

# Department of Health PBID Debt Recovery Enhancement

Health Check Report

June 2019

FINAL REPORT  
IN CONFIDENCE



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s 47F

## Reliance Restricted

Department of Health  
s 22

GPO Box 9848  
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## PBID – Debt Recovery Enhancement

27 June 2019

### Any person intending to read this Report should first read this letter

Dear s 22

In accordance with your instructions, we (“Ernst & Young or “EY”) have prepared the ‘Health Check’ report as set out in your s 47E(d) in connection with the first element of the engagement – Undertaking a ‘health check’ of recommendations made by EY in 2018 related to debt recovery and escalation and assess progress made so far against the in-scope recommendations.

### Purpose of our report and restrictions on its use

This Report was prepared on the specific instructions of the Department of Health (“the Department” or “Health”) under the terms and conditions of the Deed executed s 47G, s 47E(d) and should

not be used or relied upon for any other purpose.

We accept no responsibility or liability to any party other than to the Department, or to such party to whom we have agreed in writing to accept a duty of care in respect of this Review Report, and accordingly if such other persons choose to rely upon any of the contents of this Report they do so at their own risk.

### Nature and Scope of the services

The nature and scope of the services, including the basis and limitations, are detailed in s 47E(d)

This is an independent high-level review and ‘health check’ assessment predominantly based on targeted interviews conducted on 17 April 2019 and documents received from the Department from the project commencement to the date of this report.

We appreciate the opportunity to provide our services to Health and we look forward to continue work with you on next stage of the engagement. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours sincerely  
s 47F

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# Executive Summary.

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# Overview

## Background to “Health Check” Report

In July 2018, EY delivered a report on the Department’s current approach to debt management and recommendations relating to Health’s strategies for enhancing debt management capability into the future.

In accordance with your work order executed on s 47E(d) the purpose of this report is to provide a high-level review the progress made by Health against the recommendations made by us in 2018. This work is based on reports that the Debt Section provided to us in April 2019 and interviews we carried out with various Departmental personnel from the PBID and Legal teams in April 2019.

It is clear that the Department has made significant progress in enhancing its Debt Recovery function since the date of our last report. It has also documented further changes that are planned or underway. Improved recovery is best illustrated by the rate of recovery of new debts in recent periods s 47E(d)

## Key activities

We performed a high-level ‘health check’ assessment to confirm the progress made to date against key recovery initiatives and recommendations identified in 2018. Key activities carried out are as follows:

### ■ Targeted interviews

During a site visit on 17<sup>th</sup> April 2019, we performed targeted interviews with the Department’s key personnel:

s 22




Please see Appendix for details.

### ■ Documents reviewed

We reviewed documents provided by the Department in response to our Requests For Information dated 11 and 18 April 2019 (See Appendix for full list of RFI). It includes high level analysis of current debt portfolio, Debt team response to our report/recommendations in 2018, internal summary report on results and various template documents.

### ■ Findings rating legend

Key criteria were identified to perform the Health Check. We performed an assessment in April 2019 against each of the criteria, as per the Overview.

	No or only minor issues identified
	Moderate issues identified
	Significant issues identified

### ■ Limitations

This report is based primarily on interviews and high level analytical procedures only. Our comments in this report are limited to those matters that are considered most material to the debt escalation process and may not comment on the entirety of changes made in relation to the Department’s Debt recovery processes since our report in July 2018.



The background is a complex, abstract digital composition. It features a dense network of glowing, translucent lines and planes in various colors, including blue, green, yellow, and magenta. These elements create a sense of depth and movement, resembling a futuristic cityscape or a complex data network. A large, thick yellow circle with a thin white inner ring is centered on the page, framing the main title.

# Health Check Report.



# 1. Implementation of existing PBID Initiatives

Categories	Assessment	Observations
Implementation of existing PBID Initiatives	No or only minor issues identified	<p>Various Debt Recovery Improvement Plan (DRIP) initiatives have implemented following recent legislative changes. The below recommendations have been successfully delivered or substantially progressed.</p> <ul style="list-style-type: none"> <li>▶ Payment Deduction Facility ('set-off') <ul style="list-style-type: none"> <li>▪ Agreed "set-off" has been operational since July 2018</li> <li>▪ Forced "set-off" commenced October 2018 targeting old pre-existing accounts</li> <li>▪ "set off" Internal automation currently underway</li> <li>▪ Collections YTD from "set-off" has continued to grow strongly over recent months<sup>s 47G</sup></li> </ul> </li> <li>▶ Interest Charging Capability <ul style="list-style-type: none"> <li>▪ Underway. PBID Systems section currently in design and build phase of delivering IT solutions.</li> </ul> </li> <li>▶ Single view of client capability in CWMS <ul style="list-style-type: none"> <li>▪ CWMS Debt Enhancement and SAP Integration Program is currently underway</li> </ul> </li> </ul>
	Moderate issues identified	<p>Below recommendations might require the Department's attention and necessary action.</p> <ul style="list-style-type: none"> <li>▶ Off-setting adjustment capability <ul style="list-style-type: none"> <li>▪ This is distinct from "set-off" described above<sup>s 47E(d), s 47G</sup></li> </ul> </li> <li>▶ Bpay reference number generation (before invoice) <ul style="list-style-type: none"> <li>▪ Underway. PBID Systems Section currently identified issues in design and build phase of delivering IT solution.</li> </ul> </li> </ul>

# 1. Implementation of existing PBID Initiatives (cont.)

Categories	Assessment	Observations
Stakeholder consultation	No or only minor issues identified	<ul style="list-style-type: none"> <li>▶ Consider further consultation<sup>s 47G</sup> prior to implementation of major changes. <ul style="list-style-type: none"> <li>• Stakeholders and industry bodies consulted on 'set-off' implementation.</li> </ul> </li> </ul>
Complaints process	No or only minor issues identified	<ul style="list-style-type: none"> <li>▶ Develop complaints handling mechanism in anticipation of Provider response to new charges and enhanced debtor collection processes <ul style="list-style-type: none"> <li>• Debt complaints process developed incorporating a spreadsheet listing each complaint (logged by EL1's) after discussion with the Debt officer</li> </ul> </li> </ul> <p>s 47E(d), s 47G</p>

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## 2. Developing capabilities for legal escalation

s 47E(d), s 47G

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## 2. Developing capabilities for legal escalation (cont.)

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s 47E(d), s 47G

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### 3. System integration and streamlining of recovery activities

Categories	Assessment	Observations
Hardship	No or only minor issues identified	<p>▶ s 47E(d)</p> <p>▶ Settle checklists and procedures relating to assessments of debtor's financial position</p> <ul style="list-style-type: none"> <li>Health started to implement "Statement of Financial Details" issued by Department of Finance</li> </ul> <p>Debt team made improvement in relation to hardship assessment. Undertaking an assessment of a Provider's financial capacity to pay is a complex task. EY will assist Debt Escalation team to provide resources and upskill the offices to perform this task.</p>
Payment Plan	No or only minor issues identified	<p>s 47E(d)</p>
Standardised documentation	No or only minor issues identified	<p>▶ Standard checklists for recovery methodologies</p> <ul style="list-style-type: none"> <li>Debt officers currently implement s 47E(d) that covers debt collection models</li> </ul> <p>▶ Draft and implement of standardised documentation for delegate approval</p> <ul style="list-style-type: none"> <li>Updated Delegate approval form for agreed and forced set-off is being used</li> </ul> <p>Debt team made a significant improvement in developing appropriate documentations that will be useful for existing and new debt officers. It will need to be updated according to legislation changes and confirmation/advice from s 47E(d)</p>

## 4. Implementation of other recovery options

Categories	Assessment	Observations
Early debtor engagement	No or only minor issues identified	<p>▶ Early debtor engagement courtesy calls within 28 days</p> <p>s 47E(d)</p> <p>In 2018 report, EY recommended early debtor engagement to empower staff(Debt Officers) with confidence in process. A significant change has been made and we recommend debt officers to engage debtors at early stages for more effective debt recovery and to reduce overall debt management costs.</p>
Information Systems	No or only minor issues identified	<p>s 47E(d)</p> <p>Consider establishment of 'Debtor Portal' to enable debtors to access detailed debt related information online, submit extension / payment plan requests and address other queries without direct correspondence with Health.</p>
Training	No or only minor issues identified	<p>s 47E(d)</p>



## 4. Implementation of other recovery options (cont.)

Categories	Assessment	Observations
Documentations	No or only minor issues identified	<p>► Update Procedures and Debt Officer Guidelines s 47E(d)</p> <ul style="list-style-type: none"> <li>Currently debt officers implement high level debt collection philosophy that covers debt collection models with principles emphasising early collection (for non-disputed debts) in full s 47E(d)</li> </ul> <p>Debt team made a significant improvement in developing appropriate documentations that will be useful for existing and new debt officers. It will need to be updated according to legislation changes and confirmation/advice from s 47E(d)</p>
Voice recording	No or only minor issues identified	s 47E(d), s 47G
s 47E(d)	No or only minor issues identified	s 47E(d)

# Appendix

People interviewed

Information requested & received

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