS Concessional Entitlement Validation (CEV) project is a move to broaden the relationship between Health and HIC relating to concession cards, and to include consideration of some of the card administration carried out by Centrelink. The CEV project is designed to improve the quality of the data that Centrelink holds in relation to concession card holders and the matching processes undertaken by HIC.

2.34 The ANAO considers that a key weakness in the SPA is that neither Health nor HIC consider HCCs separately from other Australian Government concession cards (PCCs and CSHCs). That is, the agencies do not record separately the costs of PBS and Medicare benefits provided to HCC holders from those provided to other Australian Government concession card holders. Accordingly, while Health and HIC are aware of the total cost of PBS and Medicare benefits to the total population of concession card holders, they are

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[43] ANAO, Audit Report No.5, 2002-2003, *The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission*, Summary, paragraphs 15, 20, 21 and 23.

unable to identify the actual cost to the Australian Government of the provision of HCCs. Additionally, no assessment is made of, or action taken regarding, the differing risk profile related to HCCs as compared to PCCs and CSHCs.

Business Partnership between the Department of Health and Ageing and Centrelink 2001–2004

2.35 Until late in 2003, there had been no specific mention of concession cards in the documentation relating to the Business Partnership Agreement (BPA) between Health and Centrelink. In addition there was no formal documentation of the arrangements between Centrelink and HIC for the transfer of information from Centrelink to HIC relating to the verification of entitlement to concessional services under the PBS.

2.36 The BPA between Centrelink and Health was put in place in October 2001. The three schedules to the BPA at that time covered:

- quality care for older Australians;
- Office of Hearing Services application processing; and
- provision of Commonwealth Carelink Centres.

2.37 On 22 December 2003, Centrelink and Health signed a Schedule to the BPA concerning the CEV project. This schedule formally set down the management and financial arrangements between Health and Centrelink relating to this project.[44] In an attachment to this schedule there were a number of performance measures related to the project.[45] This schedule relates specifically to the CEV project, and does not cover the longer-term issue of oversight of the issue and use of HCCs, and the cost of subsidies that card holders and their dependants receive.

2.38 Revised arrangements are being considered by both agencies following the expiry of the previous BPA on 30 June 2004.

PBS CEV Interagency Reference Group (IRG)

2.39 This Group was set up as part of the implementation of the 2003–04 Federal Budget measure, *PBS—Improved Entitlement Validation of Concession Cards* (the CEV project). The IRG's terms of reference included that it would provide input and advice to assist with:

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[44] For example, these refer to the development of a Project Milestone Map, quarterly progress reports to accompany invoices, and achievement of agreed milestones.

[45] A variation to the schedule was agreed in early 2004 that included more details about financial arrangements and performance measures.

- promotion of the management partnership between Health, Centrelink and HIC;
- ensuring the required resources are committed to the PBS CEV project;
- providing assurance to the respective Change Control Boards (where there is a system change) that the project or part of the project is ready for 'release' to the production environment;
- resolving any project conflicts, and negotiating solutions to all issues between the PBS CEV project and external bodies;
- monitoring the high level scope, schedule and strategy for the PBS CEV project; and
- reviewing and managing the PBS CEV project's progress against the Project Management Plan.

2.40 Meetings of the IRG are held about every six weeks and minutes, including action items, are compiled after each meeting. Each meeting examines progress in dealing with agreed actions from previous meetings. Health chairs the meetings and Centrelink, HIC and the Department of Veterans' Affairs (as an observer) also attend.

2.41 Health established the IRG specifically to deal with the work that was required as a result of the 2003–04 Federal Budget measure.

Transfer of data to HIC by Centrelink

2.42 The ANAO was not able to obtain from HIC or Centrelink any evidence of an existing agreement between Centrelink and HIC (or Health) related to the ongoing arrangements under which Centrelink makes data available to HIC on a regular basis. This data is provided to allow HIC to undertake entitlement validation related to the PBS claims process. The ANAO notes that there is a Privacy Certificate between Centrelink and HIC related to the transfer of data, but this Certificate is concerned with the legal arrangements under which data is made available.

2.43 The ANAO considers that it is important that there be a formal arrangement under which Centrelink provides data to HIC. Issues that would need to be addressed in such an arrangement would relate to timeliness, specifications, data quality and privacy.

2.44 HIC and Centrelink currently have an Exchange of Letters in place outlining responsibilities and expectations of each agency for the exchange of concessional information. However, the letter does not include specific provisions related to the quality of the data to be provided by Centrelink.

2.45 A meeting was scheduled for March 2005 to discuss the framework for a Service Level Agreement between the two agencies. It is expected the Service

Level Agreement will be completed and agreed to by both agencies by the end of the 2004–05 financial year.

Conclusion

2.46 In relation to the arrangements in place relating to the issue of HCCs and their use to obtain subsidised access to the PBS (and aspects of Medicare), the ANAO considers that:

- operational functions of the four agencies are clear and well understood;
- bilateral arrangements exist between FaCS and Centrelink, and between Health and HIC, that allow for a clear separation of administrative responsibilities;
- however, there are weaknesses in these arrangements in that:
  - FaCS/Centrelink interchanges do not take account of the usage of HCCs; and
  - Health and HIC only consider HCCs as part of the general group of Australian Government concession cards and do not separately identify the costs of HCCs or the differing risks associated with this category of concession card;
- there is also an agreement between Health and Centrelink that makes appropriate arrangements for managing the PBS CEV Project (including oversight by an Interagency Reference Group), but this does not cover the longer term questions of oversight of the issue and use of HCCs, and the cost of subsidies that card holders and their dependants receive; and
- the Exchange of Letters covering the management arrangements for the provision of data to HIC by Centrelink is a step forward in the governance of the administration of HCCs. However this should be supplemented as soon as possible by an arrangement that also covers the quality of the data to be provided to HIC by Centrelink.

2.47 The ANAO considers that, to better inform future policy development and program management, there would be benefit in FaCS, Health, Centrelink, DHS and HIC enhancing their coordination of the delivery of the HCC and other Centrelink concession card programs. This could include the establishment of an interagency committee or forum that oversights the complete management process associated with HCCs, and considers the full impact of HCCs on the Federal Budget, including PBS and Medicare program costs, and administration costs.

3. Performance Information and Costing Health Care Cards

This chapter discusses performance monitoring and reporting of HCCs, as well as costing HCC program expenditure and administration.

Performance monitoring and reporting of HCCs

3.1 Performance information reporting is required under both legislation and mandatory guidelines. The requirements for this reporting are set out in the:

- Department of Finance and Administration's, *Outcome and Outputs Framework Guidance Document,* February 2003; and
- Department of the Prime Minister and Cabinet's *Requirements for Annual Reports,* 2003.

3.2 As well as these mandatory guides, the ANAO supports the use of better practice guidance, specifically the ANAO's *Better Practice Guide for Performance Information in Portfolio Budget Statements,* May 2002 and the joint Department of Finance and Administration/ANAO guide, *Better Practice in Annual Performance Reporting,* April 2004.

3.3 The ANAO found that little performance information is compiled relating to HCCs, either by FaCS/Centrelink or Health/HIC. For example, Centrelink collects some limited performance information in relation to one group of HCCs (low-income HCCs)[46], which it provides to FaCS under the relevant bilateral agreement and reports in the agency's annual report. However, Centrelink does not collect and/or report any performance information in relation to either foster child HCCs, automatic issue HCCs or administrative activities such as providing HCC holders with letters confirming entitlement.

3.4 In particular, the cost of additional subsidies provided to HCC holders under the PBS and Medicare, as distinct from the costs relating to the total population of Australian concession card holders, is not known or reported. The HIC neither collects nor reports any information that relates specifically to these subsidies provided to HCC holders or their dependants because both

[46] In 2002-03, under the 2001–2004 Business Partnership Agreement between FaCS and Centrelink, the only Key Performance Indicator that related specifically to HCCs was for low-income HCCs. From discussions with Centrelink, the ANAO understands that, under the new Alliance, there are targets specified in an attachment to the Outputs and Outcomes Protocol in relation to the low-income HCCs. These revised Key Performance Indicators are now 70 per cent of applications processed within 21 days, 90 per cent processed within 28 days and 100 per cent processed within a further seven days.

HIC and Health treat all three categories of Australian Government concession cards as comprising a single component of both the PBS and of Medicare.

3.5 However, the eligibility requirements and the risk profile for HCC holders vary considerably from other Australian Government concession cards. Proper identification of the costs associated with HCCs would allow for analysis of trends over time, and would promote more in-depth analysis of factors affecting costs incurred by HIC and Centrelink.

3.6 Collection and analysis of such cost information specifically relating to the impact of the issue and use of HCCs on Australian Government outlays would also support decision-making in relation to future policy development to meet the Government's policy objectives. In addition, it could inform the formulation of risk management approaches and general administration. Reporting of relevant information in agencies' annual reports would also improve accountability, through improved transparency to the Parliament of the HCC program.

3.7 FaCS has advised the ANAO that information on the actual cost of subsidies/benefits provided to each type of concession card holder, including HCC holders and their dependants, would allow greater accuracy in costing new policy proposals in the various portfolios, as it is possible that there is a different pattern of usage for each of the cards in relation to the various subsidies/benefits.

3.8 Consistent with the approach of costing HCCs separately from the other concession cards, the ANAO considers that there would be benefit in relevant agencies also collecting and reporting other appropriate performance information on HCCs as a single program.

3.9 To support such an approach to performance monitoring and reporting, Centrelink should collect and present performance information related to all types of HCCs (not just low-income HCCs). In addition, HIC should collect and report information on the subsidies provided to HCC holders and their dependants under both the PBS and Medicare, as separate from the total level of subsidies provided to holders of all Australian Government concession cards.

3.10 Given the current lack of performance information that specifically relates to HCCs, there are risks that there will be an absence of firm data to guide the strategic direction and overall management of HCCs. The need for effective management of HCCs is particularly important in light of recent

policy changes that have increased the Australian Government outlays associated with them.[47]

Recommendation No.1

3.11 The ANAO recommends that those Australian Government agencies responsible for various aspects of policy and administration relating to Health Care Cards collect and report appropriate performance information relating to the Health Care Card program to inform decision-making in the context of future policy development and to inform the formulation of appropriate risk management approaches and service delivery strategies.

Centrelink response

3.12 **Agreed**. However, performance information relating to Health Care Cards issued as an automatic consequence of the customer being in receipt of an income support payment (auto-issue cards) can best be extracted from the performance information associated with that particular income support payment. Aggregating this performance information would not reflect the critical dependency of auto-issue Health Care Cards on the underlying income support payment.

FaCS and DEWR responses

3.13 **Agreed**.

HIC response

3.14 **Agreed with qualification**. To define performance information HIC would have to undertake systems development work. The benefit and priority of such system development work will be discussed amongst all stakeholders. The HIC will undertake the collection and reporting of HCC performance information subject to agreed arrangements with the Department of Health and Ageing.

Health response

3.15 **Agreed with qualification**.[48] FaCS and Centrelink respectively, have overall policy and administrative responsibility. It would be more appropriate for these agencies to collect performance information relating specifically to the

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[47] Specifically, the enhanced Medicare Safety Net, for which a significantly lower threshold applies for HCC holders as opposed to other users of Medicare, and bulk–billing incentives for doctors in respect of HCC holders and other eligible individuals.

[48] In some instances, agencies used the term 'supported' rather than 'agreed' to recommendations. The ANAO has reported all such responses as 'agreed'. While these terms are similar, Health in particular considered that 'agreed' related to those recommendations that required the agency to take action, while 'supported' was used for recommendations that were indirectly of interest to the agency but did not require it to take actions. Health considered that 'supported' or 'supported with qualification' was therefore the appropriate response for the department to all six recommendations in this report.

HCC program. Health would support the collection of performance information in relation to the use of HCCs in the context of the PBS and Medicare. Health notes that this information would help to inform an overall risk management strategy concerning the use of all Australian Government concession cards in accessing benefits under the PBS and Medicare. There is, however, a cost issue associated with the collection of this information that would need to be addressed, probably by the Department of Human Services. The collection of disaggregated HCC information would inform policy but it is questionable whether producing it regularly for transparency/reporting purposes is of real value. It would be of value on an 'as required' basis to inform major policy/review processes.

Costs related to HCCs

PBS costs associated with HCC usage

3.16 As noted in paragraph 3.4, HIC does not compile data that readily shows the cost to the Australian Government of the PBS subsidy that is provided to HCC holders. In 2003–04, HIC indicated that $5 058 million in total was paid in PBS benefits. Based on HIC data, $4 023 million, or some 80 per cent, of this relates to PBS subsidies provided to Australian Government concession card holders and their dependants.[49]

3.17 In the absence of specific information on the cost to the Australian Government of the PBS subsidy that is provided to HCC holders and their dependents, the ANAO used a pro-rata approach to estimate the cost, based on the numbers of concession card holders and dependants in existence as at 16 April 2004. As HCC holders and dependants represented 34 per cent of Australian Government concession card holders and dependants, the ANAO estimates that the amount of the PBS subsidy attributable to HCC claimants in 2003–04 could have been around $1 368 million. The ANAO considers that this estimate provides a broad order of magnitude of HCC related costs within the total PBS total cost. On this basis, the average subsidy provided to each HCC holder or dependant under the PBS would be just over $500 per annum.[50]

HIC's administrative costs related to benefits provided to HCC recipients

3.18 HIC's systems are able to provide information on the total management expenses related to the PBS. However, these systems are not set up to break

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[49] Health advised the ANAO in May 2005 that 'this extrapolation may be overstated in that HCC holders are unlikely to access the PBS as often as PCC holders or CSHC holders. However, there are also costs flowing from the MedicarePlus initiatives introduced in 2004 that relate to HCCs.'

[50] This figure includes the general concession as well as the additional concession to HCC holders.

this data down to provide reliable information on the costs of administering the provision of PBS benefits to HCC recipients. HIC estimates that the total management expenses related to the PBS in 2003–04 were $102.5 million.

Centrelink's administrative costs related to HCCs

3.19 Centrelink does not compile the full administrative costs associated with the distribution of HCCs. Centrelink has carried out some costing of the administration of HCCs in relation to the development of the current Centrelink funding model. This process has included:

- process map construction;
- assigning a measure of effort for each process to enable the cost to be calculated; and
- capturing transaction data.

3.20 Centrelink has costed the process that is involved in HCCs that are application-based, although it does not separately cost HCCs that are issued automatically with certain primary benefits (for example, Newstart Allowance and Sickness Allowance). For the purposes of the funding model, in those cases where the HCC is issued automatically, Centrelink costs the HCC elements as part of the cost of issuing the primary benefit.

3.21 Centrelink information available for 2002–03 puts the administration cost associated with application-based HCCs as being $21 million (excluding all information technology and infrastructure costs). Assuming information technology and infrastructure costs are 30 per cent of all costs (as Centrelink's funding model does), the full cost of administering application-based HCCs in 2002–03 would have been approximately $30 million.

3.22 Centrelink was not able to provide an estimate of the cost of administering automatically issued HCCs. As Figure 2.2 indicates, automatically issued HCCs represented around 90 per cent of all issued and reissued HCCs in 2003.

3.23 The total administrative cost incurred by Centrelink in relation to the administration of HCCs would be well in excess of $30 million per year, although the amount of these costs is not known.

3.24 The ANAO noted that there are also costs accruing to Centrelink associated with customers seeking written confirmation of their current level of entitlement. Most commonly customers seek such written confirmation in order to access concessions or other benefits provided to HCC holders by State/Territory and local governments and others (see paragraphs 3.28 to 3.30 for further information). These costs are currently not captured by Centrelink,

although the ANAO understands that many customers seek such written confirmation each year.

3.25 The ANAO considers that there would be benefit in Centrelink having available at least a robust estimate of the cost of these enquiries and the level of Centrelink network resources devoted to processing them. This information would assist Centrelink's resourcing and inform decisions on how it could most efficiently respond to such enquiries. Many of these requests for confirmation have their own scripts[51] so there may be methods of determining which particular concession providers are responsible for generating the foot traffic in Centrelink's Customer Service Centres or calls to Call Centres. This may in turn present opportunities for savings through streamlining processes for confirming customers' ongoing eligibility for a HCC.

3.26 Currently FaCS is only aware of the estimated costs incurred by Centrelink relating to application-based HCCs. From FaCS' perspective, transparency of Centrelink administrative costs would be improved if the cost of automatically-issued HCCs could also be estimated on an annual basis.

Health's and FaCS' administrative costs

3.27 In the case of Health, the administrative costs related to HCCs would be a relatively small element of costs of overall PBS-related administration by the department. The ANAO notes that the direct costs to FaCS of its administration related to HCCs would also be relatively small (a portion of the cost of one section within FaCS). Together, Health and FaCS' administrative costs related to HCCs would not be substantial.

Cost of State and local government concessions

3.28 State/Territory and local government agencies provide a number of concessions to members of the public and frequently use Australian Government concession cards, including HCCs, as the basis for establishing eligibility for a particular concession. The concessions provided are at the discretion of the State/Territory or local governments.

3.29 The Australian Institute of Health and Welfare (AIHW) has estimated that concessions to individuals in relation to core concessions[52] (electricity, public transport, water/sewerage services and local government rates) were

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[51] The term given for the facility in the Centrelink computer system that assists Customer Service Officers to provide customers with a tailored letter that confirms their HCC status.

[52] The term 'core concessions' refers to a group of concessions that the States and Terrirories are required to provide to PCC holders under the terms of their agreement with the Commonwealth for *Specific Purpose Payment Compensation for Extension of Fringe Benefits to Pensioners and Older Long Term Allowees and Beneficiaries*.

$820.9 million in 2000–01.[53] Some states chose to provide a number of these concessions to groups of HCC holders. The AIHW has started to develop preliminary indicators for the likely value of non-core concessions (for example, reduced fees for motor vehicle registration, driving licences and pet registrations). The AIHW advised the ANAO that in the next issue of Welfare Expenditure Australia, scheduled for release in mid-2005, the AIHW proposes to expand its evaluation of the contribution on non-core concessions.

3.30 Centrelink has undertaken preliminary work to estimate the total cost of concessions provided by State/Territory and local government agencies to Australian Government concession card holders and estimates that these concessions could exceed $2 billion per annum. From published information, the ANAO could not estimate the proportion of this amount that would relate to HCCs.

Aggregating HCC costs

3.31 As shown in Figure 3.1, known costs to the Australian Government associated with HCCs are broadly estimated to be $1.4 billion.

Figure 3.1

Summary of HCC approximate costs: subsidy and administrative costs

Description	Amount Per Annum ($ million)
Subsidy provided by the Australian Government under PBS (ANAO broad estimate, see para 3.17)	1 368
Centrelink administrative costs (see paras 3.20 to 3.23)	(unknown, but in excess of $30 million)
HIC administrative cost	(unknown)
State and local government costs	(unknown, but possibly over $2 billion for all card holders)

Note: With the introduction of Strengthening Medicare Initiatives, there will be additional costs to the Australian Government related to HCCs, especially in relation to bulk-billing incentives and the extended Medicare Safety Net (see Chapter 5).

Source: ANAO analysis.

3.32 The eligibility requirements for HCCs and the characteristics of the population of HCC card holders vary considerably from that of other Australian Government concession cards. The ANAO considers that properly identifying the total costs associated with HCCs, including the costs attributable to MedicarePlus initiatives, would assist in improving accountability, and the management of HCCs and related benefits. This information would also allow for analysis of trends over time, and would

[53] AIHW 2003, *Welfare Expenditure Australia 2000-01*, Health and Welfare Expenditure Series Number 15.

promote more in-depth analysis of factors affecting costs incurred by HIC and Centrelink.

3.33 As program costs are by far the largest cost to the Australian government of providing HCCs, it is important that the HIC measures these costs. As discussed in paragraph 3.7, FaCS has advised the ANAO that information on the actual cost of subsidies/benefits provided to each type of concession card holder, including HCC holders and their dependants, would allow greater accuracy in costing new policy proposals in the various portfolios, as it is possible that there is a different pattern of usage for each of the cards in relation to the various subsidies/benefits.

3.34 The ANAO appreciates that agencies' systems do not currently allow for administrative costs related to HCCs to be easily extracted. However, estimates based on an appropriate sampling process, carried out periodically, would provide improved information about these costs. Providing this information separately for the three principal Commonwealth concession card types (PCCs, HCCs and CSHCs) would assist the responsible policy departments, including FaCS, to deliver benefits to meet the Government's policy objectives.

3.35 Measuring the costs incurred by Centrelink associated with HCC holders seeking written confirmation of their current level of entitlement, to access benefits provided by State/Territory and local governments and others, would assist Centrelink's resourcing and inform decisions on how it could most efficiently respond to such enquiries. The magnitude of these benefits (possibly over $2 billion), also highlights the importance of a well controlled system of eligibility for HCCs and other concession cards, from a whole of government perspective.

Conclusion

3.36 Little performance information is currently compiled relating to HCCs. Collection and analysis of performance information specifically relating to the impact of the issue and use of HCCs on Australian Government outlays would support decision-making in relation to future policy development to meet the Government's policy objectives. In addition it could inform the formulation of risk management approaches and general administration. Reporting of relevant aspects of this information in agencies' annual reports would also improve accountability, through improved transparency to the Parliament of the HCC program.

3.37 Given the current lack of performance information that specifically relates to HCCs, there are risks that there will be an absence of firm data to guide the strategic direction and overall management of HCCs. The need for effective management of HCCs is particularly important in light of recent

policy changes that have increased the Australian Government outlays associated with them.

3.38 HIC does not compile data that readily shows the cost to the Australian Government of the subsidies that are provided to HCC holders. However, using available data, the ANAO estimated the PBS subsidy attributable to HCC claimants to be around $1.4 billion in 2003–04. Recent enhancements to Medicare, such as the extension to the Medicare Safety Net and the introduction of bulk-billing incentives for doctors, provide additional benefits to HCC holders. The ANAO considers that there would be benefit in HIC having the capacity to separately identify the costs of benefits provided to, or in respect of, HCC holders under these initiatives.

3.39 Neither HIC nor Centrelink have accurately costed or estimated the full cost of administering HCCs. HIC does not differentiate between the separate concession cards and so cannot accurately break down the administrative costs relating solely to HCCs. Centrelink does not separately cost the administration of automatically-issued HCCs. Rather the costs of issuing, reissuing and other administration relating to these HCCs is subsumed in the overall cost of administration of the primary benefit program under which a HCC is issued to a customer.

Recommendation No.2

3.40 The ANAO recommends that:

(a) the Health Insurance Commission establishes mechanisms to measure the annual cost of providing Medicare Safety Net payments, Pharmaceutical Benefits Scheme subsidies, and Medicare bulk-billing incentives to doctors, in respect of Health Care Card holders and their dependants;

(b) the Health Insurance Commission establishes processes to allow for robust estimates to be made periodically of the cost to the agency of the administration associated with providing Medicare and Pharmaceutical Benefits Scheme benefits to Health Care Card holders and their dependants; and

(c) Centrelink establishes processes to allow for robust estimates to be made periodically of the costs of the administration of Health Care Cards (including the costs associated with customers seeking evidence confirming their entitlement to a Health Care Card in order to obtain benefits from State/Territory and/or local government agencies).

HIC response

3.41 **(a) Agreed with qualification**. As per recommendation 1, in the absence of policy endorsement and the resources necessary to implement, HIC is not presently in the position to implement this recommendation.

(b) Agreed with qualification. As per recommendation 1, in the absence of policy endorsement and the resources necessary to implement, HIC is not presently in the position to implement this recommendation.

(c) Not applicable.

Centrelink response

3.42 **(a) and (b) not applicable, (c) agreed**.

FaCS and DEWR responses

3.43 **Agreed.**

Health response

3.44 **Agreed.** Health supports this recommendation but notes that in respect of (a) and (b) the establishment of such mechanisms and processes would be dependent on HIC's ability to resource such activities. The cost/benefit of this activity is a matter that should be investigated before it is undertaken regularly.

4. Controls Related to the Issue and Use of Health Care Cards

This chapter examines controls in place in both Centrelink and HIC relating to the issue and use of HCCs. It covers risk management and fraud controls. It also discusses the quality of HCC records held by Centrelink, as well as a number of improvements made to the quality of these records during the course of the audit.

Introduction

4.1 As part of the overall management framework related to HCCs, it is important that agencies use appropriate management tools to assist in the administration of HCCs and related PBS and Medicare payments. This chapter assesses whether:

- the risks associated with the processing arrangements related to HCCs and the payment of benefits have been properly identified; and
- controls related to the issue, reissue and cancellation of HCCs by Centrelink, and the controls in HIC related to the payment to pharmacists of the subsidy available to HCC holders, are effective in minimising the use of HCCs by people who are not entitled to them.

Risk assessment

Centrelink

4.2 In May 2001,[54] the Centrelink Performance Assurance and Evaluation Team published a *Risk Assessment of Concession Cards*. The assessment concluded that the risk categories that were considered to pose the greatest exposure to Centrelink were:

- lack of management information;
- confirming customers' eligibility to low-income HCCs; and
- Commonwealth concessions being provided to people who are not entitled.

4.3 In response to the section 19 proposed report, Centrelink advised the ANAO that, in early 2005 well after completion of fieldwork for this audit, Centrelink (with FaCS representation) conducted formal risk assessment exercises on the administration of concession cards. Centrelink advised that

[54] *Risk Assessment of Concession Cards*, Performance Risk Assessment, Performance Assurance and Evaluation Team (May 2001).

this work involved the identification of risks, the assessment of these risks and the identification of mitigation and treatment strategies. The ANAO notes that it is important that Centrelink now address in a timely manner any control activities that the revised risk assessment identified as warranted.

Health Insurance Commission

4.4 HIC has an ongoing corporate risk management process that is regularly updated to reflect risks to HIC and proposed treatments. Two particular risks have been identified that relate to the PBS, including the use of HCCs to validate entitlements. These are:

- data quality provided by Centrelink and/or pharmacies is inadequate for HIC purposes; and
- HIC systems do not prevent or support timely detection of fraud and abuse.

4.5 The broad risks associated with PBS benefits and HCCs are understood within HIC. The risk treatments identified by HIC refer to the measurement of incorrect payments and the introduction of PBS Online.[55] The PBS CEV project is a major initiative to address the issue of the provision of reliable data by Centrelink to HIC for determining eligibility to additional PBS subsidies. This data is now also required to determine eligibility for bulk-billing incentives under MedicarePlus and to reduce a person's threshold under the Medicare Safety Net.

4.6 HIC has also produced a detailed risk assessment plan for the PBS CEV project. This plan is updated regularly. With the project coming to a conclusion, the ongoing risks associated with validation of entitlement to concessions need to be incorporated into ongoing PBS and Medicare risk management plans.

Controls in Centrelink

Initial eligibility

4.7 Centrelink operates a number of controls that are directed at ensuring the accuracy of the processing undertaken by its staff in dealing with claims by customers. Work in this area within Centrelink is referred to as the 'Getting it Right Program', with accuracy being based on 'four pillars':

- paying the right person;

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[55] PBS Online is a 'front end' risk treatment, which aims to assess eligibility for concessional rate PBS benefits online, at the point of sale. That is, if a customer is not recorded as eligible, he or she will not be provided the additional concessional rate subsidy, when PBS medicines are dispensed.

- at the right rate;
- from the right date; and
- under the right program.

4.8 Centrelink's Quality On-Line (QOL) quality checking mechanism aligns with the Business Assurance Framework[56] by the inclusion of payment correctness questions for checkers to use in deciding whether activities are correct. The controls apply to the primary payment in the case of automatic-issue HCCs. With HCCs for which claims are required, the issue of a HCC is treated as if it is a payment, and checking occurs in the same way. The ANAO noted that Area Support Offices check the process that occurs at individual Centrelink Customer Service Centres (CSCs) for claims that have received QOL checking. The ANAO noted in visits to certain Area Support Offices that Area-based checking was carried out in respect of QOL checking of application-based HCCs, even though there was no direct payment by Centrelink involved. The Area Offices have available a number of reports that show performance of the CSCs that they oversee in relation to quality matters.[57]

Interim cards

4.9 Customers may approach a Centrelink CSC and seek an interim HCC to cover a period when they do not possess a HCC. It may be because the card was lost or it could be because the card is in the post and may take some time to arrive. Interim HCCs are accountable forms and administered by each CSC. Before issuing an interim HCC, CSC staff are required to determine if the customer's eligibility is current and that there is a real need for the card immediately (that is, it would not be practicable to await the issue of the HCC itself).

Card production

4.10 Centrelink has contractual arrangements with a private sector firm for the provision of printing, warehousing and distribution related to the sending out of HCCs and any related letters to customers. As part of these contractual arrangements, Centrelink has a number of controls in place to monitor the performance of the contracted provider. In addition, the contract provides for penalties to be incurred where particular performance levels are not met (for example, if customers complain about the physical quality of the HCC

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[56] Mechanisms through which FaCS assures itself concerning the reliance that can be placed on the accuracy of benefit payments made by Centrelink.

[57] Within Centrelink there is considerable information relating to various measures on its Intranet, including matters related to script usage and quality measures.

provided). Centrelink advised the ANAO that it informs the contracted provider where the service delivered is unsatisfactory.

4.11 The principal control exercised by Centrelink involves the generation of a Quality Control Sheet by the agency's mainframe computer system when the data is created for the contractor. A copy of the sheet is provided to the Centrelink liaison officers who reconcile the sheet with Australia Post lodgement data. The system used in this process is the Saturn mailing and reconciliation system. The liaison officers are located either in Centrelink's Area Support Offices or CSCs in the cities where the contractor is physically located. A detailed examination of the mailing and distribution arrangements was not undertaken as part of the audit.

4.12 Centrelink receives reports that allow it to oversight the production process carried out by the contractor. The contractor's Centrelink Monthly Reports measure the contractor's performance against a number of targets. Many of these targets relate to printing and mailing being completed on time. Monthly reports also summarise incidents that have occurred in the past month, including what action has been taken to remedy the particular problem.

4.13 The ANAO notes that these controls related to card production would not detect any weaknesses in the quality of the data provided by Centrelink to the mailing house. Paragraph 4.53 describes controls related to card production.

Cancelled cards

4.14 As noted in Chapter 2, 25 per cent of all HCCs are cancelled before they have expired. When a card is cancelled a letter is provided to the customer that includes words similar to the following example:

> Your Newstart Allowance has been cancelled from 1 October 2004 because …
>
> Your concession card is valid until 1 October 2004. Please destroy your card immediately after that date.

4.15 The ANAO considers that this advice is not sufficiently comprehensive as it does not clearly inform the customer that it would be illegal to continue to use the card after the cancellation date. Nor does it draw to customers' attention electronic validation processes now used by concession providers, such as pharmacists and certain utility providers, to detect invalid cards. This is a weakness in the controls that Centrelink currently has on the ongoing use of the card when a customer is no longer eligible. This has implications for other Australian Government agencies that provide concessions to HCC holders, particularly HIC.

Recommendation No.3

4.16 The ANAO recommends that Centrelink, in consultation with relevant policy departments, review the advice provided to customers relating to cancelled Health Care Cards, with the objective of reducing the likelihood that cancelled cards will continue to be used after the customer has been advised to destroy the card.

Centrelink response

4.17 **Agreed**. The letters sent when a Health Care Card is cancelled are being reviewed and changes are scheduled for our September 2005 systems release. In addition, we are in the process of strengthening the wording on both the Health Care Card 'card carrier' and the Health Care Card itself.

FaCS response

4.18 **Agreed**.

Health response

4.19 **Agreed.** Health supports this recommendation and notes that an initial process has begun whereby Centrelink has provided the opportunity to comment on such advice that will be provided to customers.

DEWR response

4.20 **Agreed**. DEWR supports this recommendation and will take this forward with Centrelink.

DEST response

4.21 **Agreed**. DEST supports the recommendation to review advice provided to customers relating to their eligibility to use Health Care Cards aimed at improving controls relating to their use.

Fraud control initiatives in Centrelink

4.22 Fraud in the Australian Government context is defined as: 'dishonestly obtaining a benefit by deception or other means'.[58] It is often difficult for agencies such as Centrelink and HIC to distinguish between fraud and instances where customers have inadvertently gained benefits. For this reason, as well as cost-effectiveness[59], fraud controls for HCCs are the 'standard' eligibility and quality controls assessed earlier.

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[58] Attorney-General's Department, *Commonwealth Fraud Control Guidelines*, May 2002, p. iii.

[59] Any individual instance of a fraudulent or incorrect claim for the concessional rate of PBS benefit generally only amounts to the difference between the $28.60 general patient charge for PBS medicines and the $4.60 concessional patient charge. The relatively small amounts involved mean that the costs of pursuing repayment and/or prosecution for fraud generally are significantly greater than the amount lost to the Australian Government because of the incorrect claim.

4.23 Centrelink advised the ANAO that, in cases where HCCs are automatically-issued because a person is eligible for a primary benefit, the agency has a range of front end and back end controls to ensure that only customers who are entitled to these primary payments, and who continue to remain entitled, actually receive the primary benefit. Accordingly, the controls for the primary payments act as controls for HCCs automatically-issued to eligible recipients of these primary payments.

4.24 However, as discussed earlier in this chapter, Centrelink has scope to improve its controls over the issue and cancellation of HCCs. Some of the compliance reviews (back end controls) that are undertaken by Centrelink to detect fraud and incorrect payment include:

- data-matching with the Australian Taxation Office's PAYG Payment Summaries, Australian Business Number information and Tax File Number Declaration Forms;
- data-matching with DEWR;
- data-matching with Trust and Company information;
- identity fraud team investigations and reviews; and
- interagency cash economy investigations.

4.25 However, there are no separate 'back end' controls in place designed to detect fraud for application-based HCCs. Centrelink relies on customers complying with their legal obligations to notify the agency of changes in their circumstances, which may result in them ceasing to be eligible for a HCC. Centrelink subsequently relies on customers complying with the Centrelink letter sent to them on cancellation of their HCC which requests them to destroy their card when they no longer have an entitlement to use the card.[60]

4.26 Centrelink's Detection and Review Team investigated the option of including application-based HCCs in the Tax File Number Declaration Form reviews it conducts to detect changes in circumstances due to income. However, Centrelink advises that the trial data indicated very little non-compliance in the matches identified. Accordingly, the agency considered that to pursue this was not cost-effective.

4.27 Centrelink advised the ANAO that there are risks associated with the issue of HCCs to Family Tax Benefit (FTB) Part A customers who receive fortnightly payments. Because FTB is based on an estimate of taxable income, there is a risk that customers may knowingly underestimate their income to ensure they receive a HCC. Centrelink also advised the ANAO that

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[60] The ANAO notes that low-income HCCs are issued for a maximum of six months, at which point customers undergo a complete entitlement review before a new card is issued. This limits the extent of any possible fraudulent use of a low-income HCC following its cancellation.

considerable effort is now being directed at helping customers better estimate their incomes for FTB purposes (aimed at improving the operation of the families payment system) and this effort will help manage the risks associated with HCCs and FTB. Accordingly, when customers contact their Families Assistance Office Call Centres, as well as providing the customer with information in response to any question, the opportunity is taken to make sure that the customer's recorded estimate of income is correct. FaCS also noted that initiatives designed to help people improve their income estimate, such as those introduced under *'More Choice for Families'* initiative, will help address the issue of customers deliberately underestimating their income.

Centrelink Concession Cards Help Desk

4.28 When Centrelink staff have a question related to the HCC, which they are not able to find an answer to from the electronic material available on the Centrelink Intranet, they generally first approach their Area Support Office and speak to an officer there who is designated as having particular knowledge related to HCCs. If the Area Support Office is not able to provide a satisfactory resolution to the matter, the matter would usually be referred to the Concession Cards Help Desk.

4.29 The ANAO's review of the electronic folders related to approaches to the Concession Cards Help Desk indicated that requests for assistance covered topics such as the carrier[61], Carer Allowance, children, HCC brochure, HCC entitlement, and low-income HCCs. In discussions with the ANAO, Centrelink staff commented that low-income HCCs prompted the largest number of queries from officers in Centrelink's network related to concession cards. If the Concession Cards Help Desk is not able to respond satisfactorily to any request for assistance, it seeks advice from the Rural and Cross Payments Services Branch. This group then approaches FaCS if it is unable to deal with the issue raised.

4.30 At one of the Area Support Offices visited, the ANAO was advised that the Area has recently started to examine all policy queries received from CSCs in the Area and analyse the queries being received to determine where attention is required. In discussions with the ANAO, Centrelink's Service Integration Shop[62] (SIS) in the National Support Office noted that there is no analysis of the questions being submitted to the Concession Cards Help Desk.

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[61] The carrier is the document accompanying a HCC when it is posted to a customer. The carrier can include information related to the benefits available to the card holder.

[62] SIS was responsible for the central help desk facility in the National Support Office on policy and operational matters related to concession cards. Since the March 2005 restructure of Centrelink this function is now carried out by the Rural and Cross Payments Services Branch.

4.31 The ANAO considers that analysing the matters coming to the attention of the Concession Cards Help Desk would assist in determining whether there was a need for improvement to available guidance and/or training for Centrelink staff, or the need to refer an issue to the relevant policy department(s) to consider whether some legislative change was required. SIS could also determine whether particular Areas were more in need of assistance on certain topics.

Random Sample Reviews

4.32 In addition to the QOL process undertaken in CSCs, and the Area-based checking of QOL cases carried out by Area Support Offices, Random Sample Reviews are funded by FaCS and are carried out by Centrelink, independent of other program and compliance reviews. Random Sample Reviews are a point in time analysis of customer circumstances designed to establish whether the customer is being correctly paid in accordance with the Business Assurance Framework. The Random Sample Reviews involve a full review of all of the customer's and, where applicable, their partner's, circumstances. They focus on the primary payment and also any Rent Assistance being paid.

4.33 In examining the Business Assurance Framework Report for March 2004, the ANAO noted that Random Sample Reviews are undertaken in respect of some of the primary benefits that are a basis for providing automatic HCCs. However, the ANAO notes that there is nothing in the reporting provided that indicates that the implications for HCC eligibility are part of the checking that is made.

4.34 The ANAO noted that no Random Sample Reviews have been undertaken of application-based HCCs. In discussions with the ANAO, FaCS advised that HCCs that were not associated with primary benefits were not considered to warrant random sampling review at this stage.

4.35 The issuing of HCCs by Centrelink results in considerable benefits to customers, funded by the Australian Government (primarily through HIC) via the PBS and Medicare. In these circumstances, the ANAO considers that there would be benefit in FaCS reassessing the extent of checking undertaken in relation to the HCCs as part of these reviews, or via an alternative quality assurance mechanism. Such an assessment should consider all costs incurred by the Australian Government in providing benefits to HCC holders, including those incurred by HIC. Currently any steps taken by Centrelink to improve administration (for example where eligibility had been revoked) could well result in increased administration costs for Centrelink, yet any resultant savings to the PBS and Medicare would accrue to HIC and Health.

Recommendation No.4

4.36 The ANAO recommends that the Department of Family and Community Services and Centrelink, in consultation with the Department of Employment and Workplace Relations and the Department of Education, Science and Training where appropriate, establish quality assurance processes for Health Care Card entitlement assessment that identify the number of incorrect entitlement assessments and incorrectly issued cards, and the number of entitlements not cancelled appropriately.

FaCS response

4.37 **Agreed with qualification**. Establishment and introduction of additional quality assurance processes would be subject to available funding, and DEWR and DEST agreement.

Centrelink response

4.38 **Agreed**. There are two dimensions to quality assurance in this area.

4.39 The first relates to decisions made around customers' eligibility for a Health Care Card. For auto-issue cards the quality assurance controls around customer's actual eligibility for a Health Care Card are the same as those associated with the income support payment (see comments against recommendation 1). These controls include Quality On-Line (QOL) and inclusion in the Random Sample Reviews. For Health Care Cards, where a claim is required, QOL is used as a control. Improvements to QOL are scheduled for the September 2005 systems release.

4.40 The second relates to actual data integrity and card production. As acknowledged in paragraph 4.53, there were data integrity controls introduced in this area as part of the implementation of the Concession Entitlement Manager in June 2004. Card production controls are described in paragraphs 4.10 to 4.12.

DEWR response

4.41 **Agreed**.

DEST response

4.42 **Agreed**. DEST supports the recommendation to ensure sound quality assurance arrangements are in place for income support and related benefits, including for Health Care Cards.

Health response

4.43 **Not applicable.** This recommendation relates to matters that affect Centrelink and FaCS processes. However, Health supports any process that will generate improved integrity of Australian Concession Card data. The

Department of Human Services may need to be formally recognised now as a stakeholder in this type of process.

Assessment of quality of HCC records

4.44 The ANAO did not undertake sample testing of individual eligibility assessments given the major changes being undertaken within Centrelink at the time of the audit fieldwork on systems related to concession cards. However, Recommendation No.4 recommends the introduction of quality assurance processes that would apply to the issue, reissue and cancellation of HCCs.

Review of HCC data file

4.45 The ANAO carried out a detailed examination of 160 000 data records contained in the transfer file of 3 April 2004 provided by Centrelink to HIC. The principal objective was to assess the quality of the data provided to HIC for its validation of entitlements. To help determine the quality of the data, a number of business rules were applied to the records, as well as tests for potential duplication of records. Data integrity issues were raised in relation to 3.3 per cent of data records examined. Figure 4.1 presents in summary format, data issues identified by the ANAO's examination of the Centrelink file data for 3 April 2004.

Figure 4.1

Summary of ANAO examination of HCC IT data provided to HIC by Centrelink, as at 3 April 2004

Number of records affected (from sample of 160 000 records)	Outcome
100	Records did not meet age requirements at the commencement of Youth Allowance benefit.
116	Exceeded the age limit of 65 years of age for Newstart.
143	Had a recipient age of either less than 60 or greater than 65 years of age for Newstart (Mature Age).
239	Contained card holder names that were either blank or less than two characters in length.
254	Duplicate records identified where the details are exactly the same.
3 177	Duplicate records identified, but with differing information (for example, recipient name was the same but the benefit, Customer Reference Number or dates were different).
1 312	Exceeded the published maximum renewal periods.

Note: As discussed in the following paragraphs, Centrelink has subsequently introduced a new system designed to improve the quality of data relating to concession cards. Further, subsequent analysis undertaken by HIC indicates that identity match rates have improved since this ANAO testing was undertaken.

Source: ANAO analysis.

4.46 At that time, the ANAO found that Centrelink business areas did not undertake data review to test the data against their own business rules on an ongoing basis. The ANAO considers that this lack of basic checking for data integrity is likely to have eroded HIC's confidence in the data transfer. The Concession Entitlement Manager system (CEM), which was introduced in Centrelink in June 2004, is designed to improve the quality of the data the agency holds relating to concession cards (refer to paragraphs 4.52 and 4.53).

4.47 Analysis undertaken by HIC, since the introduction of the CEM system, indicates that identity matching using the data now provided by Centrelink provides an identity match rate that appears to be above 96 per cent. This level of match is improved by HIC sending mismatches back to Centrelink for it to follow-up (see paragraph 4.65). The following three paragraphs discuss improved entitlement accuracy that was achieved with the introduction of CEM.

Centrelink data review with the introduction of new IT system

4.48 After the commencement of this audit, Centrelink undertook a review of the data it held relating to concession cards prior to the introduction of the new concession card system in June 2004. By comparing eligible HCC customers under the new and old systems, Centrelink found a number of anomalies and inconsistencies in the old systems for determining eligibility and making decisions on issuing cards. The principal findings of this analysis in relation to HCCs were:

- 24 450 HCCs had been provided to customers and former customers who had been incorrectly determined as being eligible for a HCC; and
- 16 283 Youth Allowance students were identified who had been incorrectly determined as being eligible for an automatically-issued HCC rather than needing to apply for a low-income HCC.

4.49 Centrelink expected that this second group generally would be eligible for a low-income HCC. However, in relation to the first group of 24 450 customers, any use by them of the HCCs to which they were not actually entitled to obtain medicines at the concessional rather than general patient rate[63] under the PBS would have incurred costs to the Australian Government for the payment of these benefits in respect of persons (and/or their dependants) who were not entitled to them.

4.50 Centrelink identified that it had incorrectly provided these cards to people for periods between six weeks and five years. This reinforces the

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[63] If you assumed that each card holder and their dependants (say 37 873 individuals) filled an average of 10 prescriptions per year, the cost to the PBS (assuming that the full difference between concessional and general rates was paid) would be of the order of $7.5 million per annum.

ANAO's views about the need for Centrelink and HIC to formally agree on the quality arrangements for the data provided by Centrelink to HIC and to undertake an appropriate assurance process for HCCs.

4.51 The ANAO notes that Centrelink introduced data integrity checks as part of the implementation of the Concession Entitlement Manager system in June 2004 (see paragraph 4.53). This should help to reduce the risk of prolonged mistakes in relation to the eligibility of customers for HCCs. The ANAO encourages Centrelink and HIC to use the results of these integrity checks to rectify identified instances where people are covered by HCCs when they should not be.

New IT system—the Concession Entitlement Manager

4.52 The Concession Entitlement Manager (CEM) system commenced full operation in Centrelink from June 2004. CEM sources the information it requires to make concession entitlement determinations and presents views of concession entitlements from existing Centrelink payments and cards systems (referred to as Host Systems). These Host Systems collect information for the delivery of the services for which they are responsible. CEM is a new system cluster, managed by the Rural and Cross Payments Services Branch, and is responsible for:

- determining concession entitlements for all automatically-issued concession cards;
- maintaining views of all concession entitlements (automatic and claimed);
- providing functionality to override concession entitlements in specific circumstances;
- interfacing with the Cards Delivery Cluster; and
- providing concession entitlement information to the Customer Confirmation eService and PBS Concessional Entitlement Validation.

4.53 Activities undertaken to make sure that CEM is accurate included:

- standard testing practices were employed over two major release test cycles (March and June 2004);
- parallel processing of the new and old systems was carried out, with samples of different results manually checked to make sure that all cases identified as being different were correct in the new system (system changes were applied to the new system where necessary);
- applying automatically a range of data integrity checks across a sample of customer records every day, and

- each weekend conducting data integrity checks on 10 per cent of CEM transactions.

Transfer of data to HIC

4.54 For many years, Centrelink has provided an overnight file to HIC that contains details of changes to Centrelink customers' entitlements to the concessional rate for PBS medicines. These files included a range of details of the customers, as well as information on the start and end dates of their entitlements.

4.55 As part of the PBS Concessional Entitlement Validation project, this transfer process changed in June 2004. There are now two files that Centrelink provides to HIC. One file relates to customers' identity, and one relates to entitlement. In the case of entitlement, the only information that HIC currently obtains is that a concessional entitlement exists as at a particular date. The information provided to HIC does not allow it to know what expiry date is printed on a person's HCC.

4.56 Accordingly, HIC is not in a position to know whether a pharmacist has forwarded a claim in relation to a HCC with an expiry date printed on it that has already been passed. With the data that HIC currently obtains from Centrelink, HIC can only establish an effective control process if pharmacists are able to check entitlement validity electronically when a prescription is submitted for dispensing and supply (see paragraphs 4.76 to 4.78).

Controls related to the PBS

Within the pharmacy

4.57 A customer visits a pharmacy to fill a prescription and presents a HCC. HIC advised the ANAO that the customer is also required to show their Medicare Card, as part of the Improved Monitoring of Entitlements initiative for all pharmacy visits to obtain PBS medicines. HIC also noted that pharmacies also have the ability to store a person's Medicare number within the pharmacy computer, which is held against the customer's details. The pharmacist checks the HCC for eligibility (the card shows a date of grant and card expiry date) and captures the Centrelink Customer Reference Number (CRN) from the card that is included in the pharmacist's claim to HIC (this can be done electronically).

4.58 This process relies on the pharmacist carrying out the check of the HCC and Medicare Card diligently. This check, even if carried out properly, would not necessarily stop incorrect access to the concessional rate if the customer's eligibility for a HCC had ceased. This is because the card expiry date can indicate that the customer is still eligible for medicines at the concessional co-

payment rate even though Centrelink has cancelled the customer's eligibility. As noted previously, Centrelink cancels 25 per cent of all HCCs before their expiry date (see paragraph 2.5).

4.59 If the pharmacist is not satisfied that the customer is entitled to medicines at the concessional rate, the pharmacist may provide medicines at the general co-payment rate. The customer would then need to approach a Medicare Office and demonstrate their concessional eligibility to claim the difference between the concessional and general co-payment rates.

Within HIC

4.60 HIC uploads the claims disk submitted by each pharmacist to its mainframe computer. The mainframe performs a number of assessment checks on the claim, including whether there is a valid CRN on the claim, and whether there is an entitlement at the date of supply. If the computer indicates that the CRN is not valid, HIC rejects the claim.

4.61 If the assessment shows that the entitlement is not valid, the system flags the claim for internal reporting. However, the ANAO notes that this flagging does not result in any effective control over the payment of claims where the system shows that the entitlement is not valid. This is because HIC still pays the pharmacist the concessional rate for claims where the system flags that entitlement for the concessional rate is not valid. Further, HIC does not advise the pharmacist that continued provision of the medicines at the concessional rate to the relevant person will result in reduced payments to the pharmacist.

4.62 The rationale presented to the ANAO by HIC for this lack of an effective control being in place is that, in the past, HIC has not considered that eligibility data provided by Centrelink to be sufficiently reliable to enforce the non-payment of subsidies to pharmacists at the concessional rate. However, the ANAO notes that recognition of this weakness in HIC controls is longstanding.[64] With the improved data accuracy under the new arrangements, 655 329 invalid entitlements were detected in the first two months of 2004–05 for all categories of concession cards. Given that HIC does not currently have the capacity to identify which invalid entitlements related to HCCs, as opposed to other categories of concession cards, it is not possible to estimate the impact in relation to HCCs. However, based on these two months of data, the cost to the PBS of paying this level of invalid entitlements (for all concession cards) at the concessional, rather than the general, rate for 12 months would be approximately $78 million.

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[64] Soon after the transfer of the PBS to HIC in the early 1990s, HIC attempted to implement improved electronic validation arrangements.

4.63 Centrelink's view is that since the introduction of its CEM system in June 2004, the quality and reliability of the data provided to HIC has been significantly improved and better reflects the customer's entitlement at the date of service.

Data accuracy

4.64 HIC has indicated that, prior to about 2000, it had only been able to successfully relate 80 per cent of Centrelink records to HIC Medicare Number records. Initiatives such as Improved Monitoring of Entitlements[65] have assisted in improving this match rate. Enhancements made within HIC systems in February 2004 resulted in this match rate increasing to 93 per cent. After the first identity data cleanse that was undertaken with the CEV project in March 2004, the match rate increased further to approximately 96 per cent.

4.65 With HIC now receiving two files each night from Centrelink, the underlying business process has changed and therefore the determination of the matching rate has become more complex (that is, obtaining Medicare numbers for unmatched records). However, from the best information available from HIC, the match rate now appears to be above 96 per cent. This level of match is improved by HIC sending mismatches back to Centrelink and having Centrelink write letters to the customers concerned either:

- seeking their agreement to Centrelink using Medicare Numbers already provided to it for proof of identity purposes; or
- requesting that they provide their Medicare Card Number so that it can be provided to HIC.

4.66 Routine collection by Centrelink of customer's Medicare Numbers and their provision to HIC would improve the timeliness and accuracy of identity matching more generally. However, Centrelink customers are not obliged to agree to allow Centrelink to provide their Medicare Number to HIC.

4.67 The process of HIC going back to Centrelink regarding mismatches, and Centrelink approaching customers, means that there can be delays of several weeks in obtaining correct identity matches, if at all for some cases. The ANAO considers that obtaining accurate and timely identity matches will become even more important in the future as HIC moves to implement processes where pharmacists will be seeking to verify entitlement on-line (see paragraphs 4.77 and 4.78).

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[65] This is a legislative provision that requires people collecting subsidised prescription medicines from pharmacies to present their Medicare Card, and for the pharmacist to include the individual's Medicare Card details on prescription information submitted to HIC.

Recommendation No.5

4.68 To facilitate the planned implementation of processes whereby pharmacists can check a customer's entitlement to the concessional level of subsidy under the PBS Online initiative, the ANAO recommends that Centrelink, the Health Insurance Commission and relevant policy departments jointly investigate and implement a cost-effective and timely means by which concessional data integrity can be assured.

Centrelink response

4.69 **Agreed**. Centrelink is working closely with the Health Insurance Commission to identify the extent of any data integrity problems and to resolve any issues relating to the integrity of the database and Centrelink data transmissions. In the interim, to assist the Health Insurance Commission respond to queries about customer concession status, Centrelink is providing Health Insurance Commission help desk staff with direct access to the Customer Confirmation eService.

HIC response

4.70 **Agreed**. Under a 2003–04 Budget measure, HIC and Centrelink have been working together to improve data integrity of concessional entitlement information. To date the following tasks have been completed:

- data cleansing;
- improved data matching algorithms;
- communication strategy; and
- HIC/Centrelink data reconciliation.

4.71 Further discussion is occurring between HIC and Centrelink to implement a cost-effective and timely means by which concessional data integrity can be assured.

FaCS response

4.72 **Agreed.**

Health response

4.73 **Agreed.**

Fraud control initiatives in HIC

4.74 HIC completed its 2002–05 Fraud Control Plan in September 2002.[66] The overall risk rating accorded to HIC in this plan was that it was a high-risk agency. Among the risks that were identified was 'Misappropriation of PBS benefits'. There was no reference to the different risk elements that could apply within the PBS, and there was no mention of the use of HCCs (or concession cards generally) as raising particular risks.

4.75 The ANAO understands that HIC has conducted fraud investigations and activities in relation to the PBS. In some cases these investigations could involve concession cards, although the card would not be fundamental to the fraud being committed. Given that effective controls have not been in place for making PBS payments related to HCCs, instances of fraud specifically related to these cards would not have been a major focus. The ANAO also notes that the likely extent of overpayment in any one incident would be approximately $24. The ANAO considers that the priority in relation to HCCs is to make sure that there are effective controls for PBS payments made to pharmacists in relation to HCCs. Such controls would eliminate the scope for HCC holders to claim successfully for concessional treatment when a valid entitlement for a HCC did not exist.

Future control arrangements

4.76 As mentioned previously, the data being provided by Centrelink to HIC is the customer's actual concession status at the date of the service. Where there has been a change of circumstances, this may differ from what the pharmacist views on the printed HCC. Simplification of the entitlement information being provided to HIC since June 2004 was one of a number of changes made to reduce the potential for errors in the data provided.

PBS Online

4.77 PBS Online is an initiative that will allow pharmacists to carry out eligibility checking electronically before they dispense/supply. This is being introduced to achieve efficiencies for HIC and to allow pharmacists to obtain payment earlier. As outlined in Figure 4.2, the process that will occur when a customer wanting a prescription filled presents a HCC will also include an assessment for eligibility for concessional rate PBS benefits.

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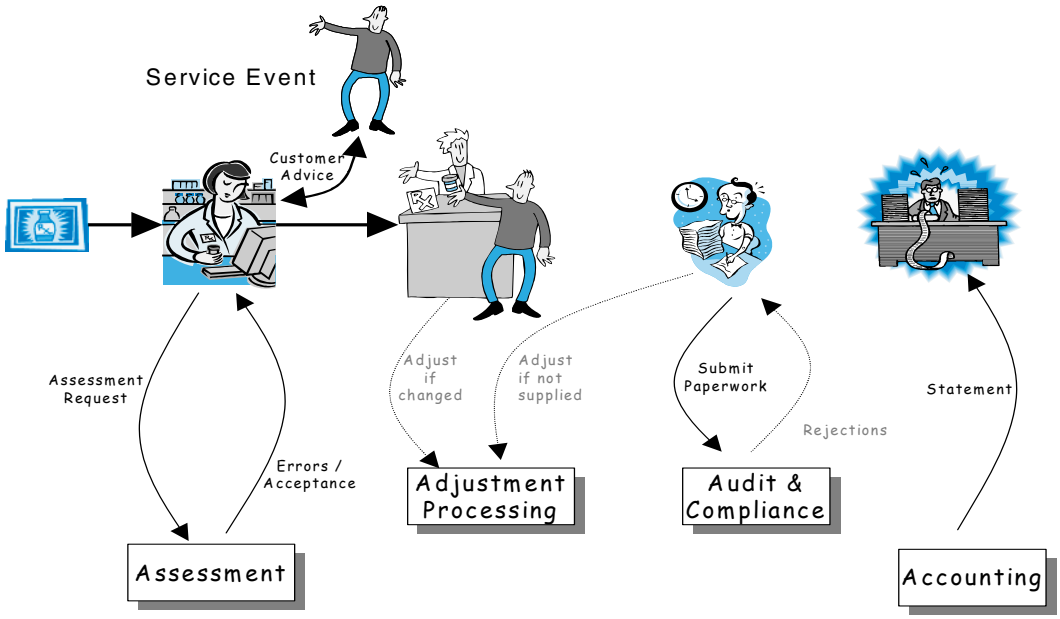
[66] HIC's Program Review Division are currently in the process of constructing the new Fraud Control Plan for 2005-08. HIC anticipates that the Fraud Control Plan will be completed by the end of this financial year.

Figure 4.2

PBS Online: concession card use and processing



Source: HIC

4.78 The pilot of PBS Online was conducted from 20 September 2004 to 20 December 2004, involving 66 pharmacies from rural, remote and metropolitan locations throughout Australia. An independent evaluation of PBS Online was conducted throughout December 2004 with all pilot participants. HIC is currently analysing the results of the evaluation report to ensure PBS Online is meeting the needs of pharmacists prior to any further roll-out of PBS Online. Health advised the ANAO that its current strategy is to pursue vigorously the adoption of electronic validation of entitlements to PBS benefits.

4.79 In the case of pharmacies that elect not to participate in PBS Online, Health advises that it will institute alternative methods of control. The precise nature of these alternative control mechanisms, and the timing of their introduction, have not been decided at this stage. Health has advised the ANAO that the alternative controls will most likely involve three elements: education, warning and rejection (of claims). The ANAO notes that implementation of such a control may not be straightforward, as the information that will be viewed by the pharmacist on the printed HCC (which includes the expiry date) and the data on eligibility held by HIC (which does not include the expiry date) will not be the same.

Conclusion

4.80 The ANAO notes that the risks associated with the issue and use of HCCs have been broadly recognised by Centrelink and HIC. The key aspect of weakness in controls is starting to be addressed, although at the time of audit the weaknesses have not been effectively addressed.

4.81 The ANAO found that Centrelink has a number of controls in place relating to HCC matters that are similar to the controls that Centrelink applies to all its benefit payments. However, weaknesses exist in regard to controls relating to cancelled HCCs. FaCS has in place Random Sample Reviews related to Centrelink's administration of benefits, although these do not provide specific information in relation to the provision of HCCs. The introduction in 2004 of the new Concession Entitlement Manager system has enabled Centrelink to determine that some 30 000 people had previously been receiving automatically issued HCCs even though they were not entitled to them.[67]

4.82 HIC currently does not have in place fully effective controls related to the provision of concessions in respect of holders of HCCs. As part of its PBS Online initiative, HIC proposes to introduce more effective controls over claims by pharmacists concerning the provision of medicines at concessional rates to HCC holders and their dependants.

4.83 However, the ANAO notes that pharmacists' participation in PBS Online is optional, and it is important that effective alternative control mechanisms are put in place in regard to pharmacies that do not elect to participate in PBS Online. The cost to the Australian Government of this lack of effective controls on payments to pharmacists for PBS medicines supplied to customers at the concessional rate could be around $78 million per annum[68] in total across all categories of Australian Government concession cards. HIC does not currently have available the data to identify the proportion of this cost that relates to HCCs alone.

4.84 The ANAO considers that it is important that strengthened control arrangements related to the supply of PBS medicines at the concessional rate to the holders of Australian Government concession cards, including HCCs, proposed as part of the Concessional Entitlement Validation 2003–04 Budget Measure and the PBS Online initiative, be introduced as a matter of priority.

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[67] This number comprises 24 450 customers who were found not to be eligible at all for a HCC and 16 283 students who had been incorrectly automatically issued with a HCC but many of whom may have been eligible for a low-income HCC if they had applied for it.

[68] Based on extrapolation of data collected by HIC in the first two months of the 2004-05 financial year following the implementation of Centrelink's Concession Entitlement Manager system.

Recommendation No.6

4.85 To improve and strengthen controls over the payments to pharmacists in respect of medicines provided at the concessional PBS rate to customers presenting Health Care Cards, the ANAO recommends that, as a matter of priority, the Department of Health and Ageing and the Health Insurance Commission progressively introduce arrangements, including measures proposed as part of the Concessional Entitlement Validation 2003–04 Budget Measure and the PBS Online initiative, that would provide effective controls over these payments.

Health response

4.86 Agreed.

HIC response

4.87 Agreed. This work is already well advanced. Full roll-out of PBS Online will commence in 2005–06. For offline pharmacies, HIC has introduced warning messages on entitlements reports indicating where a person is not entitled to a concessional subsidy.

FaCS response

4.88 Agreed.

5. Recent Medicare Initiatives Affecting Health Care Cards

This chapter outlines a number of recent Australian Government initiatives that have implications for the use of HCCs. It explains how HCCs are to be used as part of the Australian Government's initiatives, and the controls that are to apply in respect of the administration of benefits for HCC holders and incentives to doctors.

Introduction

5.1 At the time the audit was being undertaken, the Australian Government introduced a number of initiatives relating to Medicare that either provided additional benefits to Australian Government concession card holders, including HCC holders, or additional incentives to doctors to bulk-bill their services when treating those card holders.

5.2 The audit has examined the arrangements being introduced surrounding the administration of these new initiatives. The ANAO has sought to determine whether there are issues regarding the validity of payments made under these initiatives that are similar to the concerns raised with regard to payments made under the PBS.

Strengthening Medicare initiatives

5.3 Two key initiatives have been introduced that use Australian Government concession cards, including HCCs, as part of their administration. These relate to bulk-billing incentives for doctors and the extended Medicare Safety Net.

Bulk-billing incentives

5.4 The Australian Government introduced a succession of bulk-billing incentives during 2004. These bulk-billing incentives are available to general practitioners (GPs) for bulk-billed medical services to Australian Government concession card holders (or their dependants) and children under 16 years of age. Figure 5.1 details various bulk-billing incentives introduced in 2004.

Figure 5.1

Medicare bulk-billing initiatives introduced in 2004 affecting HCCs

Date of implementation	Description[1]	Estimated cost
1 February 2004	A payment to doctors of $5 for every bulk-billed consultation with a concession card holder or child under 16.	$956.7 million until 1 July 2007
1 May 2004	An additional $2.50 incentive was made available for services in regional, rural and remote areas, including all of Tasmania.	$131 million until 1 July 2007
1 September 2004	An additional $2.50 incentive was made available for GP services in outer-metropolitan areas with below average bulk-billing rates and below average doctor-to-population ratios.	$24 million per year

Note: (1) The relevant payments were increased to $5.10 and $2.55 under the indexation of Medicare Benefits Schedule Fees on 1 November 2004.

Source: Department of Health and Ageing.

5.5 On the basis of Health's announced estimates for the costs of all these initiatives (some of these estimates are for more than three years), the ANAO estimates that the annual cost of all these initiatives was expected to be about $338 million for 2005–06. A portion of this expenditure would be related to HCCs[69], with the majority relating to PCCs, CSHCs and children under 16.

Safety Net

5.6 Under the extended Medicare Safety Net that was introduced in March 2004, Medicare will continue to pay the 85 per cent rebate on the schedule fee. However, once an individual or registered family reaches a set threshold in a calendar year, Medicare will also cover 80 per cent of an individual or family's out-of-pocket costs for out-of-hospital Medicare services for the rest of that calendar year.

5.7 The threshold that applied to members of the community generally was $700 in 2004. From 1 January 2005, this threshold was increased to $716.10 (indexed to the CPI). In the case of families eligible for Family Tax Benefit Part A and concession card holders, the threshold was $300 in 2004 and $306.90 from 1 January 2005. However, on 14 April 2005, the Prime Minister announced the Government's intention to increase the threshold for low-income earners, including HCC holders, to $500 and for all other people to $1 000, from 1 January 2006.

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[69] HCCs make up approximately 34 per cent of the total number of concession cards.

5.8 Budget estimates for 2004–05 and Government announcements indicate that the total cost of extension to the Medicare Safety Net for the period until 30 June 2007 was expected to be $440 million. The annual cost to the Government of the Safety Net was expected to be approximately $122 million in 2004–05. Of this cost, only a portion would be attributable to HCCs. However, the estimated total cost for the Medicare Safety Net in 2004–05 was revised to $264 million in the Pre-election Economic and Fiscal Outlook statement released on 10 September 2004.

Controls related to payments under Strengthening Medicare

5.9 The arrangements in respect of bulk-billing incentives and the extended Medicare Safety Net are quite different, and are discussed separately. The Medicare program within HIC uses the same data files that the PBS program uses to determine the concessional status of individuals or families.

Bulk-billing incentives

5.10 To claim the additional $5.10 or $7.65 payment, the medical practitioner (or practice staff on behalf of the medical practitioner) must be satisfied that the patient is within one of the eligible groups. The medical practitioner or practice staff may need to ask the patient to show some evidence of their concessional status, for example, a concession card. There are particular Medicare items related to claiming the incentive payments. There has been considerable education material sent to medical practitioners explaining the requirements for bulk-billing claims, and material has been included in HIC's magazine and on its websites.

5.11 Medical practitioners have been advised that post-payment monitoring will be undertaken by HIC to check whether the patient was eligible at the time of service. HIC advised the ANAO that the incentive was introduced in February 2004 with a reliance on post-payment monitoring because of the lack of available time to introduce effective pre-payment checking, as well as concerns at that time with the integrity of the data being supplied by Centrelink.

5.12 With the introduction of improved data matching arrangements with Centrelink from June 2004, HIC is currently undertaking quality assurance of the results of the bulk-billing incentive payments being made to determine how best to undertake some post-payment actions. This consideration is to be made jointly within HIC by the Medicare program area, together with the Professional Review Division, Compliance and Audit.

5.13 HIC introduced a pre-payment check for patient eligibility on 15 November 2004. This process was suspended in early December 2004 due to

concerns from GPs that some eligible claims were being incorrectly rejected. Doctors were particularly concerned that some claims were being incorrectly rejected despite the patient showing them what appeared to be a valid concession card. From 4 December 2004, post-payment auditing of claims will continue with pre-payment warning notices appearing on benefit statements to notify doctors of possible non-valid concessions.

5.14 The ANAO notes that, similar to the situation facing pharmacists dispensing PBS medicines, the patient may have presented a HCC to the medical practitioner on which there is an expiry date that has not yet been reached but the data available to HIC may indicate that the patient does not have a concessional entitlement. HIC proposes to check these specific instances with Centrelink.

5.15 The ANAO considers that the difficulties thus far encountered in making these pre-payment checking processes work supports the ANAO's view that it is important that data integrity be improved (Recommendation No.5). HIC intends to continue to work with Centrelink to improve the integrity and reliability of concessional data matching. In the longer term, HIC proposes to include entitlement checking as part of a proposed electronic payment arrangement with medical practitioners.

Extended Medicare Safety Net

5.16 The Safety Net is largely managed by HIC using data that it would obtain in the normal course of Medicare claims being made to it. The additional requirements related to the Safety Net include the requirement for families to register with HIC to be treated as a family for the purposes of the Safety Net. This process also takes account of the situation where one member, or only some members of a family, are entitled to be treated as a concessional patient. In circumstances where a person or family says that they have a concessional entitlement, but the data available to HIC indicates otherwise, Medicare program staff initiate a query with PBS program staff and ultimately, if necessary, with Centrelink to clarify the situation.

5.17 When a registered family's out-of-pocket expense for out-of-hospital Medicare services approaches the concessional threshold ($300 until 31 December 2004 and $306.90 from 1 January 2005), HIC writes to the family and confirms the family composition. As soon as an individual's or family's out-of-pocket expenses pass the concessional threshold, and HIC's data indicates that they have a valid concessional entitlement (or are eligible for Family Tax Benefit Part A), all medical benefit claims after that time will be subject to the 80 per cent rebate applicable under the Safety Net provision.

5.18 Under the legislative provisions that apply with the Safety Net, once an individual or family reaches the concessional Safety Net threshold (which is

indexed to the CPI) in any calendar year, and at that time they have a valid concessional entitlement, the family remains on the low threshold for the Safety Net (currently $306.90) for the rest of that calendar year.

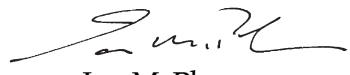
5.19 If an individual or registered family's out-of-pocket costs for out-of-hospital Medicare services exceed $306.90, but they were not initially eligible for concessional treatment at the time the threshold was reached, HIC advised the ANAO that it continues to monitor its data on concessional eligibility so that if a family or individual later qualifies, from that point on they are treated as a concessional patient for Safety Net purposes.

Conclusion

5.20 The ANAO considers that the controls related to access by HCC holders to the recent Strengthening Medicare initiatives, that is the extended Medicare Safety Net and bulk-billing incentives for doctors, are generally stronger than those applying to the PBS.

5.21 Having developed pre-payment checking capability for bulk-billing incentive claims, the ANAO considers that HIC will have an appropriate framework of controls related to bulk-billing claims once it is sufficiently confident in the integrity of its data that it is able to reject invalid concessional claims at the time of claiming. Currently, claims are subject to post-payment checking to determine whether invalid payments are being made and recovery action is required.

5.22 The improved arrangements between Centrelink and HIC for the provision of concessional entitlement data are important in ensuring that only eligible individuals and families receive Medicare Safety Net benefits once their out-of-pocket costs for out-of-hospital Medicare services reach the concessional annual threshold. If, at the point an individual or family reaches the concessional threshold, they are determined to have a valid concessional entitlement, and they retain entitlement to Medicare Safety Net benefits for the balance of that year, regardless of whether they subsequently cease to be eligible for a concession card (or Family Tax Benefit Part A).



Canberra ACT
22 June 2005

Ian McPhee
Auditor-General

Appendices

Appendix 1: Related ANAO Reports

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Age Pension Entitlements, 2002–03 (No.17)

Medicare Customer Service Delivery, 2002–03 (No.11)

The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission, 2002–03 (No.5)

Information Technology at the Department of Health and Ageing, 2002–03 (No.1)

Management of Fraud and Incorrect Payment in Centrelink, 2001–02 (No.26)

The Use and Operation of Performance Information in the Service Level Agreements, 1998–99 (No.30)

Pharmaceutical Benefits Scheme, 1997–98 (No.12)

Medifraud and Inappropriate Practice, 1996–97 (No.31)

Review of Estimated Savings from Proposed System for Eligibility Checking, 1991 (joint report with the Department of Finance and Administration)

Appendix 2: Who is Eligible for a Health Care Card?

Health Care Cards (HCCs) are issued automatically to people who receive:

- Sickness Allowance, Newstart Allowance, Partner Allowance, Widow Allowance, Youth Allowance (Unemployed), Exceptional Circumstances Relief Payment, Parenting Payment (Partnered) or Special Benefit;[70]
- Carer Allowance (for a child)—the card is only to be used for the child's direct benefit;
- Mobility Allowance (other than those receiving Disability Support Pension); and
- Maximum Rate Family Tax Benefit Part A customers who receive fortnightly payments.

A HCC is issued to:

- people whose Newstart Allowance, Partner Allowance, Widow Allowance, Youth Allowance, Special Benefit, Sickness Allowance or Parenting Payment (Single) is cancelled because of income from their or their partner's employment, and who have been receiving income support for 12 months or more (issued for a period of six months);
- foster carers—a foster child HCC is available, on application, to assist foster children and carers. The card can be claimed by the foster carer on behalf of the child. The foster child HCC is issued only in the name of the child, and can only be used to obtain concessions on services utilised by the child. The foster child HCC is not means tested; and
- low–income earners whose average income over the eight weeks prior to claiming is less than the HCC income test limit.

[70] People over 60 years of age who have been receiving one of these payments for nine months will receive a Pensioner Concession Card.

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