

Section 4: Other Reporting Requirements

4.1: PURCHASER-PROVIDER ARRANGEMENTS

Broadly defined, a purchaser-provider arrangement is one in which:

- the purchaser is the agent who decides what will be produced; and
- the provider is the agent who delivers the agreed outputs or outcomes.¹

In this subsection, the Department reports on a number of arrangements under which its outputs are purchased from another agency, to contribute to the Department's outcomes.

Provider — Aged Care Standards and Accreditation Agency Ltd

Cross Agency Overview

Agency:	The Aged Care Standards and Accreditation Agency Ltd (the Agency).
Services:	The Agency manages the accreditation and ongoing supervision of Australian Government-funded aged care homes and promotes high quality care through the provision of information, training and educational services.
Formal Agreement:	The Department of Health and Ageing (the Department) has a Deed of Funding Agreement with the Agency.
Outcome:	Department-wide outcomes.

Responsibility

The Agency is responsible to the Minister for Ageing. It reports against its own outcomes within the Health and Ageing Portfolio Budget Statements and produces its own annual report.

Control Arrangements

The Agency is subject to the *Commonwealth Authorities and Companies Act 1997* and the *Corporations Act 2001*. The Agency has been appointed the 'accreditation body'² under

¹ Department of Finance, *Clarifying the Exchange: A Review of Purchaser/Provider Arrangements*. Management Improvement Discussion Series Paper No. 2. Resource Management Improvement Branch, November 1995, page 1.

² The Agency manages the accreditation process for Australian Government-funded aged care homes, promotes high quality care by providing information, education and training to industry, strategically manages services working towards accreditation, and liaises with the Department of Health and Ageing about aged care homes which do not comply with the Accreditation Standards.

Division 80 of the *Aged Care Act 1997*. The services it provides are outlined in the Deed of Funding Agreement and in the *Accreditation Grant Principles 1999*.

Resourcing

The Department will pay \$21.0 million (GST exclusive) to the Agency for the above services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the Agency in delivering these services is covered by the Department's Portfolio Budget Statements within Outcome 4 – Aged Care and Population Ageing.

Provider – Australian Bureau of Statistics

Cross Agency Overview

Agency:	The Australian Bureau of Statistics (ABS).
Services:	The ABS develops, collects, compiles, analyses, manages and disseminates data in relation to health and well-being.
Formal Agreement:	The Department has a Memorandum of Understanding with the ABS.
Outcome:	Whole-of-Portfolio.

Responsibility

The ABS lies within the Treasury portfolio and reports on its outcomes within the Treasury Portfolio Budget Statements. The ABS produces its own annual report.

Control Arrangements

The ABS is a statutory authority operating under the *Australian Bureau of Statistics Act 1975*, the *Census and Statistics Act 1905*, the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$1.368 million (GST exclusive) to the ABS for the above services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of this arrangement is monitored through the Partnership Management Group. This group is comprised of senior managers from both agencies and meets at least once a year to review progress and outcomes achieved.

The performance of the ABS in delivering these outputs is detailed in Table 3.1 Total Resources for Outcome 1 and Table 3.2 Key Performance Information for Outcome 1 in the ABS Agency Budget Statement within the Treasury Portfolio Budget Statements.

Provider — **Australian Bureau of Statistics**

Cross Agency Overview

Agency:	The Australian Bureau of Statistics (ABS).
Services:	The ABS provides a user pay service for the running of the Second National Survey of Mental Health and Wellbeing. The survey is a nationwide household study to be conducted in 2007, focussing on service utilisation and the prevalence of mental health problems in the Australian population.
Formal Agreement:	The Memorandum of Understanding for 1 July 2006 to 30 June 2012 between the Department and ABS contains a signed subsidiary agreement in relation to the Second National Survey of Mental Health and Wellbeing.
Outcome:	Outcome 11 – Mental Health.

Responsibility

The ABS lies within the Treasury portfolio and reports on its outcomes within the Treasury Portfolio Budget Statements. The ABS produces its own annual report.

Control Arrangements

The ABS is a statutory authority operating under the *Australian Bureau of Statistics Act 1975*, the *Census and Statistics Act 1905*, the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$5.470 million (GST exclusive) to the ABS for the above services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the ABS in delivering these outputs is detailed in Table 3.1 Total Resources for Outcome 1 and Table 3.2 Key Performance information for Outcome 1 in the ABS Agency Budget Statement within the Treasury Portfolio Budget Statements.

Provider — **Australian Institute of Aboriginal and Torres Strait Islander Studies**

Cross Agency Overview

Agency:	The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS).
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Services:	The AIATSIS provides family history services to Link Up clients, Link Up staff (including Caseworker training) and Aboriginal and Torres Strait Islander people affected by the removal policies and practices of past governments.
Formal Agreement:	The Department has a standard funding agreement with the AIATSIS.
Outcome:	Outcome 8 – Indigenous Health, Program 8.1 – Aboriginal and Torres Strait Islander Health.

Responsibility

The AIATSIS is a Commonwealth statutory authority within the Education, Science and Training portfolio.

Control Arrangements

The AIATSIS is a Commonwealth statutory agency under the *Public Service Act 1999* and is subject to certain provisions under the *Commonwealth Authorities and Companies Act 1997* within the Education, Science and Training Portfolio.

The AIATSIS was created by the *Australian Institute of Aboriginal and Torres Strait Islander Studies Act 1989*.

Resourcing

The Department will pay \$0.488 million (GST exclusive) to the AIATSIS for the above services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of AIATSIS in delivering these services is covered by the performance information identified in the standard funding agreement.

Provider — **Australian Institute of Health and Welfare**

Cross Agency Overview

Agency:	The Australian Institute of Health and Welfare (AIHW).
Services:	The AIHW develops information and statistics.
Formal Agreement:	The Department has a Memorandum of Understanding with the AIHW.
Outcome:	Outcome 1 – Population Health, Output Group 2 – Program Management.

Responsibility

The AIHW is a statutory authority and reports on its outcomes within the Health and Ageing Portfolio Budget Statements and produces its own annual report.

Control Arrangements

The AIHW operates under the *Australian Institute of Health and Welfare Act 1987* and reports annually to Parliament. The AIHW is also subject to a range of legislation, including the *Commonwealth Authorities and Companies Act 1997* and the *Public Service Act 1999*. The AIHW informs community discussion and decision-making through national leadership and collaboration in developing and providing health and welfare statistics and information.

Resourcing

The AIHW was paid \$1.703 million (GST exclusive) in 2006-07 for the Investment in Preventative Health Budget measure. In addition, the AIHW will be paid \$0.300m per annum (GST exclusive) for three years commencing 1 July 2005 and ending 30 June 2008 from the injury component of the Investment in Preventive Health Budget measure.

Performance Against Outcomes of Purchased Outputs

The performance of the AIHW in delivering these services is covered by the Department of Health and Ageing's Portfolio Budget Statements outlined in the Outcome 1 – Population Health: Table 3.1.2 Key Performance Information for Administered Programs.

Provider — **Australian Institute of Health and Welfare**

Cross Agency Overview

Agency:	The Australian Institute of Health and Welfare (AIHW).
Services:	The AIHW provides Aboriginal and Torres Strait Islander health statistical analysis and data development.

Budget Statements – Department of Health and Ageing

Formal Agreement:	The Memorandum of Understanding between the Department and the AIHW includes Schedules focusing on Aboriginal and Torres Strait Islander health statistics.
Outcome:	Outcome 8 – Indigenous Health, Program 8.1 – Aboriginal and Torres Strait Islander Health.

Responsibility

The AIHW is a statutory authority and reports on its outcomes within the Health and Ageing Portfolio Budget Statements and produces its own annual report.

Control Arrangements

The AIHW operates under the Australian Institute of Health and Welfare Act 1987 and reports annually to Parliament. The AIHW is also subject to a range of legislation, including the Commonwealth Authorities and Companies Act 1997 and the Public Service Act 1999. The AIHW informs community discussion and decision-making through national leadership and collaboration in developing and providing health and welfare statistics and information.

Resourcing

The Department will pay \$0.400 million (GST exclusive) to the AIHW for the above services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the AIHW in delivering these services is covered by the Health and Ageing's Portfolio Budget Statements outlined in the AIHW chapter at Table 3.2 Key Performance Information for the AIHW.

Provider – **Australian Institute of Health and Welfare**

Purchaser-
Provider

Cross Agency Overview

Agency:	The Australian Institute of Health and Welfare (AIHW).
Services:	The AIHW collates and publishes National Minimum Data Sets for mental health care and national mental health information activities.
Formal Agreement:	The Memorandum of Understanding between the Department and the AIHW includes Schedules for National Mental Health Information Activities.
Outcome:	Outcome 11 – Mental Health.

Responsibility

The AIHW is a statutory authority and reports on its outcomes within the Health and Ageing Portfolio Budget Statements and produces its own annual report.

Control Arrangements

The AIHW operates under the *Australian Institute of Health and Welfare Act 1987* and reports annually to Parliament. The AIHW is also subject to a range of legislation, including the *Commonwealth Authorities and Companies Act 1997* and the *Public Service Act 1999*. The AIHW informs community discussion and decision-making through national leadership and collaboration in developing and providing health and welfare statistics and information.

Resourcing

The Department will pay up to \$0.950 million (GST exclusive) to the AIHW for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the AIHW in delivering these services is covered by the Health and Ageing's Portfolio Budget Statements outlined in the AIHW chapter at Table 3.2 Key Performance Information for the AIHW.

Provider — **Australian Radiation Protection and Nuclear Safety Agency**

Cross Agency Overview

Agency:	The Australian Radiation Protection and Nuclear Safety Agency (ARPANSA).
Services:	ARPANSA tests and evaluates radiopharmaceutical medicines for human diagnostic and therapeutic use.
Formal Agreement:	The Department (through the Therapeutic Goods Administration) has a Memorandum of Understanding with ARPANSA.
Outcome:	Outcome 1 – Population Health.

Responsibility

ARPANSA is an agency within the Health and Ageing portfolio and produces its own annual report.

Control Arrangements

ARPANSA is a statutory authority and operates under the *Australian Radiation Protection and Nuclear Safety Act 1998*. ARPANSA is subject to the *Commonwealth Authorities and Companies Act 1997* and the *Public Service Act 1999*.

Resourcing

Whilst the Memorandum of Understanding with ARPANSA is yet to be extended for 2007-08, the estimated expenditure is anticipated to be \$0.050 million. The Memorandum may only be extended by mutual agreement.

Performance Against Outcomes of Purchased Outputs

The performance of ARPANSA in delivering these services is covered by the Health and Ageing Portfolio Budget Statements within the ARPANSA agency chapter, Table 3.2 Key Performance Information for Departmental Outputs.

Provider — Australian Taxation Office

Cross Agency Overview

Agency:	The Australian Taxation Office (ATO).
Services:	The ATO processes tax returns that are inclusive of Private Health Insurance rebate claims.
Formal Agreement:	A new Service Level Agreement is still to be negotiated between the Department and the ATO.
Outcome:	Outcome 9 – Private Health, Output Group 2 – Program Management.

Responsibility

The ATO provides a quarterly report of claims paid, an annual report and a report on client satisfaction measures.

Control Arrangements

The ATO is the Australian Government’s principal revenue collection agency and is part of the Treasury portfolio. The ATO is subject to a range of legislation, including the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

As a new Service Level Agreement is still to be negotiated, the amount for 2007-08 has not yet been agreed. The estimated payment to the ATO for 2007-08 will be \$0.600 million (GST exclusive).

Performance Against Outcomes of Purchased Outputs

The performance of the ATO in delivering these services is covered by the performance standards in the Service Level Agreement.

Provider — Centrelink

Cross Agency Overview

Agency:	Centrelink.
Services:	Centrelink provides regular Family Tax Benefit Part A data to monitor the extended Medicare safety net.
Formal Agreement:	The Department has a business partnership agreement for 2004-2007 with Centrelink.
Outcome:	Outcome 3 – Access to Medical Services.

Responsibility

Centrelink lies within the Human Services portfolio and reports its outcomes in the Human Services Portfolio Budget Statements. Centrelink produces its own annual report.

Control Arrangements

Centrelink is a statutory authority operating under the *Commonwealth Services Delivery Agency Act 1997*. Centrelink is subject to a range of legislation including the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$0.639 million (GST exclusive) to Centrelink for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

Centrelink's performance in delivering these services is covered by the Department of Health and Ageing's Portfolio Budget Statements, within Outcome 3 –Access to Medical Services.

Provider — **Centrelink**

Cross Agency Overview

Agency:	Centrelink.
Services:	Centrelink assesses the income status of aged care residents to assist the Department in determining whether the residents are required to pay an income-tested fee. Since 2005-06 this work has been extended to cover assets assessments for aged care residents to determine whether residents are eligible for concessional resident status. In 2006-07, it was further broadened to accommodate changes to the treatment of gifted assets and income streams under the aged care assets test which would align them with their treatment under the pension asset test. Centrelink also provides validation data to Medicare Australia for the Pharmaceutical Benefits Scheme Concessional Entitlements Validation Project and to determine the eligibility of families or individuals for the extended Medicare safety net lower threshold.
Formal Agreement:	The Department has a business partnership agreement with Centrelink.
Outcome:	Department-wide outcomes.

Responsibility

Centrelink lies within the Human Services portfolio and reports its outcomes in the Human Services Portfolio Budget Statements. Centrelink produces its own annual report.

Control Arrangements

Centrelink is a statutory authority operating under the *Commonwealth Services Delivery Agency Act 1997* and is subject to a range of legislation including the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$8.800 million (GST exclusive) to Centrelink for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

Centrelink's performance in delivering these services is covered by the Department of Health and Ageing's Portfolio Budget Statements, within Outcome 3 – Access to Medical Services.

Provider — **Commonwealth Scientific and Industrial Research Organisation**

Cross Agency Overview

Agency:	The Commonwealth Scientific and Industrial Research Organisation (CSIRO).
Services:	The CSIRO will: conduct a pilot survey of antimicrobial resistant (AMR) bacteria in food which may be used by the Department to inform an ongoing surveillance program; estimate the prevalence of AMR bacteria in food purchased at retail outlets to provide insight into the level of exposure of consumers to AMR bacteria from this source; and provide statistically sound, scientific data that can be used to inform future research on AMR bacteria in food, and assist in developing preventive strategies and measures.
Formal Agreement:	The Department has a contract for service with the CSIRO.
Outcome:	Outcome 14 – Biosecurity and Emergency Response.

Responsibility

The CSIRO reports on its outcomes within the Education, Science and Training portfolio and produces its own annual report.

Control Arrangements

The CSIRO is a statutory authority pursuant to Section 8 of the *Science and Industry Research Act 1949*, as represented by Food Science Australia. The CSIRO is subject to a range of legislation including the *Financial Management Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$0.135 million (GST exclusive) to the CSIRO for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of CSIRO in delivering these services is covered in the Health and Ageing's Portfolio Budget Statements within Outcome 14 – Biosecurity and Emergency Response.

Provider — Department of the Environment and Water Resources

Cross Agency Overview

Agency:	The Department of the Environment and Water Resources (DEW).
Services:	The DEW will provide advice on and evaluate the environmental impacts of new and existing industrial chemicals.
Formal Agreement:	The Department (through the National Industrials Chemical Notification and Assessment Scheme) has a Service Level Agreement with the DEW.
Outcome:	Outcome 1 – Population Health.

Responsibility

The DEW lies within the Environment and Water Resources portfolio and produces its own annual report.

Control Arrangements

The DEW is an Australian Government department and operates under the *Financial Management Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$0.552 million (GST exclusive) to the DEW for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the DEW in delivering these services is covered by the performance information identified in the Service Level Agreement.

Provider — **Department of the Environment and Water Resources**

Purchaser-
Provider

Cross Agency Overview

Agency:	The Department of the Environment and Water Resources (DEW).
Services:	The DEW will provide services for a password protected mapping tool website.
Formal Agreement:	The Department (through the Therapeutic Goods Administration) has a partnership agreement with the DEW.
Outcome:	Outcome 1 – Population Health.

Responsibility

The DEW lies with the Environment and Water Resources portfolio and produces its own annual report.

Control Arrangements

The DEW is an Australian Government department and operates under the *Financial Management Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$0.050 million (GST exclusive) to the DEW for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the DEW in delivering these services is covered by the performance information identified in the partnership agreement.

Provider — **Family Court of Australia**

Cross Agency Overview

Agency:	The Family Court of Australia.
Services:	The Family Court of Australia will improve the Federal Magistrates Court and Family Court of Australia's systems and processes to promote awareness, provide skills and put in place supporting infrastructure to enable the support of referral of clients to mental health support services.
Formal Agreement:	The Department has a Memorandum of Understanding with the Family Court of Australia for the period January 2007 to 31 December 2008.
Outcome:	Outcome 11 – Mental Health.

Responsibility

The Family Court of Australia lies within the Attorney General's Department and reports on its outcomes within the Attorney General's Portfolio Budget Statements. The Family Court produces its own annual report.

Control Arrangements

The Family Court of Australia is a prescribed agency under the *Financial Management and Accountability Act 1997*.

Resourcing

Between 2006-07 and 2008-09, The Department will pay \$0.950 million (GST exclusive) to the Family Court of Australia. In 2007-08, the Family Court of Australia will be paid \$0.380 million (GST exclusive).

Performance Against Outcomes of Purchased Outputs

The performance of the Family Court of Australia in delivering these services is covered by performance measures discussed in Table 3.2.11 Key Performance Information for Outcome 11 in the Health and Ageing Portfolio Budget Statements.

Provider — **General Practice Education and Training Ltd**

Purchaser-
Provider

Cross Agency Overview

Agency:	General Practice Education and Training Ltd (GPET).
Services:	GPET manages the Australian General Practice Training Program which is a regionalised vocational education and training program for general practitioners. GPET subcontracts with 21 regional training providers to deliver training.
Formal Agreement:	GPET has a funding agreement with the Department to oversee and support the Australian General Practice Training Program.
Outcome:	Outcome 5 – Primary Care.

Responsibility

GPET lies within the Health and Ageing portfolio. GPET contributes to the Department's Outcome 5 – Primary Care; reports its activities in the Health and Ageing Portfolio Budget Statements and produces its own annual report.

Control Arrangements

GPET is a Commonwealth company limited by guarantee, operating under the *Commonwealth Authorities and Companies Act 1997*. GPET is accountable under the terms of its funding agreement with the Department.

Resourcing

The Department will pay \$77.700 million (GST exclusive) to GPET for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

Performance information for this funding agreement is detailed in the Health and Ageing Portfolio Budget Statements within GPET's agency chapter.

Provider — **Medicare Australia**

Cross Agency Overview

Agency:	Medicare Australia.
Services:	Medicare Australia administers payments to providers of aged care services and maintains and supports the Department's aged care payments systems.
Formal Agreement:	Arrangements for the administration of aged care payments are described in a business practice agreement which forms part of a Memorandum of Understanding between the Department and Medicare Australia.
Outcome:	Outcome 4 – Aged Care and Population Ageing.

Responsibility

Medicare Australia lies within the Human Services portfolio which reports on its outcomes in the Human Services Portfolio Budget Statements. Medicare Australia produces its own annual report.

Control Arrangements

Medicare Australia operates under the *Financial Management and Accountability Act 1997*, and the *Public Service Act 1999* and produces its own annual report.

Resourcing

The Department will pay \$1.2 million (GST exclusive) to Medicare Australia for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of the aged care payments function by Medicare Australia is covered by performance measures identified in the business practice agreement. The Department is responsible for setting policy direction for aged care and service standards for the administration of aged care payments. Additional information about the performance of Medicare Australia is reported in the Human Services Portfolio Budget Statements.

Provider — **National Health and Medical Research Council**

Purchaser-
Provider

Cross Agency Overview

Agency:	The National Health and Medical Research Council (NHMRC).
Services:	The NHMRC provides research management services for the National Dementia Initiative Research Program. NHMRC grants are awarded after assessment processes which are required under the <i>National Health and Medical Research Council Act 1992</i> . These grants are for research into matters that support the quality of life of people living with dementia and their carers.
Formal Agreement:	A Memorandum of Understanding between the NHMRC and the Department provides for the management of the Dementia Research Grants Program.
Outcome:	Outcome 4 – Aged Care and Population Ageing.

Responsibility

The NHMRC is a statutory authority within the Health and Ageing portfolio. The NHMRC operates under the *National Health and Medical Research Council Act 1992*.

Control Arrangements

The NHMRC is subject to a range of legislation, including the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Resourcing

The Department will pay \$4.9 million (GST exclusive) to the NHMRC for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

This performance information is reported under the Dementia National Initiative Performance information.

Provider — **Torres Strait Regional Authority**

Cross Agency Overview

Agency:	The Torres Strait Regional Authority (TSRA).
Services:	The TSRA provides secretariat support to the Torres Strait Health Partnership.
Formal Agreement:	The Department has a Memorandum of Understanding with the Torres Strait Regional Authority in relation to the Torres Strait Health Partnership.
Outcome:	Outcome 8 – Indigenous Health, Program 8.1 – Aboriginal and Torres Strait Islander Health.

Responsibility

The TSRA lies within the Families, Community Services and Indigenous Affairs portfolio. The TSRA produces its own annual report.

Control Arrangements

The TSRA is a Commonwealth statutory agency operating under the *Public Service Act 1999* and is also subject to certain provisions under the *Commonwealth Authorities and Companies Act 1997*, within the Families, Community Services and Indigenous Affairs portfolio.

Resourcing

The Department will pay approximately \$0.109 million to the TSRA for these services in 2007-08.

Performance Against Outcomes of Purchased Outputs

The performance of TSRA in delivering these services is covered by the performance information in the Memorandum of Understanding.

4.2: Cost Recovery Arrangements

It is an Australian Government requirement that all agencies under the *Financial Management and Accountability Act 1997* clearly identify cost recovery arrangements both in the annual report and the Portfolio Budget Statements. This is in accordance with the Government's cost recovery policy issued by the Department of Finance and Administration.¹

The Department of Health and Ageing (the Department) recovers the cost of its activities within the scope of the Government's cost recovery policy through fees, charges and levies for services provided to stakeholders including the public, industry and non-government organisations.

The Department recently completed a review of its cost recovery arrangements to ensure compliance with the Government's cost recovery policy. The review found that the Department's cost recovery arrangements were consistent with the policy.

Private Health Insurance – Protheses

The Department administers cost recovery arrangements for the development of the Protheses Lists. The costs of the Protheses Lists are recovered from the health insurance industry through application fees for new products and ongoing listing fees.

The Protheses List arrangements are defined in Division 72 of the *Private Health Insurance Act 2007* and the *Private Health Insurance (Protheses) Rules 2007*. Mandatory cost recovery, introduced on 1 April 2007, is supported by the *Private Health Insurance (Protheses Application and Listing Fees) Act 2007* (the Act) and the *Private Health Insurance (Application and Listing Fees) Rules 2007*.

Division 72 of the Act requires the applicant² to pay fees:

- when an application is received to add a new device to the Protheses List;
- when an application is granted by the Minister (the applicant must pay an initial listing fee); and
- to ensure the ongoing listing of a device on the Protheses List.

¹ Accessible at: <www.finance.gov.au/finframework/docs/Cost_Recovery_Guidelines.pdf>.

² An applicant may be the manufacturer or sponsor of the prostheses.

Expected Prostheses List Activity for 2007-08

Activity	Estimated No. 2007-08	Fee \$	Amount \$
New applications received for assessment.	900	400	360,000
Listing approved.	866	110	95,260
Product listed on the Prostheses List (6 monthly).	18,383	110	2,022,130
		Total	2,477,390

Note: The fees are set by the *Private Health Insurance (Application and Listing Fees) Rules 2007*.

Costs under the Prostheses List cost recovery arrangements cover:

- the Prostheses and Devices Committee, Clinical Advisory Groups, and Panel of Clinical Experts committee expenses relating to preparation, sitting fees, and travel expenses for clinician and consumer participation, and for clinical assessment;
- the departmental operational expenses for 19.1 average staffing levels to: produce the Prostheses List; maintain over 9,000 products; conduct biannual application cycles; provide secretariat services for the Prostheses and Devices Committee; support eight advisory committees; and administrative support to over 70 clinicians on the Panel of Clinical Experts;
- registering the determination on the Federal Register of Legislative Instruments; and
- providing public access to the Prostheses List database.³

Cost Recovery Impact Statement for Prostheses

The Prostheses and Devices Committee provides advice on products submitted for inclusion on the Prostheses List and their associated benefit amounts. The Clinical Advisory Groups and a Panel of Clinical Experts assess applications and provide advice to the Prostheses and Devices Committee on the clinical effectiveness of new products and the benefit amount.

Broadly, the administrative arrangements are:

- sponsors of prostheses and devices apply to have their products listed (the private sector currently accounts for 60 per cent of the total prostheses market);
- application cycles are conducted biannually, culminating in the release of a new Prostheses List;
- on average each application cycle adds around 450 new products to the Prostheses List; approximately 80 products are removed (at the request of sponsors), and 700 listings are amended; and
- benefit amounts for all listed products are reviewed and renegotiated annually.

Recent reforms to the prostheses listing and application arrangements resulted in an increase in costs to administer the Prostheses List. The new elements to the prostheses arrangements included:

³ Available at: <www.health.gov.au/internet/wcms/publishing.nsf/content/health-privatehealth-prostheseslist.htm#prostheses>.

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- clinical assessment as integral to the listing process;
- centralised benefits setting for all products on the Prostheses List (currently around 9,300 products); and
- the introduction of gaps for products – previously health funds were required to cover 100 per cent of the cost of every product listed (approximately 596 gap permitted products are currently listed).

For 2005-06, a total of \$1.875 million was invoiced and to date only \$0.66 million (63 per cent) has been recovered. The fees recovered for 2005-06 are significantly below the agreed voluntary arrangements. Under the mandatory cost recovery arrangements, the expected projected revenue in 2007-08 for the Prostheses List is \$2.477 million.

The net impact of mandatory fees on the prostheses industry is \$1.62 million. This figure is calculated from the difference between the actual moneys received from 2004-05 (voluntary cost recovery) and the expected revenue collected from the mandatory fees.

Cost
Recovery

Compliance with the Cost Recovery Policy for Prostheses

The Prostheses Application and Listing Fees are in accordance with the Australian Government's cost recovery policy and guidelines. The Department will closely monitor funds received and adjust fees to align with the prostheses budget. This will avoid any under recovery of funds, and allow future refunding for any over recovery.

Consultation Statement

The Department consults with sponsors and the private health industry through private health insurance circulars, meetings, distribution of a discussion paper and an invitation to industry to provide written submissions.

Further Review

The cost recovery arrangements are due for a formal review in 2009-10.

Private Health Insurance Ombudsman – Levy

On 1 April 2007, the regulation of private health insurance was moved from the *National Health Act 1953* to the new *Private Health Insurance Act 2007* (the Act), the *Private Health Insurance Complaints Levy Act 1995* (the Levy Act) and the *Private Health Insurance (Complaints Levy) Rules* (the Rules).

Under the Levy Act, levies are imposed on health funds based on membership levels to offset the operation costs of the Private Health Insurance Ombudsman (PHIO). The Levy Act funds the PHIO to provide an independent service to help consumers with health insurance problems and enquiries.

Subsection 6(1) of the Levy Act states that the rate of levy is prescribed by the Regulations. In addition, Subsection 6(2) of the Levy Act states that the rate is to be based on the number of complying health insurance policies on issue on the census day.

Regulation 5 provides a formula for calculating the levy, including the rates payable by a private health insurer for single and joint coverage policies. The formula has been structured to ensure that the rate set for the levy will collect the total amount required despite potential variations in the number and types of complying health insurance policies.

Compliance with the Cost Recovery Policy

The Levy Act charges are in accordance with the Australian Government's cost recovery policy and guidelines.

The Regulations were amended on 3 November 2006 to provide for an increase in the industry levy of \$200,000, to a total of \$1.350 million per annum. The additional funds will allow the PHIO to perform the expanded powers contained in the *Health Legislation Amendment (Private Health Insurance) Act 2006*.

In May 2006, the Australian Government announced the levy will be increased by \$562,000 (to a total of \$1.912 million) in 2007-08 to cover the development and maintenance of the PHIO website.⁴ The Rules make provision for this increase.

Further Review

The Rules will be amended in 2008-09 to enable a further increase of \$2,000 to maintain the PHIO website.

Therapeutic Goods Administration

The Australian community has an expectation that the therapeutic products in the marketplace are safe and of high quality, to a standard equal to that of countries with comparable standards. The Therapeutic Goods Administration (TGA) is one of the world's front line regulators undertaking rigorous scientific and risk assessments of therapeutic products to ensure safety, quality and efficacy, without undue impact on the timely supply of essential products to consumers and patients.

In Australia, regulation is achieved through a risk management approach to pre-market evaluation and approval of therapeutic products intended for supply, licensing of manufacturers and post-market monitoring and surveillance. The principal activities of the regulatory scheme include:

- scientific evaluation of medicines, medical devices and blood and tissue products for supply in Australia;
- licensing and audit of manufacturing standards;
- monitoring compliance with standards, including testing of products, auditing product data, analysing reportable incidents, investigating complaints, and recalling non-compliant products from the market;

⁴ Accessible at: <www.phio.org.au>.

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- inclusion of therapeutic goods in the Australian Register of Therapeutic Goods, including advertising, labelling, product appearance and appeal guidelines, as set out in the *Therapeutic Goods Act 1990* (the Act);
- surveillance, investigation and enforcement of the provisions of the Act;
- industry support activities, including the development of guidelines and promoting international harmonisation; and
- services to the Australian Government to support the objects of the Act.

Compliance with the Cost Recovery Policy

The TGA recovers the full cost of its regulatory activities within the scope of the Act through fees and charges for services provided to product introducers (sponsors) and manufacturers. Fees and charges are prescribed in regulations made under the *Therapeutic Goods Act 1990*, the *Therapeutic Goods (Medical Devices) Act 2001* and the *Therapeutic Goods (Charges) Act 1990*. Certain activities undertaken for Australian Government were funded from departmental allocations.

	2005-06 Actual \$m	2006-07 Estimate \$m	2007-08 Estimate \$m
Industry cost recovery	72.087	72.890	74.541
Government	1.137	3.478	-
Price of outputs	73.224	76.368	74.541

Consultation Statement

Each year, the TGA conducts bilateral meetings with the Generic Medicines Industry Association, Medicines Australia, the Complementary Health Care Council of Australia, the Australian Self Medication Industry, the Australian Dental Industry Association, the Medical Industry Association of Australia and AusBiotech Ltd, prior to setting fees and charges for the following year.

Further Review

The Australian and New Zealand Government have agreed to establish a joint regulatory scheme for therapeutic products – the Australia New Zealand Therapeutic Products Authority. The joint scheme is expected to commence in 2008. Fees and charges for the joint scheme will be assessed beforehand, with a full cost recovery assessment to be completed two years following commencement of the joint scheme.

National Industrial Chemicals Notification and Assessment Scheme

Industrial chemicals are regulated in Australia through the National Industrial Chemicals Notification and Assessment Scheme (NICNAS), in accordance with the provisions of the *Industrial Chemicals (Notification and Assessment) Act 1989* (the Act). The NICNAS is administered as a business unit of the Therapeutic Goods Administration in the Department.

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The NICNAS is the Australian Government regulator for industrial chemicals and aims to encourage the safe and sustainable use of industrial chemicals by:

- managing a national notification and assessment scheme to protect the health of the public, workers and the environment from the harmful effect of industrial chemicals;
- assessing all chemicals new to Australia and those chemicals already used on a priority basis, in response to health and/or environmental concerns;
- making assessments widely available to assist public health and environmental agencies in regulating the use, release and disposal of industrial chemicals;
- providing risk and safety information to industry, workers and the public; and
- ensuring compliance for inclusion of industrial chemicals in the Australian Inventory of Chemical Substances and the Register of Industrial Chemical Introducers.

The cost of administering the NICNAS is fully funded from industry. New chemical fees and charges cover the administration cost of new chemicals. Existing chemicals are levied by annual registration fees and enable NICNAS to conduct:

- reviews of existing chemicals;
- client awareness and education activities;
- compliance and legal activities; and
- the administration of NICNAS registration itself.

Compliance with the Cost Recovery Policy

In February 2005, the NICNAS assessment scheme was reviewed in accordance with the Australian Government's cost recovery policy and guidelines. Independent consultants were engaged to review current cost recovery arrangements, consult with industry and government stakeholders and undertake an assessment of the basis for setting fees and charges.

	2005-06 Actual \$m	2006-07 Estimate \$m	2007-08 Estimate \$m
Industry cost recovery	7.975	7.473	7.947
Government	0.349	0.258	-
Price of outputs	8.324	7.731	7.947

Consultation Statement

Each year, the NICNAS seeks an agreement with its Industry Government Consultancy Committee in relation to setting fees and charges for the following year.

Further Review

The cost recovery arrangements for the NICNAS are due for review in 2009-10.