



PROFESSIONAL  
SERVICES REVIEW

ANNUAL REPORT  
1994-95

Australian Government Publishing Service

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ISSN 1324-9371

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Designed and typeset by The AGPS Design Studio

Produced by the Australian Government Publishing Service

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The Executive Officer  
Professional Services Review  
Telephone: 285 1651  
Facsimile: 285 1762



PROFESSIONAL  
SERVICES REVIEW

DIRECTOR  
*Dr John Holmes*

The Hon Dr Carmen Lawrence, MP  
Minister for Human Services and Health  
Minister Assisting the Prime Minister for the  
Status of Women  
Parliament House  
CANBERRA ACT 2600

Dear Minister

In accordance with subsection 106ZQ(1) of the *Health Insurance Act 1973*, I present the first annual report of the Director of Professional Services Review. Subsection 106ZQ(2) requires that you cause a copy of this report to be laid before each House of the Parliament within 15 sitting days after you receive it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Holmes', with a long, sweeping flourish extending to the right.

John Holmes  
Director

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## INTRODUCTION

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The Director of Professional Services Review is a statutory officer appointed by the Minister for Human Services and Health to manage the process whereby the conduct of a person, who is involved in rendering or initiating services which attract a Medicare rebate, can be examined to ascertain whether *inappropriate practice* is involved.

- Inappropriate practice is defined in the *Health Insurance Act (1973)* as conduct that is unacceptable to the general body of the members of the profession or specialty in which the practitioner was practising when he or she rendered or initiated the services in question.

The Director's caseload is dependent upon the Health Insurance Commission investigating instances of suspected inappropriate practice, preparing the case and referring it to the Director for consideration. If the Director decides that the person does have a case to answer, a peer review process is initiated. This peer review is by committees with membership drawn from a panel comprising nominees of relevant professions who are appointed by the Minister.

The Professional Services Review was established as a prescribed authority to assist the Director to carry out the functions which are detailed in Part VAA - The Professional Services Review Scheme - in the Health Insurance Act 1973.

## OBJECTIVE

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To examine, impartially and expeditiously, cases of suspected inappropriate practice referred by the Health Insurance Commission.

## DIRECTOR'S REPORT

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This first report of the Director of Professional Services Review covers the establishment phase of a newly created entity. Due to the nature of the referral processes the Report contains very little on operational activities.

I was appointed as Director on 21 July 1994 with effect from 27 July 1994. It is a very interesting situation to be faced with the prospect of establishing an organisation from scratch.

Accommodation and initial staffing were the first priorities and appreciation is expressed to the Director of the Australian Institute of Health and Welfare, Dr Bruce Armstrong and his staff for facilitating our temporary accommodation on the Acton Peninsula. My staff were initially recruited on secondment from the Department of Human Services and Health.

Discussions with various other small agencies proved most helpful in clarifying the issues and the difficulties of this establishment phase and we are grateful for their co-operation and advice. Whilst this consultation was occurring we settled on more permanent accommodation and the office fit-out was supervised by Interiors Australia. Concurrently office systems and procedures were investigated and eventually finalised. We moved into our permanent office at Yarralumla in mid December.

With the significant changes in the legislation for the PSR scheme as contrasted with the previous Medical Services Committee(s) of Inquiry (MSCI) system, it was apparent that a Handbook for the use of PSR Panel Members was essential and this was produced so as to clearly and simply explain the process and the relevant legal requirements.

Panel Members are appointed by the Minister on the nomination of their respective professional craft groupings and from that group a number of Deputy Directors are appointed by the Minister to act as Chairpersons of PSR Committees.

The Panel Members are nominated by a very wide range of professional organisations. The professions represented on the Panel are medicine, dentistry, optometry, physiotherapy, chiropractic and podiatry. The nominated personnel have high standing in their respective craft groups and have accepted the challenging responsibility of the PSR process. This should ensure that proper professional standards in relation to the relevant Medicare expenditure are maintained.

At the time of writing there are 13 Deputy Directors and 127 Panel Members. Nominations from other professional groups are expected to be appointed shortly so that the Committees will be able to cover all professional groupings.

In February 1995 a meeting was organised with the medical Deputy Directors in Melbourne where the legislation and the PSR process were discussed with considerable legal input so that those who are to chair PSR Committees became more comfortable with their roles.

Meetings have subsequently been held in all capitals with the Panel Members of those States. These have proven most useful as a means of addressing queries and enabling members to have a better understanding of their roles.

Venues suitable for PSR hearings have been selected in the various capital cities and arrangements made for the support required, such as audiotaping of the hearing and production of transcripts where necessary. It is intended that the hearings be relatively informal and conducted more as a professional discussion. All involved are cognizant of the gravity of the situation particularly with the possible consequences to a practitioner in the case of an adverse finding by a PSR Committee.

Wherever possible, advantage has been taken of the opportunity to meet with the various professional organisations whose members will serve on

the panels and with whom I as Director may need to consult for their professional expertise. Contact has also been made with State regulatory bodies such as Medical Boards and an explanation given of the changes in the legislation which relate to their functions. I consider that appropriate channels of communication have been opened.

I am pleased to report that the establishment of the Professional Services Review scheme has been welcomed by the relevant professional organisations. They have been most supportive and regard the process as necessary and important, not only for the profession but also the wider community. The changed emphasis from excessive servicing to inappropriate professional conduct seems also to be widely accepted.

The first referral from the Health Insurance Commission was received on 8 May 1995 and the first PSR Committee was established by an instrument dated 5 June 1995. PSR Committee No 1 held its first meeting on 15 June 1995 and the decision was taken at that meeting to hold a hearing into the referral. The first scheduled PSR hearing will be on 14 July 1995.

At this time it would seem that the process will be more efficient and timely than that preceding it. Anecdotal advice from the Health Insurance Commission is that the very threat of the PSR process is having a considerable deterrent effect on professionally aberrant behaviour.

The next Annual Report will incorporate concrete examples of referrals that have been determined, the lessons learnt and an assessment of the effect of the changes to the legislation. I am confident that that report will be positive.

A handwritten signature in black ink, appearing to read 'John Holmes', with a long, sweeping horizontal stroke extending to the right.

John Holmes



## LEGISLATIVE OVERVIEW

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The Professional Services Review Scheme was established by the Health Legislation (Professional Services Review) Amendment Act 1993 which amended the Health Insurance Act 1973, and came into effect from 1 July 1994.

Dr A J (John) Holmes was appointed as Director of Professional Services Review by the Minister for Human Services and Health, Dr Carmen Lawrence on 21 July 1994 with effect from 27 July 1994.

On 25 January 1995 the Minister appointed 140 practitioners nominated by the relevant professions as members of the Professional Services Review Panel for a period of five years. The Minister also appointed 13 of those Panel members as Deputy Directors of Professional Services Review. The Deputy Directors are to serve as the chairpersons of Professional Services Review Committees.

### Background

The legislation was developed by the Joint AMA/Commonwealth Department of Human Services and Health/ Health Insurance Commission Task Force and aims to provide an effective peer review mechanism to deal quickly and fairly with concerns about inappropriate practice.

The new structure of review includes:

- a Director of Professional Services Review (PSR), who is a medical practitioner, appointed ministerially and able to engage staff and consultants;
- a Professional Services Review Panel (PSRP), comprising medical practitioners and appointed ministerially;

- Professional Services Review Committees (PSRCs), comprising practitioners from the PSRP appointed by the Director of PSR on a case-by- case basis to investigate practitioners referred by the Director for review; and
- a Determining Officer, who must be a public office holder, appointed ministerially, and whose role it is to decide on the penalty for practitioners found by a PSRC to have practiced inappropriately.

The whole review process is based on the principle of peer review, and will be instigated only in instances where prior counselling of practitioners by the HIC has been considered to have been in vain.

## **Inappropriate Practice**

A practitioner engages in inappropriate practice if the practitioner's conduct in connection with rendering or initiating services is such that a Committee of his or her peers could reasonably conclude that:

in the case of a medical practitioner - the conduct would be unacceptable to the general body of the members of the specialty (general medical practice is taken to be a specialty) in which the practitioner was practising when he or she rendered or initiated the services; or

in the case of a dental practitioner, optometrist, chiropractor, physiotherapist or podiatrist, the conduct would be unacceptable to the general body of the members of the profession in which the practitioner was practising when he or she rendered or initiated the services.

A person (including a practitioner) or a person who is an officer of a body corporate engages in inappropriate practice if the person knowingly, recklessly or negligently causes or permits, a practitioner employed by the person or body corporate to engage in conduct that constitutes inappropriate practice by the practitioner.

In its Report on the Health Legislation (Professional Services Review) Amendment Bill 1993, the Senate Standing Committee on Community Affairs noted that one of the major criticisms of the Bill is the new definition of inappropriate practice. The crux of most criticisms was that it appeared to be nonsensical for the Government to develop a definition of inappropriate practice when there is little consensus within the medical profession over the definition of *appropriate* practice.

The response of the AMA was that these criticisms had misconstrued the definition as relating to 'inappropriate practice' in a purely medical sense, whereas it was formulated in the context of Medicare expenditure. In other words, the definition relates more to abuse of public moneys, than to unsound or improper medical practices, with these issues being the responsibility of State regulatory bodies such as the Medical Boards.

## The Powers of the Director

The role of the Director envisaged in the Bill was criticised on two points -

- the discretion afforded to the Director to determine whether a practitioner should or should not be referred to a PSRC or should be disqualified partially was seen as excessive; and
- the AMA's right of veto over the appointment of a Director was seen as having the potential to compromise the independence of the Director's role and judgement.

In relation to the first point, the AMA argued that the Director's power to deal with practitioners in the first instance is important insofar as it will enable agreed matters to be disposed of efficiently. On the second point, the Minister justified the AMA's veto on the grounds that it was crucial that the profession cooperate with the Government in dealing with overservicing, and in this regard 'to get that professional agreement...we needed someone [the Director] heading this up in whom both the profession and I would have some faith'.

## Reasons for Change

The Australian National Audit Office (ANAO) found in its Audit Report No.17 1992-93, entitled *Medifraud and excessive servicing: Health Insurance Commission*, that Medical Services Committee(s) of Inquiry, the bodies responsible for dealing with excessive servicing at that time, were not operating satisfactorily and needed to be strengthened. The ANAO concluded that specific action needed to be taken to deal adequately with gross levels of overservicing. One of the principal complaints about the then mechanisms for dealing with overservicing was that they did little to discourage the provision or initiation of excessive services. They were not effective deterrents because, in many instances, the level of benefits recovered from practitioners was totally eclipsed by the level of overservicing which actually occurred.

A major factor in the inability to impose penalties commensurate with the extent of a practitioner's overservicing was the lack of power to make decisions on the extent of overservicing on the basis of generalised evidence. At that time, judgements about overservicing could only be made on the basis of individual services, that is, recovery of benefits and the imposition of penalties could only be made in respect of each service separately determined to have been excessive. A further criticism of the previous overservicing detection arrangements related to delays in finalising cases, including delays occasioned by practitioners under review declining to appear at hearings because existing penalties for non-attendance were insufficient to ensure attendance.

The Audit Office report suggested that the minimum requirements to make the review process more effective were:

- increasing the amount of repayment, and/or penalty, required to be paid by practitioners found to have engaged in excessive servicing to reflect more closely the actual extent of moneys involved;
- power for the committees to access medical records;
- appointment of additional committees to help reduce time delays;

- follow-up counselling to be taken by the chairpersons of the committees; and
- appointment of a full-time manager to oversee the operations of committees.

## **Benefits of the Professional Services Review Scheme**

The Scheme gives the profession substantial autonomy in reaching findings on inappropriate practice. At the same time, proper care has been taken to ensure that the practitioner under review receives natural justice. At every major point in the review process the practitioner is given the opportunity to make submissions that could influence the review process and outcome. The scheme provides for the separation of the three elements of the decision making processes which are:

- the referral for review
- the review hearings and findings; and
- the determination of any penalty.

The Health Insurance Commission prepares and refers a case for review to the Director of the Professional Services Review who decides whether to empanel a Professional Services Review Committee. The Review Committee reports on its findings and, if the findings are adverse to the practitioner under review, a determining officer, who must be a person holding an office or appointment under the Public Service Act, must determine one or more of the following courses of action:

- a reprimand;
- counselling;
- repayment of benefits to the Commonwealth;
- payment of a penalty to the Commonwealth; and
- complete or partial disqualification from the Medicare scheme.

The Determining Officer is required to provide the practitioner under review with a draft determination on which the practitioner will have the opportunity to make submissions before it becomes final.

A practitioner who is subject to an adverse finding may request a review by the Professional Services Review Tribunal. On a question of law only, an appeal may be made to the Federal Court.

## PROCESS

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The following material combines legislative requirements and administrative procedures and summarises them to give an overview of what happens after the Health Insurance Commission (HIC) decides that it has evidence of inappropriate practice which should be referred to the Director of Professional Services Review. Information on HIC procedures leading to the referral of a case to the Director should be sought from the Commission.

- **Referral:** When the HIC refers a case for review to the Director, PSR, it must, *within 48 hours*, send a copy of the referral to the person under review and invite that person to make a written submission to the Director *within 14 days*, addressing the issues raised in the reference.
- **Director's decision:** The Director must, *within 28 days* of receiving the referral, decide whether to establish a Professional Services Review Committee (PSRC) to consider whether the practitioner has engaged in inappropriate practice, as defined in section 82 of the Act. In reaching this decision, the Director may take advice from appropriate consultants. If the practitioner has taken the opportunity to make a submission to the Director, it is taken into consideration at this stage.

The Director may dismiss the referral, without establishing a PSRC, only if satisfied that there are insufficient grounds for a PSRC to find that the practitioner had engaged in inappropriate practice or if the practitioner has entered into a written arrangement with the Director agreeing to a partial disqualification from Medicare.

- **Establishment of PSRC:** The Director will select a Deputy Director to chair a Committee and at least two other members from the Professional Services Review Panel who must be members of the

profession or medical specialty in which the practitioner was practising when he or she performed or initiated the services which are believed to have been inappropriate. Where the Director considers it desirable to give the Committee a wider range of clinical expertise, up to two further Panel members from a relevant profession or specialty may be appointed to the Committee.

The Director must notify the person under review and the HIC of the decision, in writing, within 7 days of the decision. If the decision is to proceed with the establishment of a PSRC, the notification is to include the proposed membership of the Committee; if the decision is to dismiss the referral, the Director must give the reasons for that decision.

The person under review may challenge the appointment of a Committee member on the grounds of actual or perceived bias.

- **Committee process:** The Committee must meet *within 14 days* after appointment to consider the case. Meetings are held in private.

If the Committee believes the person under review may have engaged in inappropriate practice, it must hold a hearing. The person under review must be given particulars of the matters giving rise to the hearing and *at least 14 days'* notice of the date and place of the hearing. The person is required to appear at the hearing to give evidence and/or to produce documents and to attend to identify those documents specified in the notice.

**Hearings:** The person under review is entitled to be accompanied by a lawyer or other adviser; to question any person giving evidence to the Committee; and to address the Committee. The Committee may allow an adviser *other than a lawyer* to ask questions or to address the Committee on the person's behalf.

While a PSRC has legal powers such as the power to summon witnesses and to require persons to answer questions, it is intended that hearings be conducted in as informal a way as possible. Evidence may be taken on oath or affirmation.



If a practitioner fails to attend a hearing or refuses to answer questions or to produce documents, the committee may fix another day at least 28 days later for the hearing and give the person notice of that hearing. If the person again fails to appear or fails to answer, the Director must disqualify the practitioner from access to Medicare benefits and so advise the HIC. If the practitioner subsequently complies with the Committee's requirements, the disqualification is lifted.

A PSRC may inform itself on matters before it as it sees fit. With the approval of the Director, it may engage people with suitable qualifications and experience as consultants for this purpose.

The legislation provides for penalties:

in the event of a person under review or a witness knowingly giving an answer or producing a document which is false or misleading to the Committee; and

for the failure or refusal of a witness to attend a hearing, to be sworn or to make an affirmation, to answer a question or to produce a document as required by the Committee.

**Statistical Sampling:** One of the inadequacies of the previous (MSCI) arrangements was that overservicing could be found to have occurred only in relation to individual services. Every service provided or initiated by the practitioner over an extended period had to be examined to establish the extent of overservicing and then recovery of Medicare benefits and a penalty could be imposed only in relation to those services actually determined to be excessive.

A significant aspect of the Professional Services Review Scheme is that the Act provides that the Minister may issue directions which are tabled in Parliament on the production, issue and use of samples. As a result, a PSRC may, from a statistically valid sample of services rendered or initiated by the practitioner, apply the findings to the whole class of services that is of concern. In order for the HIC to utilise this provision, the referral must relate to one or more of the

following - services of a specified class, services provided to a specified class of persons, services at a specified location. Findings in relation to the sample may then be applied to the other services in the specified class, etc. The statistical procedure for making the necessary calculations has been developed by the Australian Bureau of Statistics.

**Reporting:** The Committee must give to the Determining Officer a written report setting out its findings on whether the person under review's conduct in relation to the referred services was, in the Committee's opinion, unacceptable to the general body of the members of the profession or specialty involved. Employers can also be found to have acted inappropriately:

The report should refer to the evidence or other material on which those findings were based. It should provide the Determining Officer with sufficient information to assist that officer in drafting a determination. If the PSRC members are not unanimous in their findings, an additional minority report may be given to the Determining Officer.

A PSRC must report its findings to the Determining Officer *within 90 days* of its being set up. However, the Chairperson of the PSRC may, before the deadline for reporting, apply in writing to the Director for an extension of time. If the Director is satisfied with the reasons given for requiring the extension, he may grant an extension of up to 30 days. The Chairperson is not prevented from seeking further extensions of up to 30 days.

**Suspension of Proceedings:** The Professional Services Review Scheme has been established to examine professional practices in relation to Medicare and aspects of the Pharmaceutical Benefits Scheme only. If a PSRC, in the course of its examination of a referral, comes to the view that the person under review may have committed fraud, the Committee must report on its concerns to the HIC and suspend its consideration of the referral. The Commission

may subsequently return the referral, possibly modified, to the PSRC, in which case the Committee would recommence its consideration of the referral.

If a PSRC thinks that material before it indicates that action should be taken against the person under review "in order to lessen a serious and imminent threat to the life or health of any person", it must report its concerns to the relevant regulatory body, e.g. a State Medical Board - without suspending its consideration of the referral.

- **The Determining Officer.** The Determining Officer is a person holding an office or appointment under the *Public Service Act 1922* and who is appointed by the Minister for the purpose. The present appointee is the Chief Medical Advisor of the Department of Human Services and Health.

The Determining Officer must, *within 7 days* of receiving the report of a PSRC, give a copy to the person under review. *Within 14 days* of receiving the report, the Determining Officer must give the person under review and the Director copies of a draft determination in relation to the report.

If the report of the PSRC is adverse to the person under review, the draft determination will include one or more of the following courses of action:

- a reprimand;
- counselling;
- repayment of benefits to the Commonwealth;
- payment of a penalty to the Commonwealth; and/or
- complete or partial disqualification from the Medicare scheme.

The person under review is given *14 days* in which to make written suggestions for changes to the draft determination.

At the end of the 14 days and *within 35 days* of receiving the report of the PSRC, the Determining Officer must give the person under review a final determination in relation to the report from the PSRC.

In the absence of any appeal against the determination, it takes effect 28 days after it is delivered to the person under review.

- **Further appeal:** A practitioner who is subject to an adverse finding may request a merits review by a Professional Services Review Tribunal (PSRT). On a question of law, appeal is to the Federal Court.
- **Essential features:** The legislation provides a review mechanism which is characterised by:

*impartiality* – the Director and his staff are independent of the HIC, which develops cases for review, and the Panel members who conduct reviews are from the specialty/profession of the person under review;

– there is provision for appeal or review of every significant decision in the process;

*privacy* – the deliberations, findings, information and evidence given to a PSRC remain confidential and may only be disclosed in circumstances prescribed by the Act, e.g. in the case of an appeal to a Tribunal or to the Federal Court;

*competence* – cases are examined by experienced members of the relevant professions; and

*timeliness* – the legislation imposes timelines which ensure that cases will not drag on or be unnecessarily delayed by any party.

# CORPORATE OVERVIEW

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## Objective

To provide effective advice and corporate support to PSR staff and to those who serve as panel members.

## Performance Indicators

- Extent to which new systems and facilities satisfy the requirements for which they were established.
- Turnaround time for payments to panel members.
- Corporate services costs as a proportion of total costs.

## Establishment

Commencing, as the PSR did, as a new agency much of the first year of operation has been devoted to establishing the organisation.

Memorandums of Understanding and Service Level Agreements have been developed with the Department of Human Services and Health (HSH) for the provision of services such as payment of accounts and salaries, access to library and registry facilities and coverage for programs including Equal Employment (EEO), Occupational Health and Safety (OH&S) and Industrial Democracy (ID). Links have also been retained for the preparation of Financial Statements and the internal audit role.

For the first several months of its life the PSR required staging accommodation. This was made available in premises leased by the Australian Institute of Health and Welfare (AIHW). The PSR acknowledges the assistance that the AIHW provided in this period, making available computer, phone and corporate support services.

In mid December 1994 the PSR took up occupancy of its permanent accommodation at 16 Bentham Street, Yarralumla, Canberra. Interiors

Australia, a business unit of the Department of Administrative Services, designed the fit-out for the premises and contracted out the physical work. The location is central and offers good access to services and was price competitive with other business centres in Canberra. The completed project fully met the specifications for the task and the accommodation should be satisfactory for years to come.

Much of the remainder of 1994/95 was devoted to establishing systems in the new premises that would address the core functions of the organisation. Significant work on a suitable database was undertaken. This database will provide a wide variety of information relating to the cases of suspected inappropriate practice that are referred to the PSR by the Health Insurance Commission (HIC). It will also provide the basis for an internal management information system.

## Personnel

The PSR has an ASL of four (4) plus the statutory officer position of Director. Three (3) staff were recruited from disparate areas of the Department of Human Services and Health at the time the agency was established. The fourth staff member was subsequently seconded from the Health Insurance Commission in May 1995. There is no expectation that staff numbers will vary from the ASL in the foreseeable future. In June 1995 the staff comprised 2 males and 2 females. The position profile by sex was:

Position	Sex	Local Designation
Director (statutory officer)	(m)	Director
<b>Staff</b>		
Senior Officer B	(m)	Executive Officer
Senior Officer C	(f)	Secretariat Manager
Senior Officer C	(m)	Resource Manager
Administrative Services Officer 5	(f)	Executive Assistant

None of the staff come from non-English speaking backgrounds, are of Aboriginal or Torres Strait Islander origin or have a disability.

During 1994/95 specific training was provided for the Director and two of the three staff employed for most of the year. Short courses related to relevant legal issues and statistical sampling were attended. One staff member attended the full year Public Sector Management Course. Further training is scheduled for 1995/96 based on identified needs of the organisation. All staff participated in Information Technology training which was specified in the agreement with the service provider mentioned below.

## Finance

In its first year of operation the PSR was allocated an overall budget of \$1.396m. Indicatively these funds were allocated as:

	\$
Set up costs	168,000
Administration	833,660
Salaries	341,840
Capital (Recurrent)	52,500
<b>Total</b>	<b>1,396,000</b>

It became apparent by mid 1994/95 that all of these funds would not be required. This was in large part due to the fact that the HIC was required to complete those cases which had begun under the previous review process before progressing cases under the new PSR legislative provisions. As a result \$446,000 or 31.9% of the PSR budget was offered up as savings to the Department of Finance.

The ongoing financial requirements of the PSR will be reviewed, in consultation with the Department of Finance, at an appropriate time. Specific details related to allocation and expenditure for 1994/95 is presented in the Financial Statements at Appendix 1 of this report.

## **Internal and External Scrutiny**

As this was the PSR's first year of operation and no cases were finalised, no internal reviews were undertaken. The PSR will seek to have appropriate review processes conducted through the ANAO and/or Internal Audit of the portfolio Department (Human Services and Health). No criticisms were received from any external sources.

## **Information Technology**

The PSR contracted for broad ranging Information Technology support to avoid allocating any of its resources to this function. This resulted in the establishment of a Technology Partnership Agreement (TPA) with Logical Solutions Pty Ltd. whereby software, hardware, maintenance support and on-going training are provided for a single cost.

The TPA has satisfied the expectations of the PSR to date and is flexible enough to allow for development as the need arises.

## **Occupational Health and Safety**

Office environment aspects relating to OH&S were incorporated in the design and fit-out of the PSR office in Yarralumla by Interiors Australia. For ongoing elements, because of its limited resources, the PSR has endorsed the Department of Human Services and Health's OH&S Plan and follows the procedures outlined therein. Where required, policy advice relating to OH&S will be provided by the specialist area in HSH as an element of the Memorandum of Understanding that exists between our agencies.

There were no OH&S incidents in 1994/95 nor were any notices issued or received under any of the relevant sections of the OH&S Act. In accordance with the Act a health and safety officer has been appointed.

## **Stationery/Publications**

The design and production of the range of PSR office stationery was contracted to the Australian Government Publishing Service (AGPS).



The PSR was well satisfied with the quality and service provided by AGPS in these initial stages and has continued to utilise its services where cost effective and appropriate.

Two publications were produced by the PSR with the assistance of AGPS in 1994/95. A pamphlet was developed in December 1994 which sought to give an outline of the revised review mechanisms encompassed in the PSR legislation. The pamphlet was targeted at health professionals and their professional organisations and has also proved useful in more general dealings with suppliers and other areas of government.

A handbook for all prospective Panel Members and Deputy Directors was produced in February 1995 to assist these new appointees in the detail of their functional responsibilities. It contains the relevant legislation, information on the sampling technique that may be employed, an outline of the general process and legal issues relevant to a hearing.

Both publications appear to have been well received by their respective target audiences.

## **Major Corporate Challenges**

Major challenges in 1995/96 will include:

- finalisation of the database system designed to assist in the case management of all referrals from the HIC; and
- development of associated management information reporting systems.

**APPENDIX 1:**  
**FINANCIAL STATEMENTS**

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Ref:

**PROFESSIONAL SERVICES REVIEW**  
**INDEPENDENT AUDIT REPORT**

**Scope**

I have audited the financial statements of Professional Services Review for the period 27 July 1994 to 30 June 1995. The statements comprise:

- Statement by the Director and Resources Manager
- Operating Statement
- Statement of Assets and Liabilities
- Statement of Cash Flows
- Statement of Transactions by Fund, and
- Notes to and forming part of the Financial Statements.

The Director and Resources Manager are responsible for the preparation and presentation of the financial statements and the information contained therein. I have conducted an independent audit of the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Concepts and Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view of the agency which is consistent with my understanding of its financial position, its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit Opinion

In accordance with sub-section 51(1) of the Audit Act 1901, I now report that in my opinion, the financial statements:

- are in agreement with the accounts and records kept in accordance with section 40 of the Act
- are in accordance with the Guidelines for Financial Statements of Departments, and
- present fairly in accordance with Statements of Accounting Concepts, applicable Accounting Standards and other mandatory reporting requirements the information required by the Guidelines including the agency's operations and its cash flows for the period 27 July 1994 to 30 June 1995 and its assets and liabilities as at 30 June 1995.

Australian National Audit Office



Allan Thompson  
Executive Director

For the Auditor-General

Canberra

3 October 1995

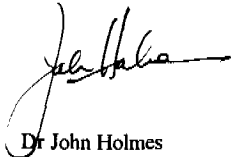
## Statement by the Director and Resources Manager

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In our opinion the accompanying financial statements consisting of:

- an Operating Statement,
- a Statement of Assets and Liabilities,
- a Statement of Cash Flows,
- a Statement of Transactions by Fund, and
- Notes To and Forming Part of the Financial Statements

present fairly in accordance with applicable Accounting Standards, the financial position of Professional Services Review as at 30 June 1995, and the results of its operation and its cash flows for the period 27 July 1994 to 30 June 1995. The financial statements are presented in accordance with the disclosure requirements of the guidelines for *Financial Statements of Departments* issued by the Minister for Finance.



Dr John Holmes  
Director  
Professional Services Review

28 September 1995



Ken Sanderson  
Resources Manager  
Professional Services Review

28 September 1995

**PROFESSIONAL SERVICES REVIEW**

**OPERATING STATEMENT**

for the period 27 July 1994 to 30 June 1995

	Notes	1994/95
		\$
<b>NET COST OF SERVICES</b>		
<b>Expenses</b>		
Employee expenses	2	424,836
Other administrative expenses	3	265,361
<b>Total expenses</b>		<b>690,197</b>
<b>Revenue from independent sources</b>		<b>0</b>
<b>NET COST OF SERVICES</b>		
		<b>690,197</b>
<b>REVENUES FROM GOVERNMENT</b>		
<i>Appropriations used for:</i>		
Ordinary annual services of Government	4	832,208
Liabilities assumed by other departments		34,443
Resources received free of charge from other departments	5	4,000
<b>Total revenues from Government</b>		<b>870,651</b>
<b>Excess of revenues from Government over net cost of services</b>	6	<b>180,454</b>
<b>Accumulated revenues less expenses at end of reporting period</b>		<b>180,454</b>
		=====

**PROFESSIONAL SERVICES REVIEW**

**STATEMENT OF ASSETS AND LIABILITIES**

as at 30 June 1995

	Notes	1994/95 \$
<b>CURRENT ASSETS</b>		
Cash		500
Other	7	165,228
<b>Total current assets</b>		<b>165,728</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8	173,673
<b>Total non-current assets</b>		<b>173,673</b>
<b>TOTAL ASSETS</b>		<b>339,401</b>
<b>CURRENT LIABILITIES</b>		
Creditors		15,214
Leases		892
Provisions	9	26,522
Other	10	6,483
<b>Total current liabilities</b>		<b>49,111</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	11	104,528
Other	12	5,308
<b>Total non-current liabilities</b>		<b>109,836</b>
<b>TOTAL LIABILITIES</b>		<b>158,947</b>
<b>NET ASSETS</b>		<b>180,454</b>

**PROFESSIONAL SERVICES REVIEW**

**STATEMENT OF CASH FLOWS**

for the period 27 July 1994 to 30 June 1995

	Notes	1994/95
		\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Inflows:		
Appropriations - Ordinary annual services of Government		832,208
Outflows:		
Employee expenses		295,250
Administrative expenses		282,281
Property operating expenses		42,266
<b>Net cash provided by operating activities</b>	6	<u>212,411</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Outflows:		
Purchase of property, plant and equipment		211,911
<b>Net cash used in investing activities</b>		<u>211,911</u>
<b>Net increase in cash</b>		500
Cash at beginning of reporting period		0
<b>Cash at end of reporting period</b>		<u>500</u> =====



**PROFESSIONAL SERVICES REVIEW**

**STATEMENT OF TRANSACTIONS BY FUND**

for the period 27 July 1994 to 30 June 1995

	Notes	1994/95 Actual \$	1994/95 Budget \$
<b>Consolidated Revenue Fund</b>			
RECEIPTS		Nil	Nil
EXPENDITURE			
Expenditure from annual appropriations:			
Appropriation Act Nos. 1 and 3	4	832,208	1,396,000
TOTAL EXPENDITURE		832,208	1,396,000
		=====	=====
<b>Loan Fund</b>		Nil	Nil
<b>Trust Fund</b>		Nil	Nil

## PROFESSIONAL SERVICES REVIEW

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period 27 July 1994 to 30 June 1995

#### Note 1 - Summary of Significant Accounting Policies

**(a) Basis of Accounting:**

The financial statements have been prepared in accordance with the guidelines 'Financial Statements of Departments, March 1995' issued by the Minister for Finance. These guidelines require compliance with Statements of Accounting Concepts and applicable Australian Accounting Standards.

The financial statements have been prepared in accordance with the historical cost convention, except where stated.

Professional Services Review commenced operating on 27 July 1994.

**(b) Appropriations and Other Contributions:**

Appropriations, whether recurrent, capital, special or other, and other contributions are recognised as revenues when Professional Services Review obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt. Contributions are recognised at their fair value.

**(c) Comparative Figures:**

Budget figures used for comparative purposes are the original Budget estimates appearing in the Budget documents. Where appropriation figures are used, these refer to amounts appropriated by Parliament during the financial year.

**(d) Cash:**

For purposes of the statement of cash flows, cash includes cash on hand and cash equivalents which are readily convertible to cash on hand, and which are used in the day-to-day cash management of Professional Services Review.

**(e) Property, Plant and Equipment:**

All acquisitions of property, plant and equipment with an economic life exceeding twelve months are capitalised in the year of acquisition. Professional Services Review records all property, plant and equipment at historic cost with the exception of assets received free or transferred in. These assets are initially recorded at fair value.

The carrying amount of fixed assets recognised in the Statement of Assets and Liabilities reflects the remaining service potential of those assets and equates to their historic written down value as at 30 June 1995.

Purchased software and databases are recognised on delivery of the completed product. Asset (work-in-progress), is not recognised for products under development.

**(f) Depreciation of Property, Plant and Equipment:**

All property, plant and equipment is depreciated using the straight line method, at rates based on expected useful economic life. Leasehold improvement is depreciated over the unexpired period of the lease.

**Note 1 (cont'd)**

**(g) Employee Entitlements:**

The employee entitlements provision includes entitlements for long service leave, recreation leave and leave bonus. Provisions for recreation leave and leave bonus are measured as the amounts unpaid at 30 June 1995. The provision for long service leave reflects the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1995. In determining the present value of the liability, Professional Services Review has taken into account attrition rates and pay increases through promotion and inflation.

Professional Services Review has not recognised a liability for superannuation. Liability for superannuation payments to employees is assumed by Government. Consequently, an expense and corresponding revenue item have been recognised in respect of the notional amount of employer's superannuation contribution for the period 27 July 1994 to 30 June 1995.

No provision has been made for sick leave as the average leave taken by Professional Services Review employees is estimated to be less than sick leave annually accrued.

**(h) Leases:**

All operating leases are recognised in accordance with Australian Accounting Standard AAS17, 'Accounting for Leases'. Property leases are accounted for as non-cancellable operating leases.

Professional Services Review had no finance leases as at 30 June 1995.

**(i) Agreements Equally Proportionately Unperformed:**

In accordance with Part III, Division 3 of the guidelines 'Financial Statements of Departments, March 1995', the liabilities of material estimated expenditure to be incurred in the future on agreements equally proportionately unperformed, have been shown in Note 13.

	1994/95 Appropriation	1994/95 Actual
	\$	\$

**Note 2 Employee Expenses**

Salaries		243,783
Superannuation expenses		39,213
Leave expenses		131,050
Other employee related expenses		10,790
		-----
Total employee expenses		424,836
		=====

**Note 3 Other Administrative Expenses**

Operating lease expenses		63,355
Depreciation expense		42,238
Computer services expense		2,210
Other expenses		157,558
		-----
Total other administrative expenses		265,361
		=====

**Note 4 Annual Appropriations**

APPROPRIATION ACT Nos 1 and 3  
Division 347 Professional Services Review Scheme

1. Running Costs	1,396,000	832,208
	=====	=====

**Note 5 Resources received free of charge from other departments**

Assets received free of charge		4,000
		=====

	1994/95 Actual \$	1994/95 Actual \$
--	-------------------------	-------------------------

**Note 6 Reconciliation of net cash provided (used) by operating activities to the excess of revenues from Government over net cost of services.**

Excess of revenues from Government over net cost of services		180,454
Depreciation		42,238
Resources received free of charge		(4,000)
Increase (decrease) in trade creditors		15,214
Increase (decrease) in lease liability		892
Increase (decrease) in provisions		131,050
Increase (decrease) in other liabilities		11,791
(Increase) decrease in prepayments		(165,228)
		-----
Net cash provided (used) by operating activities		212,411
		=====

**Note 7 Other Current Assets**

Prepayments		
- Operating leases		38,822
- Salary		46,438
- Trade		79,968
		-----
Total other current assets		165,228
		=====

**Note 8 Property, Plant and Equipment**

Office equipment		
- received free of charge	4,000	
- accumulated depreciation	(741)	3,259
- at historic cost	23,540	
- accumulated depreciation	(1,540)	22,000
Fitout and leasehold improvements		
- at historic cost	188,372	
- accumulated depreciation	(39,958)	148,414
		-----
Total property, plant and equipment		173,673
		=====

---

1994/95  
Actual  
\$

---

**Note 9 Provisions - Current**

Employee entitlements	
- Annual recreation leave	14,535
- Annual leave bonus	1,936
- Long service leave	10,051
	-----
Total current provisions	26,522
	=====

**Note 10 Other Liabilities - Current**

Accrued employee expenses	1,933
Lease incentive	4,550
	-----
Total other current liabilities	6,483
	=====

**Note 11 Provisions - Non-Current**

Employee entitlements	
- Annual recreation leave	21,435
- Annual leave bonus	2,147
- Long service leave	80,946
	-----
Total non-current provisions	104,528
	=====

**Note 12 Other Liabilities - Non-Current**

Lease incentive	5,308
	=====

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1994/95  
Actual  
\$

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**Note 13 Agreements Equally Proportionately Unperformed**

Non-cancellable operating leases are payable as follows:

- not later than one year	52,482
- later than one year and not later than two years	79,782
- later than two years and not later than five years	45,804

Other operating leases are payable as follows:

- not later than one year	10,702
- later than one year and not later than two years	2,468

**Note 14 Executive Remuneration**

The number of executive officers whose total fixed remuneration and performance pay, received and/or receivable for this reporting period, in excess of \$100,000 is as follows:

Salary range	No.
\$130,000 to \$139,999	1

Aggregate fixed remuneration received by the above officers 136,081

**Note 15 Audit Fees**

Audit services to the value of \$6,000 will be provided free of charge by the Australian National Audit Office in respect of the audit of these financial statements.

No other services were provided by the Australian National Audit Office during the current period.

## APPENDIX 2: SUMMARY TABLE OF RESOURCES

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### PROFESSIONAL SERVICES REVIEW

#### SUMMARY TABLE OF RESOURCES

Reconciliation of programs and appropriation elements for 1994/95

Program	Approp Bills 1 & 3 \$	Approp Bills 2 & 4 \$	Special Approps \$	Annotated Approps \$	Program Approps \$	Less Adjustments \$	Program Outlays \$
Professional Services Review	1,396,000	Nil	Nil	Nil	1,396,000	Nil	1,396,000
<b>TOTAL</b>	<b>1,396,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>1,396,000</b>	<b>Nil</b>	<b>1,396,000</b>

#### NOTES:

Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding.



# APPENDIX 3: FINANCIAL AND STAFFING RESOURCES SUMMARY

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**PROFESSIONAL SERVICES REVIEW**

**FINANCIAL AND STAFFING RESOURCES SUMMARY**

	1994/95 Actual \$	1994/95 Appropriation \$
<b>BUDGETARY (CASH) BASIS</b>		
Components of Appropriations		
Running Costs	832,208	1,396,000
Program Costs	Nil	Nil
Total Outlays	832,208	1,396,000
Total Revenue	Nil	Nil
<b>ACCRUAL BASIS</b>		
Net cost of service delivery	690,197	
Other program costs (excluding service delivery)	Nil	
Total Costs	690,197	
Program Revenues	Nil	
Total assets	339,401	
Total liabilities	158,947	

	1994/95 Actual No.
<b>STAFFING</b>	
Staff Years	3.7

## APPENDIX 4: FREEDOM OF INFORMATION STATEMENT

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During the year ended 30 June 1995, the PSR received nil requests for access to documents under the provisions of the *Freedom of Information Act 1982*.

### Contact Officer

All freedom of information requests should be directed to:

The Executive Officer  
Professional Services Review  
PO Box 136  
YARRALUMLA ACT 2600  
Telephone (06) 285 1651

### Documents

The types of documents held by the PSR are listed below.

- referrals and related documents from the Health Insurance Commission pursuant to Section 86 of the Health Insurance Act 1973 regarding the conduct of a person the Commission considers may have engaged in inappropriate practice in connection with rendering or initiating services;
- lists of Panel members to sit on Professional Services Review Committees;
- reports of PSR committees;
- administrative files;
- memoranda of understanding and other agreements;
- finance and accounting records;

- legal advisings;
- computer records;
- consultancy reports and databases;
- contracts;
- minutes of various meetings; and
- general correspondence.

In respect of section 9 of the *Freedom of Information Act 1982*, this agency has the following document that is provided for the use of, or is used by, the agency or its officers in making decisions or recommendations, under or for the purposes of an enactment or scheme administered by the agency:

- Procedure Guide for Professional Services Review Committees.

## APPENDIX 5: GLOSSARY

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- Act, the: the *Health Insurance Act 1973*, as amended by the *Health Legislation (Professional Services Review) Amendment Act 1994*.
- Commission, the: the Health Insurance Commission (also HIC).
- Committee: a Professional Services Review Committee established by the Director in accordance with s.93 of the Act to examine a case of apparent inappropriate practice referred by the HIC.
- Determining Officer, the: an officer appointed by the Minister to determine an appropriate penalty to apply where a PSRC finds that a person under review has engaged in inappropriate practice, as defined in the Act.
- Director, the: the Director of Professional Services Review is an independent statutory officer appointed by the Minister. The occupant must be a medical practitioner and the AMA must agree to the appointment.
- Disqualification: (partial or complete) exclusion from eligibility to receive Medicare benefits.
- Inappropriate practice: defined fully in s.82 of the Act, but could briefly be described as professional conduct in relation to Medicare which a committee of peers would reasonably consider would be unacceptable to the general body of the members of the specialty or profession.
- Minister, the: the Minister for Human Services and Health.
- Panel, the: the Professional Services Review Panel consists of medical practitioners, dentists, optometrists, chiropractors, physiotherapists and podiatrists nominated by the relevant professional organisations and who have been appointed by the Minister.
- Referral: a case prepared by the Commission and referred to the Director of Professional Services Review, detailing the Commission's concerns and its reasons as to why it considers that a practitioner or other person has engaged in inappropriate practice in the terms of s.82 of the Act.

## APPENDIX 6: ABBREVIATIONS

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ASL: Average Staffing Level

AMA: Australian Medical Association

ANAO: Australian National Audit Office

HIC: Health Insurance Commission

HSH: Commonwealth Department of Human Services and Health

MSCI: Medical Services Committee(s) of Inquiry. Sometimes used broadly to include certain other committees with similar functions, such as the Optometrical Services Committee of Inquiry.

PBS: Pharmaceutical Benefits Scheme

PSR: Professional Services Review

PSRC: Professional Services Review Committee

PSRT: Professional Services Review Tribunal

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