From: Paul Frosdick
To: McCabe, Daniel
Cc: s47F
Subject: MediSecure, Prospection and real-time health analytics [SEC=No Protective Marking]
Date: Tuesday, 19 May 2020 2:26:33 PM
Attachments: image001.png
image002.png

Dear Daniel,

This email serves three purposes. The first is by way of a simple introduction. Having taken over the role of General Manager at MediSecure some six months ago, reaching out to you is now appropriate, if not overdue. The second is to touch base with you regarding the conversations I have been having with Prospection Pty Ltd., one of the Department's trusted providers of secondary analytics insights. The third purpose is to suggest we find a convenient time in your diary to meet soon, along with my colleagues from Prospection, to tie together the previous two items.

As one of the two Prescription Exchange Services (PES) currently operating in Australia, MediSecure is a core component in the push towards true ePrescribing and the positive impact it can make to health outcomes across the nation. And obviously, we are front and centre in the acceleration of ePrescribing implementation as a critical enabler of the government's health system response to the COVID-19 crisis. Indeed I am pleased to say that we have recently received conformance accreditation for both our PES and our Simple Retail community pharmacy system.

Having spent my first six months understanding the business and the environment within which it operates, I suspect it will come as no surprise to you to hear that I recognise I have plenty of challenges to keep me occupied. Holding a (significant) minority share in a two-provider market is not an ideal situation, for the business or indeed, the market operator. One of the reasons this situation has developed has been the relative absence of positive working relationships between MediSecure and our stakeholders and competitors. Reaching out and arranging a meeting with you is one of the steps I am taking to improve that situation.

As GM, improving MediSecure's market share is one of my core objectives. This is a considerable challenge when the revenue from that market share does not easily allow for investment activities. One way I am positioning MediSecure to overcome this challenge is to build collaborative partnerships that will add value to the health care system as a whole. Through the creation of that value, we anticipate generating the revenue that will support investments to better balance the prescription exchange market and create a more dynamic and innovative ePrescribing environment.

Our collaboration with Prospection is a crucial element of our 'value through collaboration' strategy, and I understand the concept was introduced to you this week when you met with s47F. The MediSecure PES data set is a proportional match to the Services Australia PBS 10% data set licensed to Prospection. Its critical advantage lies in the fact that it is real-time and captures both the absolute and temporal delta between prescriptions written and prescriptions dispensed. Combining this data with Prospection's current and future analyses creates an opportunity to provide real-time, predictive analytics capabilities to the Department, healthcare organisations and the MTP sector.

However, I recognise that there will be a need to proactively consider how to overcome the legitimate issues a proposed collaboration between MediSecure and Prospection could trigger. Prescription exchange data is highly personal, and any use such as that we suggest needs to consider and preserve the trust individuals place in the national digital health infrastructure of which we play a significant and successful part. Meeting with you to understand how we can jointly define the necessary protections from the get-go will be enormously valuable.

How would you be placed to meet with s47F and me towards the end of next week or early the following week?

Regards,
Paul

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From: Paul Frosdick
To: Bettina McMahon; McCabe, Daniel; Rupert Lee
Subject: RE: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=OFFICIAL]
Date: Thursday, 30 July 2020 11:32:14 AM
Attachments: image001.png
image002.png
image003.png

Hi Bettina,
Thanks for your efforts. My apologies for the delay in getting back to you.
Yes, we now have an MOU in place for the work to commence, and we are now waiting on getting a development timeline and price from s47G(1)(a)
In terms of future assistance, assuming the development timeline is not too long (there should be significant degrees of functional overlap between an eRx and MediSecure implementation), my principal concern will lie in ensuring s47G(1)(a) release an update as soon as the work is complete. In communications to date, s47G(1)(a) has only committed to a release in line with their routine schedule. That would leave s47G(1)(a) users without a MediSecure option until late 2020, and your support would be welcome in encouraging an out of cycle release.
We have, for example, received notice this week that a ten location general practice group will be switching from MediSecure to eRx because they wish to enable eScript capability. The difficult reality in marketing a prescription distribution service to the General Practice community is that the perceived disruption associated with change, means that once lost, the practice imperative to change back to MediSecure is currently low. We are looking at some value add innovations to change that situation, but of course, innovation requires revenue to fund it.
The current s47G(1)(a) situation, the practice change disincentive and the (understandable) stance regarding accelerating the rollout of the token model articulated by both the Agency and the Department at last week's change and adoption working group mean that until a s47G(1)(a) /MediSecure option is available in the market, the risk of further market polarisation remains. As early a s47G(1)(a) release as possible will help mitigate that risk.
Regards,
Paul

Paul Frosdick
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From: Bettina McMahon s22 @digitalhealth.gov.au>
Sent: Tuesday, 21 July 2020 12:42 PM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>; McCabe, Daniel <Daniel.McCabe@health.gov.au>; Rupert Lee s22 @digitalhealth.gov.au>
Subject: RE: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=OFFICIAL]
OFFICIAL
Hi Paul
I understand that Medisecure now has an MOU in place with s47G(1)(a) o resolve this issue. Please let us know if there is anything else we can do to assist.
Cheers

Bettina McMahon – Interim Chief Executive Officer – Office of the CEO
Phone: s22 Mob: s22 Email: s22 @digitalhealth.gov.au Web: www.digitalhealth.gov.au

From: Bettina McMahon
Sent: Monday, 13 July 2020 11:34 AM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>; McCabe, Daniel <Daniel.McCabe@health.gov.au>; Rupert Lee s22 @digitalhealth.gov.au>
Subject: RE: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=OFFICIAL]
OFFICIAL
Hi Paul
Thanks for raising this – we're discussing with s47G(1)(a) nd will be back in touch with you.
Regards

Bettina McMahon – Interim Chief Executive Officer – Office of the CEO
Phone: s22 Mob: s22 Email: s22 @digitalhealth.gov.au Web: www.digitalhealth.gov.au

From: Paul Frosdick <paul.frosdick@medisecure.com.au>
Sent: Tuesday, 7 July 2020 6:03 PM
To: McCabe, Daniel <Daniel.McCabe@health.gov.au>
Cc: Bettina McMahon s22 @digitalhealth.gov.au>
Subject: RE: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=OFFICIAL]
Hi Daniel,
Thank you for your reply. And for the lesson in economy or words.
I hope you both have a great week off. Always well-earned, but this year more than ever.
Regards,
Paul

Paul Frosdick
General Manager | MediSecure & Simple Retail
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From: McCabe, Daniel <Daniel.McCabe@health.gov.au>
Sent: Tuesday, 7 July 2020 5:08 PM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>
Cc: Bettina McMahon s22 @digitalhealth.gov.au>
Subject: RE: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=OFFICIAL]
Hi Paul,
Thank you for your letter.
We are working through the issues raised in your letter and will provide a formal reply in the two weeks (we are each taking some well-earned leave next week).
In the meantime, the Agency will make contact with s47G(1)(a) to ensure our objectives for ePrescribing are understood, including the need for open access to support all dispensing vendors.
Kind Regards, Daniel

Daniel McCabe
acting Deputy Secretary
Health Financing Group

Australian Government Department of Health
T: 02.6289s22 | M: s22 | E: daniel.mccabe@health.gov.au |
Location: Level 14, Scarborough House
PO Box 9848, Canberra ACT 2601, Australia
The Department of Health acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to elders both past and present

From: Paul Frosdick <paul.frosdick@medisecure.com.au>
Sent: Friday, 3 July 2020 5:43 PM
To: McCabe, Daniel <Daniel.McCabe@health.gov.au>; Bettina McMahon s22 @digitalhealth.gov.au>
Subject: Issues tending to the further polarisation of the Prescription Delivery Service market [SEC=No Protective Marking]

Dear Daniel and Bettina,

Please find attached my joint letter to you both as my promised follow-up to the discussions @Daniel and I had last week.

I apologise for the relatively lengthy nature of the letter. And this was after ignoring Mark Twain's excuse to prioritise speed of response over brevity of content.

The second attachment is an 'as required' addition for further context if desired, and is referenced in the letter.

Thank you for your time.

Regards,

Paul

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Daniel McCabe
First Assistant Secretary,
Department of Health

Bettina McMahon
A/ CEO
Australian Digital Health Agency

03 July 2020

Issues tending to the further polarisation of the Prescription Delivery Service market

Dear Daniel and Bettina,

In writing to you jointly, I hope I am being open and efficient rather than breaching any protocol. This level of communication is still relatively new territory for me, so apologies for any error of judgement.

My letter follows the meeting I had last Tuesday with Daniel. Thank you for hosting me, Daniel. It was a highly productive session from my perspective, and we managed to cover a lot of ground in thirty minutes. As agreed, my letter references the detail around three of the items discussed:

1. The risk of further Prescription Delivery Service (PDS) market polarisation following the s47G(1)(a) decision to manage PDS integrations in a serial manner
2. The perception of unconscious 'institutional bias' in Department/Agency engagement with PDS providers
3. The potential conflict of interest arising from the active advisory role being performed by Fred IT to the Department om medication chart ePrescribing

PDS Polarisation

I am pleased to be able to report that I had a positive conversation with Craig Hodges, Chief Corporate Officer at s47G(1)(a) on Wednesday this week. The trigger for our meeting was a letter sent to our GP practice clients using a s47G(1)(a) system. I have attached a copy to the email that accompanies this letter should you wish to reference the 'extended version' context.

Despite this positive step, the risk of further PDS market polarisation still exists. The risk was triggered by the late 2019 s47G(1)(a) decision to integrate to the PDSs in series, opting without consultation to schedule eRx initially. It was subsequently reinforced by s47G(1)(a) post-COVID-19 fast track decision to cement the mostly complete eRx integration[1] rather than initiate a parallel integration with MediSecure. And it has been further increased by s47G(1)(a) active guidance to their clients to switch to eRx, delivered through the s47G(1)(a) Premier release notes and during their s47G(1)(a) webinar on 28 May.

Depending on the rate at which 'fast track' ePrescribing rollout takes place, over fifty per cent of MediSecure's GP derived prescription volume could be transferred to eRx as the already market-dominant PDS. And this will occur based on the direct recommendation of the market-leading GP practice system before the reintroduction of any opportunity for prescriber choice can occur.

The effect on MediSecure's viability as the minority competitor to eRx will likely be unrecoverable. And as a result, a market that is already imbalanced to the point that a virtual monopoly currently exists will become the very definition of a pure, commercial monopoly.

To date, repeated requests to s47G(1)(a) on when an integration would be released have been met with an abstract and unchanging 'late 2020'. Although on our call this week, s47G(1)(a) has committed to start integration, no commitment on the critical issue of release to GPs has yet been made.

[1] An anticipated release date of May 2020 was announced at the 18 February 2020 ePrescribing program National Change and Adoption Working Group.

Further, comments made during the call raise the concern that s47G(1)(a) will consider a MediSecure integration part of a routine incremental release, rather than an urgent drop to support the government's approach to ePrescribing and public health safety in the current pandemic climate. This will bring us back to the existentially threatening 'late 2020' date.

I understand and accept that MediSecure must compete in an open, and from the government's perspective, multiple providers, PDS market. However, should a pure monopoly arise, the currently high barriers of entry to compete with eRx will only increase and compromise that vision.

Unconscious 'institutional bias'

We also touched on what I described as an "unconscious institutional bias": The perception that Department and Agency staff can tend to approach eRx alone, or in advance of MediSecure when seeking an ETP industry view on national matters.

I understand the underlying drivers: Market balance, organisation capacity to engage, and the historic leadership styles of my predecessors. However, an unconscious default that provides early market intelligence to, or genericising of, the dominant player is problematic.

The recent s47G(1)(a) referenced above is a case in point. The webinar included excellent input from Agency representatives. Unfortunately, two instances of 'unconscious bias' stood out to me:

1. Imagery used during an ePrescribing workflow demonstration reproduced only artefacts derived from eRx. This brand reinforcement was accompanied by the statement "MediSecure may look different", without any approach to MediSecure having occurred
2. Advice from an Agency representative that "eRx must be used to ensure a connection" reinforced an underlying tenet of s47G(1)(a) messaging: That a switch from MediSecure to eRx was an immediate imperative.

Potential conflict of interest

The potential conflict of interest I raised is a specific example of unconscious institutional bias. I have separated it because of its potential significance.

On two occasions during an Electronic Prescribing: Medicines Charts Software Developer Workshop on 16 June 2020, representatives from the Department and s47G(1)(a) requested an eRx/s47G(1)(a) employee to respond on their behalf to detailed architectural design questions. The implied role of eRx/s47G(1)(a) in this initiative is of significant concern to me.

The extension of ePrescribing to all medicines charts in Australia is more than a simple reengineering of existing business processes and message flows. It creates a new market segment in which PDS vendors should compete equally. Yet, it would seem eRx/s47G(1)(a) has:

1. Received significant advanced notice of a sizeable new PDS market opportunity
2. Been exclusively engaged to deliver subject matter expertise to its design
3. An opportunity to influence the criteria to which PDSs will need to conform, using
4. An individual with a detailed technical understanding of both PDSs to provide advice, having been a previous employee of MediSecure

In procurement terms, eRx/s47G(1)(a) have an exclusive opportunity to work above and below the line, directly disadvantaging MediSecure and any other potential market entrant.

In conclusion, I hope that in bringing these interrelated matters to your attention we can, without compromising commercial neutrality, work together to ensure that the public interest of having a competitive and innovative ePrescribing infrastructure is preserved.

Regards,

Paul Frosdick

General Manager

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23 June 2020

Switching Prescription Exchange Service provider in Bp Premier

Dear Colleague,

I am writing to you as a user of MediSecure Prescription Exchange Services (PES) through s47G(1)(a) as your practice management system. If you are unfamiliar with the term, a PES is the software system that creates the barcode that appears on the prescriptions you issue, and that securely transmits the prescription information to the patient's pharmacy when the barcode is scanned there.

Two companies provide functionally identical PES services in Australia on behalf of the federal government: MediSecure and eRx. One significant differentiator between the companies is their ownership model. MediSecure is an independently owned business: Majority ownership of eRx resolves to Telstra Health and the Pharmacy Guild of Australia.

For many of our General Practice users, we know that MediSecure's independence has been a critical factor in their choice of PES. They are concerned that a significant proportion of the revenue generated through the electronic transmission of prescriptions can ultimately support the objectives of the Pharmacy Guild, some of which, understandably, compete with those of General Practice.

Regrettably, decisions taken by s47G(1)(a) and recent communications associated with the impact of those decisions appear to be taking away the ability of s47G(1)(a) users to exercise any choice in PES provision.

I understand that s47G(1)(a) has advised its customers that to send paperless electronic prescriptions (eScripts), you will need to have only the eRx PES installed: You cannot use multiple PES systems. As a result, on installation, s47G(1)(a) eScripts will prompt you to disable your access to the MediSecure PES.

Both statements are technically correct. s47G(1)(a) only allows the use of the eRx PES. And, for clinical safety reasons, the national ePrescribing architecture only allows each GP practice to run a single PES.

I am at pains to point out that this situation is not of MediSecure's choosing. Towards the end of 2019, s47G(1)(a) made a unilateral decision to prioritise integration with eRx only when they started s47G(1)(a) eScript development. Following the release of federal government COVID-19 fast track funding in March 2020, s47G(1)(a) reinforced their decision. Rather than use the new funding to integrate with both PESs, it was used to cement integration with eRx alone.

As a result of s47G(1)(a) decisions, on which I understand you also were not consulted, your choice of PES, along with over 1,000 other GP practices, could be forcibly changed.

We find this action by s47G(1)(a) and their lack of engagement with MediSecure and our users, genuinely challenging to understand. This is particularly so when the only workaround proposed by the market's leading practice management system is to suggest a move to the market's already-dominant PES. We have been seeking a date when s47G(1)(a) will support the MediSecure PES for over six months and have been provided only with an unchanging and abstract estimate of 'late 2020' with no firm commitment yet forthcoming.

I am compelled to stress to you that there is no urgent need for any practice to start issuing eScripts, and therefore switch PES, unless one of the following rare circumstances apply to you:

1. You are evaluating the beta release of Jade SP3, and you wish to include feedback on the new eScript functionality
2. You have been asked to take part in an Australian Digital Health Agency (ADHA) 'Community of Interest' (COI) early adoption scheme

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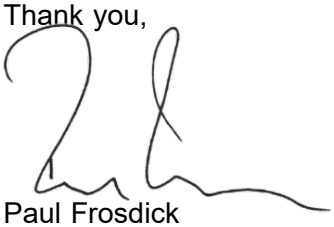
Further, there is a valid clinical safety reason not to switch to eScripts outside of these circumstances. The COI process consciously constrains early use of eScripts on a small number of GP practices and community pharmacies across Australia. This constraint is necessary to ensure patients issued with eScripts have access to a pharmacy set up to dispense them. Without this coordination, GPs and pharmacists will face unnecessary work organising the re-issue of paper prescriptions. And patients will be inconvenienced at best, and at worst, be exposed to the adverse consequences of delayed medication supply.

Firstly I would like to thank you for your support to date. I would also then ask you to continue that support for MediSecure, Australia's only independently owned PES, by biding your time in switching PES provider until and unless necessary not to compromise patient care. In the interim, we will be investigating workarounds for you and you should be assured I will keep you informed of developments in an as concise and timely manner as possible.

Thank you,



Paul Frosdick

General Manager

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From: Paul Frosdick
To: MCCABE, Daniel; PEASCOD, Sam
Cc: s22
Subject: RE: Briefing note to follow up from our 09 October meeting [SEC=OFFICIAL]
Date: Monday, 14 December 2020 7:46:54 PM
Attachments: image001.png
image002.png
image003.png
20201IBP_COVID_ImpactAnalysis.pdf
s47G(1)(a)

Hi Daniel,
I thought I would follow up on this thread on two fronts: An update on s47G(1)(a) progress, and a request to reconnect on this and the longer options, particularly the option relating to interoperability now that Minfos' is actively entering the dispense-side of the market. I am meeting with Amanda Cattermole at the end of this week and will cover both issues, but I believe it is essential to ensure both Department and Agency are similarly briefed.
Thank you for raising the s47G(1)(a) progress issue with the Agency. I am assured that Agency staff have been discussing the issue for some weeks with s47G(1)(a) executives. Regrettably, from the paying client's perspective, there has been no visible impact on urgency or delivery. Conversely, the indicative timelines in our software development agreement continue to slip to the right, with no evidence from the s47G(1)(a) project team that they are under pressure from exec to expedite fixing the issues in their code or deliver a general release than mid-March.
The result of s47G(1)(a) ontinued languid approach to their MediSecure PDS integration, in conjunction with the accelerated rollout of ePrescribing functionality, is the ongoing and accelerating erosion of MediSecure's s47G(1)(a) client base. I have attached an updated version of the impact slide I shared with you previously. The impact on sites switching from MediSecure to eRx is easily interpreted. The impact on revenue from s47G(1)(a) sites is more nuanced. However, in short, a stable s47G(1)(a) user base would have seen MediSecure revenue grow in proportion to the increase in qualifying prescription rates caused by 2019's ePrescribing legislative changes and this year's national response to COVID-19. Instead, the passive inheritance of that revenue has accelerated eRx income growth beyond an expected proportional increase. Is had also indirectly benefited s47G(1)(a) as a result of the quirk in revenue share impacted I shared in my previous briefing to you in November.
The clear trends in s47G(1)(a) site numbers and the associated respective revenue impacts for MediSecure and eRx are already concerning for a minority market share holder. My concern is increased by the fact that s47G(1)(a) lack of urgency aligns more closely with last week's direct advice to users to "register with eRx and ensure that your providers are registered with eRx" than with any assurance of multilateralism given to MediSecure, the Department or the Agency. (See page 2 of the attached correspondence).
Without concerted, coordinated and robust support from the Department and the Agency, I fear a pure monopoly on the prescribe-side of ETP will inevitably emerge, and a virtual monopoly persist on the dispense-side, with one minority supplier merely replaced with another.
Regards,
Paul

Paul Frosdick
General Manager | MediSecure & Simple Retail
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From: MCCABE, Daniel <Daniel.McCabe@health.gov.au>
Sent: Monday, 2 November 2020 5:42 PM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>; PEASCOD, Sam <Sam.Peascod@health.gov.au>
Cc: s22 @health.gov.au>
Subject: RE: Briefing note to follow up from our 09 October meeting [SEC=OFFICIAL]

Thanks Paul – the team has raised the s47G(1)(a) issue with ADHA to see if we can push them along before we escalate this issue. The broader issues are worth further consideration as we plan the future of EPF funding arrangements how Prescribing and Dispensing vendors are currently incentivised.
We will reach out to discuss the longer options.
Kind Regards, Daniel

Daniel McCabe
First Assistant Secretary
Benefits Integrity and Digital Health
Disability and Carers Champion
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Australian Government Department of Health
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GPO Box 9848, Canberra ACT 2601, Australia
The Department of Health acknowledges the Traditional Custodians of Australia and their continued connection to land, sea and community. We pay our respects to all Elders past and present.

From: Paul Frosdick <paul.frosdick@medisecure.com.au>
Sent: Friday, 30 October 2020 12:17 PM
To: MCCABE, Daniel <Daniel.McCabe@health.gov.au>; PEASCOD, Sam <Sam.Peascod@health.gov.au>
Subject: Briefing note to follow up from our 09 October meeting

Hi Daniel,
Please accept my apologies for the time taken to get this note to you. There was an element of avoiding the Mark Twain 'long letter' effect[1]. From the MediSecure perspective, this was a critical communication to get as succinct, yet as thorough as possible. And given the complexities you will see, scheduling the required editing effort resulted in a fair amount elapsed time.
There was also an element of novel discovery for me whilst unravelling the byzantine nature of the prescription exchange data and financial flows required to meet my 'succinct, yet thorough' criterion. This exercise has proved hugely valuable, if somewhat concerning, from the MediSecure perspective. But I will leave you to consider the brief and come to your own interim conclusions before we meet again.
Two versions of the briefing note are attached:

- The PDF is provided to support reading through a hard copy print out.
- The PowerPoint Show is a better format for onscreen reading, as it includes a more easily digested, sequentially animated version of the aforementioned byzantine data and financial flows.

Please let me know when you are available to meet again to follow up, and I will ensure I am free. As you will understand, working with you to address the issues covered is of critical importance to MediSecure, and I believe, the broader requirements for a robust digital health infrastructure in Australia.

Regards,
Paul

[1] Mark Twain has been attributed with the quote “I didn’t have time to write a short letter, so I wrote a long one instead”.

Paul Frosdick

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From: Paul Frosdick
To: MCCABE, Daniel
Subject: Prescription Exchange Interoperability
Date: Tuesday, 23 March 2021 4:10:58 PM
Attachments: image001.png
image002.png
20210323_3rdPesInteroperabilityIssuev1.0.pdf
20210323October2020InteroperabilityBriefingNote.pdf

Hi Daniel,
Attached is a letter regarding the above. I understand that you will have received a similar approach from s47F and s47F.
I apologise that it extends to two pages. There are a few layers at play, and in wanting to be solution-focused, some inevitable context-setting was required.
Also attached is the slide from my briefing pack to you from October last year that is referenced in the letter.
I had hoped to have caught up jointly with you and Amanda Cattermole at her suggestion following Amanda and my brief catch-up ahead of the Christmas break.
I will reach out to s47F and s47F to try and get something locked in. Covering off this and other aspects of the ETP and secure messaging environment would be beneficial.
Regards,
Paul

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23 March 2021

Daniel McCabe
Assistant First Secretary, Benefits Integrity and Digital Health Division
Department of Health
GPO Box 9848
CANBERRA, ACT 2601

Resolving the technical and commercial barriers of entry for a third PES/PDS

Dear Daniel,

I am writing to you to seek the Department's assistance in resolving the issue faced by MediSecure, eRx and Symbion regarding the latter's entry into the Prescription Exchange/Distribution Service (PES/PDS) market, and propose the following:

> *The Department of Health upgrade and future proof electronic transfer of prescriptions (ETP) interoperability by becoming the commissioner, specification owner and systems operator of a standards-based interoperability hub, extensible to include other service-type referrals, built and supported on its behalf by a suitably experienced third-party provider.*

You will recall that I foreshadowed this issue in my briefing to you at the end of October last year. The current interoperability approach is a nine-year-old, proprietary map between proprietary payloads. As such, it is neither a strategic nor tactically scalable solution for a critical piece of our national digital health infrastructure.

As the incumbent PES/PDS operators, MediSecure and eRx have met our respective obligations to openly engage with Symbion as the new market entrant regarding how to achieve technical interoperability. All parties agree that a technical approach that mirrors what I outlined for you in October will create the strategic and scalable solution required if the Department's policy objective of an open and competitive PES/PDS market is to be met. I.e. a message bus, or '*request exchange hub*' as I termed it.

However, the MediSecure commercial position I shared with you remains unchanged and has understandably been mirrored by eRx. There is no commercial case for an incumbent to bear any portion of a new entrants cost of entry to an existing commercial market.

Equally (and also understandably), given the cost/effort of building a strategic and scalable message hub, Symbion does not believe it is reasonable for them to bear the total cost of an interoperability infrastructure upgrade. It is these commercial realities that have created the impasse each party believes requires Department support to resolve.

My analysis is that the combination of three factors has contributed to bringing us to this point.

First, *the decision to deliver ETP through a commercial model* has created a hugely successful component of Australia's national digital health architecture. However, it has also created a risk that the cost of complexity associated with supporting patient choice in dispensing location through interoperability becomes a threat to collective viability in an unregulated, finite market, should that

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market become overserved. This risk, in turn, risks compromising digital health architecture in the long term.

Second, *the time that has elapsed* between 2012's definition of the interoperability architecture by the Department and NEHTA, the execution of that architecture by MediSecure and eRx, and Symbion's decision to build a third exchange has seen generations of new interoperability approaches emerge. The multi-generational upgrade of functioning national digital health infrastructure to meet a national policy objective is simultaneously a significant barrier of entry for new entrants and a barrier to business as usual for incumbents.

The decision to postpone normalisation of ATS 4888 – 2013 Electronic transfer of prescriptions as a full Australian Standard prevented the standardisation of a common data model and data services that would otherwise have significantly simplified and reduced evergreening cost interoperability for ETP now and in the future. An AS 4888 would have rendered a proprietary mapping solution obsolete.

At its simplest level, the collective view of Symbion, eRx and MediSecure was that the Department of Health support we seek needs to resolve the financial element of the impasse that sees Symbion face too significant a barrier of entry. This view was based on the common understanding that Symbion's barrier has not been imposed by any protective behaviour on the part of the incumbent PES/PDS providers but by the history of the Department's interoperability requirements being founded in a now redundant paradigm.

Where our views may differ, however, is where the ownership and governance of any new interoperability architecture should sit. Conversations between the three parties have considered the option that the messaging hub is built and operated on behalf of PES/PDS participants by Medication Knowledge Pty Ltd. While a delicate political matter for MediSecure (we are a junior joint venture partner in Medication Knowledge), I do not believe the Medication Knowledge route is the right one for the Department, Australian health care consumers, or the PES/PDS market.

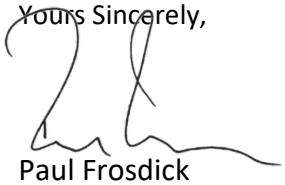
As I stated earlier, the decision to deliver ETP through a commercial model has been hugely successful. ETP is probably the most successful digital health initiative implemented in Australia, positively impacting millions of Australians' daily lives on many millions occasions for over a decade. Commercial competition between a constrained number of exchanges works.

However, a messaging hub does not naturally lend itself to a competitive environment that extends beyond the past status quo of two PES/PDS providers. In particular, a hub in which a single conflicted commercial entity has a majority stake represents a risk to most digital health infrastructure stakeholders. Therefore, I firmly believe that any messaging hub should be a single, national infrastructure component. This will ensure focus remains on ensuring patient choice in dispensing location is future-proofed regardless of the inevitable changes in interoperability best practice that will occur over time.

For these reasons, I have re-stated my October 2020 suggestion as a proposed solution for the impasse we now face.

Given Symbion has invested in building their PES/PDS ahead of confirming how to achieve interoperability, we now face some time pressures. However, you will not be surprised to hear that I would be delighted for MediSecure to work with the Department and Agency to expedite building and running a '*request exchange hub*' as a contracted service provider on your behalf.

Yours Sincerely,



Paul Frosdick
Chief Executive

From: Paul Frosdick
To: MCCABE, Daniel
Subject: Arranging our next catch up
Date: Wednesday, 21 July 2021 8:34:27 AM
Attachments: image001.png
image002.png

Good morning Daniel,
I hope this email finds you well.
As always, it is hard to believe that three months have passed as quickly as they do, but it is indeed a full quarter since we last caught up. With the start of the new financial year and MediSecure budgeting to accommodate the reduction in the electronic prescription fee, together with the submission of the BCG report approaching six weeks, I thought I would reach out to arrange our next catch up.
Clearly, feedback on the BCG report and getting an understanding of the Department's long-term thinking for the future of the electronic transmission of prescriptions service is high on my agenda. But in addition, I would like to explore further the thread of ideas we started to discuss on how MediSecure can develop alternative streams of revenue to offset the loss of revenue it will experience due to the electronic fee reduction.
If you could get back to me with some options, that would be great.
Regards,
Paul

Paul Frosdick
Chief Executive | MediSecure & Simple Retail
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e paul.frosdick@medisecure.com.au
w www.medisecure.com.au / www.simpleretail.com.au

From: Paul Frosdick
To: MCCABE, Daniel
Cc: s47E(c) ; CLEVERLEY, Simon
Subject: RE: ePrescribing CP3 next steps [SEC=OFFICIAL]
Date: Wednesday, 27 October 2021 10:21:57 AM
Attachments: image001.png
image002.png
20210805DH3573ElectronicMedicationChartVariationProposalv1.0 (005).pdf

Hi Daniel,
Thank you for your note and your willingness to consider and act upon the issue and the information we provided. And thank you also for the candour of your reply. I understand the urgency you articulate and would like to assure you that MediSecure remains committed to working with the Department on this reform. I would also like to assure you of our good faith in working to the timeframes you have shared.
However, I must temper our ongoing commitment with some candour of my own. MediSecure has actively engaged with the Agency regarding this matter since mid-July. Subsequently, we have repeatedly been consistent in our position and advice that the hard-coupling of oPDS interoperability would delay delivery of the principle benefits of ePrescribing supported chart-based prescribing in the aged-care sector for marginal benefit. (Reference the recommended option in our attached proposal from 06th August).
The persistent refusal of the ePrescribing team to contemplate any compromise in conformance arrangements and delivery dates, the delays in issuing a contract (DH3818 was issued on 23rd December, one week before its first milestone), and the time elapsed since your welcome intervention has effectively lost all vendors seeking to support the aged-care chart-based prescribing initiative close to 12 weeks development time. It has also significantly compromised MediSecure's opportunity to differentiate its reputation by working with its partners to bring ePrescribing to the aged-care sector significantly ahead of its principal competitor. With the majority of those 12 weeks available to us, and with the security of contact revenue funding the recruitment of resources necessary to deliver against it, we could already be rolling out to test sites today.
Because of our commitment to this reform, MediSecure decided to work at risk, deprioritise other developments and recruit the staff necessary to accelerate delivery. We did this in anticipation that, collectively, we would resolve the impossibility of delivering chart-based prescribing interoperability in series with its development in each oPDS and be able to move forwards, as we will now be able to do. Had we not taken this risk, the timescales I shared with you and the team would not be feasible.
Notwithstanding our investment and commitment, considering the three variables of cost, quality and timeliness, the lost 12 weeks and the earlier completion you require, create a significant resource challenge. In a high-risk clinical setting, quality is non-negotiable. At the same time, the fact that full CP3.0 conformance is on the critical path for the Government's $30M grant round has dictated your absolute end date and made timeliness non-negotiable also. This means the only variable available to manage delivery risk is cost.
Our original proposal highlighted the levels of uncertainty associated with building a new interoperability regime against two new messaging frameworks. Therefore, the proposal

estimated price and suggested that the interoperability component include change controls to manage any scope extensions that may emerge as the levels of certainty increase. This approach to managing the cost risk of uncertainty remains. It has been compounded by both the cost of delay and a fixed deadline. These costs were not our responsibility, and it will be inappropriate to require MediSecure to carry them.

I am not seeking to increase the pricing as expressed in DH3818, and as I have stated, MediSecure remains committed to delivering to the timeframes you have shared. However, I request that our good-faith be reciprocated and that the new contract include our originally proposed provisions for change control managed cost flexibility associated with the development of chart-based prescribing interoperability. This will prevent MediSecure from inappropriately bearing the delay costs and set end date should additional resourcing be required to meet everyone's commitment to make this reform work.

Regards,

Paul

Paul Frosdick

Chief Executive | MediSecure & Simple Retail

m +61 400 766 566

From: MCCABE, Daniel <Daniel.McCabe@health.gov.au>
Sent: Tuesday, 26 October 2021 11:29 AM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>
Cc: s47E(c) @digitalhealth.gov.au>; CLEVERLEY, Simon <Simon.Cleverley@health.gov.au>
Subject: ePrescribing CP3 next steps [SEC=OFFICIAL]

Good morning Paul,

I just wanted to send a quick note to firstly thank you for the further info provided last week. My team and the Agency team have been working through a proposed approach between now and end of first quarter next year with CP3 to discuss with you tomorrow morning.

However, I do want to make it really clear that while we are going to accommodate your requests for more time and for some early testing to begin quickly this calendar year to expedite CP3 conformance, I have agreed that all CP3 work, including interoperability, must be in place by the end of March 2022. I must ensure that the risks we are carrying linked to the Governments aged care commitments can be managed, and this includes providing assurance to Government that the $30M grant round can commence this financial year – and this cannot occur until we have CP3 completed.

I have asked the Agency to ensure that this is captured in the contracts with you both.

Thank you for your ongoing commitments to working with us on this important reform.

Kind Regards, Daniel

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Australian Digital Health Agency

Proposal for the variation of DH3573 to accommodate Electronic Medication Chart ETP messaging

06 August 2021

MediSecure Limited
2/133 Market Street
South Melbourne
Victoria 3206

06 August 2021

s47F
Director, Medicines Safety Programme
Australian Digital Health Agency

Dear Andrew,

Proposal for the variation of DH3573 to accommodate Electronic Medication Chart ETP messaging

I am delighted to enclose MediSecure's proposal to develop and deliver ETP messaging in support of the implementation of electronic medication chart ETP messaging.

I appreciate that the Agency's requirements also cover the necessity of supporting mobile applications. This work has been progressing for some time and should be assured it will be subsumed and delivered under the significantly greater scope of the chart-based prescribing effort.

Our technical team has engaged most electronic medication chart vendors in the market over recent weeks. Their responses to our invitations have defined the extent of engagement and the range of vendors engaged. As a result, the team has comprehensively analysed the requirements as they are understood today to produce the work breakdown structure we share with you in this document.

You will appreciate that all participants in this space are iterating their requirements as we work. Engagement drives understanding, which in turn drives refinement in thinking and further engagement.

Therefore, you will see that we have had to apply factors to account for emergent requirements and reasonable contingencies to ensure we can meet your stated timelines. However, I am supremely confident that, with the proposed funding, we can meet your requirements within, if not before, your required delivery dates.

I look forward to hearing from you once you have the opportunity to review the proposal.

Yours faithfully,

Paul Frosdick, Chief Executive Officer

Contents

Our understanding of your needs

Enabling ETP from Electronic Medication Chart software is urgently required to facilitate improvements in electronic medicines management across Australia's aged-care sector.

The capability for Open Prescription Distribution Services (oPDS) to deploy the messages to support chart-based prescribing and stand-up the infrastructure to witness prescribing and dispensing system conformance is a critical path dependency for government and the medical software industry.

Your requirements

The Agency is seeking to vary contract DH3573 that exists between it and MediSecure to include the following:

Requirement Description Acceptance criteria	**Delivery Date**
CP3.0 Technical Specifications - Made available for software vendors connecting to the oPDS conformant with Electronic Prescribing Conformance Profile v3.0 (CP3.0). - Include functionality accommodating Electronic Medication Chart software products and Mobile Applications. - Must be fit-for-purpose for use by software developers to progress development in readiness for access the oPDS development/testing environment. - Evidence of resource capacity being uplifted to accelerate CP3.0 conformance activities. - Evidence of interoperability across oPDS providers, and progress under the Medication Knowledge joint venture.	31 August 2021
oPDS Development/Test Environment - Made available to software vendors. - The environment must enable software developers to suitably prepare products for conformance testing.	12 October 2021
oPDS Conformance	01 December 2021
- oPDS to become fully conformant to Conformance Profile version 3.0	
- oPDS infrastructure and resources ready and operational to provide a conformance testing service available for industry software conformance testing from 1 December 2021 - Five (5) booked sessions for software conformance testing against CP3.0	

Our Work Breakdown Structure

Our work breakdown structure is presented in Table 1 below.

Plain text without highlighting represents work items with low to medium scope uncertainty/contingency risk.

Highlighted blue text represents work items with medium to medium-high scope uncertainty/contingency risk.

Highlighted red text represents work items with high scope uncertainty/contingency risk.

TABLE 1 - CHART-BASED PRESCRIBING WORK BREAKDOWN STRUCTURE

Task	Scope/Objective	Requirements	Deliverables	SubTask Days	Estimated Task Days
1	**Investigation of Medication Chart requirements**				**10**
1.1		User stories			
1.2		Downstream requirements			
1.3		Research			
2	**Database design and changes**		New database structures and data to support Medication Chart processing		**11.8**
2.1		New database tables		2	
2.1.1		MedicationChartBarcode			
2.1.2		MedicationChart			
2.1.3		MedicationChartItem			
2.2		Identification of indices		2	
2.2.1		Index creation			
2.2.2		Index modifications			
2.3		New Database Stored Procedures		5	
2.3.1		procMedicationChartBySite			
2.3.2		procMedicationChartItem			
2.4		Updated Reference Table data			
2.4.1		RefResponseErrorMessages		2	

Task	Scope/Objective	Requirements	Deliverables	SubTask Days	Estimated Task Days
2.4.2		RefPrescriptionStatus		0.4	
2.4.3		RefMessageType		0.2	
2.4.4		RefMessageTypeVersion		0.2	
3	**New Medication Chart Creator vendor transactions**		New vendor transactions to support the upload, maintenance and views of charts and chart items.		**20**
3.1		Synchronise Medication chart		13	
3.1.1		New transaction 400			
3.1.2		Identify data elements			
3.1.3		Create transaction payloads			
3.1.3		Transaction testing			
3.2		Cancel Medication Chart		2	
3.2.1		New transaction 403			
3.2.2		Identify data elements			
3.2.3		Create transaction payloads			
3.2.4		Transaction testing			
3.3		View Medication Chart		5	
3.3.1		New transaction 407			
3.3.2		Identify data elements			
3.3.3		Create transaction payloads			
3.3.4		Transaction testing			
4	**New Medication Chart Dispenser vendor transactions**		New vendor transactions to support download of charts, chart items and dispense of charts items.		**29**
4.1		Get Medication Chart		5	
4.1.1		New transaction 311			
4.1.2		Identify data elements			
4.1.3		Create transaction payloads			
4.1.4		Transaction testing			
4.2		Get Medication Chart Item		3	
4.2.1		New transaction 312			

Task	Scope/Objective	Requirements	Deliverables	SubTask Days	Estimated Task Days
4.2.2		Identify data elements			
4.2.3		Create transaction payloads			
4.2.4		Transaction testing			
4.3		Dispense Medication Chart Item			
4.3.1		New transaction 313		7	
4.3.2		Identify data elements			
4.3.3		Create transaction payloads			
4.3.4		Transaction testing			
4.4		Reverse Dispense of Medication Chart Item			
4.4.1		New transaction 314		7	
4.4.2		Identify data elements			
4.4.3		Create transaction payloads			
4.4.4		Transaction testing			
4.5		Amend Dispense of Medication Chart Item			
4.5.1		New transaction 315		7	
4.5.2		Identify data elements			
4.5.3		Create transaction payloads			
4.5.4		Transaction testing			
5	**Data interaction with existing processes**		Ensure the integration of Medication chart processing with existing processes, including reporting, auditing, New Relic and billing.		**21**
5.1		New tx pre-processing		1	
5.2		New dispense interaction		7	
5.3		Integration of new tx with New Relic		2	
5.4		Auditing of new tx		1	
5.5		New chart reporting		4	
5.6		Update existing SSRS reports to accommodate new tx		2	
5.7		Billing requirements		2	
5.8		Additional Reporting		2	

Task	Scope/Objective	Requirements	Deliverables	SubTask Days	Estimated Task Days
6	**Downstream systems integration**		Ensure the integration of Medication chart processing with required downstream systems. To be confirmed with owners of the various downstream systems, i.e. ADHA, MK etc		**108**
6.1		ASL			
6.1.1		New transactions 400, 403		10	
6.1.2		New transactions 313 ,314, 315			
6.2		Interoperability with - eRx			
6.2.1		New data contracts		5	
6.2.1.1		MediSecure->ERX		15	
6.2.1.2		Get, Dispense, Reverse, UnLock Chart/Chart Item (current unknown)		?	
6.2.1.3		ERX->MediSecure		15	
6.2.1.4		Get, Dispense, Reverse, UnLock Chart/Chart Item (current unknown)		?	
6.2.2		Backend processes support		10	
6.2.3		Testing		5	
6.3		Interoperability with - 3rd PDS (current unknown)		?	
6.3.1		New data contracts (current unknown)		?	
6.3.1.1		MediSecure->3rd PES		?	
6.3.1.2		Get, Dispense, Reverse, UnLock Chart/Chart Item (current unknown)		?	
6.3.1.3		3rd PES->MediSecure		?	
6.3.1.4		Get, Dispense, Reverse, UnLock Chart/Chart Item (current unknown)		?	
6.3.2		Backend processes support		?	
6.3.3		Testing		5	
6.4		MyHealthRecord			
6.4.1		New transactions 400, 403		10	
6.4.2		New transactions 313 ,314, 315			
6.4.3		MHR Conformance		5	

Task	Scope/Objective	Requirements	Deliverables	SubTask Days	Estimated Task Days
6.5		Safescript			
6.5.1		New transactions 400, 403		10	
6.5.2		New transactions 313 ,314, 315		10	
6.5.3		Testing		8	
7	**Testing and deployment**		Deploy the new changes to a testing environment for functional and performance testing.		**6**
7.1		Functional testing		2	
7.2		Load testing		4	
8	**Helpdesk training**		Provide training to support staff related to the new functionality		**1**
9	**Updates to MDS system administration portal**		Update the current administration portal to support medication chart functionality		**5**
10	**Updated Software Developers Kit for vendors**		Create a new SDK for vendors that supports all new transactions related to Medication Charts		**2**
11	**Documentation**		Integration documentation for Medication Chart Creation vendors and updating our current EDS documentation regarding the dispense of medication chart items.		**5**
11.1		New Medication Chart documentation			
11.2		Updated Dispensing System documentation			
Total Person Days Estimate					**218.8**

Our proposed options and costs

Our proposed options and costs are priced at a standard blended rate of $1,100 per day (excl. GST).

Option 1 – Full scope delivery

Full scope delivery will address all tasks listed in the work breakdown structure and is proposed to be delivered as a fixed price engagement.

MediSecure will employ sufficient resources at its discretion as required to deliver to the stated scope within the ADHA's required timeframe.

Estimated person-days	218.8 days
Unknown elements premium @ 40%	87.5 days
Project contingency @ 30%	91.9 days
MediSecure Investment @ 40% estimated person-days	87.5 days
Person-days uplift required	210.7 days
Total cost	$341,770 (excl. GST)

Option 2 – Non-interoperable scope delivery

Addressing interoperability for Electronic Medication Chart prescriptions introduces a high level of scope uncertainty and contingency risk, caused by the following factors:

- The difference in standards adoption philosophy between MediSecure and eRx:
  - The MediSecure architecture and messaging framework align with ATS 4888, a NEHTA/Standards Australia defined technical specification developed through the consensus-based approach adopted by standards development organisations.
  - The eRx architecture and messaging framework are proprietary and therefore unencumbered by the requirement to adopt the more predictable path driven by standards development organisations.
- The ongoing and currently commercial-in-confidence development of 3rd oPDS functionality by Minfos/Symbion as a new entrant to the market.
- The parallel development of chart-based prescribing messages by MediSecure, eRx and (it is assumed) Minfos/Symbion within the PES/oPDS market's commercial framework necessarily constrains the capacity for open sharing of intellectual property.

These factors combine to create compound unknowns that introduce a high likelihood of both emergent requirements and multiple cycles of rework. These redundant activities will be generated as the three oPDS models iteratively develop to meet:

- Their internal use cases;
- Their client systems' use cases; and
- The interoperability use case.

Further, addressing interoperability for Electronic Medication Chart prescriptions in parallel to the negotiation and finalisation of the new interoperability approach necessary to support the entry of Minfos/Symbion as the 3rd oPDS will create a technically short-lived, cost-ineffective solution:

- Interoperability functionality funded and delivered to meet the chart-based prescribing timeframes will necessarily be based on the current interoperability approach between MediSecure and eRx.
- Upon its release, this “tactical” initial interoperability functionality will become redundant to the new interoperability approach. And
- The new interoperability approach will require additional investment and effort to accommodate chart-based prescribing, impacting current negotiations, design and overall commercial construct/viability.

Non-interoperable scope delivery will address all tasks listed in the work breakdown structure except for Tasks 6.2. and 6.3. It is proposed to be delivered as a fixed price engagement.

MediSecure will employ sufficient resources at its discretion as required to deliver to the stated scope within the ADHA’s required timeframe.

Estimated person-days	163.8 days
Unknown elements premium @ 12.5%	20.5 days
Project contingency @ 22.5%	41.5 days
MediSecure Investment @ 40% estimated person-days	65.5 days
Person-days uplift required	184.3 days
Total cost	$202,730 (excl. GST)

Option 3 – Downstream systems independent scope delivery

Downstream systems independent scope delivery will address all tasks listed in the work breakdown structure except for all tasks subsumed under Tasks 6, *Downstream systems integration*. It is proposed to be delivered on an estimated price basis, with change controls to manage scope extensions within or beyond the tasks specified in the work breakdown structure.

MediSecure will employ sufficient resources at its discretion as required to deliver to the stated scope within the ADHA’s required timeframe.

Estimated person-days	110.8 days
Unknown elements premium @ 5%	5.5 days
Project contingency @ 22.5%	26.2 days
MediSecure Investment @ 40% estimated person-days	44.3 days
Person-days uplift required	days
Total cost	$108,020 (excl. GST)

Our recommended option

MediSecure recognises that the Department of Health and ADHA have placed a significant premium on the delivery of interoperability between oPDSs. In the context of form-based prescribing in primary care, interoperability is a fundamental tenet of supply. It underpins an individual's freedom to choose the dispensing location for their medicines, and this premium has been rightly applied.

In the context of chart-based prescribing in the aged-care sector, although the individual's freedom to choose dispensing location remains, the pragmatics of supply logistics constrains the practical expression of individual freedom. In practice, the total number of pharmacies serving any single individual is restricted to:

- A primary pharmacy providing 80% plus of the individual's medicines requirements; and
- One, or very rarely two, secondary pharmacies providing specialist items not held by the primary pharmacy.

This context, combined with the increased cost and low return on investment associated with the accelerated delivery of interoperability decoupled from the strategic solution required to support the market entry of Minfos/Symbion, suggests that interoperability should be removed from short term scope.

Instead, a requirement for pharmacies to deploy the oPDS (or one of the oPDSs) supported by their Electronic Medication Chart partner will eliminate the immediate requirement for chart-based prescribing interoperability while the strategic interoperability solution is scoped, funded and built.

MediSecure, therefore, recommends Option 2 – non-interoperable scope delivery.

From: MCCABE, Daniel
To: Paul Frosdick
Cc: s47F ;s22
Subject: RE: Commonwealth Request for Tender – Health/E21-576909 [SEC=OFFICIAL]
Date: Friday, 9 December 2022 6:22:00 PM
Attachments: image001.png
image002.png

Dear Paul,

Thank you for your letter, we will provide a formal response early next week, including the option for a meeting. I'm not in a position to commit to a meeting on Monday.

Kind Regards, Daniel

Daniel McCabe
First Assistant Secretary
Benefits Integrity and Digital Health
Disability and Carers Champion
Benefits Integrity and Digital Health Division | Health Resourcing Group
Australian Government, Department of Health and Aged Care
T: 02 6289 5306 | M s22 | E: daniel.mccabe@health.gov.au
Location: Sirius Building 6.S.136
GPO Box 9848, Canberra ACT 2601, Australia
The Department of Health and Aged Care acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present..

From: Paul Frosdick <paul.frosdick@medisecure.com.au>
Sent: Friday, 9 December 2022 4:46 PM
To: MCCABE, Daniel <Daniel.McCabe@health.gov.au>
Cc: s47F

Subject: Commonwealth Request for Tender – Health/E21-576909

Dear Daniel,

Thank you for taking my call.

I have attached the letter detailing MediSecure's response to your notification regarding the above RFT, received yesterday, 08 December 2022, at 7:37 PM.

As discussed, please feel free to contact me at any time this evening or over the weekend to arrange a meeting when you are in Melbourne on Monday.

Regards,

Paul

Paul Frosdick
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MediSecure®
eScripts. Sent. Secure. Safe.

09 December 2022

Daniel McCabe
First Assistant Secretary

Benefits Integrity and Digital Health Division

Dear Daniel,

Commonwealth Request for Tender – Health/E21-576909

Thank you for your letter received yesterday, 07 December 2022, notifying me that MediSecure has been unsuccessful in its submission for this tender.

After 12 years of service to the Department and Australian healthcare consumers, and with a total investment of $36.25 million from 86 investors (including from self-managed super funds and individual investors), which were made at the direct request of the Commonwealth, I am sure you will not be surprised that the Department's decision is devastating to MediSecure's board, staff and myself.

Our shock is compounded by the disbelief that, given the importance of the national electronic prescribing infrastructure on medicines management outcomes for some of Australia's most vulnerable residents, the Department chose not to include oral presentations from the tendering organisations as part of its procurement process.

You will also not be surprised that, business and personal impacts aside, we believe that the decision represents a significant retrograde step for the national electronic prescribing infrastructure and the national digital health strategy in general. The ETP infrastructure represents Australia's most impactful digital health initiative, bar none, and has been delivered through the efforts of both private businesses that invested in its creation and operation.

We are compelled to express our concern that the Department has failed to schedule any direct engagement with tenderers during the six months since our submissions were lodged. And by informing us of this decision without notice or engagement on transition management (and despite my call to you yesterday evening when I highlighted the going concern risk to transition following conversations with the board), the Department has placed MediSecure in the worst possible position with limited opportunity to plan a way forward for our staff, our operation or the medication users we support.

In choosing not to engage with tenderers and the medical software sector more broadly, the Department appears not to have considered the downstream consequences of any decision to remove a specialist PDS vendor from the electronic prescribing ecosystem it anticipates creating. We outline these consequences below:

1. As a consequence of losing its primary source of income, MediSecure's business is no longer viable as a going concern.
2. Medisecure must initiate an orderly business wind-down. Not doing so would expose the directors to the legal and financial risks of knowingly continuing to operate the business under such circumstances.

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3. The impact of MediSecure winding down its activities will render an estimated 7 million active prescriptions unable to be downloaded for dispensing. Of these, an estimated 1.5 million prescriptions are fully digital, presenting insufficient information for pharmacists to dispense manually by entering the prescription details into their dispensing systems.
4. Further, 12 practice management/prescribing systems serving 357 clinics and two pharmacy management systems serving 440 dispensing locations integrated exclusively with MediSecure will lose the ability to upload or download prescriptions from the electronic transfer of prescriptions infrastructure.
5. The regrettable outcome of this situation, which is unavoidable if the directors of MediSecure are to fulfil their fiduciary responsibilities but wholly avoidable had the procurement process followed appropriate engagement mechanisms, will be the disruption of prescribing and dispensing services to Australia's medication users.
6. Without a commitment from the Department to underwrite the immediate and escalating loss position that MediSecure will face when medical software vendors become aware of the RFT result, MediSecure will be required to initiate a business wind-down with immediate effect to minimise any likelihood of insolvency.
7. Even with an underwriting commitment from the Department, without a component that sufficiently incentivises staff not to seek replacement employment until transition is complete, it is likely that the directors of MediSecure will not be able to approve the business entering into a contract that underwrites a transition-appropriate wind-down. As we have previously informed Department representatives, the business runs as lean as possible. The loss of one or two critical team members will render it unable to fulfil the obligations it will have committed to.

As a result of the immediate going concern implications, MediSecure, therefore, gives notice of its intention to cease operations at the close of business Wednesday, 14 December AEDT and expedite all activities necessary to achieve its orderly wind-down as quickly as possible to avoid insolvency.

If it is possible for MediSecure and the Department to reach a suitable underwriting agreement that provides the directors with sufficient confidence to execute without breaching their fiduciary responsibilities, we believe it may be feasible to extend the wind-down period to optimise the chance of mitigating the issues we have identified.

On that basis, we seek an immediate meeting with you to discuss how we might work together to minimise the negative impacts of the Department's decision. My directors and I are happy to make ourselves available with immediate effect.

Regards,

Paul Frosdick

Chief Executive Officer

From: Paul Frosdick
To: PEASCOD, Sam; MCCABE, Daniel
Cc: s22 ; s47F
Subject: RE: MediSecure DoHAC meeting 28.02.2023 [SEC=OFFICIAL]
Date: Saturday, 4 March 2023 8:55:24 AM
Attachments: image001.png

REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.

Thank you Sam,
Confirmed received.
Regards,
Paul

Paul Frosdick
Chief Executive | MediSecure Ltd
m +61 400 766 566

From: PEASCOD, Sam <Sam.Peascod@health.gov.au>
Sent: Saturday, March 4, 2023 7:51 AM
To: Paul Frosdick <paul.frosdick@medisecure.com.au>; MCCABE, Daniel <Daniel.McCabe@health.gov.au>
Cc: s22 @Health.gov.au>; s22 @Health.gov.au> s47F

Subject: RE: MediSecure DoHAC meeting 28.02.2023 [SEC=OFFICIAL]
Dear Paul
The Commonwealth is finalising an appropriate response to MediSure's letter of Wednesday 1 March 2023. The Commonwealth will provide a response on Monday 6 March 2023. We appreciate MediSecure's support to continue operations in the meantime.
Regards
Sam

From: Paul Frosdick <paul.frosdick@medisecure.com.au>
Sent: Wednesday, 1 March 2023 5:04 PM
To: MCCABE, Daniel <Daniel.McCabe@health.gov.au>
Cc: PEASCOD, Sam <Sam.Peascod@health.gov.au>; s22 @Health.gov.au>; s22 @Health.gov.au>; s47F

Subject: Re: MediSecure DoHAC meeting 28.02.2023
REMINDER: Think before you click! This email originated from outside our organisation. Only click links or open attachments if you recognise the sender and know the content is safe.
Hi Daniel,
As foreshadowed at the close of yesterday's meeting, attached is MediSecure's response to the proposals put forward by the Department.
Regards,
Paul

Paul Frosdick
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01 March 2023

Daniel McCabe

First Assistant Secretary

Medicare Benefits & Digital Health Division

Department of Health and Aged Care

Dear Daniel,

We refer to the meeting between MediSecure Ltd ('**MediSecure**') and the Department of Health and Aged Care (the '**Department**') on 28 February 2023.

We write to set out Medisecure's position as a result of that meeting.

First, the proposal provided by the Department to Medisecure in the meeting is not acceptable.

Second, by 4:00 pm on Friday, 3 March 2023, MediSecure requires that the Department confirm in writing that MediSecure will be paid $10,000,000 in the following manner:

1. the Department will pay to MediSecure, or alternatively, undertake that it will include in the contract stemming from Request for Tender Health/E21-576909 with FRED IT Group Pty Ltd ('**FRED**') (or any nominee of FRED) that FRED will pay to MediSecure, as part of the transition work arrangements the sum of AU$7,500,000 — with such sum to be paid in six equal monthly instalments from the execution of the contract. Whilst the exact schedule of work is to be agreed, the work schedule to finalise the transition will be significant.

2. the Department will pay MediSecure the sum of AU$2,500,000, representing payments which MediSecure would otherwise receive for processing scripts at a rate of 15 cents per script pursuant to the 7th Community Pharmacy Agreement to 30 June 2023, were MediSecure operating in a non-transitioning electronic prescribing ecosystem. This sum to be paid in equal monthly instalments to 30 June 2023.

Third, subject to receiving confirmation of the payments set out above, the Department will furnish both MediSecure and FRED with an exemption, or otherwise waive any restriction, on those parties discussing any aspects of an ongoing procurement process that might otherwise be considered in breach of the terms of Health E/21-576909, Part 4, paragraph 43.1 d.

Fourth, for the avoidance of doubt, unless the payments above are agreed by the Department, MediSecure will not engage in any transitory work with FRED. However, conversely, were the amounts to be agreed by the deadline above, then MediSecure is available to meet with representatives of the Department and FRED on 7 March 2023 to discuss transition arrangements.

Fifth, in the event that the above matters are not agreed, or the Department executes a contract with FRED independent of MediSecure, MediSecure reserves the right to enact business shutdown procedures and stop providing its script services without further notice to the Department or FRED IT.

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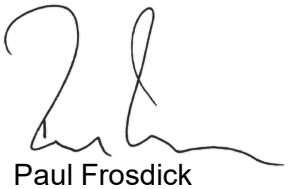
We look forward to receiving your response by Friday, 3 March 2023.

Regards,



Paul Frosdick

Chief Executive Officer

Australian Government

Department of Health and Aged Care

Private & Confidential

Mr Paul Frosdick
Chief Executive Officer
MediSecure Ltd
2/133 Market St
South Melbourne VIC 3205

By email: paul.frosdick@medisecure.com.au

Dear Paul

The Commonwealth acknowledges your letter dated 1 March 2023.

The Commonwealth reiterates that its primary objectives are to:

- complete its Request for Tender for Electronic Prescription Services (Ref: Health/E21-576909); and
- ensure the ongoing continuity of the electronic prescribing ecosystem for the benefit of the public.

The Commonwealth is not in a position to accommodate your offer. It is engaged with the preferred tenderer in negotiations and is seeking a smooth transition process from the preferred tenderer. We hope that you will engage with the preferred tenderer in order to facilitate a smooth transition.

The Commonwealth provides the following options to move forward:

1. **Commonwealth Preferred Option**: That the Commonwealth engage further with its preferred tenderer in relation to transition activities to be conducted between contract signature and 31 August 2023, with an understanding that the preferred tenderer will negotiate with you in relation to a subcontractor arrangement between it and you, whereby the preferred tenderer will pay you an amount of s47(1)(b) (excluding GST) in consideration for provision of transition services.

   The transition arrangements are a matter for you to determine with the preferred tenderer, but we expect the scope of transition services would include:

- supporting the transition of customers and customer sites to the preferred tenderer; and

- the transfer of any active scripts to the preferred tenderer's prescription delivery platform by 31 August 2023 (plus implementation of any related technical requirements in your system to allow this).

The Commonwealth will seek to work with the preferred tenderer to ensure a smooth and orderly transition. We hope that you will work with the preferred tenderer to do all things reasonably necessary to achieve this objective for the benefit of Australians.

The Commonwealth notes that, as part of this option, the Seventh Community Pharmacy Agreement arrangements for electronic prescribing will continue until 30 June 2023, which will increase funds available to you by an estimated s47(1)(b) (excluding GST).

2. **Commonwealth Alternate Option**: If the above proposal is not acceptable, that the Commonwealth engage further with its preferred tenderer in relation to transition activities to be conducted between contract signature and 30 June 2023, with an understanding that the preferred tenderer will negotiate with you in relation to a subcontractor arrangement between it and you, whereby the preferred tenderer will pay you an amount of $2,000,000 (excluding GST) in consideration for provision of the transition activities required to transfer all active scripts to the preferred tenderer.

   The exact services to be performed by you under this option are a matter for you to determine with the preferred tenderer, but we expect this would include the implementation of the technical requirements in your system to allow this (plus any assistance required to reasonably achieve the transfer of the scripts).

   As with the above option, the Commonwealth notes that as part of this option, the Seventh Community Pharmacy Agreement arrangements for electronic prescribing will continue until 30 June 2023, which will increase funds available to you by an estimated $1,000,000 to $2,000,000 (excluding GST).

Given that the Commonwealth does not have a direct contractual relationship with you, the Commonwealth notes that any transition funding you may receive is subject to you reaching agreement with the preferred tenderer on the scope of your transition obligations and the fees to be paid for those obligations. The Commonwealth is unable to warrant or guarantee the conduct of any third party, including the conduct of its preferred tenderer in any such negotiations. However, the Commonwealth will use all reasonable endeavours to work with its preferred tenderer to assist it to come to an in-principle agreement with you.

Should you seek to appoint a liquidator or administrator, the Commonwealth requests the name and details of the liquidator or administrator such that it can continue discussions about your prescription delivery service platform with that party.

Could you please respond to this letter by COB Thursday 9 March 2023, advising whether you intend to engage with the preferred tenderer.

s47F [redacted]

Daniel McCabe
First Assistant Secretary
Medicare Benefits and Digital Health Division

6 March 2023

From: MCCABE, Daniel
To: paul.frosdick@medisecure.com.au
Cc: s22
Subject: Phone call with Daniel McCabe / Paul Frosdick [SEC=OFFICIAL]
Date: Monday, 5 June 2023 2:32:00 PM
Attachments: image001.png

Hi Paul,
Thank you for taking my call.
The purpose of my call was to explain the basis of our s47(1)(b) offer to contract directly with the department. Given the impeding termination of the Electronic Prescription Fee on 30 June 2023, we are seeking MediSecure's support to continue operating your PDS for a further three or four month period while Fred IT completes the transition of vendors and sites across to the new contract arrangement with the department. This offer is based on understanding of your current EPF revenue.
This amount is less than had previously been discussed for two reasons, firstly our previous discussions assumed that transition would commence this financial year (as early as April) for a period of six months and would reduce your EPF revenue over that period, and secondly it assumed MediSecure would undertake work/effort to support the transition activities (which is no longer required).
We would welcome a discussion with MediSecure to secure arrangements to extend your operations for an agreed period.
Daniel

Daniel McCabe
First Assistant Secretary
Medicare Benefits and Digital Health Division
Australian Government, Department of Health and Aged Care
T: 02 6289 5306 | M: s22 | E: daniel.mccabe@health.gov.au
GPO Box 9848, Canberra ACT 2601, Australia
The Department of Health and Aged Care acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present..

From: Paul Frosdick
To: MCCABE, Daniel
Cc: s47F
Subject: Communication regarding Commonwealth Request for Tender – Health/E21-576909
Date: Thursday, 8 June 2023 3:58:52 PM
Attachments: image001.png
MediSecure-DoHAC-HoA-Letter-08.06.23.pdf
MediSecure-DoHAC-Heads-of-Agreement-08.06.23.pdf

Dear Daniel,

Per my voicemail message earlier, please accept my apologies that this communication has been delayed.

As the communication states, I hope you agree that the work that has gone on at this end of the equation creates a sensible and pragmatic path forward for all parties.

I look forward to hearing from you.

Regards,

Paul

Paul Frosdick

Chief Executive Officer

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06 June 2023

Daniel McCabe

First Assistant Secretary

Benefits Integrity and Digital Health Division

Dear Daniel,

Commonwealth Request for Tender – Health/E21-576909 ('RFT Tender')

We refer to recent communications with respect to the RFT Tender.

The purpose of this letter is to set out MediSecure's position with respect to the RFT Tender and the resultant negotiations.

Background

MediSecure was informally advised by representatives of the Department of Health and Aged Care ('**Department**') that it had not been successful in relation to the RFT Tender.

Commencing with meetings in December 2022, representatives of MediSecure and the Department have been in regular contract where MediSecure communicated to the Department (including by providing documents) that:

1. there were a significant volume of scripts (circa 6 million) which were digital only and in MediSecure's ecosystem exclusively;
2. that significant transition works would be required to ensure that scripts exclusively held in MediSecure's ecosystem could be transferred to the successful tenderer;
3. MediSecure would incur costs transitioning its system to the successful tender of approximately $5.5 million;
4. if MediSecure did not receive comfort regarding funding to cover the transition arrangements it would likely cease operating; and
5. if MediSecure ceased operating, without securing transition of the scripts exclusively in its ecosystem, that the cost to Medicare, let alone patients on an out of pocket basis, could amount to approximately $50 million.

MediSecure has consistently sought to avoid the situation in point 5 above.

By letter dated 06 March 2023 the Department provided MediSecure with two options, which would be subject to regulatory approvals, to move forward. These were:

(a) the **"Commonwealth Preferred Option"** whereby the Department would engage further with the preferred tenderer, with an understanding that the preferred tenderer would enter into an arrangement with MediSecure whereby it would be paid s47(1)(b) for the provision of transition services between the date of the contract and 31 August 2023; or

(b) the **"Commonwealth Alternative Option"** whereby the Department would engage further with the preferred tenderer, with an understanding that the preferred tender would enter into an arrangement with MediSecure, whereby it would be paid s47(1)(b) for transition services required to transfer all active scripts to the preferred tenderer.

Since March 2023 MediSecure has continued to operate its prescription exchange system including by retaining all required staff, suppliers, services and necessary contractual arrangements based on the representations made by the Department in the 06 March 2023

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letter, including specifically with respect to the Commonwealth Preferred Option in that MediSecure would receive a commitment of s47(1)(b) in transition funding.

On 8 May 2023 MediSecure was advised by the Department that it had signed a contract with the successful tender party for that party to become the sole and exclusive provider of electronic scripts and that the contract would come into force on 1 July 2023. As a result of that contract, MediSecure will cease receiving income from 1 July 2023.

The successful tenderer has made an application to the Australian Competition and Consumer Commission ('**ACCC**') for authorisation permitting it and MediSecure to work collaboratively on transition arrangements. MediSecure has not agreed to any collaboration or proposed transition arrangements. The ACCC is not expected to provide confirmation of its position for at least 4 months.

Further, MediSecure's preliminary view is that, on account of privacy concerns regarding the data it holds, that further applications may be required to enable transition, including potentially to the Information Commissioner.

The contract which the Department signed with the successful tenderer apparently contains provision for transition funding. However, the successful tenderer will not disclose those amounts to MediSecure and has stated that it will not engage on proposed funding arrangements until such time as the ACCC has confirmed its decision.

MediSecure cannot reasonably be expected to continue to operate in circumstances where its source of income will cease from 1 July 2023 and there is no certainty that it will be financially supported to collaborate on any future transition that may occur.

Proposed Resolution

In order to resolve the above issue, the board of MediSecure have **enclosed** with this letter a proposed Heads of Agreement ('**HOA**') setting out the material terms on which MediSecure will continue operating beyond 30 June 2023.

By way of summary, the key terms are:

1. **Item 1 - transfer**

   The Department pay MediSecure an amount of $2,000,000, as consideration for MediSecure using best endeavours and taking all steps required to transfer all active scripts to the preferred tenderer.

   The above transfer is subject to it being permitted under Australian law and/or any approvals or other necessary confirmation being provided by the ACCC, OAIC or other necessary authority required to enable the lawful transfer to occur.

   The transfer is also subject to the Department and MediSecure reaching agreement on the amount referred to in Item 2 below.

   The $2,000,000 is to be paid within 7 days of such approval/confirmation.

2. **Item 2 – funding to maintain operations**

   MediSecure requires ongoing funding to continue its current operations through to such time as the transfer referred to in Item 1 is able to commence.

   MediSecure and the Department agree to meet within 7 days of the execution of the Heads of Agreement to agree to a funded amount to enable MediSecure to continue operating during that interim period, which may extend until at least 30 September 2023.

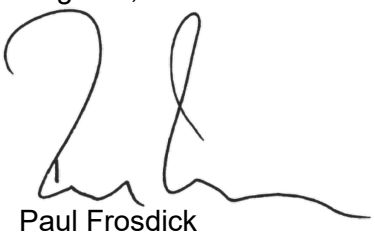
Conclusion

The proposed resolution is a sensible and pragmatic path to enable the smooth transition to the new exclusive arrangements determined by the Department.

MediSecure requests the Department's response to the matters above by 4:00pm on 9 June 2023.

If agreement cannot be achieved in relation to the HOA, MediSecure will likely cease operating from 1 July 2023.

Regards,



Paul Frosdick

Chief Executive Officer

Heads of Agreement

TRANSITION FUNDING AGREEMENT

Commonwealth of Australia, as represented by the Department of Health ('**Department**')

-and-

MediSecure Ltd ('**MediSecure**')

Recitals

1. MediSecure has been in the business of providing electronic prescription services ('**EPS**') to the Australian public since 2016.

2. During the course of 2022, the Department put the future provision of EPS out to competitive tender under tender Health/E21-576909 ('**EPS Tender**'). MediSecure participated in the EPS Tender process.

3. In December 2022 the Department informally advised MediSecure that it had been unsuccessful in relation to the EPS Tender.

4. After extensive negotiations, on the 06 March 2023, the Department via Australian Government Letterhead provided MediSecure two explicit options to quote "move forward" being:

   (a) the "Commonwealth Preferred Option" for s47(1)(b) paid to MediSecure by preferred Tenderer for both the provision of transition services and the transfer of any active scripts by 31 August 2023; or

   (b) the "Commonwealth Alternative Option" of s47(1)(b) paid to MediSecure by preferred Tenderer for only the transfer of active scripts.

5. MediSecure agreed to the Commonwealth Preferred Option. A and as a result continued to operate the prescription exchange system, retaining all required staff, suppliers services/contracts and other necessary ongoing contractual arrangements based on the Department representations in the 06 March 2023 letter as the Commonwealth Preferred Option and reliance of commitment of s47(1)(b) in funding to assist in a Transition Management Plan.

6. On 8 May 2023, the Department announced that it had executed a contract with the only successful EPS Tender party ('**Fred IT**') to be the exclusive provider of EPS from the commencement date of 1 July 2023 (**Contract**).

Signed by MediSecure

Signed by the Department

Heads of Agreement

7. The Department has identified that a transfer of data held by MediSecure will be required to enable Fred IT to fulfil its obligations under the Contract and minimise the impact on the Australian public.

8. Fred IT has made an application to the Australian Competition and Consumer Commission ('**ACCC**') for authorisation permitting it and MediSecure, who are competitors, to work collaboratively on the Transition ('**ACCC Authorisation Application**'). MediSecure had not entered any agreement with Fred IT (or the Department) with respect to the Transition and/or Transition Management Plan.

9. The expectation is that the outcome of the ACCC Authorisation Application will not be known until at least September 2023.

10. MediSecure has also raised potential concerns regarding the private nature of the data that may be the subject of any transfer, particulary the health information of members of the public.

11. Since December 2022 MediSecure has clearly communicated to the Department that the commencement of the Contract will cause MediSecure to cease operating its EPS on or around 30 June 2023 unless MediSecure receives financial comfort to enable it to continue trading through to such time as the outcome of the ACCC Authorisation Application is known and completion of the Transition.

12. To avoid the disruption that may be caused to patients while awaiting the outcome of the ACCC Authorisation Application and the completion of the Transition Management Plan, the Department and MediSecure have agreed to proceed on the basis of the terms in this Heads of Agreement.

Operative Terms

13. The parties agree that these terms are legally binding and enforceable from the date of execution of these Heads of Agreement.

14. While acknowledging the Head of Agreement are binding and enforceable, the parties confirm that the Heads of Agreement will be superseded by a formal and entire agreement to be executed by the parties in due course, and each party will use reasonable endeavours to prepare and execute that formal and entire agreement.

Signed by MediSecure

Signed by the Department

MediSecure Ltd ABN 67 169 902 443
2/133 Market Street, SOUTH MELBOURNE, Victoria 3205

Heads of Agreement

Transfer of Active Scripts

13. The Department pay MediSecure an amount s47(1)(b) (**Transfer Fee**), as consideration for MediSecure using best endeavours and taking all steps required to transfer all active scripts to the preferred tenderer (**Transfer**).

14. The Transfer is subject to it being permitted under Australian law and/or any approvals or other necessary confirmation being provided by the ACCC, OAIC or other necessary authority required to enable the lawful transfer to occur.

15. The Transfer is also subject to the Department and MediSecure reaching agreement on the amount referred to in paragraph 18 below.

16. The Transfer Fee is to be paid within 7 days of such approval/confirmation referred to in paragraph 15 above.

Funding for Mediscure to maintain operations

17. It is acknowledged MediSecure requires ongoing funding to continue its current operations through to such time as the Transfer is able to commence .

18. MediSecure and the Department agree to meet within 7 days of the execution of this Heads of Agreement to agree to a funded amount to enable MediSecure to continue operating until such time as the Transfer is able to lawfully commence, which period may extend until at least 30 September 2023.

Signed by MediSecure

Signed by the Department

MediSecure Ltd ABN 67 169 902 443
2/133 Market Street, SOUTH MELBOURNE, Victoria 3205