

PROFESSIONAL SERVICES REVIEW

Agency Resources and Planned Performance

Professional Services Review

Health and Ageing Portfolio Agency

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Section 1: Agency Overview and Resources

1.1 Agency Overview

The Australian Government provides funding to Professional Services Review (PSR) to ensure suspected cases of inappropriate practice are reviewed following requests by Medicare Australia and, if necessary, investigated by a committee of peers. The PSR Scheme, established under the *Health Insurance Act 1973* part VAA, is the Australian Government's primary means of investigating inappropriate practice. 'Inappropriate practice' is practice that would be unacceptable to the general body of the profession.

The PSR examines services provided by a health practitioner to determine whether the practitioner has inappropriately rendered or initiated services that attract a Medicare benefit, or has inappropriately prescribed under the Pharmaceutical Benefits Scheme. Practitioners whose conduct may be examined under the PSR Scheme are medical practitioners, dentists, optometrists, chiropractors, physiotherapists, podiatrists and osteopaths.

1.2 Agency Resources

Table 1.2.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by departmental classifications.

Table 1.2.1: PSR Resource Statement – Budget Estimates for 2009-10 as at Budget May 2009

	Estimate of prior year amounts available in 2009-10 \$'000	Proposed at Budget 2009-10 \$'000	Total estimate 2009-10 \$'000	Estimated available appropriation 2008-09 \$'000
Ordinary annual services				
Departmental appropriation				
Departmental appropriation*	1,790	6,109	7,899	7,411
s31 Relevant agency receipts [^]	-	50	50	267
Total	1,790	6,159	7,949	7,678
Total ordinary annual services	1,790	6,159	7,949	7,678
Other services - Bill 2[#]				
Departmental non-operating				
Equity injections	-	-	-	-
Previous years' outputs	-	-	-	-
Total	-	-	-	-
Total other services	-	-	-	-
Total available annual appropriations	1,790	6,159	7,949	7,678
Total net resourcing for PSR	1,790	6,159	7,949	7,678

Notes: All figures are GST exclusive.

* Appropriation Bill (No.1) 2009-10.

Appropriation Bill (No.2) 2009-10.

[^] s31 Relevant Agency receipts – estimate.

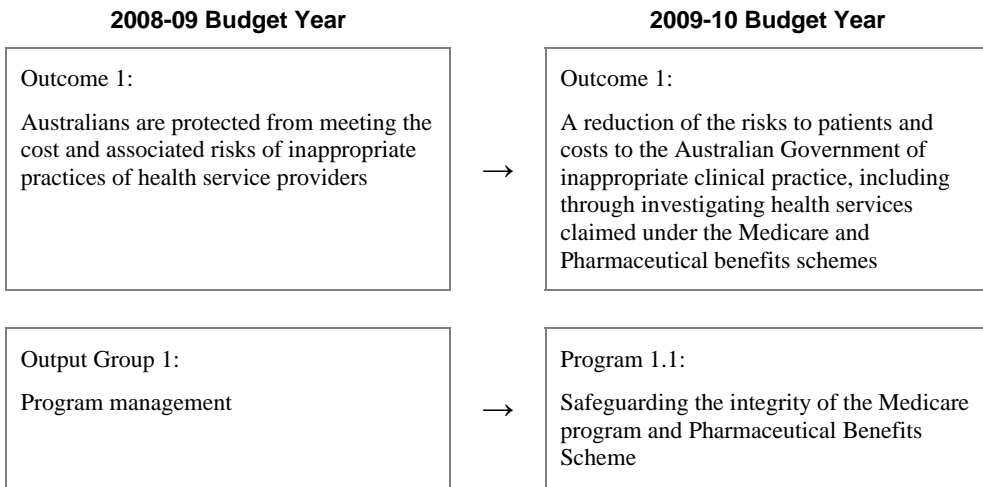
1.3 Budget Measures

Section 1.3 is not applicable to PSR in 2009-10.

1.4 Transition from Outcomes and Outputs to Outcomes and Programs

From the 2009-10 Budget, all General Government Sector (GGS) entities will be reporting on a Program basis. The table below outlines the transition from the 2008-09 Budget year (as at Additional Estimates), which was presented in administered items, outputs and output groups, to the program reporting framework used for the 2009-10 Budget. The table also captures revisions made to GGS Outcome Statements under the Operation Sunlight Outcome Statements Review.

Figure 1: Transition Table



Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Outcome 1 – A reduction in the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical benefits schemes

Outcome Strategy

Through PSR, the Australian Government aims to safeguard Australians against meeting the cost and risks of inappropriate practices of health care providers. Working with governments, and medical and health care regulatory bodies, PSR will contribute to protecting the integrity of the Medicare and Pharmaceutical benefits schemes through the administration of the PSR Scheme.

The PSR Scheme is part of a strong regulatory regime helping to ensure that clinically appropriate, cost-effective services are delivered. As part of this regime, PSR investigates cases of possible inappropriate practice referred by Medicare Australia and, where inappropriate clinical practice is found, applies sanctions.

A small percentage of health services are delivered in a manner which would be considered inappropriate by the general body of health professionals. PSR seeks to improve the standard of care delivered by the practitioners it investigates. More broadly, PSR seeks to change behaviour across the health professions by raising awareness of the Australian Government's expectation of high quality health service delivery.

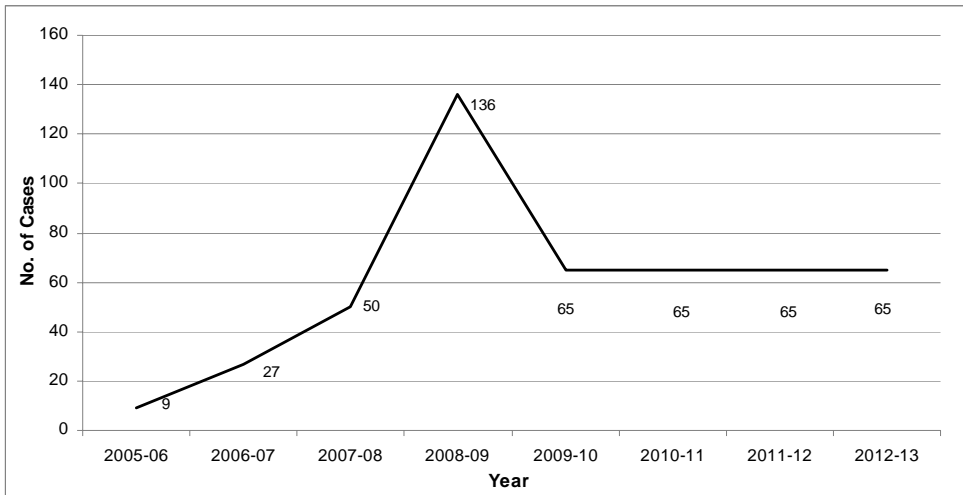
Refer to discussions under Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme for further information on these Government initiatives.

PSR Trend

Trend Projection 1.1: Working towards reducing inappropriately rendered or initiated services.

This trend projection demonstrates PSR’s impact in contributing to safeguarding the Medicare and Pharmaceutical benefits schemes through investigating at least 65 cases of suspected inappropriate practice referred from Medicare Australia each year. PSR’s findings of inappropriate practice may deter other practitioners from similar behaviour. PSR’s workload fluctuates as it is dependent upon the number of cases received from Medicare Australia. Medicare Australia has advised that they do not expect to refer as many cases to PSR in budget and forward years, as in 2008-09.

Figure 2: Estimated Cases of Suspected Inappropriate Practice



Source: PSR internal data, 2009.

PSR Budgeted Expenses and Resources

Table 2.1.1 provides an overview of the total expenses for PSR by Program.

Table 2.1.1: Total Budgeted Expenses and Resources for PSR

	2008-09 Estimated actual expenses \$'000	2009-10 Estimated expenses \$'000
Program expenses 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	5,841	6,109
Revenues from other sources (section 31)	267	50
Funded from prior year surpluses	-	1,500
Unfunded expenses*	38	-
Subtotal for Program 1.1	6,146	7,659
Total expenses for PSR	6,146	7,659
	2008-09	2009-10
Average staffing level (number)	24	28

Note: * Loss attributable to the effect of the decreased bond rate on employment entitlements.

Contributions to PSR

Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme

Program Objective

Through this Program, the Australian Government aims to improve standards of health care by safeguarding against inappropriate practice in relation to the Medicare and Pharmaceutical benefits schemes by health care practitioners. To protect Australians from meeting costs and risks of inappropriate practice, PSR will contribute to ensuring that the Medicare and Pharmaceutical benefits schemes are supported by effectively administering its part of the regulatory framework. The following discusses the key strategic directions the Australian Government will take through PSR to help achieve this objective.

Key Strategic Directions

This Program aims to:

- work to protect patients and reduce costs associated with inappropriate practice; and
- maintain the support of the professions for the PSR Scheme.

Major Activities

Work to Protect Patients and Reduce Costs Associated with Inappropriate Practice

The Australian Government aims to deliver high quality health services to Australians to ensure the public is protected from the adverse health consequences of inappropriate clinical practice. On the Australian Government's behalf, PSR will collaborate with the Department of Health and Ageing, Medicare Australia, and health and medical regulatory bodies to ensure the PSR Scheme effectively achieves this aim.

In 2009-10, PSR's workload will fluctuate as it is dependent upon the number of cases received from Medicare Australia. When cases are received, the Director of PSR undertakes an initial investigation, termed 'review'. After the review, the Director must decide upon one of three options: dismiss the case; negotiate a settlement; or set up a committee of peers to further investigate. Investigation by a committee of peers is a substantial undertaking in terms of time and cost.

Investigating Health Care Professionals

PSR's investigation of cases referred by Medicare Australia includes consideration of statistical information and review of patient records, and may include examination by a committee of peers. These activities emphasise the importance of peer review in the PSR Scheme and are comprehensive to ensure that inappropriate practice is identified.

Applying Sanctions

Where inappropriate practice is found, sanctions including reprimand, repayment of Medicare benefits, and full or partial disqualification from Medicare will be applied. PSR will publicise findings of inappropriate practice and sanctions imposed, in order to leverage the deterrent effect of the PSR Scheme. Sanctions are imposed by the Determining Authority and recorded in a 'final determination'. The Determining Authority is a small

independent body within PSR. PSR will continue to support the work of the Determining Authority by ensuring all aspects of the PSR Scheme are well-managed, so that the Determining Authority can make appropriate decisions on sanctions.

Referral to Registration and/or Disciplinary Bodies

Where PSR identifies behaviour that may be a threat to the life or health of patients, or may fail to meet professional standards, these practitioners will be referred to the relevant bodies for appropriate action. This is an added protection for patients and integrates PSR's activities within the broader health care regulatory framework, which includes state and territory health departments, registration boards and complaints handling mechanisms.

Maintain the Support of the Professions for the PSR Scheme

The PSR Scheme is the Australian Government's primary means of investigating inappropriate practice. The emphasis on peer review and the strong support of the professions are strengths of the PSR Scheme.

Although PSR deals with a small number of cases relative to the overall number of health care providers, publication of the outcomes and consequences of inappropriate practice can have a significant impact on the behaviour of the professions. PSR will publicise these incidents and this process is expected to continue to be effective in reducing inappropriate practice and associated costs to the Medicare and Pharmaceutical benefits schemes and the community.

PSR will continue to work closely with the professions, the Department of Health and Ageing and Medicare Australia to ensure the Scheme is able to respond appropriately to new developments in health care delivery. PSR will consult with relevant bodies to raise awareness in areas of concern and use the medical press to highlight the outcomes and consequences of PSR processes. The PSR Scheme relies on the support and involvement of the health care professions through their representative bodies.

Program 1.1: Expenses

PSR had a significant increase in workload in 2008-09 that will lead to resourcing pressures in 2009-10 and 2010-11. PSR has been permitted to operate a \$1.5 million loss in 2009-10 to address these issues.

Table 2.1.2: Program Expenses

	2008-09	2009-10	2010-11	2011-12	2012-13
	Estimated	Budget	Forward	Forward	Forward
	actual		year 1	year 2	year 3
	\$'000	\$'000	\$'000	\$'000	\$'000
Annual departmental expenses:					
Ordinary annual services*	5,841	6,109	6,126	6,186	6,242
Revenues from other sources (section 31)	267	50	50	50	50
Funded from prior year surpluses	-	1,500	-	-	-
Unfunded expenses [#]	38	-	-	-	-
Total departmental expenses	6,146	7,659	6,176	6,236	6,292

Notes:

* Appropriation Bill (No.1) 2009-10.

[#] Loss attributable to the effect of the decreased bond rate on employment entitlements.

Program 1.1: Deliverables

To safeguard Australians and governments from the risks and costs associated with inappropriate clinical practice, the Program will work with governments and regulatory bodies to ensure that the Medicare and Pharmaceutical benefits schemes are protected against inappropriate clinical practice. PSR has overall responsibility for the ‘deliverables’ that contribute to the Program.

Table 2.1.3: Quantitative Deliverables for Program 1.1

Quantitative Deliverables	2008-09 Revised Budget	2009-10 Budget	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Work to Protect Patients and Reduce Costs Associated with Inappropriate Practice					
Number of cases received.*	135	65	65	65	65
Number of reviews finalised.#	100	90	75	65	65
Number of committees established.	20	40	20	20	20
Number of final determinations issued.	50	100	80	80	70

Data caveat: * PSR’s workload fluctuates as it is dependent upon the number of cases received from Medicare Australia. Medicare Australia has advised that it does not expect to refer as many cases to PSR in the budget and forward years, as referred in 2008-09. # Not all reviews are finalised in the year that they are received.

Program 1.1: Key Performance Indicators

The following ‘key performance indicator’ measures the impact of the Program.

Table 2.1.4: Quantitative Key Performance Indicator for Program 1.1

Quantitative Indicator	2008-09 Revised Budget	2009-10 Budget Target	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Maintain the Support of the Professions for the PSR Scheme					
Percentage reduction in the number of practitioners referred to PSR more than once.	17%	16.5%	16%	15.5%	15%

Data caveat: the data in the table is based on annual percentage of re-referred practitioners being lower than total percentage of re-referred practitioners.

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2009-10. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and Program expenses, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1 Explanatory Tables

3.1.1 Movement of Administered Funds Between Years

Section 3.1.1 is not applicable to PSR.

3.1.2 Special Accounts

Section 3.1.2 is not applicable to PSR.

3.1.3 Australian Government Indigenous Expenditure

The 2009-10 Australian Government Indigenous Expenditure Statement is not applicable because PSR has no specific Indigenous expenses.

3.2 Budgeted Financial Statements

3.2.1 Differences in Agency Resourcing and Financial Statements

Section 3.2.1 is not applicable to PSR.

3.2.2 Analysis of Budgeted Financial Statements

An analysis of the PSR's budgeted financial statements for 2009-10 is provided below.

Departmental Resources

Comprehensive Income Statement

PSR will incur a \$1.5m operational loss in 2009-10. Appropriation revenue has been maintained at existing levels for the budget and forward years. However, PSR's workload for the budget year and forward years has increased significantly. This workload is a direct result of PSR receiving an estimated 136 cases in 2008-09 which is a 172% increase on the previous year. The timelines associated with PSR's processes mean that the bulk of the expenditure associated with these cases will be incurred in the 2009-10.

Balance Sheet

Due to the operational loss in 2009-10, PSR's cash position has been reduced. The operating loss will be funded from PSR's reserves, with accumulated deficits estimated to be \$0.497m at the end of 2009-10.

3.2.3 Budgeted Financial Statements Tables

**Table 3.2.1: Budgeted Departmental Comprehensive Income Statement
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
EXPENSES					
Employee benefits	3,031	3,376	2,790	2,873	3,032
Supplier	2,820	4,002	3,130	3,083	3,003
Depreciation and amortisation	295	281	256	280	257
Finance costs	-	-	-	-	-
Other	-	-	-	-	-
Total expenses	6,146	7,659	6,176	6,236	6,292
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	-	-	-	-	-
Fees and fines	-	-	-	-	-
Interest	-	-	-	-	-
Other revenue	267	50	50	50	50
Total revenue	267	50	50	50	50
Gains					
Sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	267	50	50	50	50
Net cost of (contribution by) services	5,879	7,609	6,126	6,186	6,242
Appropriation revenue	5,841	6,109	6,126	6,186	6,242
Surplus (Deficit)	(38)	(1,500)	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	1,790	121	227	307	364
Receivables	447	447	447	447	447
Total financial assets	2,237	568	674	754	811
Non-financial assets					
Land and buildings	48	30	60	40	60
Infrastructure, plant and equipment	243	155	129	133	116
Inventories	-	-	-	-	-
Intangibles	119	394	284	220	160
Other	3	3	3	3	3
Total non-financial assets	413	582	476	396	339
Total assets	2,650	1,150	1,150	1,150	1,150
LIABILITIES					
Payables					
Suppliers	15	15	15	15	15
Other payables	209	209	209	209	209
Total payables	224	224	224	224	224
Provisions					
Employees	665	665	665	665	665
Other provisions	-	-	-	-	-
Total provisions	665	665	665	665	665
Total liabilities	889	889	889	889	889
Net Assets	1,761	261	261	261	261
EQUITY					
Contributed equity	700	700	700	700	700
Reserves	58	58	58	58	58
Retained surpluses or accumulated deficits	1,003	(497)	(497)	(497)	(497)
Total equity	1,761	261	261	261	261
Current assets	2,240	571	677	757	814
Non-current assets	410	579	473	393	336
Current liabilities	756	756	756	756	756
Non-current liabilities	133	133	133	133	133

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted Departmental Statement of Cash Flows
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	-	-	-	-
Appropriations	5,886	6,109	6,126	6,186	6,242
Interest	-	-	-	-	-
Other cash received	267	50	50	50	50
Total cash received	6,153	6,159	6,176	6,236	6,292
Cash used					
Employees	2,993	3,376	2,790	2,873	3,032
Suppliers	2,820	4,002	3,130	3,083	3,003
Other cash used	-	-	-	-	-
Total cash used	5,813	7,378	5,920	5,956	6,035
Net cash from (or used by) operating activities	340	(1,219)	256	280	257
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	120	450	150	200	200
Total cash used	120	450	150	200	200
Net cash from (or used by) investing activities	(120)	(450)	(150)	(200)	(200)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Dividends paid	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (or used by) financing activities	-	-	-	-	-
Net increase (or decrease) in cash held	220	(1,669)	106	80	57
Cash at the beginning of the reporting period	1,570	1,790	121	227	307
Cash at the end of the reporting period	1,790	121	227	307	364

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental Statement of Changes in Equity – Summary of Movement
(Budget year 2009-10)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	1,003	58	-	700	1,761
Net operating result	(1,500)	-	-	-	(1,500)
Appropriation (equity injection)	-	-	-	-	-
Estimated closing balance as at 30 June 2010	(497)	58	-	700	261

Table 3.2.5: Departmental Capital Budget Statement

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Special appropriations	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally from					
Departmental resources*	120	450	150	200	200
Assets received due to restructure (FMA s32)	-	-	-	-	-
Total acquisitions of non-financial assets	120	450	150	200	200

Note: * Includes the following sources of funding:

- annual and prior year appropriations;
- donations and contributions;
- gifts;
- finance leases
- internally developed assets
- s31 relevant agency receipts
- proceeds from the sale of assets.

Table 3.2.6: Statement of Asset Movements – Departmental

	Land	Buildings	Other infrastructure, plant & equipment	Intangibles	Other non- financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 1 July 2009						
Gross book value	-	547	643	481	3	1,674
Accumulated depreciation/amortisation	-	499	400	362	-	1,261
Opening net book balance	-	48	243	119	3	413
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
by purchase or internally developed	-	-	50	400	-	450
by finance lease	-	-	-	-	-	-
by contribution/donation	-	-	-	-	-	-
by gift	-	-	-	-	-	-
Sub-total	-	-	50	400	-	450
Other movements						
Depreciation/amortisation expense	-	18	138	125	-	281
Disposals*	-	-	-	-	-	-
Other	-	-	-	-	-	-
as at 30 June 2010						
Gross book value	-	547	693	881	3	2,124
Accumulated depreciation/amortisation	-	517	538	487	-	1,542
Closing net book balance	-	30	155	394	3	582

Note: * Proceeds may be returned to the Official Public Account.

3.2.4 Notes to the Financial Statements

The budgeted financial statements for PSR are prepared for the Budget year, previous year and three forward years.

Departmental Financial Statements

Budgeted Departmental Comprehensive Income Statement (for the period ended 30 June)

This statement provides a picture of the expected financial results for PSR by identifying full accrual expenses and revenues.

Budgeted Departmental Balance Sheet (as at 30 June)

The statement shows the financial position of PSR. It enables decision-makers to track the management of PSR's assets and liabilities.

Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

Budgeted cash flows as reflected in the statement of cash flows, provides important information on the extent and nature of cash flows by characterising them into expected cash flows from operating activities, investing activities and financing activities.

Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2009-2010)

This table shows the movements in equity during the Budget year.