

Mr David Hicks
A/g Chief Financial Officer
Department of Health
Scarborough House, Atlantic Street, Woden Town Centre, ACT

5 August 2019

Dear David,

We have completed our engagement to assist the Department of Health ("the Department" or "Health") document the likely impact of Australian Accounting Standards arising out of the identified potential duplicate payments under the Medicare Benefits Schedule (MBS) in preparation for the 2018-19 financial statements. Our engagement was performed in accordance with our Statement of Work (SOW) dated 24 May 2019 under our Agreement, and our procedures were limited to those described in the SOW.

Results of our work

Based on our procedures performed during the period 24 May – 5 August 2019 we prepared the following work product for your use. Management of the Department reviewed these documents for completeness, accuracy and reasonableness. Decisions regarding the Department's application of Australian Accounting Standards were made solely by the Department's management.

To the extent we provided observations as to what may be the views of the Department's independent auditor, such observations may have been made without having any discussion with the Department's independent auditor and may not reflect their actual views on a particular topic or issue. Management is responsible for obtaining the concurrence of its independent auditor on the appropriateness of the accounting policies that management has selected and the related financial statement disclosures.

Background

A recent performance audit conducted by the ANAO identified potential duplicate payments arising under the MBS. A recommendation was therefore made for Health to investigate and potentially recover these amounts. In conjunction with the States and Territories, Health is in the process of conducting an internal review of this recommendation and are in the early phases of identifying a project plan to do so.

The Department engaged EY to provide advice to Health's Chief Financial Officer (CFO) in connection with the preparation of the 2018-19 financial statements as described below:

- Arrange meetings with key Health staff necessary to discuss and obtain background information relevant to the MBS and the ANAO's recommendation;
- Provide assistance with the interpretation of relevant Australian Accounting Standards and practices and an understanding of the work already undertaken by management, in order to set out the relevant considerations as to whether Health would be required to either record an

asset (receivable) or disclose a contingent asset and in either case whether it is possible to quantify this for recognition/disclosure purposes; and

- Document in a position paper the analysis, assessment and conclusions.

Scope of our work

In connection with our engagement, we held discussions with and made inquiries of the Department's Finance and Provider Benefits Integrity Division personnel for the purpose of obtaining the information we deemed necessary to complete the report. We also obtained and read the Department's financial statements and certain limited accounting records.

The detailed list of procedures performed by us is included in our SOW dated 24 May 2019 under our Agreement. Any differences between the procedures set forth in our work product and those set forth in our SOW dated 24 May 2019 under our Agreement reflect modifications that were made at your request or discussed with you during the course of the engagement.

Our work was performed under the direction of the Department of Health's management and was based on inquiries of, and discussions with, management of the Department. We have not sought to confirm the accuracy of the data or the information and explanations provided by management.

We did not provide a professional opinion on the application of accounting principles pursuant to Section 230 of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants or to Section 230 of the Accounting Professional & Ethical Standards Board (APESB) APES 110 Code of Ethics for Professional Accountants.

The procedures that we performed were advisory in nature and do not constitute an audit conducted in accordance with generally accepted auditing standards or other assurance, review or related services in accordance with standards established by the International Auditing and Assurance Standards Board or by the Australian Auditing and Assurance Standards Board.

While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes. In addition, we have no responsibility to update the work product for events or circumstances occurring after the date of the work product.

Our work does not include the provision of legal advice and we make no representations regarding questions of legal interpretation of any possible structure or strategy. We make no representation regarding the sufficiency of our work either for purposes for which our work product have been requested or for any other purpose. The sufficiency of the work we performed is solely the responsibility of the Department.

The determination of whether or not a particular transaction structure or strategy should be implemented is the sole responsibility of the Department's management. The accounting for the transaction structure under International Financial Reporting Standards and Australian Accounting Standards is the responsibility of the management of the Department.



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Our work has been limited in scope and time, and more detailed procedures may reveal issues that this engagement has not.

Restrictions on the use of our work product

The report is intended solely for the information of the Department. Therefore, our work product or portions thereof, should not be referred to or distributed to any other person or entity, other than the Department's auditors and legal counsel. It is not to be referred to or quoted, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval.

We appreciate the cooperation and assistance provided to us during the course of our work. If you have any questions, please call s47F on s47F or s47F on s47F.

Yours sincerely

Ernst & Young

This document was released under the Freedom of Information Act 1982 by the Department of Health

Our engagement was performed in accordance with our Statement of Work dated 24 May 2019. This report does not constitute an audit conducted in accordance with generally accepted auditing standards or other assurance, review or related services in accordance with standards established by the International Auditing and Assurance Standards Board or by the Australian Auditing and Assurance Standards Board. Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Department or any financial or other information of the Department.

Our work does not include the provision of legal advice and we make no representations regarding questions of legal interpretation of any possible structure or strategy. We make no representation regarding the sufficiency of our work either for purposes for which this analysis has been requested or for any other purpose. The sufficiency of the work we performed is solely the responsibility of the Department, as are any decisions with respect to the proposed transaction.

To the extent we provide observations as to what may be the views of the Department's independent auditor, such observations may have been made without having any discussion with the Department's independent auditor and may not reflect their actual views on a particular topic or issue. You are responsible for obtaining the concurrence of your independent auditor on the appropriateness of the accounting policies that you have selected and the related financial statement disclosures.

The determination of whether or not a particular transaction structure or strategy should be implemented is the sole responsibility of the Department's management. The accounting for the transaction structure under International Financial Reporting Standards and Australian Accounting Standards is the responsibility of the management of the Department.

It is understood that this analysis is solely for the information of the Department. Therefore, this analysis, or portions thereof, should not be referred to or distributed to any other person or entity, other than the Department's auditors and legal counsel. It is not to be referred to or quoted, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval.

1 Introduction

1.1 Background

The Medicare Benefits Schedule (MBS) is a program under which the Australian Government partly or fully subsidises a range of medical and hospital services. A Medicare Benefit is an assigned benefit to the patient but may be claimed on behalf of the patient directly by an eligible provider. Depending on the nature of the particular services provided, payment can be obtained from the Australian Government according to each specified rebate amount listed within the MBS. The MBS is administered and paid through the Department of Health ("the Department" or "Health").

A separate mechanism, namely, the National Health Reform Agreement (NHRA) is a funding agreement for Australian Public Hospital services and governance arrangements for primary health and aged care between the Australian Government and each Australian State and Territory which is administered and paid by the Department of the Treasury. The NHRA funds hospital services provided to both public and eligible private patients, teaching and training functions undertaken in public hospitals or other organisations, research undertaken in public hospitals and public health activities.

1.2 Summary of potential duplicate funding issue

The NHRA specifies that the Australian Government will not fund patient services through this agreement if the same service, or any part of the same service, is funded through any other Australian Government program, including the MBS. There are similar provisions in the MBS legislation to prevent double funding (section 19 (2) of the Health Insurance Act 1973).

However, a potential issue has arisen in relation to certain services (for example services provided by General Practitioners (GP's) or Private Practitioners (PP's) eligible for payment under the MBS) provided in public hospitals (which are separately funded under the NHRA). This issue arises, in part, due to the fact that the practitioner is responsible for making a claim under the MBS for an eligible service, whereas a separate entity (the public hospital) is responsible for making claims under the NHRA.

The Auditor-General Report No.26 2018-19 (ANAO audit report) recommended that the Department of Health should undertake steps to:

- a) Identify and prevent potential duplicate payments, including Medicare Benefits Schedule payments, by the Australian Government for public hospital services; and
- b) Identify and recover past duplicate payments to the maximum extent permitted by law.

The identification of any potential claims will require an analysis of the data underpinning claims made under both mechanisms to isolate instances of duplicate payment for the same service and exclude any 'false positives' where payments are legitimately made under both schemes (for example, where two separate services are provided on the same day).

In order to conduct this analysis, episode level data from each State and Territory is required to be collected.

The Department considers that the future effectiveness of any compliance investigations is largely dependent on agreement by stakeholders about the use of relevant data, and will continue to work with the States and Territories and the independent agencies to identify, prevent and recover duplicate payments where possible.

The purpose of this paper is to document the Department's assessment as to whether a financial asset representing the right to recover any duplicate funding should be recognised in the financial statements as at 30 June 2019.

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2 Executive summary: Proposed accounting treatment

It is proposed that no asset is recognised in the financial statements, but disclosure (in accordance with AASB 101.125) is made regarding the nature of the uncertainty, if considered significant.

The relevant accounting guidance considered in this paper is as follows:

- Under the Australian Accounting Standards Board's (AASB) Conceptual Framework, an asset is defined as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. In this case, the payment of duplicate claims (under both the MBS and NHRA) could be considered to represent a 'past event' and the right to recover future economic benefits arises if it is determined that the Department has the legal right to recover those claims in the event that duplicates are identified.
- Even where it is determined that an asset exists, in order to qualify for recognition in the financial statements, it must be probable that the future economic benefits will flow to the entity, and the asset must have a value that can be measured reliably. If the asset cannot be measured reliably, then the asset is not recorded in the financial statements. However, if significant, it is likely that disclosure of the nature of the uncertainty would be required under AASB 101 Presentation of Financial Statements.
- If no asset exists (either because it cannot be clearly demonstrated that the Department has the right to recover duplicate claims), or it is not clear which party does have that right, then a contingent asset may instead exist. A contingent asset arises from unplanned or other unexpected events that give rise to the possibility of an inflow of benefits, but not a right. Contingent assets may also require disclosure, but are not recognised in the financial statements in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

The preliminary conclusions arising from the analysis are as follows:

- The Department appears to have the 'right to recover' future economic benefits, given that it has been established that recovery of past duplicate payments will occur under the MBS (as opposed to the NHRA) as a result of the Department's planned investigative activities and that the Department will ultimately record any subsequent income. As such, it is likely that an asset exists in accordance with the AASB's Conceptual Framework.
- However, the value of this asset does not appear to be reliably measurable given the uncertainty of whether duplicate payments even exist due to the limitations with the matched MBS data and the likelihood of recovery from practitioners in the event of a duplicate claim. Factors supporting the conclusion that the value of the asset is not reliably measurable include:
 - No analysis of the matched public hospitals MBS data has occurred; and

- The range provided in the ANAO audit report has a number of limitations including, but not limited to, how practitioners are coded in the system, the number of specialities a practitioner can have registered, the lack of time stamping on data and establishing whether medical services provided on the day of a patient's hospital admission or discharge was actually provided by the hospital rather than another person or facility.

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3 Summary of ANAO finding

3.1 Potential duplication of payments

MBS data is currently provided by the Department of Health to the National Health Funding Body (Funding Body) for the purpose of matching activity data to identify potential duplicate payments. This data is compared to NHRA data provided to the Funding Body by the States and Territories. However due to the lack of agreement between stakeholders about the use of relevant data in addition to the complexities and segregation of data collection including the level at which data is reported, the Funding Body has been unable to accurately monitor potential duplicate payments made by the Australian Government for Public Hospital services through the NHRA and MBS. The lack of agreement between all parties involved has also meant that the Department of Health has not had timely access to the matched Public Hospitals data that would facilitate more comprehensive compliance and recovery action on potential duplicate MBS payments.

In 2013 the Funding Body developed data matching business rules to identify situations where services are funded by both NHRA and MBS sources, and applied these to Medicare numbers to identify where one Medicare number was used to claim for a service both under the NHRA and the MBS, since the Medicare number links the hospital service to the MBS record. This data matching process identified potential situations of duplicate funding yet did not result in adjustments to Australian Government funding as further investigation was required to confirm whether or not a duplicate payment had actually occurred.

Since initial identification of this issue the Australian Government and State and Territory government ministers and officials have discussed options for data matching to occur, with Health engaging with the Australian Government Solicitor in March 2018. Following agreement by Ministers in April 2018 to proceed with the data matching work, the Funding Body reviewed and updated the business rules developed in 2013 and applied these rules to data from 2014–15 to 2016–17. The business rules applied were agreed to by both the Australian Government and States and Territories.

As a result of the preliminary data matching work identified in the ANAO audit report, estimates of potential Australian Government duplicate payments for public hospital services range from \$122 million to \$332 million per year. However, these matches have not been investigated further to confirm that duplicate MBS/NHRA funding actually occurred.

The range in the above mentioned estimates is due to data-related difficulties in establishing whether or not an MBS claim relating to medical services provided on the day of a patient's hospital admission or discharge was actually provided by the hospital or another person or medical facility. For example, what is referred to as a 'false positive' match may occur where a patient has seen a GP on a particular morning, claiming under the MBS and has then subsequently been admitted to hospital later that same day, claiming under the NHRA. While based on the business rules a match is identified, a legitimate claim under both sources of funding has occurred.

This is in contrast to a potential duplicate payment, where for example, a GP working within a hospital claims for a service rendered under the MBS and the hospital also separately claims for outpatient

services under the NHRA for the same appointment. In this case the patient's Medicare PIN is matched in both the MBS and Hospital data for the same day and the GP's billing location is matched to the hospital's address.

Furthermore, doctors can be classified within the data as GP's if at any stage during their careers they were employed as a GP, despite the doctor now being for example a specialist (or indeed both). Any service rendered by that doctor will flag as a 'GP service'. Alternatively, doctors may work a few days a week as a specialist and a few days a week as a GP and as such in the absence of detailed investigations on potential duplicate claims it cannot be readily verified whether or not the services were rendered by the doctor in their capacity as a GP or as a specialist or whether they were working in their capacity as a private practitioner in the hospital or for the hospital delivering services to public patients.

Due to concerns raised by the States and Territories regarding the intended use of the data, there was a considerable delay in Health gaining access to the required data, with matched public hospitals MBS data only recently being provided to Health from the Funding Body on 24 June 2019. From this date the Department will perform the required investigations with the aim of confirming genuine duplicate funding that has occurred which is anticipated to take several months to properly conclude. The Department's project plan contemplates them working toward a position of completing the initial compliance audits during the 2019-20 financial year.

3.2 Planned investigative activities

Initial analysis of the matched public hospitals MBS data received will focus on identifying themes and trends, for example whether there are particular services or States and Territories that are higher risk. The Department is able to analyse the matched public hospitals' MBS data to a greater extent as they have access to information the Funding Body did not, for example location specific details. Adding the additional data will aid in isolating the 'false positives' outlined above in Section 3.1 above. In some instances, medical advisors will be engaged to facilitate this analysis. In order to conclude that a matched service is a legitimate recovery claim, evidence supporting the claim will be requested. In some cases, this will involve directly questioning and seeking evidence from the practitioner linked to the duplicate claim.

Once the initial data matching exercise is complete, round table discussions will be held with all parties involved including the States and Territories and in some cases the hospital administrators. In addition to the discussions held, Health is required to complete a report for the Council of Australian Governments (COAG) outlining the initial outcomes of the analysis.

While the report was due on 30 June 2019, due to the significant delay in receiving the matched public hospitals MBS data from the Funding Body, Health will only be in a position to deliver the report in the latter stages of the 2019-20 financial year at the earliest. Until this report is complete Health will not fully understand the validity of the data and will not be able to provide a first indication of the potential volume and amount of potential duplicate claims. The Provider Benefits Integrity Division have indicated there is insufficient time to quantify an amount before signing of the financial statements.

Health as part of this process will request voluntary evidence and repayment by identified practitioners. A letter from Health will be provided to each practitioner to reflect on the circumstances of the

identified match claims and submit a voluntary acknowledgement where the practitioner identifies that the patient was not eligible for an MBS service as they were a public patient at the time of the claim. The practitioners however are not legally obliged to respond to such requests. Any repayments from this process cannot be quantified as it is uncertain how many practitioners will respond.

Once the COAG report is finalised and detailed investigative activities commence, in the absence of voluntary repayments, under s 129AA of the Health Insurance Act 1973, Health can issue a notice to provide evidence of a claim. However a notice may only be given in respect of a professional service that was rendered in the period of 2 years immediately before the notice is given. Outside of the 2 year period from the date the notice is provided, Health cannot compel the practitioner to provide evidence and will be relying solely on discretionary payments from the practitioner outlined above. In all cases the parties may dispute claims identified by Health.

The States and Territories have requested that where the Australian Government undertake MBS compliance activities and identify double funding leading to the recovery of payments from health providers, any recovery be made under the MBS, rather than adjusting NHRA funding. This is partly due to the fact that the NHRA does not appear to specify a mechanism to prevent and/or recover Australian Government duplicate funding for services, whereas the MBS contains specific recovery provisions.

Where amounts are to be recovered under the MBS the Department will seek to recover the amounts from the practitioner who made the MBS claim. However, from 1 July 2019 a practitioner can nominate their employer who will be jointly responsible for any debt, for example a health or medical practice, corporate provider, hospital or other entity a health professional is engaged with to provide health services. This is referred to as the shared debt recovery scheme. The scheme will enable the Department to hold an employing or contracting organisation responsible for a portion of any debts incurred as a result of incorrect claiming.

4 Relevant accounting guidance

4.1 Definitions

An asset is defined by the AASB Framework for the Preparation and Presentation of Financial Statements (the Framework) as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.¹

However, this definition includes items that are not recognised as assets in financial statements because they do not satisfy the criteria for recognition (namely, that it is probable that any future economic benefit associated with the item will flow to or from the entity, and the item has a cost or value that can be measured with reliability).²

Conversely, Australian Accounting Standard AASB 137 Provisions, contingent liabilities and contingent assets ("AASB 137") defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.³ Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity.⁴

4.2 Recognition and measurement

As described above, an asset is recognised in the Statement of Financial Position when it is probable that the future benefits embodied in the asset will eventuate and the asset possess a cost or other value that can be measured reliably.⁵ The term 'probable' is defined as the chance of the future economic benefits arising is more likely than not⁶.

An asset which, at a particular point in time, fails the test of 'probable future economic benefits' may nonetheless qualify for recognition as an asset at a later date as a result of subsequent transactions or other subsequent events.

Additionally, information is reliable when it is complete, neutral and free from error. It is important that financial information be reliable and not potentially misleading. For example, disputed claims would not normally be recognised as an asset prior to judgement.

¹ Framework for the Preparation and Presentation of Financial Statements, para 49(a)

² Framework for the Preparation and Presentation of Financial Statements, para 50

³ AASB 137.10

⁴ AASB 137.32

⁵ Framework for the Preparation and Presentation of Financial Statements, para 83 and 89

⁶ AASB 5.A & AASB 137.23

In contrast to assets, contingent assets are not recognised in financial statements since this could result in the recognition of income that may never be realised. However, when the realisation of income is 'virtually certain', then the related asset is not a contingent asset and its recognition is appropriate.⁷

'Virtually certain' is considered a much higher hurdle than 'probable' and more challenging than the term 'highly probable', defined as significantly more likely than probable. Virtually certain may be interpreted as being as close to 100% as to make any remaining uncertainty insignificant. What this means in practice requires each case to be decided on its merits and any judgement should be made in the knowledge that, in any event, it is rarely possible to accurately assess the probability of the outcome of a particular event.

While a contingent asset is not recognised it may require disclosure where an inflow of economic benefits is probable. 'Probable' means that the event is more likely than not to occur; that is, it has a probability greater than 50%.⁸

The recognition criteria are summarised in the table below.

Where, as a result of past event, there is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the entity.			Where, as a result of a past events, future economic benefits are controlled by the entity and the item can be measured reliably.
The inflow of economic benefits is virtually certain.	The inflow of economic benefits is probable, but not virtually certain.	The inflow if not probable.	The asset is not contingent and shall be recognised when the value can be measured reliably.
The asset is not contingent and shall be recognised.	No asset is recognised. Disclosures are required which may include the nature and amount.	No asset is recognised and no disclosures are required.	

4.3 Disclosure

Assets that are not recognised only because they do not possess a cost or other value that can be measured reliably may also warrant disclosure in the notes in the financial report because knowledge of the assets is considered to be relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources. For example, an entity may, at the reporting date, be engaged in litigation in pursuit of an amount. While it may be probable that future economic benefits will eventuate, it may be impossible to reliably measure the value of the claim. Nonetheless, disclosure of the claim, if material, could assist users in making assessments related to the present and expected future financial position of the entity.⁹

⁷ AASB 137 31&33

⁸ AASB 137 34

⁹ Framework for the Preparation and Presentation of Financial Statements, para 86 and 88

Such disclosure may occur under AASB 101 Presentation of Financial Statements. An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of their nature and their carrying amount as at the end of the reporting period.¹⁰

Where inflow of economic benefits from a contingent asset is 'probable', an entity is required to disclose a brief description of the nature of the contingent asset at the end of the reporting period, and, where practicable, an estimate of its financial effect, measured using the principles set out for provisions in AASB 137 paragraphs 36–52.¹¹

In extremely rare cases, where disclosure of some or all of the information required can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the contingent asset, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.¹²

¹⁰ AASB 101.125

¹¹ AASB 137.89

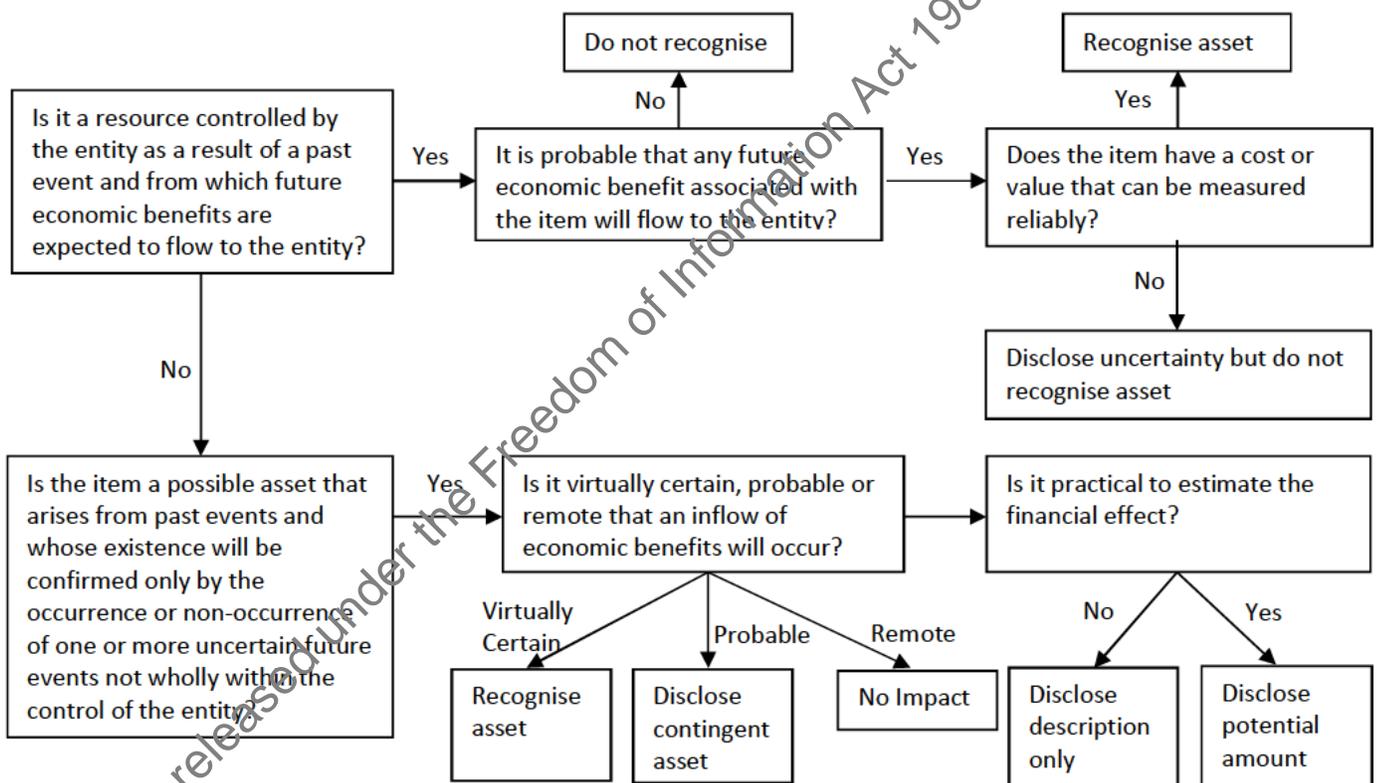
¹² AASB 137.92

5 Application of relevant accounting guidance

As outlined in section 4 above, the key requirements of AASB 137 and the Framework to be considered in relation to the potential MBS recoveries for the 2018-19 financial year are whether:

- The amounts meet the definition of an asset and the recognition criteria, and should therefore be recognised; or
- The amounts meet the definition of a contingent asset and therefore may require disclosure.

The below graphic summarises the criteria within the relevant guidance.



An analysis of the application of these requirements to the Department's current scenario is also outlined below. Consistent with the requirements of the applicable standards outlined above, this analysis has been prepared on the basis of available evidence as at 30 June 2019 and does not consider actions or information subsequent to this date.

5.1 Recognition of an asset

Concept	Relevant background	Analysis
<p>Control of any future economic benefits arising from a past event.</p>	<p>Where a duplicate payment is identified through agreed data matching arrangements, the Department will seek to recover duplicate payments for public hospital services under MBS compliance. Recovery under the MBS rather than the NHRA has been agreed to by the Australian Government and the States and Territories and the MBS contains specific clauses for recovery in contrast to the NHRA.</p> <p>The ANAO audit report identified as a result of the preliminary data matching work potential overpayments and therefore potential receivables for Health range from \$122 million to \$332 million per year over the last three years.</p> <p>However, this range is subject to the limitations identified in section 3.1 above.</p>	<p>Criterion met.</p> <p>To the extent duplicate payments (a past event) have occurred these give rise to a receivable under MBS compliance activities. Both the MBS and NHRA, as identified in section 1.2 above, contain provisions outlining that activities are to be funded through one mechanism only.</p> <p>Future economic benefits arise in the form of cash repayments receivable by the Department of Health.</p> <p>Future economic benefits represent the capacity to provide benefits to third parties through the use of assets. Debtors are direct claims to cash inflows which are expected to occur when third parties pay their accounts. Despite Health not pursuing profit objectives as a not-for-profit Australian Government entity, the future economic benefits (receivable) can be used to provide goods and services in accordance with the Department's objectives, rather than to generate net cash inflows. Health may use the duplicate payments received to achieve their outcomes, including funding future legitimate claims under the MBS, thus satisfying the definition.</p> <p>The Department's right to recover duplicate claims has been established between the Department and the States and Territories who have agreed that Health (under the MBS recovery provisions) are to undertake compliance action and recover any duplicate payments.</p>

Concept	Relevant background	Analysis
Probability of future economic benefits	<p>In order to be able to quantify any potential claim, the following activities must be completed:</p> <ul style="list-style-type: none"> • Perform a preliminary analysis of the matched public hospitals MBS data received to identify and remove 'false positives'; • Hold roundtable discussions with the parties involved including the States and Territories and in some cases hospital administrators; • Construct and deliver to COAG a report outlining the initial findings from Health's analysis (refer point 1 above); • Determine the time period over which recovery may occur noting that section 129AA of the Health insurance Act 1973 places a two year threshold on this; • Perform a detailed analysis of the matched public hospitals MBS data subsequent to the initial removal of 'false positives' including compelling practitioners to provide evidence for identified potential duplicate claims; • Assess the likelihood of recovery for any duplicate claims identified; and • Review the evidence received from practitioners and conclude for each claim whether a legitimate recovery is identified. <p>Refer to section 3.2 for more detail.</p>	<p>Criterion met.</p> <p>It is probable (i.e., more likely than not) based on the available information at 30 June 2019 including evidence contained within the ANAO audit report and preliminary details obtained from MBS compliance activities, that Health will recover some duplicate payments. While Health may never collect some amounts, for example where the practitioner cannot be contacted, the available evidence suggests it is probable some payments will be received.</p> <p>Despite the breadth of activities required to confirm the existence of actual duplicate payments, the available evidence suggests it is probable repayments will be received at some point in the future. Both Health and the ANAO recognise that MBS compliance activities will be undertaken and recovery action commenced when a duplicate payment has been identified.</p>

Concept	Relevant background	Analysis
<p>Reliable measurement</p>	<p>A wide range of potential values have been provided in the ANAO audit report ranging from \$122 million to \$332 million per year over three years of analysis. A range has been provided due to data-related difficulties outlined in section 3.1 above. Additionally this range does not consider a number of factors discussed in section 3.1 above.</p> <p>Health is currently not in a position to refine this range at 30 June 2019 as the matched public hospitals MBS data was only received on 24 June 2019 with no further investigations having been performed to date. Until at least the preliminary analysis has been performed and the agreed report delivered to COAG, Health cannot narrow or confirm the estimated range. These activities are scheduled to conclude in the latter stages of the 2019-20 financial year. Management have outlined the following process and timeline for the proposed work:</p> <ul style="list-style-type: none"> • Preliminary analysis of the matched public hospitals MBS data to identify and remove 'false positives' will occur between July and October 2019; • Round table discussions with all parties involved and delivery of the agreed report to COAG will occur in the latter stages 2019; • Performing a detailed analysis of the matched public hospitals MBS data including compelling practitioners to provide evidence and reviewing evidence received will occur throughout FY20. 	<p>Criterion not met.</p> <p>Quantification of the economic benefits will be established only when the activities outlined in the relevant background and here are complete. Key to this is the performance of the initial analysis for the purposes of preparing the COAG report. Until at least this point Health is unable to make a reliable estimate of amounts to be recovered.</p> <p>The value cannot be depended upon faithfully, and without bias or undue error, to represent the transactions it purports to represent in the absence of further investigation. An asset (in this case a receivable) inherently has a higher recognition threshold to overcome than a liability as any recognition could give rise to income that may never be realised. Recognition of a value in the absence of further investigation could result in the recognition of income that may never be realised.</p> <p>As any receivable does not possess a cost or other value that can be measured reliably, the item would not qualify for recognition as an asset, but may warrant disclosure in the notes under AASB 101.25 as at 30 June 2019 if it is considered that the nature of the uncertainty is considered significant enough to result in a risk of material adjustment to the carrying amount of assets (i.e., receivables) within the next financial year.</p>

5.2 Contingent asset

Note that this analysis has been included for completeness, and would only be applied in practice if it is determined that an asset does not exist.

Concept	Relevant background	Analysis
<p>Possible asset that has arisen from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.</p>	<p>As identified in the 2018-19 ANAO audit report, analysis undertaken by the Funding Body indicates duplicate payments have been made by the Australian Government for public Hospital services funded through the NHRA and MBS. Although further investigation is required to confirm a duplicate payment actually occurred, matched Medicare numbers between MBS and NHRA source data outline potential overpayments of between \$122 million and \$332 million per year over a three year period. This range however does not consider a number of factors identified in section 3.1 above.</p> <p>Where a duplicate payment is identified through agreed data matching arrangements, the Department will seek to recover duplicate payments for public hospital services under MBS compliance. Recovery under the MBS rather than the NHRA has been agreed to by the Australian Government and the States and Territories and the MBS contains specific clauses for recovery in contrast to the NHRA.</p>	<p>As outlined above the potential duplicate claims meet the definition of an asset as Health control the future economic benefits as a result of a past event. An asset is however not recognised as it cannot be measured reliably. Control exists as an established right for recovery exists under the MBS and recovery by Health under the MBS will occur rather than the under NHRA which has been agreed to between the Australian Government and the States and Territories.</p> <p>As the item satisfies the definition of an asset it cannot also satisfy the definition of a contingent asset. Control of the economic benefits has been established and therefore control does not depend on the occurrence or non-occurrence of one of more future events. There is a right to recover under the MBS and it has been agreed between the Australian Government and the States and Territories that recoveries will occur under the MBS.</p> <p>It is noted however that where external evidence is required from a practitioner to prove a duplicate claim occurred, Health may be relying on an external party for confirmation. In this case some of the balance may fall into a contingent asset as Health is not yet considered to 'control' the amount. Practically, disclosure in the financial statements is required in either case (i.e. either the asset is not recognised as it is not considered reliably measurable as identified in section 5.1 above, but the nature of the uncertainty is disclosed in line with AASB 101; or the details of a contingent asset are disclosed in line with AASB 137).</p>