

PROFESSIONAL SERVICES REVIEW

PSR

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. Through the PSR Scheme, the Australian Government is working to protect patients and the community from the risks associated with inappropriate practice and protect the Australian Government from having to meet the costs of services provided as a result of inappropriate practice.

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 (PBS). Practitioners whose conduct may be examined under the PSR Scheme are medical practitioners, dentists, optometrists, chiropractors, physiotherapists, podiatrists and osteopaths.

Summary of Agency Outcome and Output Group

The products and services delivered by PSR that contribute to the achievement of its outcome are summarised in Table 1.1.1.

Table 1.1.1: Agency Outcome and Output Group

Outcome	Output Group
Australians are Protected from Meeting the Cost and Associated Risks of Inappropriate Practices of Health Service Providers	Output Group 1 – Program Management

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 classification.

The total resourcing for PSR in the 2008-09 Budget is \$18.634 million.

Table 1.2.1: PSR Resource Statement

	Estimate of prior + year amounts available in 2008-09 \$'000	Proposed at Budget = 2008-09 \$'000	Total Estimate 2008-09 \$'000	Estimated Appropriation Available 2007-08 \$'000
Ordinary Annual Services				
Departmental Outputs				
Departmental outputs	12,743	5,841	18,584	6,120
Relevant agency receipts	-	50	50	460
Total	12,743	5,891	18,634	6,580
Total Ordinary Annual Services	12,743	5,891	18,634	6,580
Total Net Resourcing for Agency	12,743	5,891	18,634	6,580

Reader note: All figures are GST exclusive.

1.3: 2008-09 BUDGET MEASURES

Section 1.3 is not applicable to PSR in 2008-09.

Section 2: Agency Outcomes and Planned Performance

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community. Agencies are required to identify the output groups that demonstrate their contribution to Government outcomes over the coming year.

This section summarises output groups, specifying the performance indicators and targets used to assess and monitor the performance of PSR in achieving Government outcomes.

Outcome 1 – Australians are Protected from Meeting the Cost and Associated Risks of Inappropriate Practices of Health Services Providers

2.1: SUMMARY OF OUTCOME, AGENCY RESOURCING, OUTPUTS AND PERFORMANCE INFORMATION

Outcome Summary

The Australian Government is committed to ensuring that Australians are protected from meeting the cost and risks of inappropriate practices of health service providers. Working with the Department of Health and Ageing, and Medicare Australia, PSR will protect the integrity of Medicare and the PBS through the administration of the PSR Scheme.

PSR will achieve this outcome by facilitating peer review of practitioners' conduct and the imposition of sanctions where appropriate. Peer reviews are conducted by PSR committees which comprise medical, optometry, dental, physiotherapy, podiatry, osteopathy or chiropractic practitioners, as each case requires. Sanctions are imposed by the Determining Authority, a separate body supported by PSR. Membership of the Determining Authority includes health care practitioners and a layperson representing community interests.

Key Strategic Directions

- Work to protect patients and the community in general from the risks associated with inappropriate practice.
- Work to protect the Australian Government from having to meet the costs of services provided as a result of inappropriate practice.
- Maintain the support of the health care professions for the PSR Scheme.

Major Activities

Protection from the Risks Associated with Inappropriate Practice

The Australian Government aims to deliver high quality health services to all Australians to ensure the public is protected from the adverse health consequences of inappropriate

practice. On the Australian Government’s behalf, PSR will collaborate with the Department of Health and Ageing, Medicare Australia and health professionals to ensure the PSR Scheme achieves this aim effectively.

In 2008-09, PSR expects that the number of referrals of possible inappropriate practice from Medicare Australia will continue the upward trend evident in 2006-07 and 2007-08. Through careful attention to process improvements, PSR will ensure that all cases in this growing workload are managed professionally and efficiently. Prompt action in relation to this growing number of cases will minimise both the time taken to resolve matters and the risk to the community from inappropriate practice. It will also provide an effective disincentive to inappropriate practice by health providers, further minimising the risk to the community.

Protection from Meeting Costs of Inappropriate Practice

The Australian Government aims to deliver a quality health system that represents good value for taxpayers’ funds and protects the Government from the costs of inappropriate practice.

PSR will ensure that the community and the Australian Government are protected from the costs of inappropriate practice through the effective and efficient administration of the PSR Scheme. This may include the imposition of sanctions, which can include counselling, reprimand, repayment of Medicare benefits and/or full or partial disqualification from Medicare or the PBS.

PSR will improve and streamline administrative arrangements by critically examining processes and implementing best practice. As part of this activity, PSR will continue to work closely with the Department of Health and Ageing, Medicare Australia, and with medical and health care regulatory bodies.

PSR will continue to highlight appropriate cases to leverage the deterrent effect of the PSR Scheme. By publicising relevant cases of inappropriate practice, PSR will ensure health practitioners are aware of the likely consequences of such practice and are deterred from taking such action. Along with PSR’s effective administration of the PSR Scheme, this deterrent effect will help to protect the Australian Government from the financial cost of inappropriate practice.

Maintaining the Support of the Professions

The PSR Scheme is the Australian Government’s primary means of investigating inappropriate practice.

A key strength of the PSR Scheme is its emphasis on peer review and, if necessary, peer determined sanctions where inappropriate practice has been identified. PSR will build on this strength and the support of the health care professions for the PSR Scheme by providing education and other support to health providers who are members of PSR committees and the Determining Authority, consulting regularly with relevant bodies to raise awareness in areas of concern and using the medical press to highlight the outcomes and consequences of PSR’s actions. This will include publishing the annual *Report to the Professions* detailing PSR’s activities during the year, cases of inappropriate practice and sanctions imposed.

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. This supports the health care professions in their own work to maintain the quality of services to the community.

In 2008-09, PSR will work closely with the health care professions, the Department of Health and Ageing, and Medicare Australia to ensure the PSR Scheme responds appropriately to new developments in health care delivery.

Funding for these major activities is sourced from Output Group 1 – Program Management.

PSR Resourcing

Table 2.1.1 shows how the 2008-09 Budget appropriations translate to total resourcing for PSR, including revenue from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1.1: Total Resources for PSR

	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output Group 1:		
Departmental Outputs		
Program Management	5,841	6,120
Revenues from other sources	50	460
Subtotal for Output Group 1	5,891	6,580
Total resources for Professional Services Review Scheme	5,891	6,580
	2008-09	2007-08
Average staffing level (number)	23	18

Contribution of Administered Programs

There are no administered programs for PSR in 2008-09.

Contribution of Departmental Outputs

Output Group 1 – Program Management

PSR’s output group is funded to examine health practitioners’ conduct to ascertain whether the practitioner has practised inappropriately in relation to services which attract Medicare or pharmaceutical benefits. The PSR Scheme provides for sanctions in cases where inappropriate practice is identified.

The output’s contribution to PSR’s outcome is measured by the high degree of awareness amongst the health care professions and the number of practitioners referred to PSR for investigation.

Performance Information for PSR

Performance information for the output group relating to PSR is summarised in Table 2.1.2.

Table 2.1.2: Key Performance Information for PSR

Performance Information for Departmental Outputs

Indicator	2008-09 Reference Point or Target
Output Group 1 – Program Management	
Increased awareness and understanding of PSR’s process within health care professions.	Targeted qualitative evaluation of stakeholder awareness to be conducted annually.
Improved efficiency and cost effectiveness of PSR’s internal processes.	Timeframes reduced, internal processes streamlined and cost per case reduced.
Reduction in the number of practitioners referred to PSR more than once.	Annual percentage of re-referred practitioners is lower than total percentage of re-referred practitioners.
Output Group 1 Resourcing: \$5.891m	

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements that provide a comprehensive snapshot of agency finances for the Budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1: EXPLANATORY TABLES

3.1.1: Reconciliation of Total Available Appropriation and Outcomes

The Agency Resource Statement (Table 1.2.1) details the total available appropriation available to an agency from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at Budget. As agencies incur and are funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to an agency is unlikely to be fully utilised in the Budget year. Outcome resource statements include details of the expected use of available resources in contributing towards outcomes in the Budget year. The difference between the agency resource statement and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the Budget year 2009-10, including amounts related to meeting future obligations to maintain the agency's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of Total Available Appropriation and Outcomes

	\$'000
Total Available Departmental Operating Appropriations (Outputs)	18,634
Less total attributed in outcome resource statements	5,891
Estimated Departmental Operating Appropriation Carry-Forward for 2009-10 (Outputs)	12,743

3.1.2: Movement of Administered Funds Between Years

3.1.2 is not applicable to PSR.

3.1.3: Special Accounts

3.1.3 is not applicable to PSR.

3.1.4: Australian Government Indigenous Expenditure

3.1.4 is not applicable to PSR.

3.2: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of PSR's budgeted financial statements for 2008-09 is provided below.

Departmental Resources

Income Statement

The 2008-09 Appropriation is reduced by \$0.5 million following the Budget measure in the 2007-08 Budget. PSR workload returned to normal levels in 2007-08 but the major expenditure associated with PSR cases occurs approximately 6 to 12 months after receiving the case. PSR's 2007-08 Appropriation underspend is a direct result of lower than expected number of referrals from Medicare Australia in previous years. In 2008-09 the anticipated workload from Medicare Australia is expected to remain at its current level and PSR's staff levels and resources are identified to meet the increased workload.

Balance Sheet

The large appropriation receivable balance is the result of reduced numbers of requests for review from Medicare Australia in previous years. This trend has now been reversed and is expected to stabilise at current levels.

Non-financial assets balances, payables and other provisions are expected to remain reasonably stable.

3.3: BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.3.1: Budgeted Departmental Income Statement (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	6,120	5,841	6,092	6,150	6,216
Other	460	50	50	50	50
Total Revenue	6,580	5,891	6,142	6,200	6,266
Gains					
Other	-	-	-	-	-
Total Gains	-	-	-	-	-
Total Income	6,580	5,891	6,142	6,200	6,266
EXPENSE					
Employees	2,106	2,460	2,534	2,610	2,610
Suppliers	3,686	2,902	3,184	3,171	3,279
Depreciation and amortisation	273	529	424	419	377
Total Expenses	6,065	5,891	6,142	6,200	6,266
Surplus/(Deficit)	515	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial Assets					
Cash and equivalents	1,886	1,415	1,639	1,758	1,885
Trade and other Receivables	11,120	11,120	11,120	11,120	11,120
Total Financial Assets	13,006	12,535	12,759	12,878	13,005
Non-Financial Assets					
Land and buildings	99	122	74	200	140
Infrastructure, plant and equipment	360	221	118	83	133
Intangibles	93	680	607	397	280
Other	23	23	23	23	23
Total Non-Financial Assets	575	1,046	822	703	576
Total Assets	13,581	13,581	13,581	13,581	13,581
LIABILITIES					
Interest Bearing Liabilities					
Other	-	-	-	-	-
Total Interest Bearing liabilities	-	-	-	-	-
Provisions					
Employees	447	447	447	447	447
Other	136	136	136	136	136
Total Provisions	583	583	583	583	583
Payables					
Suppliers	254	254	254	254	254
Total Payables	254	254	254	254	254
Total Liabilities	837	837	837	837	837
Net Assets	12,744	12,744	12,744	12,744	12,744
EQUITY*					
Parent Entity Interest					
Contributed equity	700	700	700	700	700
Reserves	23	23	23	23	23
Retained surpluses or accumulated deficits	12,021	12,021	12,021	12,021	12,021
Total Parent Entity Interest	12,744	12,744	12,744	12,744	12,744
Total Equity	12,744	12,744	12,744	12,744	12,744
Current assets	13,006	12,535	12,759	12,878	13,005
Non-current assets	575	1,046	822	703	576
Current liabilities	254	254	254	254	254
Non-current liabilities	583	583	583	583	583

Table 3.3.3: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash Received					
Appropriations	6,120	5,841	6,092	6,150	6,216
Other	460	50	50	50	50
Total Cash Received	6,580	5,891	6,142	6,200	6,266
Cash Used					
Employees	2,093	2,460	2,534	2,610	2,610
Suppliers	3,674	2,902	3,184	3,171	3,279
Total Cash Used	5,767	5,362	5,718	5,781	5,889
Net Cash From or (Used by)					
Operating Activities	813	529	424	419	377
INVESTING ACTIVITIES					
Cash Received					
Other	-	-	-	-	-
Total Cash Received	-	-	-	-	-
Cash Used					
Purchase of property, plant and equipment	488	1,000	200	300	250
Total Cash Used	488	1,000	200	300	250
Net Cash from or (Used by)					
Investing Activities	(488)	(1,000)	(200)	(300)	(250)
FINANCING ACTIVITIES					
Cash Received					
Other	-	-	-	-	-
Total Cash Received	-	-	-	-	-
Cash Used					
Other	-	-	-	-	-
Total Cash Used	-	-	-	-	-
Net Cash from or (Used by)					
Financing Activities	-	-	-	-	-
Net Increase or (Decrease)					
in Cash Held	325	(471)	224	119	127
Cash at the beginning of the reporting period	1,561	1,886	1,415	1,639	1,758
Cash at the End of the Reporting Period	1,886	1,415	1,639	1,758	1,885

Table 3.3.4: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2008-09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	12,021	-	23	700	12,744
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	12,021	-	23	700	12,744
Income and expense					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
Sub-total income and expense	-	-	-	-	-
Surplus (deficit) for the period	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
Distribution to owners					
Returns on capital					
Dividends	-	-	-	-	-
Returns of capital	-	-	-	-	-
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
Contribution by owners					
Appropriation (equity injection)	-	-	-	-	-
Other:					
Restructuring	-	-	-	-	-
Sub-total transactions with owners	-	-	-	-	-
Transfers between equity components	-	-	-	-	-
Estimated closing balance as at 30 June 2009	12,021	-	23	700	12,744

3.4: 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 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. This highlights whether PSR is operating at a sustainable level.

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 provide 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 2008-09)

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