PROFESSIONAL SERVICES REVIEW

ANNUAL REPORT
1995-96

Australian Government Publishing Service
The Hon Dr Michael Wooldridge, MP
Minister for Health and Family Services
Parliament House
CANBERRA ACT 2600

Dear Minister

In accordance with section 106 ZQ of the Health Insurance Act 1973, I present the second annual report on the Professional Services Review Scheme. Subsection 25(8) of the Public Service Act 1922 requires that you cause a copy of this report to be laid before each House of the Parliament on or before 31 October in the year in which the report is given.

Yours sincerely

John Holmes
16 October 1996
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INTRODUCTION

The Director of Professional Services Review is a statutory officer appointed by the Minister for Health and Family Services 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 speciality 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

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

This, the second report of the Director of Professional Services Review, encompasses a period in which the focus of the organisation moved from the establishment phase to the functional activities of reviewing cases referred by the Health Insurance Commission (HIC).

It is my belief that the Professional Services Review Scheme has had a very promising start and the details of the activities which give rise to this belief follow.

There is strong support from the professional community such as Medical Colleges and the professional craft groups which are now well aware of the scheme. It is apparent, unfortunately, that there still remains a lack of understanding of the process in the wider professional community. There is a requirement for privacy in the Act which means that details of any individual proceeding can only be made public when a practitioner exercises the right to appeal to either a Professional Services Review Tribunal (PSRT) or the Federal Court. Notwithstanding the above, the HIC has reported that they have observed a significant change in many practitioners' behaviour once the PSR process is outlined to practitioners in the course of a counselling visit.

The Director of Professional Services Review is responsible for managing the process whereby practitioners believed to have engaged in inappropriate practice under Medicare may have their conduct reviewed by a Professional Services Review Committee (PSRC). (An outline and explanation of the process followed is given in appendices 5 and 6 of this report).

At 30 June 1996 the conduct of 17 medical practitioners had been referred from the HIC with 16 of these being received in the reporting period. Eight of the referrals had been considered and finalised by a PSRC and all had resulted in findings of 'inappropriate practice' and a report made to the Determining Officer. One referral was dismissed under section 91 of
the Health Insurance Act (HIA) which gives the Director power to dismiss a referral if satisfied that there are insufficient grounds for a Committee to reasonably find that the person under review has engaged in inappropriate practice in connection with the referred services.

Table 1 gives a statistical view of the referral process and workload since establishment with the activities for 1995-96 highlighted.

**Table 1**

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<th>1994/95</th>
<th>1995/96</th>
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<tr>
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<td>15</td>
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<td>PSRC hearings commenced</td>
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<td>8</td>
<td></td>
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<td><strong>Appeals lodged:</strong></td>
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* Following a final determination by the Determining Officer dated 18 October 1995, an appeal to the Professional Services Review Tribunal (PSRT) was lodged on 7 November 1995.
1995. An unavoidable delay ensued due to the unfortunate death of Dr Peter Stone, a member of the PSRT. The reformed PSRT handed down its determination on 7 August 1996. The PSRT determination upheld the finding of Inappropriate Practice, removed the counselling and repayment elements of the determination but confirmed the six month suspension from Medicare. On 30 August 1996 an appeal was lodged in the Federal Court.

In the year covered by this report 15 Professional Services Review Committees (PSRCs) have been established and 8 PSRCs have completed their hearings and deliberations and have submitted a report to the Determining Officer. Following the 8 PSRCs reporting to the Determining Officer, the Determining Officer has forwarded two Draft Determinations in the review period to the practitioners under review and to the Director as required by the Health Insurance Act. One practitioner, following receipt of a Final Determination from the Determining Officer, appealed to the Professional Services Review Tribunal.

Nine referrals from the HIC have been finalised by the PSR in 1995-96. These nine cases, with the salient features from which lessons can be learnt, are briefly outlined in the Case Summaries section of this report.

All the referrals received prior to 30 June 1996 involved services performed or requested by medical practitioners in general medical practice. There have been no referrals from the HIC involving the members of any of the other professional groupings covered by the Professional Services Review scheme viz. dentistry, optometry, physiotherapy, chiropractic or podiatry, or from specialty groups of the medical profession.

All the PSRC hearings held have elicited different problems within the practitioners’ practices, but there are frequently recurring situations and problems which have been identified. Some of these are detailed later in this report.

**Determining Officer.** The Determining Officer, Dr Tony Adams, has submitted the following details of his activities in the 1995–96 period:

Of the eight committee reports forwarded to the Determining Officer throughout the year, two of the cases had draft determinations issued with one of these proceeding to a final determination. The
practitioner under review in the first case made an application to the Minister in November 1995 for a review by the Professional Services Review Tribunal of the decision of the Determining Officer.

Delays were brought about in the Tribunal hearing the first case because of the unexpected death of one of the members in late 1995, the need to consult with relevant professional organisations for a replacement, followed by the March Federal election. There was not a Tribunal to hear the review until April 1996. (Members of the Tribunal are appointed by the Governor-General on recommendation from the Minister).

**High Throughput of Patients.** Many of the referrals have involved a very high throughput of patients and the consequent provision by the practitioner of a high number of services. (Graph 1 on page 13 gives comparison figures for general medical practitioners).

In justification of their vastly different practice profiles, practitioners advance the arguments of efficiency in their personal medical practice and the claim that they work very long and extended hours. The Committees have not, as yet, accepted the argument that the practitioners whose practices have been examined are so efficient that they can do twice as much or more than the practitioners on the 75th percentile or even the 95th percentile for services. Neither have they accepted the proposition that only these practitioners work long hours. Many medical practitioners work extremely long hours but without reaching anywhere near the number of services claimed by some of the practitioners referred for review.

The vast majority of medical practitioners accept that proper medical practice requires adequate time be spent with each patient. Time must be spent in the consultation – acquiring a history of the presenting symptom or illness; usually the acquisition or review of the patient’s past medical history (frequently including the family history); operations and past illnesses; the medication history; examination of the patient and especially of relevant area or body system; the formulation of a diagnosis (provisional or definitive), which leads to development of a management plan which
may involve the prescription of therapeutic agents, pharmaceuticals or a request for further diagnostic investigations, such as pathology or diagnostic imaging tests.

The above takes time even if the presenting complaint appears simple and straight-forward to an experienced practitioner. To omit or curtail part of the process increases the possibility of error.

It is of note that the Royal Australian College of General Practitioners (RACGP) in its recently released publication 1996 Entry Standards for General Practice details that 'Consultation times are long enough to allow quality care. This means that average times are not less than ten (10) minutes. Actual time for individual appointments will vary according to clinical need.' [Criteria 1.2.2 page 17]. The College notes that there will be circumstances where the above standard must be compromised, eg in epidemics or in under-doctored areas. The College regards this publication as outlining the minimum standard for entry into general practice.

In its examination of cases reported herein the various PSRCs have not identified any circumstances where the practitioner would not have been able to give enough time to the consultation with the patient should the practitioner have so wished. This raises the possibility of making a clinical error in management of the patient.

Some of the reported cases would also seem to highlight a phenomenon whereby practitioners who rush patients through either do not have or do not allow the time to properly assess the patient and formulate a logical and effective management plan. This is reflected in the frequency with which such a practice is associated with high levels of (one or more) ordering of investigative services such as pathology, diagnostic imaging, prescribing of pharmaceuticals and sometimes referral for specialist services. It would seem that the barest minimum of thought is given to the patient's complaint. Such practice generally leads to further attendances for the reporting of results.
With the well reported workforce oversupply in regard to general practitioner numbers in Australia, apart from the problem in rural areas, the Committees have considered that practitioners can control their practice numbers and that there is the likely driving factor of monetary reward for such behaviour.

**Isolated Medical Practitioners.** All the practitioners against whom adverse findings have been made would appear to show the characteristics of the isolated medical practitioner. Whatever their geographical location they have very little interaction with their professional peers and an avoidance of collegiate activities. It is of interest that the phenomenon of the isolated practitioner often features highly in the reports of other regulatory bodies such as Medical Registration Boards.

Such practitioners have very little involvement in continuing medical education (CME) or quality assurance (QA) activities. One of the conditions of the Vocational Register - enrolment on which entitles a practitioner’s services to attract a significantly higher Medicare rebate - is to satisfy the requirements of the RACGP CME process. Several PSRCs have commented that the practitioner under review - although having satisfactorily completed the requirements - has shown no apparent benefit from this achievement. Comments have been made that the RACGP should be advised of this observation and the apparent need to bolster the CME requirements. It is understood that the RACGP has, on its own assessment, moved along such a path.

**Medical Records.** This series of PSR hearings has once more highlighted the vital role the clinical record plays in medical practice. A well constructed clinical record is an essential aide memoire to any practitioner regardless of how brilliant the practitioner considers their powers of recall. It has long been recognised as vital for the defence of a medico-legal claim or in any hearing that requires justification of a practitioner’s conduct.
It is worth noting the advice the General Medical Council in the UK, in its booklet Good Medical Practice, gives to medical practitioners in the UK:

'Good clinical care ...........

- keep clear, accurate, and contemporaneous patient records which report the relevant clinical findings, the decisions made, information given to patients and any drugs or other treatment prescribed; ...........

In relation to North American practitioners, both in the USA and Canada, it is well accepted by their regulatory bodies that if it is not recorded, it did not happen.

The PSRCs in their reports also have stressed the importance of good clinical records.

The vast majority of Australian medical practitioners accept the vital importance and necessity for documenting an adequate medical record. A good clinical record is an integral element in the provision of continuity of care by a relieving doctor, otherwise patient care may be compromised.

In most of the referrals summarised later in this report, the medical records are sparse to non-existent. It has proven difficult for PSRCs to gain an appreciation of the reason for an attendance and/or the treatment instituted. An adequate record would be strong evidence as regards appropriate clinical behaviour. This is especially true when PSRCs are required to find justification for a high number of long and prolonged consultations.

The Committees are of the opinion that the minimum requirements of a medical record are that it should show:

- presenting complaint and a brief outline of its history
- result of the examination, including negative findings
- the management of the presenting complaint
- justification for any tests or referrals
and also should record in a reviewable format

- past history
- drug allergies
- current treatment, if any
- immunisation history, social history and habits, where appropriate.

**Alteration of Records.** Several of the PSRCs have been concerned that, subsequent to their being summoned by the committees, medical records may have been altered. At the request of the committees, arrangements have been made so that such documents can be referred for investigation and possible forensic examination. It is an offence to produce a false or misleading document and significant penalties apply.

**Standard of Medical Care.** A number of PSRCs in their reports have noted their concern as to the professional standard and competence of the practitioner appearing before them. These concerns frequently relate to lack of current medical knowledge and even failure to understand and apply proper sterilisation guidelines despite all the recent publicity. Other Committees have been confronted with the argument that ethnic communities require, and are accepive of, a different standard of care than that provided for the wider Australian community. An argument has also been advanced that doctors of similar ethnic backgrounds to such communities are much more 'efficient' and can provide a very high number of services in a short time. These arguments have not been accepted by the PSRCs to which such propositions have been put. All PSRCs have held that there should be but one standard of medical care and that lowering of expected professional standards is not acceptable or appropriate practice. There should be one standard of medical care for all Australians.

**HIC Counselling.** It appears that in all cases on which hearings have been held to date the HIC Medical Advisers have on the evidence in the referral on their visits to the practitioner outlined the concerns of the HIC. In all cases the practitioners did not demonstrate any meaningful change in behaviour. Practitioners appearing before PSRCs frequently complained
that they had not understood the HIC concerns. They had usually not made any efforts to have discussions with their professional colleagues. Such discussion could lead to practitioners appreciating the fact that their views and practice style may not be widely supported by the general body of practitioners. Medicare is, and remains, a collegiate profession and it is in the best interest of practitioners and their patients that regular professional contact with colleagues takes place.

**After Hours Care.** In accepting the status of Vocational Registration one of the elements is that a general practitioner undertakes to ensure that his patients have the ability to access necessary medical care after hours. It has become apparent that many practitioners pay little regard to this requirement. All the PSRCs which have addressed this issue have concluded that compliance with this requirement is an essential element of appropriate general practice.

**Timeliness.** A significant change for the PSR scheme from the previous Medical Services Committee of Inquiry (MSCI) process was the writing into the legislation of timeframes with a view to ensuring timely resolution of the review of a practitioner’s conduct. Some timeframes are mandatory and others are capable of being extended. Every effort has been made to comply with the timeframes. Any failure to do so has usually been related to the obvious difficulties inherent in endeavours to organise a number of practitioners to convene meetings when all have significant professional practice and personal commitments. All appointed to PSRCs have been most co-operative and endeavoured to meet these requirements.

It is one thing, however, to endeavour to ensure timeliness in the PSR process but there may well be delays in final resolution of a referral when appeals move into the legal arena.

**Advice to Practitioners.** A retrospective review of the cases heard to date would suggest that practitioners could lessen their chances of being asked to justify behaviour before a PSRC by taking three fairly simple steps:

1. Keep good records - these are the most vital tool in any defence in a justification proceeding.
2. Listen to the HIC Medical Adviser - the HIC concerns are detailed to the practitioner.

3. Discussion with professional colleagues - there may be other professional views on long held beliefs.

Administration. The administrative arrangements set up in the establishment phase in regard to the servicing of PSRCs have proven to be effective. All the venues used for hearings in the various capital cities are suitable for the purpose and provide efficiency, convenience and confidentiality. The services provided by the recording and transcript service, Auscript, have been timely and efficient. Legal advice has been obtained when required.

Panel. Those members of the PSR Panel who have served to date on the PSR Committees have performed their difficult, stressful and important task with efficiency and professionalism and have been cognizant of the sensitivity of the situation, especially of that of the person under review. The Deputy Directors who are the Chairpersons for the PSRCs have the responsibility of controlling the hearings and have carried out their duties with skill and tact.

Deputy Directors' Workshop. In May 1996 a workshop of the medical and optometrical Deputy Directors was held in Canberra. The aim was to discuss the various hearings and determine any difficulties or problems that had arisen in the process. This was a very successful exercise with significant positive results in an educational sense. Sessions were held on the legal issues involved in the hearing process. This meeting highlighted the obvious similarities evident in the cases heard to that point and many of those points are mentioned here. The Minister, Dr Michael Wooldridge, attended for part of the meeting.

Functions such as the Professional Services Review Scheme can only succeed if they are supported by the skills of dedicated people. The contribution of the members of the PSR Panel who have served must be acknowledged and also the efforts of a professional and committed staff.
I, as Director, am indebted to them and express my appreciation for their efforts over the past year.

Last year I expressed my belief that the PSR process would be more efficient and timely than that preceding it. I see no reason to change that opinion. I consider that the result of this year shows much promise in dealing with an extremely difficult problem area that afflicts many health systems world-wide. The shoals of legal challenge loom and fine tuning of both process and legislation may be required in the future. Any success in this endeavour requires a continuation of the current strong professional involvement and commitment.

Dr John Holmes
Director
Professional Services Review
1 October 1996
CASE SUMMARIES

The then Minister at the time of the passage of the legislation formally advised the Senate Standing Committee on Community Affairs that the Director of Professional Services Review would be required in his Annual Report to provide in a narrative style appropriate examples of cases having resulted in findings of inappropriate practice.

The following brief case summaries are provided in accordance with that undertaking. For ease of reading, many of the figures have been rounded and for reasons of brevity, not all of the issues raised and discussed in the hearings are detailed.

For comparison purposes regarding the case summaries, Graph 1 shows the distribution curve for the number of medical services provided by general practitioners for the calendar year 1995. The shape of the graph in relation to the number of services has altered little over the years.
Case A—High number of services

A 1982 graduate with 2 year's hospital experience prior to joining a corporate extended hours clinic was referred with the HIC concern that in performing more than 19,500 services per annum (for a Medicare benefit payment of $424,000) the practitioner would be unable to give adequate time for proper clinical management. Evidence at the PSRC hearing elicited the fact that the doctor performed the above services by working from 7.00 am–11.00 pm on three days per week and on 104 occasions claimed for between 100–120 services per day and more than 121 services per day on 24 occasions. No facility for after hour care was available in the period when the clinic doors were shut, ie 11.00 pm–7.00 am. The clinical records of the doctor examined were not considered by the Professional Services Review Committee (PSRC) to be satisfactory.

The PSRC considered that this practitioner was practising inappropriately with lack of time to assess and manage patients even in an episodic care environment. Concern was also expressed regarding the practitioner’s lack of involvement in intra-professional communication and in continuing medical education (CME). A major concern was a demonstrated lack of commitment to the principles inherent in the acceptance of vocational registration status.

A finding of inappropriate practice was made.

Postscript: An appeal to the PSRT led to the upholding of the finding of inappropriate practice and a removal of the counselling and repayment element of the Determination by the Determining Officer. An appeal by the practitioner has now been lodged with the Federal Court.
Case B—A very high number of services

Graduating in 1972, the doctor had been in solo general practice since 1978 in a provincial city. The referral showed more than 27,000 services ($581,000 in Medicare benefit payment) for 5,500 patients.

Total services were well beyond the 99th percentile for general practice and services per patient (SPP) were between the 85 and 95th percentile.

The Medicare claims included 24,230 level B consultations, 1,030 hospital and nursing home visits and 338 home visits in the year under review. The practitioner had an obstetrics practice, assisted at operations and performed minor operations in-house. The practice involved two surgeries some 15 kilometres apart. The data showed that the doctor claimed for more than 100 services per day on 140 occasions, more than 140 services per day on 26 occasions with the top day in the referral involving 181 services.

The PSRC found that this was inappropriate practice in that not enough time could be available to properly assess and manage the patients. This lack of time was also reflected in the volume of pathology tests requested (more than $185,000 per annum), diagnostic imaging (approximately $198,000 per annum), a high level of referral and a very significant PBS prescribing cost (more than $420,000 in the year). The clinical records were extremely brief and of poor quality and did not provide the information to substantiate the practitioner’s claims.

The PSRC took evidence from three practitioners representative of general practice on their individual practices and their understanding of the characteristics of appropriate general practice. The evidence of the three practitioners confirmed the Committee’s view.

A finding of inappropriate practice was made.
Case C—Two styles of practice

This doctor spent three years in hospital following graduation in 1986 before entering private practice in a corporate extended hours practice. The HIC referral outlined the concerns relating to the doctor's two distinct styles of practice.

The extended hours practice where the doctor worked from 7.00 am–6.00 pm, five days a week, was characterised by rapid throughput of patients and was mainly for episodic care. The doctor provided 14,000 services for a Medicare benefit payment of $319,000. The medical records at this practice were of very poor standard and would be useless to a relieving practitioner.

A very different style was practised from the doctor's home address where 2,996 services, including 1,887 home visits for $117,000, were claimed. Of the 1,887 home visits, 1,014 were claimed at level C and 158 at level D. The PSRC, following questioning and examination of the medical records, reached the opinion that many of the home visits had very little medical content and certainly could not be classified at the level at which they were claimed. The Committee was perturbed by the manner in which the practitioner claimed Medicare benefit for treating family members. It was noted that the medical records at the home practice were of a much higher standard than at the medical centre.

A finding of inappropriate practice was made relating both to the doctor's practice at the extended hours clinic and also regarding the doctor's home visits.
Case D—An individual theory

Graduating in 1953, with a specialist qualification in Paediatrics, the practitioner having spent a working lifetime in administration commenced in community practice in 1984 but in general medical practice rather than as a specialist practitioner.

The HIC was concerned at the very high cost of pathology being requested—a total of 18,776 services on 1,451 patients for a Medicare cost of $553,000.

Examination of the requesting pattern showed that the practitioner regularly ordered the same string of investigations, including FBC, thyroid function tests and viral serology with the Medicare benefit cost being $334 for the usual string of tests requested.

At the PSRC hearing the practitioner advanced a theory that much disease was caused by chronic viral infections and had previously had published a book on this subject. No reputable scientific evidence was advanced to support this hypothesis.

The PSRC became concerned at the possible harm to patients that could eventuate from the practitioner’s mode of practice and took action under Section 106P of the Health Insurance Act 1973 which allows referral to a State or Territory regulatory body if the Committee considers there is a serious and imminent threat to the life or health of any person.

Other concerns of the Committee related to lack of professional interaction, lack of CME and a significant concern regarding the prescribing of pharmaceuticals.

A finding of inappropriate practice was made based on the inappropriate requesting of pathology.
Case E—A highly serviced practice

After one year as an intern following graduation in 1979, this practitioner commenced solo practice after a brief stint as an assistant GP. In the referral year, the doctor, in respect of 2,250 patients, claimed for 16,365 services (above the 99thile for GP’s) ($352,000 in Medicare benefit payment). The practitioner provided these services – 7.3 services per patient which is above the 98thile. The practitioner’s daily services frequently exceeded 80.

The claim that the mainly ethnic practice had many chronically ill patients with multiple complaints was not accepted by the PSRC on the evidence. The rapid throughput with little time to think and assess was also reflected in this case by a high pathology cost ($121,000), high imaging cost ($115,000) and high prescribing cost ($277,000).

In brief, the practitioner managed to claim for a high number of services by frequent services to the patients who attended the practice.

A finding of inappropriate practice was made.
Case F—Another high volume practice

Following several years in an overseas medical school, this doctor graduated in 1982 after completing a medical course at an Australian university. After spending three years working in a hospital as an intern, the practitioner obtained the status of full registration. During that period, the doctor had been charged with and convicted of offences against Medicare and had been suspended and counselled by the State Registration authority and conditions placed on the doctor’s practice. Following a two month apprenticeship, the doctor commenced solo general practice.

In the referral year, the doctor had claimed for 18,678 services (more than 99%ile) (claiming $396,000 in Medicare benefits) for 3,661 patients. The majority (16,564) services were itemised as level B consultations. The doctor also provided 498 home visits.

The practice, in a low socio-economic area, had a very significant ethnic component and the age profile showed 40% of patients were less than 50 years old. The Committee did not accept the argument proffered that practitioners of the same ethnic background were able to function much more efficiently with such patients. The Committee was of the opinion that adequate time is necessary to elicit and address the clinical problem. They were concerned with a number of factors elicited during the hearing:

- the poor standard of medical records
- the indiscriminate ordering of pathology ($73,000)
- the inappropriate prescribing
- the level of clinical acumen despite attaining CME requirement
- the level of understanding of current sterilisation procedures
- the lack of response to previous warnings and counselings by both regulating body and HIC medical advisers

A finding of inappropriate practice was made.
Case G—A referral dismissed

Following graduation in 1969, this doctor had in 1973 initiated the establishment of a group general practice - now consisting of six partners.

The main concern in the HIC referral related to the level of requesting for both pathology and diagnostic imaging. For pathology, 4,929 services were ordered on 646 patients for a Medicare benefit cost of $78,000 (96%ile) and for diagnostic imaging, 1,177 services on 422 patients for a Medicare benefit cost of $93,000.

The practice profile showed that the practitioner had seen 2,119 patients in the referral year, had claimed for 8,174 services (Medicare benefit cost $190,000) and that the patients, mainly of European origin, were predominantly of an older age group.

The practitioner's submission gave a clinical outline of the patients and an explanation of the practice statistics such that it became necessary to undertake further inquiries. The practitioner freely opened medical records for perusal and was forthcoming in clinical justification for testing decisions in both pathology and diagnostic imaging.

The pathology requests when considered in conjunction with clinical notes were always appropriate to the clinical scenario. However, some of the diagnostic imaging requests recorded as claimed appeared clinically bizarre but when considering these claims in conjunction with the clinical notes, it became apparent that the response rather than the request may be inappropriate.

With the authority of Section 90 of the Health Insurance Act, the Director consulted with Panel members experienced in both this and the previous Medical Services Committee of Inquiry (MSCI) process and consultants who confirmed the view that there are insufficient grounds on which a Committee could reasonably find that the person under review had engaged in inappropriate practice in connection with the referred services.

The HIC and the practitioner were advised of this decision and the HIC was also advised that an audit of the imaging requests would seem necessary.
Case H—A highly serviced practice

An overseas graduate, the practitioner migrated to Australia in 1974 and was initially involved in hospital and psychiatric institutions until commencing in solo suburban practice 15 years ago.

The HIC referral outlined the concerns regarding high patient services and high services per patient. The practice profile showed 14,495 services for 2,329 patients (giving a Medicare benefit payment of $320,000). There were 397 home visits. Servicing pattern was beyond the 96%ile at 6.22.

Following the hearing the Committee found inappropriate practice due to the maintenance of a workload which would not allow time for adequate clinical input to consultations and the finding that many of the home visits would appear to be for social reasons rather than genuine medical necessity.

Case I—Another busy practice

This practitioner commenced metropolitan solo practice in 1983 following two years in hospital. The practitioner was beyond the 99%ile for services with 21,879 services to 4,099 patients for the year under review. The services per patient statistic was more than the 90%ile. The majority of consultations (19,749) were claimed at level B and daily average was 81–100 on 92 occasions and more than 100 on nine days. Home visits (2028) were also claimed. The total Medicare benefit payment was $481,000.

The Committee found inappropriate practice due to lack of time given to address patient problems, the grossly inadequate medical records, indiscriminate prescribing ($347,000) and lack of discrimination in requesting diagnostic tests. The practitioner also had shown little response to previous HIC counselling and indeed seemed to view the PSRC process as of minor moment.
CORPORATE OVERVIEW

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

Performance Indicators
- Extent to which systems and facilities satisfy the requirements for which they were established.
- Corporate services costs as a proportion of total costs.
- Extent to which financial and staffing resources adequately address the changing needs of the organization.

Administration
Memorandums of Understanding and Service Level Agreements developed in 1994/95 with the then Department of Human Services and Health remained in force during this reporting period. The Department of Health and Family Services, as it is now, provides services such as payment of accounts and salaries, access to library and registry facilities and coverage for programs including EEO, OH&S and ID for which the PSR pays on a fully cost recoverable basis. Links have also been retained for the preparation of Financial Statements and the internal audit role.

Work was completed on a database that 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. Final debugging was completed in June and it is expected that the system
will be fully operational early in the new financial year. A significant proportion of payments to panel members, hearing costings and ancillary costs associated with the hearings are now reported through the database. Links with other agencies have been consolidated during this second year of the PSR's operation. Staff have attended forums such as Comnet and the agency receives all of the information from central agencies that is made available to larger organisations.

During 1995/96 the Public Service and Merit Protection Commission (PSMPC) asked that consideration be given by the PSR to producing a simple guide to establishing new small agencies. All of the work involved in the development of such a guide was completed in 1995/96 with the exception of final editing. It is expected that the document will be available to the PSMPC in July 1996.

Personnel

The PSR has an ASL of five (5) plus the statutory officer position of Director. This represents an increase of one (1) over the staffing level for 1994/95 and is the direct result of an increasing case load for the agency. HIC projections for 1996/97 workload suggest the PSR may need to employ an additional staff member for the committee secretariat role in the next financial year. In June 1996 the staff comprised 3 males and 2 females. The position profile by sex was:

<table>
<thead>
<tr>
<th>Position</th>
<th>Sex</th>
<th>Local designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director (statutory officer)</td>
<td>(m)</td>
<td>Director</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Officer B</td>
<td>(m)</td>
<td>Executive Officer</td>
</tr>
<tr>
<td>Senior Officer C</td>
<td>(f)</td>
<td>Secretariat Manager</td>
</tr>
<tr>
<td>Senior Officer C</td>
<td>(m)</td>
<td>Resource Manager</td>
</tr>
<tr>
<td>Administrative Services Officer 5</td>
<td>(f)</td>
<td>Executive Assistant / Secretariat Support</td>
</tr>
<tr>
<td>Administrative Services Officer 4</td>
<td>(m)</td>
<td>Secretariat Support</td>
</tr>
</tbody>
</table>
None of the staff come from non-English speaking backgrounds, are of ATSI origin or have a disability.

During 1995/96 specific training was provided for the Director and the four staff employed for most of the year. Short courses relating to relevant legal issues and statistical sampling were attended. Staff attended workshops on the preparation of Annual Reports and various training sessions provided by the Department of Health and Family Services relating to personnel and financial issues. On-going training is scheduled for 1996/97 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.

Agreement has been reached between the PSR, the portfolio Secretary and the Minister for Health & Family Services to exclude the PSR from downsizing requirements. To achieve this agreement the PSR substantially reduced its funding requirements on an ongoing basis as detailed in the Finance section below. Both the Minister and the Portfolio Secretary accepted that a reduction in staffing levels to an agency the size of the PSR would seriously impact on its capacity to perform its core functions.

**Finance**

The 1995/96 allocations were as follows

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superannuation</td>
<td>60,000</td>
</tr>
<tr>
<td>Admin</td>
<td>843,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>332,000</td>
</tr>
<tr>
<td>POE</td>
<td>52,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,287,000</strong></td>
</tr>
</tbody>
</table>

A slower than anticipated flow of cases from the HIC in the first half of 1995/96 meant that all of the year's allocations were not required. As a
result of a costing exercise conducted within the PSR during the year it was decided that $300,000 or slightly over 20% of the agency's budget could be returned to DOF on an ongoing basis (subject to two caveats relating to unforeseen legal costs and the number and complexity of cases to be progressed).

Specific detail related to allocation and expenditure for 1995/96 is presented in the Financial Statements at page 28 of this report.

Internal and External Scrutiny

In 1995/96, the second year of the PSR operation, 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 (Health and Family Services). No criticisms were received from any external sources.

Information Technology

The Technology Partnership Agreement (TPA) with Logical Solutions, whereby software, hardware, maintenance support and on-going training are provided for a single cost, remained in place in 1995/96. The PSR continues to be satisfied with all elements of the agreement which has two further years to run.

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 in 1994/95. For ongoing elements, because of its limited resources, the PSR has endorsed the H&FS 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 H&FS as an element of the MOU that exists between our agencies.

There were no OH&S incidents in 1995/96 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

No new publications were produced in 1995/96 with the exception of the agency's first Annual Report. As mentioned previously, the PSR, at the request of the PSMPC, prepared a draft guide on how to establish a small agency. The draft has been finalised and will be submitted to the PSMPC in July 1996.
APPENDIX 1:  
FINANCIAL STATEMENTS
PROFESSIONAL SERVICES REVIEW

INDEPENDENT AUDIT REPORT

Scope

I have audited the financial statements of the Professional Services Review for the year ended 30 June 1996. The statements comprise:

- Statement by the Director and Resource 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 Resource 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 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 statements, 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, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the agency's financial position, the results of 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 year ended 30 June 1996 and its assets and liabilities as at that date.

Australian National Audit Office

[Signature]

Allan Thompson
Executive Director

For the Auditor General

Canberra

1 October 1996
Statement by the Director and Resources Manager

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 and Statements of Accounting Concepts, the financial position of Professional Services Review as at 30 June 1996, and the results of its operation and its cash flows for the year ended 30 June 1996. 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

/ October 1996

Ken Sanderson
Resources Manager
Professional Services Review

/ October 1996
# PROFESSIONAL SERVICES REVIEW

## OPERATING STATEMENT
for the year ended 30 June 1996

<table>
<thead>
<tr>
<th>Notes</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### NET COST OF SERVICES

<table>
<thead>
<tr>
<th>Expenses</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee expenses</td>
<td>428,378</td>
<td>424,836</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>469,707</td>
<td>265,361</td>
</tr>
</tbody>
</table>

Total expenses 898,085 690,197

Revenue from independent sources - -

Net cost of services 898,085 690,197

### REVENUES FROM GOVERNMENT

<table>
<thead>
<tr>
<th>Appropriations used for:</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Annual Services</td>
<td>750,095</td>
<td>832,208</td>
</tr>
<tr>
<td>Liabilities assumed by other departments</td>
<td>-</td>
<td>34,443</td>
</tr>
<tr>
<td>Resources received free of charge from other departments</td>
<td>7,200</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Total revenues from government 757,295 870,651

Excess of net cost of services over revenues from government (140,790) 180,454

Accumulated revenues less expenses at beginning of reporting period 180,454 -

Accumulated revenues less expenses at end of reporting period 39,664 180,454

The accompanying notes form an integral part of these statements
PROFESSIONAL SERVICES REVIEW

STATEMENT OF ASSETS AND LIABILITIES
as at 30 June 1996

<table>
<thead>
<tr>
<th>Notes</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

CURRENT ASSETS

Cash 182 500
Other 6 132,929 165,228

Total current assets 133,111 165,728

NON-CURRENT ASSETS

Property, plant and equipment 7 165,921 173,673

Total non-current assets 165,921 173,673

Total assets 299,032 339,401

CURRENT LIABILITIES

Creditors 41,468 15,214
Leases 1,798 892
Provisions 8 33,242 26,522
Other 9 58,602 6,483

Total current liabilities 135,110 49,111

NON-CURRENT LIABILITIES

Provisions 10 123,500 104,528
Other 11 758 5,308

Total non-current liabilities 124,258 109,836

Total liabilities 259,368 158,947

NET ASSETS 39,664 180,454

The accompanying notes form an integral part of these statements
PROFESSIONAL SERVICES REVIEW

STATEMENT OF CASH FLOWS
for the year ended 30 June 1996

<table>
<thead>
<tr>
<th>Notes</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM OPERATING ACTIVITIES

Inflows:
Appropriations - Running Costs | 750,095 | 832,208 |

Outflows:
Employee Expenses | (345,972) | (295,250) |
Administrative Expenses | (384,571) | (274,547) |

Net cash provided by operating activities | 19,552 | 262,411 |

CASH FLOWS FROM INVESTING ACTIVITIES

Outflows:
Purchase of property, plant and equipment | (19,870) | (261,911) |

Net cash used in investing activities | (19,870) | (261,911) |

Net increase/(decrease) in cash held
Cash at beginning of reporting period | 500 | - |

Cash at end of reporting period | 182 | 500 |

The accompanying notes form an integral part of these statements

33
PROFESSIONAL SERVICES REVIEW

STATEMENT OF TRANSACTIONS BY FUND
for the year ended 30 June 1996

<table>
<thead>
<tr>
<th>Notes</th>
<th>1995/96 Actual $</th>
<th>1995/96 Budget $</th>
<th>1994/95 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consolidated Revenue Fund

RECEIPTS

- - -

EXPENDITURE

Expenditure from annual appropriations:
Appropriation Act Nos. 1 and 3

<table>
<thead>
<tr>
<th>Notes</th>
<th>1995/96 Actual $</th>
<th>1995/96 Budget $</th>
<th>1994/95 Actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>750,095</td>
<td>1,287,000</td>
<td>832,208</td>
</tr>
</tbody>
</table>

Total Expenditure

<table>
<thead>
<tr>
<th></th>
<th>750,095</th>
<th>1,287,000</th>
<th>832,208</th>
</tr>
</thead>
</table>

Loan Fund

- - -

Trust Fund

- - -

The accompanying notes form an integral part of these statements
PROFESSIONAL SERVICES REVIEW

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 1996

Note 1 - Summary of Significant Accounting Policies

The objectives of Professional Services Review are enclosed in the corporate overview.

(a) Basis of Accounting:

The financial statements are required by section 50 of the Audit Act 1901 and are a general purpose financial report. The financial statements have been prepared in accordance with the Guidelines on 'Financial Statements of Departments' issued by the Minister for Finance for reporting periods ending on or after 30 June 1995 (the Guidelines). The Guidelines require compliance with Statements of Accounting Concepts, Australian Accounting Standards, Accounting Guidance Releases issued by the Australian Accounting Research Foundation and other relevant mandatory professional reporting requirements (Consensus Views of the Urgent Issues Group).

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

The continued existence of Professional Services Review in its present form is dependent on Government policy and on continuing appropriations by Parliament.

(b) 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.

(c) 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 written down value as at 30 June 1996.

(d) 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)

(e) 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 1996. 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 1996. In determining the present value of the liability, Professional Services Review has taken into account attrition rates and pay increases through promotion and inflation.

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.

(f) Superannuation:

Staff of Professional Services Review contribute to the Commonwealth Superannuation Scheme. Employer contributions amounting to $51,685 (1994/95: $34,444) in relation to this scheme have been expensed in the financial statements. Prior to 1995/96, Professional Services Review was not required to make employer contributions in relation to staff membership of this scheme. The cost of superannuation in 1994/95 was a liability assumed by other departments.

(g) 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 1996.

(h) Taxation:

Professional Services Review is exempt from all forms of taxation except fringe benefits tax.

(i) Insurance:

In accordance with Commonwealth Government policy, assets are not insured and losses are expensed as they are incurred.

(j) Resources Received Free of Charge:

Resources received free of charge are recognised in the Operating Statement as revenue where the amounts can be reliably measured. Use of those resources is recognised in the Net Cost of Services or where there is a long term benefit an asset is recognised.
Note 1 (cont’d)

(k) Comparative Figures:

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the financial statements.

(l) Lease Incentives:

Lease incentives taking the form of rent free holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

<table>
<thead>
<tr>
<th></th>
<th>1995/96 Actual</th>
<th>1994/95 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Salaries</td>
<td>308,404</td>
<td>243,783</td>
</tr>
<tr>
<td>Superannuation expenses</td>
<td>58,860</td>
<td>39,213</td>
</tr>
<tr>
<td>Leave expenses</td>
<td>40,872</td>
<td>131,050</td>
</tr>
<tr>
<td>Other employee related expenses</td>
<td>7,063</td>
<td>10,790</td>
</tr>
<tr>
<td>Employee liabilities assumed from other departments</td>
<td>13,179</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total employee expenses</strong></td>
<td><strong>428,378</strong></td>
<td><strong>424,836</strong></td>
</tr>
</tbody>
</table>

Note 2 Employee Expenses

Note 3 Other Administrative Expenses

Operating lease expenses | 79,177 | 63,355 |
Depreciation expense     | 77,622 | 42,238 |
Other expenses           | 312,908| 159,768|

Total other administrative expenses | 469,707 | 265,361|

Note 4 Resources Received Free of Charge from Other Departments

<table>
<thead>
<tr>
<th></th>
<th>1994/95</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets received free of charge</td>
<td>-</td>
<td>4,000</td>
</tr>
<tr>
<td>Free audit services</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>Free hearing rooms</td>
<td>1,200</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total resources received free of charge from other departments</strong></td>
<td><strong>7,200</strong></td>
<td><strong>4,000</strong></td>
</tr>
</tbody>
</table>
### Note 5 Reconciliation of Net Cost of Services to Net Cash Provided by Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cost of Services - gain/(loss)</td>
<td>(898,085)</td>
<td>(690,197)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>77,622</td>
<td>42,238</td>
</tr>
<tr>
<td>Revenue from government</td>
<td>750,095</td>
<td>832,208</td>
</tr>
<tr>
<td>Liability assumed by other department</td>
<td>-</td>
<td>34,443</td>
</tr>
<tr>
<td>Resources received free of charge</td>
<td>7,200</td>
<td>-</td>
</tr>
<tr>
<td>Increase (decrease) in trade creditors</td>
<td>26,254</td>
<td>15,214</td>
</tr>
<tr>
<td>Increase (decrease) in lease liability</td>
<td>906</td>
<td>892</td>
</tr>
<tr>
<td>Increase (decrease) in provisions</td>
<td>25,692</td>
<td>131,050</td>
</tr>
<tr>
<td>Increase (decrease) in other liabilities</td>
<td>47,569</td>
<td>11,791</td>
</tr>
<tr>
<td>(Increase) decrease in prepayments</td>
<td>(17,701)</td>
<td>(115,228)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td><strong>19,552</strong></td>
<td><strong>262,411</strong></td>
</tr>
</tbody>
</table>

### Note 6 Other Current Assets

<table>
<thead>
<tr>
<th>Prepayments</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>operating leases</td>
<td>40,169</td>
<td>38,822</td>
</tr>
<tr>
<td>salary</td>
<td>48,906</td>
<td>46,438</td>
</tr>
<tr>
<td>trade</td>
<td>43,854</td>
<td>79,968</td>
</tr>
<tr>
<td><strong>Total other current assets</strong></td>
<td><strong>132,929</strong></td>
<td><strong>165,228</strong></td>
</tr>
</tbody>
</table>
### Note 7 Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96 Actual</th>
<th>1994/95 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>received free of charge</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>accumulated depreciation</td>
<td>(2,231)</td>
<td>(741)</td>
</tr>
<tr>
<td></td>
<td>1,769</td>
<td>3,259</td>
</tr>
<tr>
<td><strong>at historic cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>accumulated depreciation</td>
<td>(6,536)</td>
<td>(1,540)</td>
</tr>
<tr>
<td></td>
<td>32,370</td>
<td>22,000</td>
</tr>
<tr>
<td><strong>Total office equipment</strong></td>
<td>34,139</td>
<td>25,259</td>
</tr>
<tr>
<td><strong>Fitout and leasehold improvements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at historic cost</td>
<td>190,247</td>
<td>188,372</td>
</tr>
<tr>
<td>accumulated depreciation</td>
<td>(109,190)</td>
<td>(39,958)</td>
</tr>
<tr>
<td></td>
<td>81,057</td>
<td>148,414</td>
</tr>
<tr>
<td><strong>Software</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at historic cost</td>
<td>52,628</td>
<td>-</td>
</tr>
<tr>
<td>accumulated depreciation</td>
<td>(1,903)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>50,725</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>165,921</td>
<td>173,673</td>
</tr>
</tbody>
</table>

### Note 8 Provisions - Current

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee entitlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>annual recreation leave</td>
<td>27,148</td>
<td>14,535</td>
</tr>
<tr>
<td>annual leave bonus</td>
<td>2,974</td>
<td>1,936</td>
</tr>
<tr>
<td>long service leave</td>
<td>3,120</td>
<td>10,051</td>
</tr>
<tr>
<td><strong>Total current provisions</strong></td>
<td>33,242</td>
<td>26,522</td>
</tr>
</tbody>
</table>
### Note 9 Other Liabilities - Current

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued superannuation</td>
<td>51,685</td>
<td></td>
</tr>
<tr>
<td>Accrued employee expenses</td>
<td>2,367</td>
<td>1,933</td>
</tr>
<tr>
<td>Lease incentive</td>
<td>4,550</td>
<td>4,550</td>
</tr>
<tr>
<td><strong>Total other current liabilities</strong></td>
<td><strong>58,602</strong></td>
<td><strong>6,483</strong></td>
</tr>
</tbody>
</table>

### Note 10 Provisions - Non-Current

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee entitlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>annual recreation leave</td>
<td>10,003</td>
<td>21,435</td>
</tr>
<tr>
<td>annual leave bonus</td>
<td>-</td>
<td>2,147</td>
</tr>
<tr>
<td>long service leave</td>
<td>113,497</td>
<td>80,946</td>
</tr>
<tr>
<td><strong>Total non-current provisions</strong></td>
<td><strong>123,500</strong></td>
<td><strong>104,528</strong></td>
</tr>
</tbody>
</table>

### Note 11 Other Liabilities - Non-Current

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease incentive</td>
<td>758</td>
<td>5,308</td>
</tr>
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</table>

### Note 12 Agreements Equally Proportionately Unperformed

Non-cancellable operating leases are payable as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>not later than one year</td>
<td>78,068</td>
<td>63,184</td>
</tr>
<tr>
<td>later than one year and not later than two years</td>
<td>35,647</td>
<td>82,250</td>
</tr>
<tr>
<td>later than two years and not later than five years</td>
<td>-</td>
<td>45,804</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113,715</strong></td>
<td><strong>191,238</strong></td>
</tr>
</tbody>
</table>
Note 13 Annual Appropriations

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

<table>
<thead>
<tr>
<th></th>
<th>1995/96 Actual</th>
<th>1995/96 Appropriation</th>
<th>1994-95 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.- Running costs</td>
<td>750,095</td>
<td>1,287,000</td>
<td>832,208</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1995/96 Actual</th>
<th>1994/95 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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: $140,000 to $149,999
  - No. 1

Aggregate fixed remuneration received by the above officers: 143,937

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 (1994/95: $6,000).

No other services were provided by the Australian National Audit Office during the current period (1994/95: Nil).
**Note 16  Residual Interest in Assets**

<table>
<thead>
<tr>
<th>Opening Balances</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Surplus (Deficit)</td>
<td>180,454</td>
<td>-</td>
</tr>
<tr>
<td>Total opening balances</td>
<td>180,454</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plus: Additions</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating result</td>
<td>(140,790)</td>
<td>180,454</td>
</tr>
<tr>
<td>Total Additions</td>
<td>(140,790)</td>
<td>180,454</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closing balances</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Surplus (Deficit)</td>
<td>39,664</td>
<td>180,454</td>
</tr>
<tr>
<td>Residual Interest in Assets</td>
<td>39,664</td>
<td>180,454</td>
</tr>
</tbody>
</table>

**Note 17  Appropriation for Future Reporting Periods**

Appropriations relating to future reporting periods at 30 June 1996 under the Supply Act (No. 1) 1996/97 totalled $533,000
(1994/95: $1,287,000)
APPENDIX 2:
SUMMARY TABLE OF RESOURCES

PROFESSIONAL SERVICES REVIEW

SUMMARY TABLE OF RESOURCES
Reconciliation of programs and appropriation elements for 1995/96

<table>
<thead>
<tr>
<th>Program</th>
<th>Approp Bills 1 &amp; 3 $</th>
<th>Approp Bills 2 &amp; 4 $</th>
<th>Special Approps $</th>
<th>Annotated Approps $</th>
<th>Program Approps $</th>
<th>Less Adjustments $</th>
<th>Program Outlays $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services Review</td>
<td>1,287,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,287,000</td>
<td>-</td>
<td>1,287,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,287,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,287,000</td>
<td>-</td>
<td>1,287,000</td>
</tr>
</tbody>
</table>

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**

#### Professional Services Review

**Financial and Staffing Resources Summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Appropriation</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995/96</td>
<td>$750,095</td>
<td>$1,287,000</td>
<td>$832,208</td>
</tr>
</tbody>
</table>

**Budgetary (Cash) Basis**

Components of Appropriations

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running Costs</td>
<td>$750,095</td>
<td>$832,208</td>
</tr>
<tr>
<td>Program Costs (excluding Running Costs)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Outlays</strong></td>
<td>$750,095</td>
<td>$832,208</td>
</tr>
</tbody>
</table>

Total Revenue: -

**Accrual Basis**

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cost of service delivery</td>
<td>$898,085</td>
<td>$690,197</td>
</tr>
<tr>
<td>Total assets</td>
<td>$299,032</td>
<td>$339,401</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$259,368</td>
<td>$158,947</td>
</tr>
</tbody>
</table>

**Staffing**

<table>
<thead>
<tr>
<th>Description</th>
<th>1995/96</th>
<th>1994/95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Years</td>
<td>5.4</td>
<td>3.7</td>
</tr>
</tbody>
</table>
APPENDIX 4: 
FREEDOM OF INFORMATION STATEMENT

During the year ended 30 June 1995, the PSR received one request for access to documents under the provisions of the Freedom of Information Act 1982. The single request was dealt with according to statutory requirements.

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:

APPENDIX 5:
LEGISLATIVE OVERVIEW

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 then Minister for Human Services and Health (now Health and Family Services) on 21 July 1994.

On 25 January 1995, 140 practitioners nominated by the relevant professions as members of the Professional Services Review Panel were appointed for a period of five years. Thirteen of those Panel members were also appointed 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 in 1994–95 with the aim of providing an effective peer review mechanism to deal quickly and fairly with concerns about inappropriate practice.

The essential features of the review structure are:

• 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.
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.
APPENDIX 6: PROCESS

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 concerns 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, stating why the Director should dismiss the referral.

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 speciality 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, eg 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 Health and Family Services.

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 the subject of a Determination may request a 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, eg 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.
Appendix 7: Glossary


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, 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 8: ABBREVIATIONS

ASL: Average Staffing Level
AMA: Australian Medical Association
ANAO: Australian National Audit Office
CME: Continuing Medical Education
HIA: Health Insurance Act 1973
HIC: Health Insurance Commission
H&FS: Commonwealth Department of Health and Family Services
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
POE: Property Operating Expenses
PSR: Professional Services Review
PSRC: Professional Services Review Committee
PSRT: Professional Services Review Tribunal
QA: Quality Assurance
RACGP: Royal Australian College of General Practitioners
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<tr>
<td>4. Glossary</td>
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<td>5. Abbreviations</td>
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