

The Senate Finance and Public Administration References Committee

ANSWERS TO QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Inquiry into Digital Delivery of Government Services

Question no: 1

Type of Question: Written Question on Notice

Senator: Senator Rex Patrick

Question:

Can the Department of Health provide the following information on the delivery of the Modernising Health and Aged Care Payments project?

1. The budget for the project at the time of first approval to proceed?
2. The spend to date on the project?
3. The current approved budget?

Answer:

- 1 On 19 October 2016, the Government announced the Modernising Health and Aged Care Payments Program. At 2016-17 MYEFO the Program was allocated \$31.5 million, comprising \$29.7 million for Department of Health, \$1.7 million for Department of Human Services and \$0.1 million for Department of Finance.

The 2017-18 Budget allocated \$67.3 million, comprising \$50.8 million for the Department of Health and \$16.6 million for the Department of Human Services.

At 2017-18 MYEFO the Government announced that it will provide \$16.6 million in 2017-18 for the remediation and essential maintenance of the health and aged care payment system and ensure that the Government continues to own and operate the ICT systems that deliver Medicare, the Pharmaceutical Benefits Scheme, Aged Care and related payments into the future. The cost of this measure will be met from within the existing resources of the Department of Health.

A breakdown of the budget allocation is included below:

	2016-17	2017-18
Department of Health	\$29.7m	\$50.8m
Department of Human Services	\$1.7m	\$16.6m
Department of Finance	\$0.1m	-
TOTAL	\$31.5m	\$67.3m

2. For the period from the commencement of the program until 28 February 2018, the Department of Health had spent a total of \$52.3m.
3. Answered in response to question 1.

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Parliamentary Committees Questions on Notice
Clearance Sheet

DETAILS	
Hearing:	Inquiry into Digital Delivery of Government Services
Committee	The Senate Finance and Public Administration References Committee
QoN Number:	1
Due Date for Parliamentary:	Friday 9 March 2018
Due Date for Tabling:	COB Tuesday 1 March
Contact SES Officer:	Name: Brian Kelleher Position: Assistant Secretary Work Ph: 02 6289 2041 Mobile: s22(1)(a)(i)
Contact Action Officer:	Name: Suscha Steward Position: Acting Director Work Ph: s22(1)(a)(ii) Mobile: n/a
Clearance:	Noted / Not Noted Signature _____ Date ____/____/____

Comments:

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MODERNISING HEALTH AND AGED CARE PAYMENTS SERVICES – GOVERNMENT'S PROGRESS TO DATE

BUDGET

- The 2017-18 Mid-Year Economic and Fiscal Outlook notes the Government will provide \$16.6 million in 2017-18 for the remediation and essential maintenance of the health and aged care payment systems.
 - The cost of this measure will be met from within the existing resources allocated to the Department of Health in the 2017-18 Budget.
- The 2017-18 Budget allocated \$67.3 million, comprising \$50.8 million for the Department of Health and \$16.6 million for the Department of Human Services.
- The total investment in the Modernising Health and Aged Care Payments Services Program has been \$98.8 million as outlined below.

	2016-17	2017-18	TOTAL
Department of Health	\$29.7m	\$50.8m	\$80.4m
Department of Human Services	\$16.6m	\$16.6m	\$18.3m
Department of Finance	\$0.1m	-	\$0.1m
TOTAL	\$31.5m	\$67.3m	\$98.8m

KEY POINTS

- The Government is continuing to invest in the Health and Aged Care payments systems to ensure they are stable and secure to support the ongoing needs of the community and healthcare sector.

The Government will continue to own, operate and deliver Medicare, the Pharmaceutical Benefits Scheme, aged care and related veterans' payments.

- The Government's investment will ensure the systems continue to meet all relevant legislative, regulatory and policy requirements including privacy, cyber security and data policies.
- The integrity of service delivery and data is a critical issue and is being carefully managed.

FACTS & FIGURES

- Each year, the systems enable Government to make more than 600 million payments totalling approximately \$50 billion dollars for health, aged care and veterans' health services.
- The current systems have evolved over 30 years and are based on obsolete technologies, which are expensive to maintain and rely on a high level of manual processing.

IF ASKED

- Does the Government intend to approach the market to replace the current payments systems with a new digital payments platform?
 - The Government is taking a measured approach to considering a full range of options prior to deciding the best way forward for the delivery of the future health and aged care payments systems.

BACKGROUND

- On 19 October 2016, the Government announced it would replace the IT systems to deliver reliable and accurate health, aged care and veterans' payments.
- The Government issued a Request for Information (RFI) on 6 March 2017, which closed on 4 April 2017.
- The purpose of the RFI was to seek information on how the digital payments platform should be designed and delivered and to understand the capabilities of the market to deliver it.
- Outcomes from the RFI were provided to the market as part of a July 2017 Market Update Bulletin on AusTender.
 - The intention of the market update was to keep interested parties informed of progress and to assist industry to prepare for any future procurement.
 - 60 one-on-one meetings with IT firms were conducted in August 2017, which revealed strong market interest and knowledge of digital payments platforms.
- The Government's requirements for the modernised system include that it must meet all relevant legislative, regulatory and policy requirements including privacy, cyber security and data policies. The integrity of service delivery and data is a critical issue and will be considered at every stage of the process.

Date QTB Fact Brief created: 30 January 2017

Last Updated by Department: 23 January 2018

Last Updated by Adviser:

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MODERNISING HEALTH AND AGED CARE PAYMENTS SERVICES – THE GOVERNMENT HAS DECIDED NOT TO APPROACH THE MARKET TO REPLACE THE CURRENT SYSTEMS

BUDGET

- An additional \$106.8 million dollars will be invested from 2018-19 to consolidate and stabilise the health and aged care payments systems.

	2018-19	2019-20	2020-21	2021-22	TOTAL
Department of Health	\$4.1m	\$4.8m	-	-	\$8.9m
Department of Human Services	\$79.3m	\$33.7m	-\$7.6	-\$7.6m	\$97.8m
Department of Finance	\$0.1	-	-	-	\$0.1m
TOTAL	\$83.5m	\$38.5m	-\$7.6m	-\$7.6m	\$106.8m

Source: Portfolio Budget Statements 2018-19 Budget Related Paper No. 1.9, page 38

KEY POINTS

- The Government is continuing to invest in the Health and Aged Care payments systems to ensure they are stable and secure to support the ongoing needs of the community and healthcare sector.
 - The Government will continue to own, operate and deliver Medicare, the Pharmaceutical Benefits Scheme, aged care and related veterans' payments.
 - The Government's investment will ensure the systems continue to meet all relevant legislative, regulatory and policy requirements including privacy, cyber security and data policies.
 - The integrity of service delivery and data is a critical issue and is being carefully managed.
- The Government has decided to proceed with an initial 18 month program of work commencing 1 July 2018 to update, stabilise, consolidate and secure the existing IT systems that deliver health and aged care payments. The work will be led by the Department of Human Services.
- The work builds on 12 months of systems remediation activities undertaken by the Department of Human Services from 1 July 2017.

FACTS & FIGURES

- Each year, the systems enable Government to make more than 600 million payments totalling approximately \$50 billion dollars for health, aged care and veterans' health services.
- The current systems have evolved over 30 years and are based on obsolete technologies, which are expensive to maintain and rely on a high level of manual processing.

BACKGROUND

- On 19 October 2016, the Government announced it would replace the IT systems to deliver reliable and accurate health, aged care and veterans' payments.
- The Government issued a Request for Information (RFI) on 6 March 2017, which closed on 4 April 2017.
- The purpose of the RFI was to seek information on how the digital payments platform should be designed and delivered and to understand the capabilities in the market to deliver it.
- **The investment in the Modernising Health and Aged Care Payment Services Program to 30 June 2018 has been \$98.8 million.**

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BRIEF

Budget Estimates 2018 - 2019

HEALTH AND AGED CARE PAYMENTS SERVICES SYSTEMS – STABILISATION AND CONSOLIDATION

BUDGET

- The Government will provide an additional \$106.8 million dollars over four years from 2018-19 to modernise the health and aged care payments systems and ensure that the Government continues to own and operate the ICT systems that support the delivery of Medicare, the Pharmaceutical Benefits Scheme, aged care and related payments into the future.

	2017-18	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	2021-22 (\$m)	TOTAL (\$m)
DEPARTMENT OF HEALTH	-	4.1	4.8		-	8.9
DEPARTMENT OF HUMAN SERVICES	-	79.1	33.5	-7.6	-7.6	97.4
DEPARTMENT OF FINANCE	-	0.1	-	-	-	0.1
TOTAL - EXPENSE	-	83.3	38.3	-7.6	-7.6	\$106.4
Related Capital - Department of Human Services	-	0.2	0.2	-	-	0.4

Source: Budget 2018-19, Budget Measures, Budget Paper No.2 for 2018-19, page 110

KEY POINTS

- The Government has decided to proceed with a program of work commencing 1 July 2018 to update, stabilise, consolidate and secure the existing IT systems that deliver health and aged care payments.
- This measure includes funding for replacing and decommissioning ageing ICT systems, upgrading cyber security, and introducing user experience improvements for consumers and providers of health and aged care services.
- The work will be led by the Department of Human Services.
- The work builds on 12 months of systems remediation activities undertaken by the Department of Human Services from 1 July 2017.
- The current health and aged care payments systems, which support more than 600 million payments to individuals and providers each year, are old, complex and need to be upgraded.

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Budget Estimates 2018 - 2019

- The government will continue to own, operate and deliver the systems.
- Further work will be considered in the context of the progress achieved and the benefits delivered.

FACTS & FIGURES

- The investment in the Modernising Health and Aged Care Payments Services Program to 30 June 2018 has been \$98.8 million as outlined below.

	2016-17 (\$m)	2017-18 (\$m)	Total (\$m)
DEPARTMENT OF HEALTH	29.7	50.8	80.4
DEPARTMENT OF HUMAN SERVICES	1.7	16.6	18.3
DEPARTMENT OF FINANCE	0.1		0.1
TOTAL	31.5	67.3	98.9

Sources: Mid-Year Economic and Fiscal Outlook 2016-17 - Part 3: Fiscal strategy and outlook - Appendix A: Expense measures, page 167; Portfolio Budget Statements 2017-18, page 110

- The \$98.9 million investment includes:
 - o \$32.1 million for the Department of Human Services to undertake essential maintenance of current ICT systems;
 - o ~~\$12.5~~ 17.2 million in FY 17-18 on consultancies providing strategic, commercial, legal, probity and business analysis services supporting market engagement and design work;
 - o \$4.2m in FY 17-18 on contracts to conduct user research, stakeholder consultation, architecture services and the development of prototypes to improve the functionality and useability of Medicare Online Account, the Medicare Express Plus Application, the registration process for medical interns and registrars and Medicare consumer web content; and
 - o 2.5 m on departmental expenses including staff costs.

BACKGROUND

- On 19 October 2016, the Government announced that it would replace the IT systems to deliver reliable and accurate health, aged care and veterans' payments.
- A Request for Information (RFI) was issued on 6 March 2017 and closed on 4 April 2017.
- The purpose of the RFI was to seek information on how the digital payments platform should be designed and delivered and to understand

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the capabilities of the market to deliver it.

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Why didn't the Government go to market to procure a new digital payment platform?

The Government considered various options to modernise the health and aged care payment systems including approaching the market.

- This consideration was informed in part by the responses to the Request for Information that was released in March 2017.
- The decision to fund the Department of Human Services to undertake an initial 18 months of work to consolidate and stabilise the payment systems was informed by the scale and complexity of the various options and the associated costs and risks.

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BRIEF

Budget Estimates 2018 - 2019

The following questions should be referred to the Department of Human Services:

- How much money is spent annually on the operation and maintenance of the health and aged care payment systems.
- What has been the outcomes and benefits of the Government's investment of \$32.1 million in FY 2017-18 to undertake essential maintenance of current ICT systems.
- What will be the specific outcomes and benefits of the Government's \$106.8 million investment from 2018-19 to modernise the health and aged care payment systems.

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