The Hon Nicola Roxon  
Minister for Health and Ageing  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

In accordance with subsection 63(1) of the Public Service Act 1999 and section 106ZQ of the Health Insurance Act 1973, I provide you with the 2008-09 Annual Report of Professional Services Review for your presentation to Parliament.

This report has been prepared in accordance with the Requirements for Annual Reports approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit under section 63 of the Public Service Act 1999.

Yours sincerely,

Dr Tony Webber  
9 October 2009
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Director’s report
Director's report

In 2008–09 Professional Services Review received 136 requests from Medicare Australia to review a practitioner’s behaviour. This represented a 172 per cent increase on the number of requests we received in 2007–08 and consequently required a 20 per cent increase in staff numbers, establishment of more PSR Committees, and a considerable increase in travel for our operational staff. Despite these challenges, I am pleased to report that some of our timeframes for completion of cases have been further reduced this year. The current caseload will ensure the panel of practitioners that sits on PSR peer review committees will be fully engaged over the next 12 months.

The diversity of issues Medicare Australia referred this year has demonstrated the confusion that still exists among some practitioners concerning their obligations and the expectations of their peers when using the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme. This year PSR implemented its Communication, Education and Media Strategy that sought to alert practitioners to their obligations and to illustrate areas where their colleagues had been found to have practiced inappropriately. I am particularly keen to engage isolated practitioners who do not have regular contact with peers. Many areas of poor clinical practice and the inappropriate use of the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme could be addressed with targeted education. I intend to expand PSR's communication with the professions in the future. The Australian Medical Association, various professional associations, colleges and the medical media have been valuable allies in this endeavour.
This year PSR has been actively engaged in providing feedback to its portfolio department, the Australian Government Department of Health and Ageing. Last year PSR reviewed over 14,000 medical records from general practitioners, medical specialists and optometrists. PSR therefore has a unique vantage point from which to assess the way practitioners use the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme. PSR has held discussions with the Department of Health and Ageing about general practitioners’ use of consultation and chronic disease management items.

The Health Insurance Act 1973 obliges me to refer a practitioner to a state medical board if I find evidence of behaviour that could pose a significant threat to the life or health of a patient. I made seven such referrals last year and was very concerned that six of these were for inappropriate prescribing of narcotics and benzodiazepine drugs. The practitioners concerned had prescribed large quantities of these drugs to their patients, well in excess of what would reasonably be needed for their care. Most alarming was the amount of alprazolam prescribed without clinical indication. Some people within the illicit drug-using community crush this drug for intravenous injection. It was apparent, from some of the medical records I saw, that these drugs may have been diverted for sale on the street. Tighter restrictions on and surveillance of these drugs may be needed, as the evidence suggests PSR’s cases are not isolated examples.

The other significant case I referred to the New South Wales Medical Board was a skin clinic practitioner whose skin cancer excision technique put many patients at risk of a recurrence, including recurrence of melanoma. This doctor was also referred to NSW Health, which was obliged to contact more than 9000 of his patients for recall.

During this year the High Court heard the long-running constitutional challenge to the validity of the PSR Scheme and Medicare more generally. As 13 doctors had tied their cases to Drs Wong and Selim’s challenge, resolution of these cases had effectively been stalled for many years. The court found that Part VAA of the Health Insurance Act 1973 did not amount to ‘civil conscription’ within the meaning of section 51(xxiiiA) of the Constitution and therefore resolved the matter in the Commonwealth’s favour. Following this welcome decision PSR fast-tracked all the stalled cases towards final determinations.

General practitioners have been critical of the PSR Scheme in the past, as it appears to focus on general practitioners, despite approximately 40 per cent of medical practitioners working as specialists. Last year Medicare Australia referred 13 medical specialists. Medicare Australia also sent four optometrists to PSR for review. All the optometrists referred have been investigated for their use of computerised perimetry. Optometrists are reminded that specific indications need to be present for this item to be claimed under Medicare.

Of the many issues PSR investigated during the year, I would like to discuss three here.

Patients and allied health professionals, including dentists, have increasingly been putting pressure on general practitioners to provide a Team Care Arrangement (MBS item 723) to enable patients to claim a Medicare benefit when accessing allied health services. In many of the cases PSR examined, the patient’s condition did not warrant use of this item. Some allied health practitioners have told patients to see their doctor to ‘get the paperwork done’ to be able to claim a Medicare benefit. This puts general practitioners in a difficult situation; if a doctor accedes to a patient request for an unjustified Team Care Arrangement the doctor may be required to repay any benefit paid for that item.
Medicare Australia has paid increasing attention to the excessive use of **diagnostic imaging**; particularly computerised tomography (CT) scans. PSR has found a number of general practitioners who order excessive numbers of CT scans without clinical indications. While these investigations do give valuable clinical information in the right context they also expose patients to much more ionising radiation than a conventional x-ray. I am concerned that some general practitioners have used CT scans as a screening tool in simple back strain. This is of particular concern in younger women in their reproductive years. Inappropriate use of CT scans is not without risk and may result in referral of the practitioner to a medical board for unprofessional behaviour.

The increasing popularity of alternative medicine and natural remedies has created a large herbal medicine and alternative therapy industry. Practitioners from many different backgrounds are now offering such services. Medical practitioners are also now including these therapies when treating patients. PSR Committees have found practitioners to have practiced inappropriately if their use of these therapies is well outside what the general body of their peers would consider appropriate. Practitioners who order excessive and unusual pathology, or who render Medicare consultation items during which they provide **unconventional and unusual treatments** may put themselves at risk. Medicare benefits are not payable for treatment considered inappropriate by the general body of the practitioner’s peers.

Doctors who use these therapies should satisfy themselves there is an evidence base supporting their use and that their peers would agree with the treatment plan they are proposing. Many herbal medicines are pharmacologically active and their use is not without risk.

During 2008–09 PSR redeveloped its risk management and governance plans, including the Protective Security Plan, Privacy Policy and the Intellectual Property Plan. Despite the increased caseload, updating our corporate policies proceeded as planned. I would like to thank the Audit Committee and the Management Committee for the many hours and solid work they contributed to PSR’s corporate governance.

I would also like to thank all my staff for their work during this busy year, and the members of the Determining Authority and PSR’s panel members around Australia who generously gave their valuable time to participate in PSR’s work.

PSR continues to be committed to protecting the public from the adverse outcomes of inappropriate practice and, together with Medicare Australia, to ensuring the integrity of the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme.

*Tony Webber*

*Director*
1 Agency overview

The PSR Scheme  
PSR's relationships  

<table>
<thead>
<tr>
<th>Section</th>
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<tbody>
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<td>Agency overview</td>
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<td>The PSR Scheme</td>
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<tr>
<td>PSR's relationships</td>
<td>5</td>
</tr>
</tbody>
</table>
1. Agency overview

Professional Services Review (PSR) is part of the compliance and regulatory framework that governs provision of health care in Australia. Part VAA of the *Health Insurance Act 1973*, which establishes the PSR Scheme and determines how it operates, governs the scope of PSR's work.

The PSR Scheme

The object of the PSR Scheme is to protect the integrity of the Medicare and pharmaceutical benefits programs by:

- protecting patients and the community in general from the risks associated with inappropriate practice
- protecting the Commonwealth from having to meet the cost of services provided as a result of inappropriate practice.

The PSR Scheme was developed to provide an effective peer review mechanism to deal quickly and fairly with concerns about possible inappropriate practice.

A practitioner engages in inappropriate practice if his or her conduct, in connection with rendering or initiating services, is such that the conduct would be unacceptable to the general body of the group (that is, medical practitioner, dentist, optometrist, chiropractor, physiotherapist, osteopath or podiatrist) in which the practitioner was practising.

A person who is an officer of a body corporate engages in inappropriate practice if the person causes or permits an employee to engage in inappropriate practice.
Key players in the PSR Scheme are:

- The Director of PSR, who is a medical practitioner appointed by the Minister for Health and Ageing with the agreement of the Australian Medical Association. Dr Anthony Webber was appointed Director of PSR on 14 February 2005 for a three-year period. Dr Webber’s appointment was extended for a further three-year term from 14 May 2008.

- The PSR Panel, comprising medical and other health care practitioners, who are appointed by the minister. At 30 June 2009, 158 members of the panel were available to serve on Committees. Of these, 19 were also appointed as Deputy Directors of PSR to serve as chairpersons of Committees.

- PSR Committees, comprising members of the PSR Panel, established by the Director on a case-by-case basis to consider the conduct of practitioners.

- The Determining Authority, comprising a medical practitioner as Chair, a layperson and a member of the relevant profession. The minister appoints members of the Determining Authority. The Determining Authority’s role is to decide on sanctions for practitioners found by Committees to have engaged in inappropriate practice and to consider whether to ratify agreements entered into by the Director and practitioners under review.

- Medicare Australia that makes requests to the Director of PSR to review provision of services by practitioners.

- The Australian Government Department of Health and Ageing that has responsibility for legislation and policy relating to the PSR Scheme.

Medicare Australia requests to review

Medicare Australia asks the Director of PSR to review a practitioner’s provision of services if it considers he or she may have provided those services inappropriately based on statistical data and other information.

Medicare Australia has access to claims data and any information elicited by a medical adviser during a visit to a practitioner or from a practitioner’s written submissions. The reasons Medicare Australia seeks review of provision of services generally fall within distinct categories, including:

- prescribed pattern of services
- high volume of services
- high number of services per patient
- high prescribing of Pharmaceutical Benefits Scheme (PBS) drugs
- inadequate clinical input
- Medicare Benefits Schedule (MBS) item not satisfied
- services not clinically necessary.

Cases of possible fraud PSR identifies in the course of its investigations are referred back to Medicare Australia for action.

Professional Services Review’s process

The Director undertakes a review of the data received from Medicare Australia and may also direct the practitioner to produce a sample of patient records. Following examination of the records, a report to the practitioner and consideration of any submission received from the practitioner, the Director must:

- decide to take no further action
- enter into an agreement, or
- establish and make a referral to a peer review Committee.
No further action

Where the Director decides to take no further action, he writes to the person under review and Medicare Australia informing them of the outcome of the review.

Agreement

The Director may enter into a negotiated agreement with the person under review. Both parties sign a document containing an acknowledgement by the practitioner that he or she has engaged in inappropriate practice. It may also contain an agreement for repayment of Medicare benefits and partial or full disqualification from Medicare. The Determining Authority must ratify the agreement for it to have effect. While the name of the practitioner remains confidential, the details of the inappropriate practice may be published.

Committee

Where the Director considers the conduct of the person under review needs further investigation, a Committee is established. The Committee comprises members drawn from the panel appointed by the Minister for Health and Ageing. The Committee may conduct a hearing where the practitioner can provide both oral and written evidence in support of their case.

After considering all the evidence, the Committee produces a draft report containing findings on the practitioner’s conduct. Where the Committee finds that the person under review has not practised inappropriately, the matter concludes. Where the findings are of inappropriate practice, the person under review is given time to make submissions on the draft report. After considering those further submissions a final report of any inappropriate practice is then forwarded to the person under review and the Determining Authority.
Determining Authority

The Determining Authority's role is to determine the sanctions to be applied in cases where Committees have found inappropriate practice, and to decide whether to ratify negotiated agreements.

On receipt of a Committee's final report containing findings of inappropriate practice the Determining Authority must invite written submissions on any sanctions that may be applied, issue a draft determination, seek comments from the person under review on the draft determination and issue a final determination containing sanctions.

The sanctions may include reprimand and counselling by the Director, repayment of Medicare benefits and partial or full disqualification from Medicare for a maximum of three years. When a final determination comes into effect the Director may publish certain details, including the practitioner's name and address, profession or specialty, nature of the inappropriate practice and sanctions imposed.

Medicare Participation Review Committees

When a practitioner has attracted two effective final determinations the Director must provide a written notice to the Chairperson of the Medicare Participation Review Committees. Such committees have a discretionary range of options available, from taking no further action to counselling and reprimand and full or partial disqualification from participation in the Medicare benefits arrangements for up to five years.

Federal Court

At any stage in the process the person under review may seek judicial review in the Federal Court.

PSR's relationships

As well as ongoing working relationships with Medicare Australia and the Department of Health and Ageing, PSR fosters good relationships with its wider stakeholders, including the Australian Medical Association, medical boards, the various Royal colleges and many other professional bodies and organisations.
2. Report on performance

Outcome and output structure

PSR contributes to the Health and Ageing portfolio outcomes.

The PSR Scheme is funded to ensure that requests by Medicare Australia to investigate suspected cases of inappropriate practice are reviewed and, if necessary, examined by a committee of the practitioner’s peers.

The PSR outcome specified in the Portfolio Budget Statement 2008–09 was:

Australians are protected from meeting the cost and associated risks of inappropriate practices of health service providers.

The key performance information specified for PSR in the Portfolio Budget Statement 2008–09 was:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Reference point or target</th>
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<tbody>
<tr>
<td>Increased awareness and understanding of PSR’s process within health care professions.</td>
<td>Targeted qualitative evaluation of stakeholder awareness to be conducted annually.</td>
</tr>
<tr>
<td>Improved efficiency and cost effectiveness of PSR’s internal processes.</td>
<td>Timeframes reduced, internal processes streamlined and cost per case reduced.</td>
</tr>
<tr>
<td>Reduction in the number of practitioners referred to PSR more than once.</td>
<td>Annual percentage of re-referred practitioners is lower than total percentage of re-referred practitioners.</td>
</tr>
<tr>
<td>Resourcing: $5.891 million</td>
<td></td>
</tr>
</tbody>
</table>
Increased awareness and understanding

During the year PSR implemented its first Communication, Education and Media Strategy. The strategy’s three main aims are to:

- ensure information about PSR’s processes is easily available to those that need or want it
- reinforce Medicare Australia’s efforts to promote appropriate use of Medicare and the PBS, and awareness of the PSR Scheme
- deter health care practitioners from inappropriate practice.

The Director spoke about PSR’s work and findings at several conferences and seminars during the year. These events were mainly for general practitioner audiences, but also included legal representatives and medical defence organisations.

The Director used regular opportunities to respond to media interest in issues relevant to PSR activities. In 2008–09 these issues included the proportion of general practitioners to specialists who were the subject of PSR investigations, Level C and D consultations, enhanced primary care items and the quality of clinical records.

PSR issued its fourth annual Report to the Professions. As in previous years, the report has effectively served the dual purposes of educating the professions about the PSR Scheme and PSR’s activities, and acting as a deterrent to those who might see elements of their own practice reflected in the cases described. To strengthen its educational value, this year the report included commentary from two expert consultants on issues that had been raised in a number of PSR cases during the year; namely, the inappropriate use of antibiotics and prescribing psychoactive drugs.

The 2007–08 Report to the Professions was distributed to over 49,000 practitioners and attracted significant attention from the medical media.

With the mailout of the 2007–08 Report to the Professions, PSR included an invitation to practitioners to participate in a survey through PSR’s website. The survey asked practitioners what they knew about PSR, what they needed to know, and how PSR could assist. While the response to the survey was disappointingly small, those who did respond indicated a reasonable level of knowledge about the PSR Scheme, and a preference for receiving information about the Scheme and PSR processes either through the PSR website or through professional journals and newsletters. PSR will use this information to further refine its Communication, Education and Media Strategy in 2009–10.

Improved efficiency and cost effectiveness

In 2008–09 PSR finished implementing its new organisational structure. The new structure better supports start-to-finish management of cases, and in turn provides staff with more control and autonomy in their work. The structure provides for a greater emphasis on assuring the quality of outcomes in all PSR’s processes.

PSR’s new organisational structure also facilitated staff involvement in identifying opportunities for productivity improvements and efficiencies. Initiatives included significant reductions in freight costs through use of revised procedures and sourcing more cost effective services, reduced travel costs through increased use of video conferencing, and savings in paper, printing and freight costs through providing PSR Committee documentation electronically.
Evidence of the improved efficiencies achieved this year can be seen in Table 2, which shows that some processes were completed more quickly than in 2007–08, even though a significantly greater workload was received.

**Reduction in the number of practitioners referred more than once**

PSR is yet to achieve its target of reducing the annual percentage of re-referred practitioners to less than the total percentage of practitioners who have been to PSR more than once.

In the period since the PSR Scheme commenced in 1994 to 30 June 2008, Medicare Australia has asked PSR to review 445 practitioners. Of these, 72 (16.18%) had been referred more than once. In 2008–09, 24 of the 136 practitioners referred by Medicare Australia had been previously referred (that is, 17.65%).

A number of factors influence this result, including the attitude of practitioners to the views of their peers, Medicare Australia’s processes, the severity of sanctions applied, and practitioners’ perceptions of the PSR Scheme. In 2009–10 PSR will analyse the cases of practitioners who have been referred to PSR more than once to identify any trends or indicators that may reveal opportunities to strengthen the deterrent effect of the Scheme for these practitioners.

**Performance**

Medicare Australia sent 136 requests for review to PSR this year (see Table 1). This represents an increase of 172 per cent when compared to the workload received in 2007–08.

Even with the significant increase in workload, all legislated timeframes were met and the time taken to complete some processes was reduced. The revised organisational structure and improved efficiency and effectiveness of its processes have equipped PSR to manage the significant workload increase this year; however, it will be difficult to maintain this performance with current resourcing.

**Table 1: Requests received from Medicare Australia, 2002–03 to 2008–09**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2002–03</td>
<td>52</td>
<td>38</td>
<td>9</td>
<td>7</td>
<td>27</td>
<td>50</td>
<td>136</td>
</tr>
</tbody>
</table>

**Table 2: Time to complete (averages), 2006–07 to 2008–09**

<table>
<thead>
<tr>
<th>Process</th>
<th>2007–08</th>
<th>2008–09</th>
<th>Legislated timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>No further action</td>
<td>137 days</td>
<td>180 days</td>
<td>13 months</td>
</tr>
<tr>
<td>Negotiated agreements</td>
<td>128 days</td>
<td>210 days</td>
<td>13 months</td>
</tr>
<tr>
<td>Final Committee reports</td>
<td>594 days</td>
<td>717 days</td>
<td>–</td>
</tr>
<tr>
<td>Ratification of negotiated agreements</td>
<td>17 days</td>
<td>14 days</td>
<td>1 month</td>
</tr>
<tr>
<td>Draft determinations</td>
<td>112 days</td>
<td>83 days</td>
<td>–</td>
</tr>
<tr>
<td>Final determinations</td>
<td>97 days</td>
<td>60 days</td>
<td>–</td>
</tr>
</tbody>
</table>
Most of PSR’s business processes take more than a year to conclude, which means workload data cannot be reconciled within a 12-month period. The following discussion of performance relates to all activities undertaken during 2008–09, including work on cases already on hand at the beginning of the year and work on cases received during the course of the year.

The results of these activities include finalisation of 61 cases. Of these, 19 were the subject of a decision by the Director to take no further action, 33 were negotiated agreements that were ratified, and nine were cases investigated by PSR Committees that resulted in effective final determinations during the year.

### Table 3: Workload statistics, 2006–07 to 2008–09

<table>
<thead>
<tr>
<th>Category</th>
<th>2006–07</th>
<th>2007–08</th>
<th>2008–09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests received from Medicare Australia</td>
<td>27</td>
<td>50</td>
<td>136</td>
</tr>
<tr>
<td>Requests by Medicare Australia to review a practitioner for a second or subsequent time</td>
<td>4</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>No further action</td>
<td>1</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Requests withdrawn or lapsed</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Referrals from the Director to new Committees</td>
<td>6</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>Committees in progress&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4</td>
<td>11</td>
<td>47</td>
</tr>
<tr>
<td>Committee reports finalised</td>
<td>13</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Reports finding inappropriate practice</td>
<td>8</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Reports finding no inappropriate practice</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Referrals to medical boards</td>
<td>7</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Referrals to Medicare Participation Review Committees</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Referrals to other bodies</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Negotiated agreements signed</td>
<td>7</td>
<td>27</td>
<td>42</td>
</tr>
<tr>
<td>Negotiated agreements ratified</td>
<td>6</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Draft determinations made</td>
<td>9</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Final determinations made</td>
<td>10</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Final determinations effective</td>
<td>14</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Cases on hand, as at 30 June&lt;sup&gt;b&lt;/sup&gt;</td>
<td>18</td>
<td>19</td>
<td>77</td>
</tr>
</tbody>
</table>

Notes:
- <sup>a</sup> Established prior to 1 July and yet to report at 30 June
- <sup>b</sup> Director’s decision on no further action, negotiated agreement or referral to Committee yet to be made
- Workload data cannot be reconciled within a 12-month period
No further action

The Director decided to take no further action in 19 cases involving 15 general practitioners, one cardiologist, one psychiatrist, one consultant physician and one neurologist. These practitioners were from New South Wales, Victoria, Queensland, South Australia and Tasmania. It took an average of 180 days to reach this decision (137 days in 2007–08) against a legislated timeframe of 13 months. Further discussion of these cases is on page 18.

Negotiated agreements

During the year the Director reached a negotiated agreement with the practitioner in 42 cases. The Determining Authority ratified 33 negotiated agreements. Of these, two were not ratified on first presentation. The agreements were renegotiated to address the Determining Authority’s concerns and were then ratified.

The practitioners concerned in the ratified agreements were 28 general practitioners, two optometrists, one ophthalmologist, one consultant physician and one medical practitioner. They were from New South Wales (18), Victoria (six), Queensland (five), South Australia (one), and Western Australia (three). Further discussion of these cases, including more detailed descriptions of some, is on pages 18–24.

Actions forming part of these agreements were that:

- 26 practitioners be reprimanded
- 18 practitioners be partially disqualified from Medicare for between two months and two years
- two practitioners be fully disqualified from Medicare: one for four weeks and one for six weeks
- 30 practitioners to make repayments of Medicare benefits from $4,000 to $178,994; totalling $1,202,872.40.

For these agreements it took an average of 210 days (128 in 2007–08) from the time the request to review was received from Medicare Australia to referral of the agreement to the Determining Authority for ratification, against a legislated timeframe of 13 months. Although the time taken to complete these negotiated agreements has almost doubled when compared to 2007–08, it was still well within the legislated timeframe. PSR is investigating opportunities to further streamline its administrative processes to manage timelines for negotiated agreements.

Committees

Twenty-eight Committees concluded their investigations and all made findings of inappropriate practice. The Committee findings related to 21 general practitioners, four medical practitioners, one psychiatrist, one consultant physician and one ear, nose and throat specialist. The practitioners were from New South Wales (16), Victoria (four), Queensland (three), South Australia (two), Western Australia (one), Tasmania (one) and the Australian Capital Territory (one).

The average time taken for Committees to report their findings in cases not delayed by court action was 717 days (594 days for cases finalised in 2007–08). Eleven cases were on hold at some stage during the year due to court action.

Fourteen Committee reports were finalised and sent to the Determining Authority.

The Director referred a further 29 new cases to Committees during the year.
Determining Authority

The Determining Authority made 20 draft determinations and 14 final determinations from findings in Committee reports. It took an average of 83 days (112 in 2007–08) to make the draft determinations and an average of 60 days (97 days in 2007–08) to issue the final determinations. Court action caused delay in issuing the final determination in nine cases.

Nine final determinations came into effect during 2008–09. The sanctions imposed by these effective final determinations were:

- reprimand and counselling in all cases
- three practitioners were fully disqualified from Medicare for between six weeks and six months
- three practitioners were partially disqualified from Medicare for between six and 12 months
- eight practitioners were required to repay Medicare benefits from $1,098 to $155,818; totalling $405,082.78.

It took the Determining Authority an average of 14 days (17 in 2007–08) against a legislated timeframe of one month to ratify 33 negotiated agreements.

Re-referrals

In 2008–09 Medicare Australia again sent an increased number of requests to review practitioners who had previously been referred to PSR. The 24 cases concerned included 22 general practitioners and two other medical practitioners, who had collectively been referred to PSR 27 times. These cases had previously resulted in 10 decisions to take no further action, seven negotiated agreements and 10 Committee findings of inappropriate practice. Previous sanctions included reprimand by the Director, counselling, repayment of Medicare benefits of between $983 and $168,054, and full or partial disqualification from Medicare from six weeks to 12 months.

The 24 cases received in 2008–09 resulted in three decisions to take no further action, five negotiated agreements and five referrals to Committees. At 30 June 2009, 11 cases were still under review.

Referrals to medical boards and other bodies

The Health Insurance Act 1973 requires the Director to refer practitioners to appropriate bodies when a significant threat to the life or health of a patient is identified or where a person under review has failed to comply with professional standards.

The Director referred seven practitioners to the relevant state medical registration board because the Director, the Committee concerned or the Determining Authority formed the opinion that the practitioners had caused, were causing or were likely to cause a significant threat to the life or health of patients. One of these practitioners was also referred to the relevant State health department.

No practitioners were referred because of failure to comply with professional standards.

Six cases were notified to the Chairperson of the Medicare Participation Review Committees because a second or subsequent final determination was made.
**External review of actions**

In 2008–09 no matters were referred to the Administrative Appeals Tribunal.

Practitioners involved in the PSR process can seek judicial review in the Federal Court. In 2008–09 one decision on PSR matters was made in the Federal Court and the constitutional challenge was resolved by the High Court.

The constitutional challenge in the High Court was significant, as the appellants – Drs Selim and Wong – sought to have Medicare and the PSR Scheme found invalid because they amounted to civil conscription, and were therefore unconstitutional. The High Court, by a majority of six to one, dismissed both appeals on 2 February 2009. The Federal Court consequently dismissed a further 13 cases and awarded costs to PSR.

The matter in the Federal Court, *Saint v Holmes* [2008] FCA 987 (4 July 2008), was also decided in PSR’s favour.¹

One new application to court was made during 2008–09.

The outcomes of cases before the courts this year are described on pages 32–41.

*Table 4: Court actions, 2008–09*

<table>
<thead>
<tr>
<th>Court actions</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases currently before the courts</td>
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</tr>
<tr>
<td>Federal Court</td>
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</tr>
<tr>
<td>Full Federal Court</td>
<td>0</td>
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<tr>
<td>High Court</td>
<td>0</td>
</tr>
<tr>
<td>Court decisions</td>
<td></td>
</tr>
<tr>
<td>Federal Court</td>
<td>1</td>
</tr>
<tr>
<td>Full Federal Court</td>
<td>0</td>
</tr>
<tr>
<td>High Court</td>
<td>2</td>
</tr>
</tbody>
</table>

¹ PSR Annual Report 2007–08, pp. 51–54
Case descriptions

- Practitioners referred: 16
- Issues identified: 16
- Decisions to take no further action: 18
- Negotiated agreements: 18
- PSR Committees: 24
- Legal cases: 32
3. Case descriptions

In 2008–09 PSR finalised 61 cases. In 19 cases the Director decided to take no further action (section 91 of the Health Insurance Act 1973). In 33 cases agreements made between the Director and the person under review (section 92) were ratified by the Determining Authority. Nine cases that the Director had referred to PSR Committees for further investigation (section 93) were the subject of final determinations that came into effect.

Practitioners referred

Of the 136 requests to review Medicare Australia sent to PSR this year, 119 related to practitioners working in general practice. The specialties or professions of the practitioners in all cases received are set out in Table 5.

Issues identified

Medicare Australia’s requests to PSR to review cases include the issues of concern identified during Medicare Australia’s processes. PSR’s processes may identify further concerns.

The issues identified (see Table 6) in PSR cases this year generally related to:

- inappropriate use of MBS attendance items
- inappropriate use of diagnostic imaging and pathology
- inappropriate use of MBS procedural items
- inappropriate prescribing
- practice unacceptable to the general body of practitioners.
### Table 5: Specialty/profession of practitioners referred to PSR, 2008–09

<table>
<thead>
<tr>
<th>Specialty/profession</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant physician</td>
<td>3</td>
</tr>
<tr>
<td>Dermatologist</td>
<td>1</td>
</tr>
<tr>
<td>Ear, nose and throat surgeon</td>
<td>1</td>
</tr>
<tr>
<td>General/medical practitioner</td>
<td>119</td>
</tr>
<tr>
<td>Neurologist</td>
<td>1</td>
</tr>
<tr>
<td>Ophthalmologist</td>
<td>2</td>
</tr>
<tr>
<td>Optometrist</td>
<td>4</td>
</tr>
<tr>
<td>Plastic surgeon</td>
<td>1</td>
</tr>
<tr>
<td>Psychiatrist</td>
<td>3</td>
</tr>
<tr>
<td>Radiologist</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>136</strong></td>
</tr>
</tbody>
</table>

### Table 6: Issues identified in PSR cases, 2008–09

- **Inappropriate use of MBS attendance items**
  - Inappropriate use of general practitioner long and prolonged consultation items
  - Inappropriate use of specialist attendance items with a procedure
  - Inappropriate use of optometric attendance items
  - Misuse of Team Care Arrangements by general practitioners as a means of allied health referral
  - Inappropriate use of general practitioner afterhours MBS items

- **Inappropriate use of diagnostic imaging and pathology**
  - CT scans initiated without clinical justification
  - Misuse of pathology items, in particular ordering pathology in a ‘scattergun’ manner without regard to clinical requirements
  - Unjustified repetition of expensive pathology

- **Inappropriate use of MBS procedural items**
  - Inappropriate use of vascular diagnostic items by walk-in clinics
  - Excessive use of skin flap items when not clinically indicated
  - Inappropriate use of gastroenterological investigations

- **Inappropriate prescribing**
  - Inappropriate use of narcotics
  - Inappropriate use of benzodiazepine drugs
  - Inappropriate use of antibiotics

- **Practice unacceptable to the general body of practitioners**
  - Deficient or illegible clinical records
  - Use of alternative treatments unacceptable to the general body of practitioners
  - Care found to potentially threaten the life or health of a patient
Decisions to take no further action

The Director can, after considering all the relevant material, decide to dismiss a case and take no further action under section 91 of the Health Insurance Act 1973. Over the last four years the Director has dismissed approximately 15 per cent of Medicare Australia’s requests to review.

The practitioners dismissed under section 91 have had similar statistical profiles to others referred for review. Medicare billing data for most of these practitioners has been at or above the 99th percentile compared to their peers and they have not changed their behaviour since Medicare Australia’s earlier interventions.

The Director reviews a case to determine whether there is sufficient evidence for a PSR Committee to make a finding of inappropriate practice. The practitioner’s medical records in the cases dismissed have been at a standard that the general body of peers would consider appropriate. The records were well maintained with allergies, past history and medication kept up to date. The records provided evidence that the particular MBS item descriptor had been met. The record keeping would allow another practitioner to take over the care of a patient and have an understanding of what had occurred in previous consultations.

The Director meets with all practitioners before making a final decision. At this meeting the Director gains an understanding of some of the practitioner’s motivations and their insight into their own behaviour. Most practitioners whose cases were dismissed had been working long hours, often seven days per week, and had little life outside their practice. Several said they ‘love going to work’ and do not have any other interests. Discussion of these issues has been a watershed for some practitioners who have used the PSR process to critically examine the choices they have made.

Protection of the public is a central tenet of PSR’s role. All practitioners dismissed under section 91 had been practising at a high standard while working much longer hours than their peers. In 2008–09 the Director decided to take no further action in relation to 19 practitioners.

Negotiated agreements

Section 92 of the Health Insurance Act 1973 refers to cases where the Director has made an agreement with the person under review.

Over the last four years a review has resulted in a negotiated agreement in approximately 50 per cent of cases.

Cases resolved by a section 92 agreement have been finalised on average in less than eight months. The practitioner’s name is not published. The essential element of a section 92 agreement is the practitioner’s acknowledgement that they have practised inappropriately in relation to provision of certain services and/or that they have prescribed PBS items inappropriately.

The range of actions available under a section 92 agreement includes reprimand, repayment of benefits and disqualification from Medicare for up to three years. The terms of a section 92 agreement are a matter of negotiation and agreement between the Director and the practitioner under review.

While a section 92 agreement is a speedier and more cost effective option than a referral to a PSR Committee it is only considered under certain conditions. A practitioner must
acknowledge they have practised inappropriately and they must be able to demonstrate they have significantly altered their practice so the inappropriate behaviour is unlikely to be repeated.

A section 92 agreement will not be considered if there has been flagrant abuse of Medicare or if there has been poor clinical practice likely to lead to a low standard of patient care. A practitioner who has little insight into his or her own behaviour will not be offered a section 92 agreement.

In 2008–09, 33 negotiated agreements were ratified. Table 7 summarises the issues Medicare Australia raised, the issues PSR identified, and the actions that formed part of these negotiated agreements.

The examples discussed below illustrate the types of cases that have been resolved by section 92 agreements.
Table 7: Negotiated agreements, Issues Medicare Australia raised, inappropriate practice found, and actions taken, 2008–09

<table>
<thead>
<tr>
<th>Practitioner</th>
<th>Consulting items</th>
<th>Medicare Australia concerns</th>
<th>Outcomes of negotiated agreements</th>
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<tbody>
<tr>
<td></td>
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<td>Inappropriate practice</td>
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Notes: * Whole dollars only; # discussed below; R = reprimand only
Dr F
General practitioner

Dr F worked in a clinic specialising in investigating cardiovascular disease in unreferred patients. Medicare Australia asked the Director to review Dr F’s provision of services during the review period. Medicare Australia was concerned that Dr F’s provision of MBS item 11712, 11612, and 11611 services was at the 100th percentile compared to all other medical practitioners in Australia. Dr F’s total Medicare billing for the period was $672,317.10.

Dr F’s medical records were examined; all disclosed evidence of inappropriate practice. Dr F had not taken an adequate history nor conducted an appropriate physical examination for the presenting complaint of the patient. In addition he had performed investigations that were not clinically necessary for the care of the patient. In particular he had performed measurements of ankle and brachial blood pressure in patients without a history suggestive of lower limb ischemia and had not carried out an appropriate physical examination of the lower limbs. Dr F had also performed venous plethysmography in patients for whom there was no clinical indication present. It appeared, from the medical records, that investigations Dr F carried out bore little relationship to the clinical needs of the patient.

After 15 months of working for the centre Dr F returned to general practice. He now practises in a clinic employing 15 general practitioners.

Having considered Dr F’s submission, his acknowledgment of inappropriate practice during the review period and his return to general practice, the Director believed that Dr F’s case may be one in which it was appropriate to enter into an agreement pursuant to section 92 of the Health Insurance Act 1973.

Dr F signed a section 92 agreement in which he acknowledged having practised inappropriately in providing MBS item 11604, 11610, 11611, 11612 and 11712 services where no clinical indications for these types of investigations existed. He also acknowledged having kept medical records that were deficient in essential clinical information.

Dr F agreed to repay to the Commonwealth $178,994 and be disqualified from providing the above MBS item services for three years.

This case illustrates that any form of clinical investigation that attracts Medicare benefits must be clinically relevant and in the interests of the patient. The remuneration a practitioner receives should never be a consideration.

Mr W
Optometrist

Medicare Australia referred Mr W because it was concerned about his provision of MBS item 10940 services. During the review period Mr W had rendered MBS item 10940 145 times for a total benefit of $7,237.60.

The Director engaged an optometrist in full-time practice as a consultant. The consultant examined Mr W’s patient records and concluded that almost half the patients for whom Mr W had used computerised perimetry had conditions that did not meet the required MBS criteria.

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2 MBS item 11712 is multi channel ECG recording during exercise
3 MBS item 11612 is an exercise study for lower limb arterial disease
4 MBS item 11611 is a measurement of wrist-brachial arterial waveform
5 MBS item 11604 is assessment of chronic venous disease by plethysmography
6 MBS item 11610 is a measurement of ankle-waveform analysis
7 MBS item 10940 is for computerised perimetry
Mr W had used this test on patients who had a family history of glaucoma as their only risk factor. This is not sufficient to justify using perimetry under the MBS. Additional risk factors, such as raised intra-ocular pressure above 22 mm Hg or suspicious cupping of the optic disc, must be present.

In his submission Mr W acknowledged that he had incorrectly interpreted the MBS item descriptor and since becoming aware of his error had altered the way he determines eligibility for claiming for computerised perimetry.

The Director was of the opinion that a section 92 agreement was appropriate to resolve this matter. Mr W was officially reprimanded by the Director and agreed to repay $4,000 in Medicare benefits.

This case should put all optometrists on notice that although computerised perimetry is a relatively new MBS item, care must be exercised in its use. The criteria for providing this item are set out in the MBS and must be adhered to.

Dr X
Consultant physician (gastroenterologist)

Medicare Australia was concerned at the frequency with which Dr X charged MBS item 30473 services in association with MBS item 30487 services. Dr X had received $557,451.65 in total Medicare benefits that included $51,985.25 for providing MBS item 30473 services in conjunction with MBS item 30487 services.

On examination of Dr X’s medical records the Director was concerned that Dr X had charged a consultation item on the same day as he had carried out a gastroscopy. As Dr X had determined at a previous consultation that gastroscopy was indicated, no clinical justification existed for billing a further consultation item at the time of the gastroscopy.

In addition, Dr X had on many occasions also carried out a small bowel intubation and biopsy without any relevant clinical indication to do so, while also claiming for an oesophagoscopy, gastroscopy and duodenoscopy. Small bowel intubation and biopsy has a limited set of indications and should not be done as a routine extension of examining the oesophagus, stomach and duodenum.

During the course of the review the Director counselled Dr X about his provision of MBS item 30473 and 30487 services and his use of consultation items with procedures. Dr X made an undertaking to change his practice.

In Dr X’s case it was not necessary to convene a PSR Committee and the matter was concluded by Dr X entering into a section 92 agreement in which he acknowledged his inappropriate practice in charging a consultation item with procedural items where no clinical need for a separate consultation existed. He acknowledged inappropriate practice in rendering MBS item 30487 services where there was no clinical necessity to do so. Dr X agreed to repay $21,419 in Medicare benefits.

This case should be a reminder to all practitioners who undertake procedural work. It is inappropriate to charge a consultation item at the same time as a procedure unless there is a clinical necessity for that consultation separate from the performance of the procedure. The time taken for the procedure is included in the MBS benefit. MBS benefits are not paid for saying hello to a patient on an operating theatre trolley.

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8 MBS item 30473 is oesophagoscopy, gastroscopy, duodenoscopy or panendoscopy
9 MBS item 30487 is a small bowel intubation
Dr AE
General practitioner

Medicare Australia referred Dr AE because it was concerned about the high volume of services she rendered, in particular MBS item 900 services. During the review period Dr AE had rendered 14,208 services to 2,076 patients. Dr AE was at or above the 98th percentile for services per patient and above the 99th percentile (29 services) for her rendering of MBS item 900 services (108 services).

The Director decided to undertake an extensive examination of Dr AE's provision of services, examining the medical records in relation to MBS items 23, 36, 44, 721, 900 and 2710 as well as her prescription of amoxycillin. After examining her records the Director had no concerns about Dr AE's prescribing of amoxycillin.

The Director was concerned, however, with Dr AE's provision of consultation services and initially considered she had a significant case to answer. Dr AE's recording of patient histories and examinations was lacking in essential elements that would allow another practitioner to take over the care of a patient. This was particularly relevant in a number of patients who presented with serious illness and Dr AE failed to record vital areas of history and examination in the medical record. Dr AE's clinical notes recorded for the longer consultations, such as MBS items 36 and 44, were scant and failed to indicate that the service provided met the relevant MBS item descriptor.

Examination of Dr AE's medical records in relation to MBS item 900 services confirmed Medicare Australia's concerns that this item was provided incorrectly. There was no recorded evidence of the patient's visit or any recorded discussion with the patient about the results of a Domiciliary Medication Management Review. Use of this MBS item did not appear to have had any beneficial effect on patient care.

Dr AE's use of MBS item 2710 was also found to be inappropriate. The records lacked evidence of clinical input in documenting a mental health plan and commonly no needs assessment, no goal setting and no management plan were recorded. Medical records examined relating to patients who presented with depression contained no evidence of a suicide risk assessment. This was of considerable concern to the Director.

In a detailed submission Dr AE acknowledged her clinical records were inadequate and reflective of inappropriate practice. She stated her intention to attend a workshop held by her medical defence organisation focusing on risk management, in particular medical notes and practitioners' obligations under law. Dr AE further recognised that she is not a good time manager and recently attended several workshops on decision making and dealing with difficult patients. Changes to other aspects of her practice should also adequately address the Director's concerns and improve Dr AE's practice management. Dr AE's submission importantly revealed she had considerable insight into the reasons her practice had come under scrutiny.

The Director considered a section 92 agreement an appropriate resolution to this matter. Dr AE agreed to be reprimanded by the Director, repay $80,000 and be disqualified from providing MBS item 900 for two years.

10 MBS item 900 is for Domiciliary Medication Management Review
11 MBS item 23 is a Level B general practitioner consultation
12 MBS item 36 is a Level C general practitioner consultation
13 MBS item 44 is a Level D general practitioner consultation
14 MBS item 721 is a general practitioner management plan
15 MBS item 2710 is a general practitioner mental health plan
Practitioners are reminded that clinical records serve not only as an aide memoire for the practitioner who creates them but also as forming an integral part of good medical care. Clinical notes are regularly forwarded to a new practitioner when a patient moves house and it is incumbent on all practitioners to keep records that another practitioner could use and safely continue a patient’s care. The days of half a line of illegible scrawl on a 5”x7” card must be relegated to history.

PSR Committees

Section 93 of the Health Insurance Act 1973 refers to cases where the Director has established a PSR Committee to further investigate the person under review. This year 14 final determinations were made relating to Committee cases; seven are described below. The final determinations in the remaining seven cases became effective in July 2009 and will be described in PSR’s 2009–10 Annual Report.

In a further two cases, final determinations made in 2007–08 became effective in August 2008 and are included in the descriptions below.

Dr Boguslaw Stanislaw Bartos
General practitioner
Green Valley, New South Wales

On 13 December 2001 Medicare Australia (then the Health Insurance Commission) made an investigative referral to PSR. The effect of this was to refer the conduct of Dr Bartos in connection with his provision of services between 1 January and 4 September 2000.

Medicare Australia was concerned that, based on the evidence available to it, Dr Bartos may have engaged in inappropriate practice in that professional attendances he had rendered during the relevant period may have amounted to a prescribed pattern of services (that is, the 80/20 rule).

The Acting Director invited Dr Bartos to make a submission. In his submission, Dr Bartos said he worked on Mondays and Wednesdays for 14 or 15 hours. He also said he could change his working hours, to extend over five days, to accommodate his patients but chose not to do so; many patients willingly waited up to 4 hours to see him.

At this time there was no evidence of exceptional circumstances and Dr Bartos was referred to a PSR Committee.

Dr Bartos submitted to the Committee that exceptional circumstances applied on each of the 27 days on which he rendered 80 or more professional attendances. The issues affecting his practice on those days were:

- the age profile of his patients
- his inability to attract and/or to maintain appropriate medical services to his practice
- an exceptional work pattern.

The Committee did not accept that the age profile of his patients was an exceptional circumstance, but rather an ongoing foreseeable circumstance common to a growing suburban area. While the Committee acknowledged the problems Dr Bartos experienced in recruiting doctors to meet the demand, it did not consider it amounted to exceptional circumstances. The Committee also did not accept that Dr Bartos’ work pattern was an exceptional circumstance; it was his choice not to work everyday.

The Committee’s final report, dated 14 November 2002, contained a finding of inappropriate practice. This finding was
based on its conclusion that Dr Bartos’ conduct in connection with rendering professional attendances on 27 days during the relevant period constituted a prescribed pattern of services and that exceptional circumstances did not affect his rendering of services on any of those days.

Dr Bartos challenged that report in the Federal Court. The court found that the Committee had erred in its interpretation of the *Health Insurance Act 1973* in making the finding of inappropriate practice. On 19 April 2006 the court remitted the matter back to the Committee to determine it according to law.

After conducting further hearings and considering submissions the Committee again made a finding of inappropriate practice.

The Determining Authority directed that Dr Bartos be reprimanded, counselled by the Director, and repay $37,754 in Medicare benefits.

*Dr Lynette Bellamy*

**Medical practitioner**

**Sydney, New South Wales**

Medicare Australia (then the Health Insurance Commission) referred Dr Bellamy on 29 May 2002 because of concerns about the high proportion of long consultations to total consultations and her initiation of pathology. During the review period Dr Bellamy rendered 1,761 MBS item 53 services and 1,032 MBS item 54 services. Dr Bellamy’s percentage of long consultations to total consultations was 36.92 compared to 13.2 for all active medical practitioners. Dr Bellamy also initiated 5,129 pathology services to 1,199 patients, which was above the 98th percentile for all active medical practitioners.

The then Director referred Dr Bellamy to a PSR Committee on 10 December 2002. The Committee found that she had engaged in inappropriate practice in relation to 83 per cent of the MBS item 54 services sampled.

Dr Bellamy sought relief in the Federal Court on several grounds including the constitutionality of the Medicare and PSR Schemes. In relation to Dr Bellamy’s judicial review the Federal Court ordered that the matter be remitted to a differently constituted Committee.

A new Committee was established in June 2007. The Committee examined 34 MBS item 54 services and made findings on those 34 individual services. The Committee found that Dr Bellamy had engaged in inappropriate practice for one or more of the following reasons:

- Dr Bellamy did not provide an appropriate level of clinical input into 33 of the services examined
- Dr Bellamy did not meet the time requirements for 26 of the services examined
- Dr Bellamy unnecessarily initiated pathology services on 27 occasions
- Dr Bellamy failed to complete adequate medical records for each of the 34 services examined.

On 2 February 2009, the High Court, in *Wong v The Commonwealth of Australia* [2009] HCA 3, dismissed the application to have aspects of the *Health Insurance Act 1973* (including the Determining Authority’s power to make a determination) declared invalid.

The Determining Authority was able, therefore, to proceed to make a final determination in Dr Bellamy’s case.

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16 MBS item 53 is a standard consultation lasting up to 25 minutes
17 MBS item 54 is a long consultation lasting more than 25 minutes but less than 45 minutes
The Determining Authority directed that the Director reprimand and counsel Dr Bellamy, and that she repay $1,098.20 being the entire amount of Medicare benefits paid for the MBS item 54 services in which a finding of inappropriate practice was made.

Dr Peter Hamilton Birdsey  
General practitioner  
Christie Downs, South Australia

Medicare Australia referred Dr Birdsey to PSR as it was concerned about the high volume of services per patient he rendered. Dr Birdsey’s individual patient base was on the 64th percentile yet his services to these patients were at the 92nd percentile. Medicare Australia also held concerns about Dr Birdsey’s prescribing of drugs of addiction, dating back to 2003. As he was not able to address these concerns in the intervening period he was referred to PSR. During the period under review Dr Birdsey had issued:

- 1,207 scripts for diazepam (99th percentile for his peers was 509 scripts)
- 659 scripts for temazepam (99th percentile for his peers was 518 scripts)
- 520 scripts for oxazepam (99th percentile for his peers was 364 scripts)
- 663 scripts for nitrazepam (99th percentile for his peers was 223 scripts)
- 822 scripts for codeine phosphate with paracetamol (99th percentile for his peers was 586 scripts).

On examination of Dr Birdsey’s medical records the Director found that during the review period Dr Birdsey had issued 2050 tablets of Mogadon to one patient. The same patient had been given 82 separate prescriptions but Dr Birdsey had only seen him nine times during the review period. Many of Dr Birdsey’s patients were taking large doses of narcotics in addition to multiple benzodiazepines. Another patient received 51 prescriptions for oxazepam without any supportive clinical record.

If, in the course of his review, the Director forms the opinion that a practitioner’s conduct has caused, is causing or is likely to cause, a significant threat to the life or health of any person he must refer the matter to the State Medical Board. In this case the Director did refer Dr Birdsey’s conduct to the South Australian Medical Board due to his high volume of prescribing of narcotics and benzodiazepines without apparent regard to the dangers.

Dr Birdsey was also referred to a PSR Committee. The Committee’s final report contained a finding that Dr Birdsey engaged in inappropriate practice in connection with:

- providing 33 per cent of MBS item 23 services
- prescribing diazepam, codeine phosphate and paracetamol, nitrazepam, temazepam and oxazepam under the PBS.

The Committee found that Dr Birdsey had prescribed drugs of dependence in excess of levels that would be acceptable to the general body of general practitioners. Dr Birdsey’s records were generally poor, brief, with a large number of consultations missing, and provided no evidence of adequate monitoring of the patients on drugs of dependency.

On receipt of the Committee’s final report, the Determining Authority was sufficiently concerned with Dr Birdsey’s conduct during the review period to make a separate referral to the Medical Board of South Australia.
The Determining Authority directed that Dr Birdsey be reprimanded and counselled by the Director, repay $86,998.34 of Medicare benefits and be fully disqualified from providing services under the Medicare arrangements for six weeks.

Dr Rifaat George Dimian  
General practitioner  
Merrylands, New South Wales

Medicare Australia (then the Health Insurance Commission) referred Dr Dimian in May 2000 because it had concerns over his:
- daily services  
- total services  
- after hours services  
- service rate  
- prescribing under the Pharmaceutical Benefits Scheme.

During the 12-month review period Dr Dimian rendered 17,525 services to 3,214 patients for a total Medicare benefit of $447,015. Dr Dimian’s services were above the 99th percentile when compared to all other active medical practitioners in Australia. During the review period, Dr Dimian also prescribed 18,221 PBS items for a net benefit of $264,555.66.

The Director referred Dr Dimian to a PSR Committee. The Committee in its Draft Report made a finding that Dr Dimian had practised inappropriately in over 80 per cent of his rendered MBS item 53, 54 and 9718 services. The Committee’s final report, dated 6 January 2004, detailed Dr Dimian’s inappropriate practice and noted that Dr Dimian’s medical records lacked a record of essential clinical information, such as the presenting complaint, duration and severity of the complaint, presence or absence of symptoms, or any assessment by Dr Dimian. The deficiencies in the medical records were such that another practitioner would be unable to take over the care of Dr Dimian’s patients. The Committee also found that during the above-mentioned consultation services Dr Dimian prescribed drugs that were not medically necessary for the treatment of his patients.

Dr Dimian commenced proceedings in the Federal Court and the High Court of Australia seeking to challenge various aspects of the PSR Scheme and the referral.

The Federal Court dismissed Dr Dimian’s application for judicial review of his referral on 8 December 2004. He appealed that decision and the Full Court of the Federal Court ultimately dismissed his appeal on 16 September 2005.

Additionally, Dr Dimian was a party to proceedings that challenged the constitutionality of the Medicare and PSR schemes. On 2 February 2009, the High Court, in Wong v The Commonwealth of Australia [2009] HCA 3 dismissed the application to have aspects of the Health Insurance Act 1973 (including the Determining Authority’s power to make a determination) declared invalid.

On consideration of the Committee’s final report, the Determining Authority directed that Dr Dimian be reprimanded, counselled by the Director, and repay to the Commonwealth the sum of $155,818.20 in Medicare benefits.

18 MBS item 97 is for urgent after hours attendance
Mr Ngalufua’atonga Havea
Otorhinolaryngologist
Bendigo, Victoria

Medicare Australia referred Mr Havea in April 2006. It was concerned with Mr Havea’s use of MBS item 45632\(^{19}\) services in combination with other surgical items, and with Mr Havea’s high volume of MBS item 45632 services. During the review period Mr Havea was the highest provider of MBS item 45632 services in Australia.

The Director engaged a consultant to review Mr Havea’s clinical records. The consultant reported among other things that:

\[\text{He appears to embark on radical sinus surgery on the most minimal indication for such surgery} \ldots\]
\[\text{there is no objective evidence in the literature that Dr Havea’s method of alar rhinoplasty contributes to any improvement in nasal function} \ldots\]

The Director referred Mr Havea to a PSR Committee. The Committee unanimously found that Mr Havea had engaged in inappropriate practice in respect of the 39 MBS item 45632 services it examined.

The Committee was of the view that Mr Havea had engaged in inappropriate practice for one or more of the following reasons:

- Mr Havea provided services that were not medically necessary
- Mr Havea did not provide an appropriate level of clinical input
- Mr Havea’s medical records were deficient in essential clinical information.

The Committee was concerned that Mr Havea undertook multiple, major procedures much more commonly than his peers, and that some of these procedures were not medically necessary. The Committee found that Mr Havea did not consider using conservative treatment in the first instance. All the clinical notes the Committee examined were brief, of poor quality and lacked adequate clinical details.

The Determining Authority directed that Mr Havea be counselled and reprimanded by the Director, repay to the Commonwealth $14,554.35 in Medicare benefits and be disqualified from providing MBS item 45632 services for six months.

Dr George Maragoudakis
General practitioner
Frankston, Victoria

Medicare Australia (then the Health Insurance Commission) referred Dr Maragoudakis in November 2002. It was concerned that, based on the evidence available to it, Dr Maragoudakis had engaged in inappropriate practice in connection with rendering 80 or more professional attendances on 20 or more days. It verified that Dr Maragoudakis had rendered more than 80 professional attendances on 42 days.

Dr Maragoudakis was referred to a PSR Committee.

The Committee’s final report contained a finding that Dr Maragoudakis had engaged in inappropriate practice. That finding was based on the Committee’s conclusion that Dr Maragoudakis’ conduct during the referral period amounted to a prescribed pattern of services and that his provision of services was not affected by exceptional circumstances.

Dr Maragoudakis challenged the Committee’s decision and findings, as set out in its final report.

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19 MBS item 45632 is for rhinoplasty with correction of lateral or alar cartilages
On 16 January 2006, the Federal Court ordered that the Adjudicative Referral be remitted to the Committee to be determined according to law. A new committee was established to consider the adjudicative referral.

Having set aside the first Committee's final report, the new Committee called for written submissions in respect of Dr Maragoudakis' claims of exceptional circumstances and conducted a hearing on 1 August 2006. Dr Maragoudakis attended the hearing and was accompanied by his legal representative.

The Committee unanimously found that Dr Maragoudakis had engaged in inappropriate practice. It concluded that Dr Maragoudakis' conduct in connection with provision of services amounted to a prescribed pattern of services and that exceptional circumstances did not affect his provision of services during the referral period.

The Determining Authority directed that Dr Maragoudakis be reprimanded and counselled by the Director and be disqualified from providing professional attendance services under Medicare for six months.

When Dr Papps did not comply with the Director's request to produce his medical records, the Director disqualified him from access to Medicare. Dr Papps finally complied with the notice to produce his medical records and a review of his provision of services during the relevant period commenced in February 2005. The Director formed the view that Dr Papps may have engaged in inappropriate practice in relation to MBS items 45200, 45206 and MBS item 36 services.

A PSR Committee was established to investigate and found that Dr Papps' conduct in providing all the MBS item 36, 45200 and 45206 services examined was inappropriate.

Specifically, the medical records examined for MBS item 36 services lacked essential clinical information. They failed to contain:

- presenting complaints
- histories taken during consultations
- examinations performed and findings made
- management plans implemented.

The Committee did not accept that Dr Papps performed single-stage local flaps in any of the MBS item 45200 and 45206 services examined because:

- the shapes, often described as elliptical, and the size of excised skin was not consistent with the shape of skin required to be excised when this type of flap is used
- the sizes of skin excised were so small and shallow that a single-stage flap would not be possible without further skin being excised
- the size of the excision sites would render these procedures medically unnecessary; direct closure would have been a more appropriate method of closure.

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20 MBS item 45200 is a skin flap repair of a defect in skin
21 MBS item 45206 is a skin flap repair to eyelid, nose, lip, neck, hand, thumb, fingers or genitals
The Committee was also concerned that Dr Papps’ conduct had caused, was causing, or was likely to cause a significant threat to the life or health of patients under his care. Accordingly, pursuant to section 106XA of the Health Insurance Act 1973, the Committee referred Dr Papps to the Director for referral to the Medical Board of South Australia.

The Determining Authority directed that Dr Papps be reprimanded and counselled by the Director, repay $12,470.85 in Medicare benefits and be disqualified from providing MBS item 45200 and 45206 services for six months.

Dr Lily Vanker  
General practitioner  
Edgecliff, New South Wales

On 24 April 2007 Medicare Australia asked the Director to review Dr Vanker’s provision of services. It was particularly concerned about her initiation of pathology during the review period. Dr Vanker had an individual patient base on the 33rd percentile and pathology services on the 87th percentile. Medicare Australia was concerned that the high level of pathology may have been inappropriately initiated, particularly as her patients were mainly younger females unlikely to have a large burden of chronic disease.

Dr Vanker appeared to have a special interest in women’s health issues, which was consistent with her patient gender demographic during the review period. The Director examined Dr Vanker’s medical records to assess her consultations and her clinical reasons for initiating pathology.

Dr Vanker’s medical records were brief and difficult to read. The records examined relating to Dr Vanker’s initiation of pathology were also difficult to read and did not contain a copy of the required pathology reports. The Director therefore considered it necessary to establish a PSR Committee to undertake a peer investigation of Dr Vanker’s provision of services to ascertain whether it was medically necessary to initiate the pathology tests she provided during the review period.

The Committee found that 90 per cent of Dr Vanker’s MBS item 23 services, 90 per cent of her MBS item 36 services and all the MBS item 66710 services examined to be inappropriate. The Committee’s criticisms of Dr Vanker’s consultation items were for one or more of the following reasons:

- Dr Vanker did not take an adequate history or perform appropriate examinations
- Dr Vanker’s medical records for all services examined were illegible and insufficient to enable another practitioner to effectively undertake patient care
- Dr Vanker did not keep her clinical notes updated with relevant clinical information as the consultation occurred including:
  - presenting complaints
  - histories taken
  - counselling notes
  - examinations performed and examination findings
  - management plans implemented.

As an example, a patient presented to Dr Vanker with concerns about breast swelling. The history Dr Vanker took did not address whether there was a family history of breast cancer, how long the swelling had been present, and whether the swelling came in cycles.

22 MBS item 66710 a blood test for three hormones
The Committee also found that Dr Vanker had engaged in inappropriate practice when initiating pathology under MBS item 66710. The Committee found that Dr Vanker had initiated hormone testing without clinical indications accepted by the general body of general practitioners.

The Determining Authority directed that the Director reprimand and counsel Dr Vanker, that she repay $79,032.92 in Medicare benefits, she be disqualified from using MBS item 66710 for 12 months, and be fully disqualified from providing services to which a Medicare benefit relates for three months.

Medicare Australia’s verified records showed Dr Yeap had rendered 80 or more professional attendances per day on 32 occasions during the review period for a total benefit of $69,423.35.

The Director established a Committee and made a referral to it to investigate whether Dr Yeap had engaged in inappropriate practice. The referral was based on the evidence that the circumstances in which some of Dr Yeap’s professional attendances were rendered constituted a prescribed pattern of services as defined in section 106KA of the Health Insurance Act 1973 and Part 3 of the regulations.

Dr Yeap challenged the Committee’s final report, dated 25 September 2004, in the Federal Court. On 19 April 2006 the court remitted the matter back to the Committee to determine it according to law. On 1 June 2006 the Director established a new Committee to consider the referral.

On 5 October 2006 the newly established Committee held a hearing and called for submissions. The Committee issued a final report dated 5 December 2008. It unanimously found that Dr Yeap had engaged in inappropriate practice. The Committee’s finding of inappropriate practice was based on its conclusion that Dr Yeap’s conduct in connection with rendering professional attendances on 32 days during the referral period constituted a prescribed pattern of services and that exceptional circumstances did not affect the rendering of those services on any of those 32 days.

The Determining Authority directed that Dr Yeap be reprimanded and counselled by the Director and to repay the sum of $17,355.83 to the Commonwealth.

Practitioners should be aware that while their patients may be exploring other treatment options or new ways of managing or coping with their medical conditions, and while they may otherwise be under the care of their own general practitioners, this does not dilute the importance of adequate medical records and the contribution those records should be capable of making to the overall assessment and management of those patients.

Dr Yang Soon Yeap
General practitioner
Frankston, Victoria

On 24 March 2003, Medicare Australia (formerly the Health Insurance Commission) asked the Director to review Dr Yeap’s provision of services during the period 24 September 2001 to 26 August 2002 (the review period). The purpose of the review was to consider whether Dr Yeap might have engaged in inappropriate practice in connection with rendering 80 or more professional attendances on 20 or more days.
Legal cases

This year saw the first substantive High Court decision relating to the PSR Scheme. A further 13 court cases relating to PSR matters were on hold (voluntarily or by consent order) pending High Court resolution of the constitutional challenges in Wong and Selim. All of these have now been resolved.

As well, one Federal Court decision was handed down this year and one new Federal Court appeal was lodged.

Following are reports on the status of court cases resolved during the year, many of which have been mentioned in earlier annual reports.

Dr Ashraf Thabit Selim
General practitioner
Punchbowl, New South Wales

This matter was summarised in previous PSR Annual Reports. In brief, Dr Selim was referred to PSR in 2001 because of his high level of rendered services and high daily servicing during 2000. A PSR Committee found that he had engaged in inappropriate practice. Dr Selim appealed unsuccessfully to the Federal Court on both judicial review and constitutional grounds. Only the latter issue went on to the Full Federal Court, again unsuccessfully.

On 28 March 2008, Dr Selim sought special leave to appeal to the High Court and this was granted at the hearing of the application on 1 August 2008.

The appeal was considered together with a similar appeal by Dr Wong (see below). Following substantive hearing on 14 October 2008, the High Court dismissed the appeal, by a majority of six judges to one, on 2 February 2009.

Because of the potential impact of an adverse constitutional finding on the whole Medicare scheme, the Australian Government intervened. One state (Queensland) also intervened.

The legal issue before the High Court was whether some or all of the PSR Scheme in Part VAA of the Health Insurance Act 1973 amounted to ‘civil conscription’ within the meaning of section 51(xiiiA) of the Constitution, was outside the legislative powers of the Commonwealth and was therefore invalid.

French CJ and Gummow J discussed the Full Court’s decision and the only two previous decisions on the constitutional provision – the General Practitioners Society and BMA cases. They also examined the Australian legislative history relating to conscription, compulsory military services and industrial conscription – including the extension of conscription to professions under the Man Power Regulations in 1944. And they discussed the provenance of the civil conscription qualification in the 1946 proposals to give the Commonwealth power to provide medical and dental services.

Their Honours concluded that ‘civil conscription’ would involve some form of legal or practical compulsion or coercion to carry out work or

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27 Wong v Commonwealth of Australia; Selim v Lele, Tan and Rivett constituting the Professional Services Review Committee No. 309 [2009] HCA 3 (2 February 2009)
provide services for or at the direction of the Commonwealth (including statutory bodies). They did not agree that the section 82(3) requirement to have regard to records amounted to civil conscription. Neither did the test of ‘conduct unacceptable to the general body of general practitioners’, which reflected historical references to maintenance of professional standards29 (for example, a statutory test of ‘infamous conduct in any professional respect’). Those norms were not calculated to conscript medical practitioners but to ensure their activities were professional rather than unprofessional in character. Furthermore, powers under sections 106XA and 106XB of the Health Insurance Act 1973 to refer issues to other regulatory bodies did not authorise civil conscription.

Finally, they held that arrangements under sections 20(3), 20A and 19(6) for Medicare payments conditioned the enjoyment of membership of the scheme, but they did not amount to a practical compulsion to perform a professional service.

Kirby J considered that the meaning of the prohibition on ‘civil conscription’ was not controlled by historical materials but required legal analysis. History could be helpful in identifying the purpose of a provision, but a constitution necessarily changed and adapted to different times and circumstances. Nevertheless, he substantially agreed with the analysis of Hayne, Crennan and Kiefel JJ (see below) and would dismiss the appeals.

He accepted the reasoning of the Full Court that there was a practical compulsion on most general practitioners to participate in the Medicare scheme. They therefore must not, in relation to rendering or initiating services for which medical benefits were payable, do anything that would be unacceptable to the general body of general practitioners.

Kirby J noted that particular forms of regulation could, in practice, amount to a ‘form of civil conscription’ and so it was not persuasive to draw a distinction between ‘compulsion to serve’ and ‘regulation of the manner of service’.

The appellants argued that introducing the criterion of ‘inappropriate practice’ subjected health professionals to severe restrictions and regulations beyond those enforceable by their state and territory disciplinary bodies.

Kirby J examined dictionary meanings of ‘conscription’, which usually involved compulsory enrolment in the armed forces. He noted that, in Australia, medical and dental services were normally provided pursuant to a private contract between the healthcare provider and the patient. The prohibition on civil conscription was thus to preserve such consensual relationships (though it did not preclude public services with consent).

Furthermore, constitutional words should be interpreted broadly, including words protecting human rights. This was supported by the words ‘any form’. Nevertheless, implementation of constitutional powers could require very detailed provisions. Where such regulation was necessary, and reasonably proportionate to the power, the constitutional prohibition on civil conscription would not be breached.

This was further supported by the existence of equally important constitutional requirements regarding the raising and expenditure of public monies. Some intrusion into the private contract between a health service provider and

29 Section 29 Medical Act 1858 (UK); Allinson v General Council of Medical Education and Registration [1894] 1 QB 750
the recipient was inescapable where public monies were paid out of consolidated revenue. Machinery provisions, which were reasonably appropriate and proportionate for upholding the constitutional lawfulness and integrity of federal expenditures, would be valid.

In the present case, there was no legal or practical compulsion on a provider to perform any health service for a recipient on behalf of the Commonwealth or as its employee or agent. The Health Insurance Act 1973 carefully respected the individual and personal character of the relations between provider and recipient. While many detailed obligations were cast on the provider, they did not demonstrate a disproportionality or intrusion that amounted to 'any form of civil conscription'.

Further, the criterion of 'inappropriate practice' covered excessive servicing, related to professional standards, was amenable to judicial review, and disclosed no unstated reasons of cost saving, health policy or other purposes inconsistent with the individual arrangements between provider and patient. The regulation to which the appellants objected was no more than measures proportionate to ensure the lawfulness and integrity of the provision of 'medical and dental services' in a manner conforming to the constitution. These did not constitute a 'form of civil conscription' and were valid.

Hayne, Crennan and Kiefel JJ concluded, after reviewing legislative and legal proceedings relating to health and social services benefits in the 1940s, that the central issue addressed by the constitutional qualification about civil conscription was compulsion on practitioners to become, in effect, servants of the Commonwealth. Further, the phrase 'civil conscription' was borrowed from the Constitution Alteration (Industrial Employment) Bill 1946 which proscribed 'any form of industrial prescription' – the word 'civil' being a genteelism to distinguish professions from industry. 'Industrial conscription' was often coupled with 'compulsory military service' in both Australian and English legislation between the two World Wars.

Their Honours also noted the distinction Dixon J drew in the BMA case between compulsory service and regulation of the manner of performing a service – an issue Gibbs J also identified in the General Practitioners Society case.

The appellants had submitted that sections 10, 20 and 20A of the Health Insurance Act 1973 were invalid. These covered entitlement to a Medicare benefit; who got the benefit and assignment of benefits. Their Honours accepted that it was unlikely a general practitioner could practise without giving patients access to these benefits. In that sense there was a practical compulsion to participate in the Medicare scheme. But this in itself did not indicate there was civil conscription. The provisions did not legally or practically compel a practitioner to perform any service, either for the Commonwealth or at all. There was no compulsion to treat any particular patient or group of patients.

However, the appellants drew attention to the consequences of their 'need' to participate in the Medicare scheme, namely to 'conform to whatever it takes to remain in the scheme, even in matters going to the mode or manner of provision of medical services'.

30 For example, section 5(7)(a) of the National Security Act 1939 (Cth)
Their Honours noted that the test of ‘inappropriate practice’ replaced, and was said to be broader than, an earlier test of ‘excessive services’.\textsuperscript{31} A PSR Committee would consider whether the practitioner’s conduct in a service would reasonably be acceptable to the general body of the profession or specialty. While there was room for debate about the full scope of this definition, it seemed to pick up the common thread since Allinson’s case\textsuperscript{32} of professional discipline and regulation by reference to prevailing professional opinion. Further, the test was objective and related only to services for which a Medicare or pharmaceutical benefit was payable.

There was, nevertheless, no compulsion to perform services and the practical requirement to meet a standard of conduct was not a form of civil conscription.

Heydon J took a different view. He noted the Full Court’s conclusion that there was a practical compulsion for general practitioners to participate in the Medicare scheme and therefore to avoid committing inappropriate practice. After examining various options, he concluded that inappropriate practice went beyond excessive servicing and beyond unprofessional conduct of the Allinson\textsuperscript{33} kind (for example, because of provisions relating to recordkeeping, fraud and prescribed pattern of services). Further, it encompassed want of due care and skill.

His Honour also noted that the 1999 review\textsuperscript{34} had identified a wide range of general professional issues (including behaviour and beliefs) and organisational issues covered by the scheme. He thought the scheme gave a PSR Committee a very wide power of control. There was a possibility of sanctions for particular types of services, medications or treatments which might not command majority support within the profession\textsuperscript{35} but might be thought bona fide on reasonable grounds by a particular doctor to be suitable for a particular condition in a particular patient and which, though unorthodox, might one day come to be regarded as wholly legitimate.

His Honour concluded that ‘inappropriate practice’ was seen as warranting extremely detailed examination of the contacts between the doctors and the patients in their most minute aspects. He asked himself whether a disciplinary scheme, backed by many sanctions, some severe, involving so detailed a level of management and regulation, was a form of ‘civil conscription’.

The constitutional guarantee regarding ‘any form of civil conscription’ should not be construed narrowly and practical compulsion would suffice. Medical practitioners had the strongest pressures of self-interest to earn their living and a moral obligation to support their dependents. The effect of the PSR Scheme was that, unless medical practitioners were prepared to act in the way the scheme required, they would not readily be able to earn their living in the way, and possibly the only way, in which they were qualified to earn it. There could be no more effective means of compulsion.

\textsuperscript{31} In brief, services attracting Medicare benefit, but not reasonably necessary for care of the patient
\textsuperscript{32} Section 29 Medical Act 1858 (UK); Allinson v General Council of Medical Education and Registration [1894] 1 QB 750
\textsuperscript{33} Section 29 Medical Act 1858 (UK); Allinson v General Council of Medical Education and Registration [1894] 1 QB 750
\textsuperscript{34} Report of the Review Committee of the Professional Services Review Scheme 1999
\textsuperscript{35} Director’s observation: Whatever the 1999 review committee may have thought, PSR Committees are required to apply the test of what would be unacceptable to their profession, not what is their preferred treatment.
From contemporary materials, it appeared that in 1946 ‘industrial conscription’ included laws compelling an individual to work, to work for a particular employer or in a particular place, compelling a particular employer to accept a particular worker, and preventing a worker leaving current employment. The PSR Scheme might not meet such tests, as there is no compulsion to provide services generally or to perform particular medical services.

But could ‘civil conscription’ have a wider meaning in the medical field? In 1946 few medical and dental practitioners were employees. The doctor–patient relationship was confidential, doctors were autonomous, and they treated patients in the light of their personal perception of the problem.

In 1946, a Commonwealth legislative scheme that controlled a practitioner’s medical and professional activities would have been inconsistent with the nature of the doctor–patient relationship as then understood, and inconsistent with contemporary understandings of medical practice. These inconsistencies pointed to the conclusion that precluding ‘civil conscription’ was not directed solely to prevention of Commonwealth control over the occasion, time and place of work of medical practitioners.

His Honour concluded that ‘civil conscription’ used in relation to medical services was not limited to ideas about compelling doctors to work for the Commonwealth. While the legislation did not make medical practitioners servants of the Commonwealth, medical practitioners were engaged in the compulsory provision of services for third parties as directed by the Commonwealth. That was because the practical compulsion created on medical practitioners to operate under the Medicare scheme meant that the Commonwealth was directing them, through its legislation, to comply with PSR criteria. The expression ‘civil conscription’ extended to the very extensive intrusions effected by the PSR Scheme into the relationships between doctor and patient in circumstances where it was not in a practical sense possible for doctors to decline to provide the services.

**Summary:** All seven judges held that ‘civil conscription’ would include a legal or practical compulsion to work or provide services for the Commonwealth. Five judges accepted that there was a practical compulsion for general practitioners to participate in the Medicare scheme. Two judges held that requirements for records and professional standards conditioned enjoyment of the Medicare scheme but did not compel provision of services. One judge held that some forms of regulation could amount to conscription but not in this case where regulation was necessary and proportionate and there were also constitutional provisions requiring financial accountability. Three judges held that, though there was a practical compulsion to participate in Medicare, there was no compulsion to provide any service or treat any particular patients, and the practical requirement to meet a standard of conduct was not a form of civil conscription. One judge held, dissenting, that PSR intrusion into the doctor–patient relationship amounted to ‘civil conscription’, which had a wider meaning in the medical field.

Judicial review grounds of appeal having previously been dismissed, the Determining Authority is now considering the PSR Committee’s report on Dr Selim.
Dr Kenneth Wong  
*General practitioner  
Merrylands, New South Wales*

The background to this matter was summarised in the PSR *Annual Report 2007–08*. In brief, the then Health Insurance Commission referred Dr Wong on 10 May 2001 because it was concerned about his rendered services and daily servicing during the period 1 July 2000 to 30 June 2001. A Committee reported that Dr Wong had engaged in inappropriate practice. An appeal by Dr Wong to the Federal Court on judicial review grounds was unsuccessful.

A subsequent Writ of Summons on constitutional grounds filed in the High Court by Dr Wong was remitted to the Full Court. On 28 March 2008 Dr Wong sought special leave to appeal to the High Court and this was granted at the hearing of the application on 1 August 2008. The appeal was considered along with a similar appeal by Dr Selim (see pages 32–36). Following substantive hearing on 14 October 2008, the High Court dismissed the appeal by a majority of six judges to one on 2 February 2009.

The Determining Authority made a final determination in relation to Dr Wong’s case on 17 June 2009.

Dr Rifaat Dimian  
*Medical practitioner  
Merrylands, New South Wales*

As previously reported, Dr Dimian was referred to PSR in 2000 on account of high daily servicing and a high volume of rendered services in 1998–99. A PSR Committee reported that he had engaged in inappropriate practice, largely because of lack of clinical input and poor clinical records. He applied unsuccessfully to the Federal Court on both judicial review and constitutional grounds. His appeal to the Full Court on judicial review grounds was also dismissed. The constitutional grounds were to be decided after the High Court decision regarding Drs Selim and Wong.

On 3 May 2006 Dr Dimian (with Dr Wong) filed a writ of summons in the High Court on constitutional grounds. This was remitted to the Full Court, which dismissed the appeal on 27 February 2008.

The Determining Authority agreed not to proceed until the outcome of relevant applications to the High Court by Drs Selim and Wong was known (Dr Dimian was joined in the High Court appeal as the second respondent). On 2 February 2009 the High Court dismissed their applications.

The Determining Authority made a final determination on Dr Dimian’s case on 21 April 2009.

Dr Lam Quoc Phan  
*General practitioner  
Cabramatta, New South Wales*

As previously reported, Dr Phan was referred to PSR on 29 June 2000 on account of the number of Level B services he had rendered in 1999. A PSR Committee reported that he had engaged in inappropriate practice and it identified deficiencies in his patient histories, examinations, management plans and prescribing. He applied to the Federal Court, which dismissed his
application on all judicial review grounds on 6 March 2007. He did not appeal that aspect and his constitutional grounds were reserved to be decided separately after other constitutional applications.

The Determining Authority undertook to make no draft determination until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court application was dismissed by consent on 23 February 2009.

The Determining Authority made a final determination on Dr Phan’s case on 17 June 2009.

**Dr John William Mathews**

*General practitioner*

*Campbelltown, New South Wales*

As previously reported, Dr Mathews was referred on 14 December 2000 because of his volume of rendered services, daily servicing, Level B home visits and PBS prescribing. A PSR Committee reported that he had engaged in inappropriate practice in relation to MBS item 23, 24 and 193 services. Dr Mathews applied to the Federal Court on 2 November 2004. He partially succeeded on judicial review grounds in so far as the Director was ordered to establish a differently constituted PSR Committee to consider the adjudicative referral. Constitutional grounds were to be decided after the High Court decision regarding Drs Selim and Wong.

Following that decision, the Federal Court application on constitutional grounds was dismissed by consent on 23 February 2009.

Dr Mathews has now been referred to a differently constituted PSR Committee.

**Dr Hien Than Do and Dr Hugo Huu Hiep Ho**

*General practitioners*

*Merrylands, New South Wales*

As previously reported, Dr Do and Dr Ho practised in partnership. Each was referred to PSR on 13 December 2001 because some of their services during 2000 may have constituted a prescribed pattern of services. Separate PSR Committees found that both Dr Do and Dr Ho had engaged in inappropriate practice and there were no exceptional circumstances.

Drs Do and Ho both appealed to the Federal Court both on constitutional grounds and on application of the ‘exceptional circumstances’ test. Rares J held in their favour on the latter issue but this was reversed on appeal to the Full Federal Court.

The constitutional issue was reserved pending resolution of Dr Selim’s litigation.

The Determining Authority undertook to make no draft determinations until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court applications were dismissed by consent on 23 February 2009.

The Determining Authority made final determinations on 17 June 2009.

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40 *Phan v Kelly* [2007] FCA 269
41 *PSR Annual Report 2005–06*, pp. 44–45
42 MBS item 193 is a professional attendance involving acupuncture
**Dr Zelco Oreb**  
**Medical practitioner**  
**Newtown, New South Wales**

As previously reported, Dr Oreb was referred to PSR on 13 December 2001 because some of his services during 2000 may have constituted a prescribed pattern of services. A PSR Committee found he had engaged in inappropriate practice. He appealed to the Federal Court on both judicial review and constitutional grounds. Ultimately, and subject to separate consideration of the constitutional grounds in *Selim* and other cases, the Full Court returned the matter to the original Committee for reconsideration according to law in the light of its explanation of the legislation.

The Committee recommenced its consideration in January 2006, pending resolution of the constitutional issue and reported again on 9 October 2007.

The Determining Authority undertook to make no draft determination until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court application was dismissed by consent on 23 February 2009.

The Determining Authority made a final determination on 17 June 2009.

**Dr Lynette Bellamy**  
**Medical practitioner**  
**Sydney, New South Wales**

Dr Bellamy was referred to PSR on 29 May 2002 regarding services she had rendered during 2000–01. Following investigation, a PSR Committee issued a final report on 3 August 2004 and the Determining Authority made a final determination on 21 April 2005.

On 3 June 2005 Dr Bellamy applied to the Federal Court on constitutional and judicial review grounds. On 18 April 2006, by consent, the above-mentioned final report and final determination were set aside and the referral was remitted to a new, differently constituted, PSR Committee for fresh determination according to law.

As previously reported, Dr Bellamy failed in a Federal Court application to have a PSR Committee hearing postponed. This Committee presented its final report on 28 October 2008.

The Determining Authority undertook to make no new draft determination until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court application was dismissed by consent on 23 February 2009.

The Determining Authority made a final determination on 19 May 2009.

**Dr Gregory Ivan Cook**  
**Psychiatrist**  
**Granville, New South Wales**

Dr Cook is the subject of a final report by a PSR Committee dated 30 May 2006. Dr Cook applied to the Federal Court on 3 July 2006 on constitutional grounds only. By agreement, the Determining Authority took no action pending the High Court decision regarding Drs Selim and Wong. Following that, Dr Cook’s application was dismissed by consent on 23 February 2009.

The Determining Authority is considering the Committee’s final report.

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46 PSR *Annual Report 2006–07*, p. 30
As previously reported,\(^{47}\) Dr Carrick was referred to PSR on 28 June 2002 because she was rendering a high number of certain endoscopy services. A PSR Committee reported that she engaged in inappropriate practice in certain MBS item 30487 endoscopy services. Her review application to the Federal Court was dismissed on all but constitutional issues reserved for separate consideration.

The Determining Authority undertook to make no draft determination until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court application was dismissed by consent on 23 February 2009.

The Determining Authority is considering the Committee’s report.

Dr James Chee Min Thoo
General practitioner
Sanctuary Point, New South Wales

As previously reported,\(^{48}\) Dr Thoo was referred to PSR on 23 December 2004 because some of the services he rendered during 2003 may have constituted a prescribed pattern of services. A PSR Committee reported that he had engaged in inappropriate practice in provision of MBS item 23 and 36 services. His application to the Federal Court on judicial review grounds was dismissed.

The Determining Authority undertook to make no draft determination until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the Federal Court application was dismissed by consent on 23 February 2009.

The Determining Authority made a final determination in relation to Dr Thoo’s case on 17 June 2009.

Dr Il Song Lee
General practitioner
Eastwood, New South Wales

As previously reported,\(^{49}\) Dr Lee was referred to PSR on 13 December 2001 because some of the services he rendered during 2000 may have constituted a prescribed pattern of services. A PSR Committee found he had engaged in inappropriate practice and that there were no exceptional circumstances. He appealed to the Federal Court on both judicial review and constitutional grounds. Ultimately, and subject to separate consideration of the constitutional grounds, the Full Court returned the matter to the original Committee for reconsideration according to law in the light of its explanation of the legislation.

\(^{48}\) PSR Annual Report 2007–08, pp. 50–51
The Committee undertook to make no report until the constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the constitutional aspect of the Federal Court application was dismissed by consent on 23 February 2009.

The Committee has resumed its investigation of the matter.

Dr Il Song Lee  
General practitioner  
Eastwood, New South Wales

As previously reported, Dr Lee was again referred to PSR on 3 June 2002 because some of the services he rendered during 2001 may have constituted a prescribed pattern of services. A new PSR Committee found he had engaged in inappropriate practice. He appealed to the Federal Court on both judicial review and constitutional grounds. Ultimately, and subject to separate consideration of the constitutional grounds, the Full Court returned the matter to the original Committee for reconsideration according to law in the light of its explanation of the legislation.

The Committee undertook to make no report until constitutional issues were resolved. Following the High Court decision regarding Drs Selim and Wong, the constitutional aspect of the Federal Court application was dismissed by consent on 23 February 2009.

The Committee has resumed its investigation of this matter.

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Structure and organisation

The Director, Dr Tony Webber, is a statutory officer appointed by the Minister for Health and Ageing (with agreement from the Australian Medical Association) to manage the PSR process. The Director reports to the Minister and his actions are governed by the Health Insurance Act 1973.

An Executive Officer, Ms Alison Leonard, reports to the Director and has a leadership role in achieving organisational objectives through overseeing management of operational and corporate matters, governance and policy advice.

During the year PSR finished implementing its revised organisational structure that was started in 2007–08 (see Figure 1). The new structure includes an Operations Unit managing the review and committee processes; a Corporate Unit providing corporate services and support for business operations; and a Quality and Development Unit providing technical development and quality assurance, coordinating legal services and supporting the Determining Authority. An Information and Communications Technology Unit was also created, with the primary role of managing redevelopment of PSR’s case management system.

4. Management and accountability
Corporate governance

Following a tender process in 2007–08, PSR engaged expert assistance to redevelop its risk management and governance plans, policies and procedures. During 2008–09, the following plans were revised and implemented:

- Strategic Business Risk Management Plan
- Fraud Risk Assessment and Fraud Control Plan 2008–10
- Protective Security Plan
- Privacy Policy
- Intellectual Property Plan.

A draft Business Continuity Plan and a Records Management Policy were prepared and will be finalised in 2009.

PSR operates two standing committees – the Audit Committee and the Management Committee.

Audit Committee

The Audit Committee comprises three members: Ms Glenys Roper, independent chairperson, Mr Peter Hoefer, independent member, and PSR's Executive Officer. A representative from the Australian National Audit Office attends Audit Committee meetings as an invited observer.

The committee's objective is to provide independent assurance and assistance to the Director on PSR's risk, control and compliance framework and its external accountability responsibilities.

During the year the committee's key areas of focus were PSR's significant investment in redeveloping its governance framework and supporting policies, its strategic review of information and communications technology capabilities and requirements, and its increased workload from Medicare Australia.
The Financial Statements Sub-Committee continued to support the Audit Committee to provide the Director with greater assurance in relation to financial management.

The Audit Committee oversaw the work of PSR’s internal auditor, and ensured the Strategic Internal Audit Workplan provided appropriate coverage of the risks identified in the Strategic Business Risk Management Plan.

During the year the Audit Committee conducted a self-assessment of its performance using the Australian National Audit Office’s Better Practice Guide for Audit Committees to ensure it continues to meet its charter requirements. The independent members of the committee met periodically with the Director to maintain clear communication and ensure the committee met the Director’s needs.

Management Committee

The Management Committee, comprising the Director, the Executive Officer and the unit managers, meets monthly.

As PSR is a small agency, its Management Committee performs a range of roles that might be performed by specialist committees in larger organisations. The committee’s agenda varies depending on current issues but regularly covers:

- business planning
- performance monitoring
- corporate governance
- finance
- human resources
- internal audit and audit committee activities
- occupational health and safety
- operational issues
- stakeholder management.

Key issues for the committee this year were managing the significantly increased workload from Medicare Australia, implementing the revised organisational structure, developing PSR’s new Enterprise Agreement (to be implemented in 2009–10), identifying and implementing business process improvements and efficiencies, conducting a strategic review of information and communications technology capabilities and needs, and redeveloping PSR’s governance framework and supporting policies.

Planning

PSR’s business plan for 2008–09 identified eight goals. Seven of these were:

- requests for review from Medicare Australia to be managed effectively and efficiently
- skills development programs to be in place for staff, panel members, Deputy Directors and Determining Authority members
- new organisational structure and operational business process to be implemented
- governance framework to be revised and operating effectively
- enhanced case management system to be defined and a preferred procurement solution identified
- new performance indicators to be in place
- feedback from PSR’s processes to be provided to the Department of Health and Ageing and Medicare Australia to enhance the effectiveness of the PSR Scheme.

These goals were all delivered and provided a sound basis upon which to manage the significantly increased workload received this year.
The eighth goal was to contribute to the Department of Health and Ageing’s implementation of the recommendations of the 2006 review of the PSR Scheme. The Department of Health and Ageing has primary carriage of this goal and PSR remains ready to contribute as needed.

Fraud control
PSR’s Fraud Control Plan 2008–10 was developed and implemented during 2008–09. The Director certified that the plan was developed in accordance with the Commonwealth Fraud Control Guidelines and includes fraud risk assessment and appropriate fraud prevention, detection, investigation and reporting procedures and processes.

Annual fraud control data were collected and reported for the Commonwealth Fraud Control Guidelines Reporting Questionnaire 2007–08.

Ethical standards
PSR’s Audit Committee requires periodic updates on PSR’s strategies to establish and maintain ethical standards.

In 2008–09, PSR integrated ethical standards throughout its business through:

- specific reference to the APS Values and Code of Conduct, PSR’s Chief Executive Instructions and relevant policies and guidelines in its Business and Strategic Plans
- use of the Australian Public Service Commission’s Integrated Leadership System throughout the Performance Development Scheme
- redevelopment of its governance plans and policies, including its Fraud Risk Assessment and Fraud Control Plan 2008–10 and Privacy Policy.

All staff participated in fraud awareness training and training in the APS Values and Code of Conduct.

SES remuneration
Pay and conditions for PSR’s SES officer are determined through the SES Remuneration Policy and are currently reflected in an Australian Workplace Agreement.

External scrutiny
During the year the constitutional challenge to Medicare and the PSR Scheme was resolved in the High Court. This important case is discussed on pages 32–36.

A matter in the Federal Court, which was also resolved in PSR’s favour, is discussed on page 14.

There were no reports on PSR’s operations by the Auditor-General, a Parliamentary committee or the Commonwealth Ombudsman.

Management of human resources
PSR’s human resource priorities during 2008–09 were driven by the continuing increase in workload and associated staffing growth, work already commenced on the review and redevelopment of human resource policies and guidelines, and development of a new Enterprise Agreement.

At 30 June 2009, PSR employed 30 APS staff – an increase of 20 per cent since 30 June 2008 (see Table 8).

Work continued throughout the year on drafting new policies and guidelines on occupational health and safety, workforce planning, recruitment and workplace diversity. In 2009–10 policies on workplace participation, fair treatment and review of actions, outside work and whistle blowing will be completed.
In accordance with the Australian Government Employment Bargaining Framework, PSR began developing a new Enterprise Agreement. The process relied on extensive staff involvement; it sought to develop an Agreement that provides attractive working conditions and helps staff achieve balance between their work and personal lives, while offsetting these conditions with identified productivity improvements. PSR expects to offer a proposed Enterprise Agreement under the terms of the Fair Work Act 2009 to a staff vote early in 2009–10.

**Australian Public Service staff**

All staff employed by PSR, with the exception of the Director, were employed under the Public Service Act 1999. (see Table 9).

One-quarter of PSR staff are from non-English speaking backgrounds. There are currently no identified Indigenous Australian or Torres Strait Islander employees, and no staff have an identified disability.

During 2008–09 PSR recruited eight ongoing and five non-ongoing staff. Four ongoing staff left PSR on promotion or transfer to another government agency, and five non-ongoing staff left PSR when their contracts expired.

**Certified Agreement and Australian Workplace Agreements**

As at 30 June 2009, the pay and conditions of 20 staff continued to be governed by the terms of PSR’s Certified Agreement 2003–05. The pay and conditions of a further 10 staff, including one SES officer, were governed by Australian Workplace Agreements, many of which had passed their nominal expiry dates. (see Table 10).

---

**Table 8: Actual APS staff numbers, at 30 June 2007–08 and 2008–09**

<table>
<thead>
<tr>
<th></th>
<th>2007–08 Actual</th>
<th>2008–09 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25</td>
<td>30</td>
</tr>
</tbody>
</table>

Key: APS = Australian Public Service

**Table 9: APS staff by classification and employment category, at 30 June 2009**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Gender</th>
<th>Employment category</th>
<th>Employment status</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Ongoing</td>
<td>Non-ongoing</td>
</tr>
<tr>
<td>SES Band 1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>EL 2</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>EL 1</td>
<td>3</td>
<td>8</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>APS 6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>APS 5</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>APS 4</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>APS 3</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>21</strong></td>
<td><strong>26</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

Key: APS = Australian Public Service; SES = Senior Executive Service; EL = Executive Level
During 2008–09 PSR developed a draft Enterprise Agreement that will cover all non-SES staff. The agreement will be implemented in the latter part of 2009.

Performance pay

Performance pay for eligible staff operated in conjunction with PSR’s Performance Development Scheme. In 2008–09, performance-based payments totalling $52,188 were paid to seven staff members.

Non salary benefits

PSR continued to provide non-salary benefits to attract and retain capable staff. Benefits included:

- allowance for mobile phones for key personnel
- home Internet access to allow connection through a virtual private network to enable staff to access PSR’s information technology network from home
- paid car parking for all staff
- Qantas Club membership for staff who travel more than six times a year

Holders of full-time and part-time public office

The Director of PSR is a holder of full-time public office whose remuneration and allowances are set by the Remuneration Tribunal each year.

As at 30 June 2009, 158 panel members, including 19 Deputy Directors, and nine members of the Determining Authority were holders of part-time public office. The Remuneration Tribunal sets the remuneration and allowances for panel members and Determining Authority members each year.

Panel members are appointed in locations across Australia to provide a broad pool of knowledge and experience to the peer review process (see Table 11).
Training and development

Continuing growth in staff numbers during 2008–09 ensured training and development remained a priority. PSR identifies the training and development needs of staff through individual development plans prepared under the Performance Development Scheme.

Technical training for operational staff was carried out through on-the-job training, mentoring by experienced staff, and an accelerated skills development program for new case managers. In 2008–09, PSR implemented a coordinated quality assurance system that provided further support to new and developing staff.

Technical training was supplemented with broader core skills development provided through a range of external courses on topics including:
- influencing and negotiation skills
- introduction to the APS
- financial accountability in the APS
- leadership and management
- executive report writing skills
- professional development workshops for staff in specialist roles.

To facilitate smooth introduction of a new desktop environment in early 2009, all PSR staff attended a full day training course to learn how to effectively use the Microsoft Office 2007 software suite.

All staff attended internal training on the APS Values and Code of Conduct, and fraud awareness.

These programs were supplemented by a team workshop for all staff. The workshop focused on reviewing performance, looking for opportunities to improve quality and output, planning for the year ahead, and team effectiveness. The workshop provided constructive input to development of business and strategic plans, and to development of PSR’s Enterprise Agreement.

Three staff were supported to further their studies in the areas of public sector management, accountancy and financial management, and law.

The effectiveness of training and development provided is evaluated at performance and development reviews conducted between managers and individuals under the Performance Development Scheme.

PSR devoted approximately $1800 per staff member or 2 per cent of annual salaries expenditure to non-technical training and development during the year.

Table 11: Panel members by location and gender, at 30 June 2009

<table>
<thead>
<tr>
<th>Location</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales</td>
<td>39</td>
<td>9</td>
<td>48</td>
</tr>
<tr>
<td>Victoria</td>
<td>29</td>
<td>5</td>
<td>34</td>
</tr>
<tr>
<td>Queensland</td>
<td>22</td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>Western Australia</td>
<td>13</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>South Australia</td>
<td>14</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Tasmania</td>
<td>8</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>130</td>
<td>28</td>
<td>158</td>
</tr>
</tbody>
</table>
Training for Panel Members, Deputy Directors and Determining Authority Members

During the year a just-in-time training program was developed for panel members participating in their first PSR Committee, or requiring refresher training. Led by the relevant case manager, this training provided essential information about the role of the Committee and gave participants the opportunity for skills practice, particularly in the area of questioning technique.

Fifteen Deputy Directors and members of the Determining Authority attended the annual Deputy Directors’ conference, held in May 2009. The conference agenda covered:

- a review of the past year’s activities
- initiatives for streamlining PSR processes, including opportunities for Deputy Directors to comment on proposals and provide further input
- an operational update from Medicare Australia
- a review of legal issues raised during the year and the outcome of the constitutional challenge
- feedback from the Determining Authority
- identification of issues raised during PSR processes to feed back to the Department of Health and Ageing to inform policy development.

Staff members attended the conference to share in the development provided and to build productive working relationships with Deputy Directors and members of the Determining Authority.

Occupational health and safety

In 2008–09, PSR produced its draft Health and Safety Management Arrangements and began implementation, which will be completed in 2009.

PSR remains committed to the health, safety and welfare of its staff members and contractors. In keeping with this commitment PSR continued to undertake a range of health and safety activities including:

- work station assessments for all new staff with immediate implementation of any corrective measures needed
- offering influenza vaccinations for all staff and their dependents
- providing annual eyesight testing for staff
- providing continued access to the Employee Assistance Program for all staff and their immediate families
- renewing all first aid kits.

The Occupational Health and Safety Committee met twice during the year and made recommendations to the Management Committee for consideration as necessary. The Management Committee remains supportive of any Occupational Health and Safety Committee recommendations.

The number of reported health and safety incidents declined in 2008–09 with only two reported, both related to strains and sprains. No notices were received under any of the relevant sections of the *Occupational Health and Safety Act 1991*. PSR managed two compensation claims during the year with the assistance of Comcare Australia.

PSR continued to look for ways to reduce occupational health and safety risks to its staff. In 2008–09, it explored ways to reduce manual handling risks by reducing its reliance on paper records which must be transported to and from PSR Committee meetings.

**Commonwealth Disability Strategy**

PSR continues to be committed to the principles of the Commonwealth Disability Strategy.

In its employer role, PSR’s employment policies, procedures and practices comply with the requirements of the *Disability Discrimination Act 1992*. Recruitment information is available in electronic formats and PSR encourages and welcomes applications from people with a disability. PSR continues to make the organisation accessible to people with disabilities by:

- advertising all vacancies in alternative media and on the Internet
- allowing potential applicants to apply for positions by email
- ensuring applicants short-listed for interview have an opportunity to indicate any needs they may have.

PSR’s programs and services are not delivered to the general public and, to date, PSR has not been notified of any person under review with a disability. If the need arises, PSR would make available the facilities relevant to its regulator and provider roles to ensure appropriate access is provided.

The PSR website <www.psr.gov.au> contains public information about the Scheme and meets the Government Online minimum standards with regard to accessible formats for people with disabilities.

In its purchaser role, PSR consults with staff concerned and seeks the advice of relevant organisations, as appropriate, to ensure needs are met.

**Finance**

PSR’s 2008–09 budget appropriation was $5.841 million. PSR also recovered an additional $0.497 million after being awarded legal costs.
following successful defence of Federal Court and High Court challenges.

During the year PSR built a comprehensive financial costing model that improved its ability to predict and manage the resources it needs to deal with its workload. This was timely as PSR received 136 cases during the year; this is a 172 per cent increase on 2007–08. While this workload put considerable pressure on PSR’s resources, the costing model was able to provide accurate data indicating that the bulk of the expenditure associated with these cases will be incurred in 2009–10 and 2010–11.

Although much of the expenditure associated with the 2008–09 workload will occur in future years, the size of this year’s caseload coming on top of gradual workload increases over recent years (see Table 1) put significant pressure on the current year’s budget and was a major focus for the PSR Management Team. PSR recorded a loss of $47,400 for 2008–09.

The Department of Finance and Deregulation has given approval for PSR to make a $1.5 million operating loss in 2009–10 to handle the increased workload. PSR will access reserves built up over previous years to fund this loss.

The Australian National Audit Office’s report on PSR’s 2008–09 financial statements was unqualified and was signed on 9 September 2009 (see Appendix 2).

**Purchasing**

PSR complied with the purchasing policies and principles of the Commonwealth Procurement Guidelines and its Chief Executive Instructions during the year.

PSR’s Chief Executive Instructions were revised in March 2009 to incorporate the updated Commonwealth Procurement Guidelines released in December 2008.

PSR’s internal auditor completed a number of audits to test processes and ensure they met legislative requirements. These audits provided PSR’s management with confidence that PSR has robust processes and procedures in place to ensure compliance with procurement legislation.

PSR had no open procurement processes in 2008–09. One process was conducted through a select tender to source a consultant to review PSR’s information and communications technology environment and case management database (see Table 12).

PSR’s procurement of travel services adhered to the Australian Government standard of ‘best fare of the day’ for air travel.

**Asset management**

All PSR assets are securely housed at its premises within the Brindabella Business Park. PSR maintains an asset register and conducts an annual asset stocktake. All assets loaned to staff are signed for in a register.

PSR’s only significant asset purchase during 2008–09 was a full refresh of its telephone system.

**Consultants**

During 2008–09 PSR entered into one new consultancy contract, involving a contract price of $70,000 and total actual expenditure of $52,914 (see Table 12). Selection of the consultant and approval of expenditure complied with PSR’s Chief Executive Instructions and the requirements of the Commonwealth Procurement Guidelines.
Table 12: Consultancy contracts let in 2008–09

<table>
<thead>
<tr>
<th>Consultant name</th>
<th>Descriptions</th>
<th>Contract price</th>
<th>Selection process</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cordelta</td>
<td>ICT and case management system review</td>
<td>$70,000*</td>
<td>Select tender</td>
<td>Requirement for specialist expertise not available in PSR</td>
</tr>
</tbody>
</table>

Note: ICT = information and communications technology; * GST inclusive

Australian National Audit Office access clauses
During 2008–09 PSR had no contracts over the value of $100,000 that did not provide for the Auditor-General to have access to the contractor’s premises.

Exempt contracts
PSR had no contracts over the value of $10,000 that were exempted from being published in AusTender on the basis that to do so would disclose exempt matters under the Freedom of Information Act 1982.

Advertising and market research
PSR had no expenditure on advertising and market research that would require reporting in accordance with the Commonwealth Electoral Act 1918.

Grants programs
PSR does not administer any grants programs.

Ecologically sustainable development and environmental performance
Section 516A of the Environmental Protection and Biodiversity Conservation Act 1999 requires that PSR report its contribution to ecologically sustainable development.

PSR’s small size and specific role limit its opportunities to contribute to ecologically sustainable development; however, PSR endeavours to reduce its energy costs and encourages ecologically sustainable practices, such as paper recycling and greater reliance on electronic records in preference to paper. During 2008–09 PSR participated in 2009 Earth Hour, and PSR’s only vehicle is the environmentally friendly and fuel efficient hybrid Toyota Prius.

None of PSR’s activities are relevant to ecologically sustainable development in terms of the Environmental Protection and Biodiversity Conservation Act 1999, and the PSR outcome listed in the Portfolio Budget Statements for 2008–09 does not contribute to ecologically sustainable development.

Publications
PSR produced two new publications this year. They were:

- 2007–08 Annual Report
- 2007–08 Report to the Professions

These and past reports are available on the PSR website at <www.psr.gov.au>.
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Appendix 1 PSR’s resource statement and outcome summary, 2008–09

Table 13: Resource statement, 2008–09

<table>
<thead>
<tr>
<th>Departmental appropriation</th>
<th>Actual available appropriations for 2008–09 ($’000) (a)</th>
<th>Payments made 2008–09 ($’000) (b)</th>
<th>Balance remaining ($’000) (a–b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior year departmental appropriation</td>
<td>1,615</td>
<td>81</td>
<td>1,534</td>
</tr>
<tr>
<td>Departmental appropriation</td>
<td>5,804</td>
<td>5,804</td>
<td>0</td>
</tr>
<tr>
<td>Section 31 receipts</td>
<td>444</td>
<td>298</td>
<td>146</td>
</tr>
<tr>
<td><strong>Total Departmental appropriation</strong></td>
<td><strong>7,863</strong></td>
<td><strong>6,183</strong></td>
<td><strong>1,680</strong></td>
</tr>
</tbody>
</table>

Note: All figures are GST exclusive and Departmental appropriation is entirely sourced from Appropriation Bill (No 1) 2008–09.

Table 14: Resource summary, Outcome 1 – Australians are protected from meeting the cost and associated risks of inappropriate practices of health service providers

<table>
<thead>
<tr>
<th>Departmental Outputs</th>
<th>Budget* 2008–09 $’000 (a)</th>
<th>Actual expenses 2008–09 $’000 (b)</th>
<th>Variation $’000 (a–b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,891</td>
<td>6,387</td>
<td>(496)</td>
</tr>
</tbody>
</table>

| Average staffing level (number) | 23 | 24 | (1) |

Note: PSR received Section 31 receipts of $444,000 which was significantly more than the budgeted figure of $50,000. During 2008–09 these receipts were expensed which accounts for a majority of the variation.
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INDEPENDENT AUDITOR’S REPORT

To the Minister for Health and Ageing

Scope

I have audited the accompanying financial statements of the Professional Services Review for the year ended 30 June 2009, which comprise: a Statement by the Director and Chief Finance Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Director’s Responsibility for the Financial Statements

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Professional Services Review’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Professional Services Review’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independence**

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Auditor's Opinion**

In my opinion, the financial statements of the Professional Services Review:

(a) have been prepared in accordance with the Finance Minister’s Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister’s Orders including the Professional Services Review’s financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

[Signature]

Ron Wah
Senior Director

Delegate of the Auditor-General

Canberra
9 September 2009
STATEMENT BY THE DIRECTOR AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2009 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, as amended.

Signed: Dr Anthony Webber
Director
Professional Services Review
September 2009

Signed: Dean Browne
Chief Finance Officer
Professional Services Review
September 2009
## INCOME STATEMENT

*for the period ended 30 June 2009*

<table>
<thead>
<tr>
<th>Notes</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from Government</td>
<td>3A</td>
<td>5,841,000</td>
</tr>
<tr>
<td>Sale of goods and rendering of services</td>
<td>3B</td>
<td>483,835</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td></td>
<td><strong>6,324,835</strong></td>
</tr>
<tr>
<td>Gains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of assets</td>
<td>3C</td>
<td>-</td>
</tr>
<tr>
<td>Other gains</td>
<td>3D</td>
<td>14,500</td>
</tr>
<tr>
<td><strong>Total gains</strong></td>
<td></td>
<td><strong>14,500</strong></td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td><strong>6,339,335</strong></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4A</td>
<td>2,728,120</td>
</tr>
<tr>
<td>Suppliers</td>
<td>4B</td>
<td>3,355,545</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4C</td>
<td>265,574</td>
</tr>
<tr>
<td>Finance costs</td>
<td>4D</td>
<td>3,719</td>
</tr>
<tr>
<td>Losses from asset sales</td>
<td>4E</td>
<td>11,834</td>
</tr>
<tr>
<td>Other expenses</td>
<td>4F</td>
<td>21,943</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td><strong>6,386,735</strong></td>
</tr>
<tr>
<td><strong>Surplus (Deficit) attributed to the Australian Government</strong></td>
<td></td>
<td><strong>(47,400)</strong></td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
# BALANCE SHEET

*as at 30 June 2009*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>380,321</td>
<td>1,569,531</td>
<td>5A</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,744,671</td>
<td>491,827</td>
<td>5B</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>2,124,992</td>
<td>2,061,358</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings</td>
<td>313,715</td>
<td>108,171</td>
<td>6A</td>
</tr>
<tr>
<td>Infrastructure, plant and equipment</td>
<td>294,775</td>
<td>350,045</td>
<td>6B</td>
</tr>
<tr>
<td>Intangibles</td>
<td>102,690</td>
<td>127,725</td>
<td>6C</td>
</tr>
<tr>
<td>Other non-financial assets</td>
<td>40,302</td>
<td>2,950</td>
<td>6D</td>
</tr>
<tr>
<td><strong>Total non-financial assets</strong></td>
<td>751,482</td>
<td>588,891</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>2,876,474</td>
<td>2,650,249</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>200,798</td>
<td>208,832</td>
<td>7A</td>
</tr>
<tr>
<td>Other payables</td>
<td>101,922</td>
<td>142,054</td>
<td>7B</td>
</tr>
<tr>
<td><strong>Total payables</strong></td>
<td>302,720</td>
<td>350,886</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee provisions</td>
<td>477,359</td>
<td>385,898</td>
<td>8A</td>
</tr>
<tr>
<td>Other provisions</td>
<td>82,698</td>
<td>114,255</td>
<td>8B</td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td>560,057</td>
<td>500,153</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>862,777</td>
<td>851,039</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>2,013,697</td>
<td>1,799,210</td>
<td></td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>(8,830,000)</td>
<td>(8,793,000)</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>357,480</td>
<td>58,592</td>
<td></td>
</tr>
<tr>
<td>Retained surplus</td>
<td>10,486,217</td>
<td>10,533,618</td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>2,013,697</td>
<td>1,799,210</td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>2,165,294</td>
<td>2,064,308</td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>711,180</td>
<td>585,941</td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>763,901</td>
<td>760,772</td>
<td></td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>98,876</td>
<td>90,267</td>
<td></td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
# STATEMENT of CHANGES in EQUITY

*as at 30 June 2009*

<table>
<thead>
<tr>
<th></th>
<th>Retained Earnings</th>
<th>Asset Revaluation Reserves</th>
<th>Contributed Equity/Capital</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
<td>2009</td>
<td>2,008</td>
</tr>
<tr>
<td>Balance carried forward from previous period</td>
<td>10,533,617</td>
<td>10,385,968</td>
<td>58,592</td>
<td>22,833</td>
</tr>
<tr>
<td>Adjustment for errors</td>
<td>-</td>
<td>-</td>
<td>35,760</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted opening balance</td>
<td>10,533,617</td>
<td>10,385,968</td>
<td>58,592</td>
<td>58,592</td>
</tr>
<tr>
<td>Income and expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation adjustment</td>
<td>-</td>
<td>-</td>
<td>298,888</td>
<td>-</td>
</tr>
<tr>
<td>Sub-total income and expenses recognised directly in equity</td>
<td>-</td>
<td>-</td>
<td>298,888</td>
<td>-</td>
</tr>
<tr>
<td>Surplus (Deficit) for the period</td>
<td>(47,400)</td>
<td>147,649</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income and expenses</td>
<td>(47,400)</td>
<td>147,649</td>
<td>298,888</td>
<td>-</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution to Owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return of appropriation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sub-total transactions with owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance as at 30 June</td>
<td>10,486,217</td>
<td>10,533,617</td>
<td>357,480</td>
<td>58,592</td>
</tr>
<tr>
<td>Closing balance attributed to the Australian Government at 30 June</td>
<td>10,486,217</td>
<td>10,533,617</td>
<td>357,480</td>
<td>58,592</td>
</tr>
</tbody>
</table>

**NOTE:** In the 2007-08 financial year, PSR returned unutilised appropriation from prior years totalling $9,493,000 to the Department of Finance and Deregulation. Refer to Note 1.7.

The above statement should be read in conjunction with the accompanying notes.
## CASH FLOW STATEMENT

*for the period ended 30 June 2009*

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>4,549,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Net GST received</td>
<td>324,384</td>
<td>276,782</td>
</tr>
<tr>
<td>Other cash received</td>
<td>444,077</td>
<td>143,515</td>
</tr>
<tr>
<td><strong>Total cash received</strong></td>
<td>5,317,461</td>
<td>5,420,297</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>(2,664,399)</td>
<td>(2,123,299)</td>
</tr>
<tr>
<td>Suppliers</td>
<td>(3,738,630)</td>
<td>(3,090,720)</td>
</tr>
<tr>
<td><strong>Total cash used</strong></td>
<td>(6,403,029)</td>
<td>(5,214,019)</td>
</tr>
<tr>
<td>Net cash from (used by) operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>(1,085,568)</td>
<td>206,278</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds/(losses) from sales of property, plant and equipment</td>
<td>6,077</td>
<td>4,409</td>
</tr>
<tr>
<td><strong>Total cash received</strong></td>
<td>6,077</td>
<td>4,409</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(78,918)</td>
<td>(145,105)</td>
</tr>
<tr>
<td>Purchase of intangibles</td>
<td>(30,801)</td>
<td>(55,820)</td>
</tr>
<tr>
<td><strong>Total cash used</strong></td>
<td>(109,719)</td>
<td>(200,925)</td>
</tr>
<tr>
<td>Net cash from (used by) investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(103,642)</td>
<td>(196,516)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash held</strong></td>
<td>(1,189,210)</td>
<td>9,762</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the reporting period</td>
<td>1,569,531</td>
<td>1,559,769</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the reporting period</strong></td>
<td>5A</td>
<td>380,321</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
### SCHEDULE OF COMMITMENTS

*as at 30 June 2009*

<table>
<thead>
<tr>
<th>BY TYPE</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments Receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST recoverable on commitments</td>
<td>$(251,963)</td>
<td>$(77,686)</td>
</tr>
<tr>
<td><strong>Total Commitments Receivable</strong></td>
<td>$(251,963)</td>
<td>$(77,686)</td>
</tr>
</tbody>
</table>

| Other commitments             |         |         |
| Operating leases ¹            | 2,534,623 | 347,030 |
| Project commitments           | -       | -       |
| Research and development      | -       | -       |
| Other commitments             | 236,970  | 507,512 |
| **Total other commitments**   | 2,771,593 | 854,542 |
| Net commitments by type       | 2,519,630 | 776,856 |

| BY MATURITY                   |         |         |
| Commitments receivable        |         |         |
| One year or less              | (35,758) | (56,510) |
| From one to five years        | (216,205) | (21,176) |
| **Total commitments receivable** | (251,963)  | (77,686) |

| Commitments payable           |         |         |
| Project commitments           | -       | -       |
| One year or less              | -       | -       |
| **Total project commitments** | -       | -       |

| Operating lease commitments   |         |         |
| One year or less              | 270,461  | 315,876 |
| From one to five years        | 2,264,162 | 31,154  |
| **Total operating lease commitments** | 2,534,623 | 347,030 |

| Other Commitments             |         |         |
| One year or less              | 122,878  | 305,735 |
| From one to five years        | 114,092  | 201,777 |
| **Total other commitments**   | 236,970  | 507,512 |
| **Net Commitments by Maturity** | 2,519,630 | 776,856 |

NB: Commitments are GST inclusive where relevant.

¹ Operating leases consist of the lease of premises and car parking at the Canberra International Airport from Canberra International Airport Pty Ltd. A new 8 year lease was signed in July 2009. This amount also includes the provision of a motor vehicle for PSR through LeasePlan.
### SCHEDULE OF CONTINGENCIES

**as at 30 June 2009**

<table>
<thead>
<tr>
<th>Contingent Assets</th>
<th>Claims for damages or costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
</tbody>
</table>
| Balance from previous period | $101,800 | $-
| New                       | $-
| Re-measurement            | $-
| Assets recognised         | $(101,800) | $-
| Expired                   | $-
| **Total Contingent Assets** | $-

The above schedule should be read in conjunction with the accompanying notes.
1.1 Objectives of the Professional Services Review

Professional Services Review (PSR) is an Australian Public Service organisation. The objective of PSR is to protect patients and the community from risks associated with inappropriate practice and to protect the Australian Government from having to meet the costs of services provided as a result of inappropriate practice.

PSR is structured to meet one outcome:
Outcome 1: Australians are protected from meeting the cost and associated risks of inappropriate practices of health service providers.

PSR’s activities contributing towards this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by PSR in its own right.

The continued existence of PSR in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for PSR’s administration.

1.2 Basis of Preparation of the Financial Report

The Financial Statements and notes are required by section 49 of the Financial Management and Accountability Act 1997 and are a General Purpose Financial Report.

The Financial Statements and notes have been prepared in accordance with:
- Finance Minister’s Orders (or FMOs) or reporting periods ending on or after 1 July 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified, where numbers have been rounded, discrepancies may occur between sums of component items and totals.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to PSR or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments and the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the income statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standards are applicable to PSR in the current reporting period:
1.5 Revenue

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the PSR gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the Entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits associated with the transaction will flow to the PSR.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at balance date. An impairment allowance is made when collectability of the debt is no longer probable.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Sale of Assets

Gains from disposal of non-current assets is recognised when control of the asset has passed to the buyer.
1.7 Transactions with the Government as Owner

**Equity injections**

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

**Other distributions to owners**

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. On 24 June 2008, the Finance Minister determined a reduction in departmental appropriations following a request by PSR through the Minister for Health and Ageing. The amount determined under subsection 10 (2) of Appropriation Act (No. 3) 2003-2004, and subsection 9 (1) of Appropriation Act (No. 1) 2006-2007 was to reduce the determinations under the PSR’s departmental items of $2,500,000 for 2001-2002, $2,000,000 for 2002-2003, $500,000 for 2003-2004, and $4,493,000 for 2006-2007. On 25 June 2009 the Finance Minister determined a further reduction of appropriation pursuant to subsection 9(1) of the Appropriation Act 2004-05 reducing PSR’s departmental appropriation by $37,000.

1.8 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for ‘short-term employee benefits’ (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

**Leave**

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of PSR is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees’ remuneration at the estimated salary rates that applied at the time leave is taken, including the PSR’s employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

**Superannuation**

Staff of PSR are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

PSR makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of PSR’s employees. PSR accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.
1.10 Cash
Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial Assets
PSR classifies its financial assets as "loans and receivable". These include trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

1.12 Financial Liabilities

**Supplier and other payables move**
Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

PSR classifies its financial liabilities as "other financial liabilities". These include supplier and other payables and are

1.13 Contingent Liabilities and Contingent Assets
Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.14 Acquisition of Assets
Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

1.15 Property, Plant and Equipment

**Asset Recognition Threshold**
Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than $1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘makegood’ provisions in property leases taken up by PSR where there exists an obligation to restore an asset to its original condition. These costs are included in the value of PSR’s leasehold improvements with a corresponding provision for the ‘makegood’ recognised.
Revaluations

Fair values for each class of asset are determined as shown below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fair value measured at</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Depreciated replacement cost</td>
</tr>
<tr>
<td>Infrastructure, plant and equipment</td>
<td>Market selling price</td>
</tr>
</tbody>
</table>

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. PSR engaged an independent valuer, the Australian Valuation Office, to conduct a valuation of property, plant and equipment as at 30 June 2009, using a fair value basis.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating result. Revaluation decrements for a class of assets are recognised directly through operating result except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to PSR using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated in a straight line basis over the lesser of the estimated useful life of the improvements to unexpired period.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<table>
<thead>
<tr>
<th>Leasehold improvements</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease term</td>
<td>3 to 25 years</td>
<td>3 to 25 years</td>
</tr>
</tbody>
</table>

Impairment

All assets were assessed for impairment at 30 June 2009. Where indications of impairment exist, the asset’s recoverable amount is estimated and an impairment adjustment made if the asset’s recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset’s ability to generate future cash flows, and the asset would be replaced if PSR were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.16 Intangibles

PSR’s intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of PSR’s software are 5 to 10 years (2007-08: 5 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2009.

1.17 Taxation

PSR is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.
### Note 3: Income

#### Revenue

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Note 3A: Revenue from Government

Appropriations:
- Departmental outputs
  | 5,841,000 | 5,000,000 |

**Total revenue from Government**

| 5,841,000 | 5,000,000 |

#### Note 3B: Sale of Goods and Rendering of Services

- Rendering of services - related parties
  | -         | -         |
- Rendering of services - external parties
  | 483,835   | 449,951   |

**Total sale of goods and rendering of services**

| 483,835     | 449,951   |

#### Gains

**Note 3C: Sale of assets**

- Infrastructure, plant and equipment
  - Proceeds from sale
    | -         | 4,409     |
  - Carrying value of assets sold
    | -         | (592)     |

**Net gain from sale of assets**

| -         | 3,817     |

**Note 3D: Other gains**

- Reversal of court case decision
  | -         | 50,000    |
- Resources received free of charge
  | 14,500    | 13,000    |

**Total other gains**

| 14,500     | 63,000    |
## Notes To and Forming Part of the Financial Statements continued

### Note 4: Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 4A: Employee benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>$2,237,334</td>
<td>$1,593,001</td>
</tr>
<tr>
<td>Superannuation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined contribution plans</td>
<td>$230,685</td>
<td>$207,579</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>$132,291</td>
<td>$46,868</td>
</tr>
<tr>
<td>Leave and other entitlements</td>
<td>$116,335</td>
<td>$197,180</td>
</tr>
<tr>
<td>Other Employee Expenses</td>
<td>$11,475</td>
<td>$27,525</td>
</tr>
<tr>
<td><strong>Total employee benefits</strong></td>
<td>$2,728,120</td>
<td>$2,072,153</td>
</tr>
</tbody>
</table>

**Note 4B: Suppliers**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of goods – related entities</td>
<td>$106,180</td>
<td>$302,417</td>
</tr>
<tr>
<td>Provision of goods – external parties</td>
<td>$2,980,304</td>
<td>$2,433,852</td>
</tr>
<tr>
<td>Operating lease rentals - external parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>$257,209</td>
<td>$258,868</td>
</tr>
<tr>
<td>Workers compensation premiums</td>
<td>$11,852</td>
<td>$4,342</td>
</tr>
<tr>
<td><strong>Total supplier expenses</strong></td>
<td>$3,355,545</td>
<td>$2,999,479</td>
</tr>
</tbody>
</table>

**Note 4C: Depreciation and amortisation**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure, plant and equipment</td>
<td>$114,256</td>
<td>$102,840</td>
</tr>
<tr>
<td>Buildings - leasehold improvements</td>
<td>$99,410</td>
<td>$120,730</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td>$213,666</td>
<td>$223,570</td>
</tr>
<tr>
<td>Intangibles:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Software</td>
<td>$51,908</td>
<td>$69,423</td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td>$51,908</td>
<td>$69,423</td>
</tr>
<tr>
<td><strong>Total depreciation and amortisation</strong></td>
<td>$265,574</td>
<td>$292,993</td>
</tr>
</tbody>
</table>

**Note 4D: Finance costs**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unwinding of discount</td>
<td>$3,719</td>
<td>$4,434</td>
</tr>
<tr>
<td><strong>Total finance costs</strong></td>
<td>$3,719</td>
<td>$4,434</td>
</tr>
</tbody>
</table>

**Note 4E: Losses from assets sales**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale</td>
<td>$(3,310)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying value of assets sold</td>
<td>$13,984</td>
<td>$60</td>
</tr>
<tr>
<td>Selling expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangibles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale</td>
<td>$(2,767)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying value of assets sold</td>
<td>$3,927</td>
<td>-</td>
</tr>
<tr>
<td>Selling expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total losses from assets sales</strong></td>
<td>$11,834</td>
<td>$60</td>
</tr>
</tbody>
</table>

**Note 4F: Other expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad debts expense</td>
<td>$21,943</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other expenses</strong></td>
<td>$21,943</td>
<td>-</td>
</tr>
</tbody>
</table>
### Note 5: Financial Assets

<table>
<thead>
<tr>
<th>Note 5A: Cash and cash equivalents</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand or on deposit</td>
<td>380,321</td>
<td>1,569,531</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>380,321</td>
<td>1,569,531</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 5B: Trade and other receivables</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and services - external parties</td>
<td>438,964</td>
<td>377,263</td>
</tr>
<tr>
<td><strong>Total receivables from goods and services</strong></td>
<td>438,964</td>
<td>377,263</td>
</tr>
<tr>
<td>Appropriations receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for existing outputs</td>
<td>1,300,000</td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Total appropriations receivable</strong></td>
<td>1,300,000</td>
<td>45,000</td>
</tr>
<tr>
<td>GST receivable from the Australian Taxation Office</td>
<td>27,650</td>
<td>69,564</td>
</tr>
<tr>
<td><strong>Total trade and other receivables (gross)</strong></td>
<td>1,766,614</td>
<td>491,827</td>
</tr>
<tr>
<td>Less Impairment allowance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(21,943)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total trade and other receivables (net)</strong></td>
<td>1,744,671</td>
<td>491,827</td>
</tr>
</tbody>
</table>

Receivables are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,729,122</td>
<td>246,278</td>
</tr>
<tr>
<td>Non-current</td>
<td>15,549</td>
<td>245,549</td>
</tr>
<tr>
<td><strong>Total trade and other receivables (net)</strong></td>
<td>1,744,671</td>
<td>491,827</td>
</tr>
</tbody>
</table>

Receivables are aged as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not overdue</td>
<td>1,744,671</td>
<td>462,530</td>
</tr>
<tr>
<td>Overdue by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 30 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>30 to 60 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>61 to 90 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>-</td>
<td>29,297</td>
</tr>
<tr>
<td><strong>Total receivables (gross)</strong></td>
<td>1,744,671</td>
<td>491,827</td>
</tr>
</tbody>
</table>

The impairment allowance is aged as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not overdue</td>
<td>21,943</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total impairment allowance</strong></td>
<td>21,943</td>
<td>-</td>
</tr>
</tbody>
</table>
Notes To and Forming Part of the Financial Statements continued

Note 6: Non-Financial Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Note 6A: Buildings

Leasehold improvements
- Fair value: $384,020, 497,048
- Accumulated depreciation: $(70,305), (388,877)
- Total leasehold improvements: $313,715, 108,171
- Total buildings (non-current): $313,715, 108,171

No indicators of impairment were found for buildings.

Note 6B: Infrastructure, plant and equipment

Infrastructure, plant and equipment:
- Gross carrying value (at fair value): $294,775, 622,663
- Accumulated depreciation: -(272,618)
- Total infrastructure, plant and equipment (non-current): $294,775, 350,045

No indicators of impairment were found for infrastructure, plant and equipment.

Note 6C: Intangibles

Computer software at cost:
- Purchased software: $241,516, 246,077
- Accumulated amortisation - purchased software: $(171,088), (151,628)
- Total purchased software: $70,428, 94,449
- Internally developed – in use: $206,856, 186,404
- Accumulated amortisation - internally developed: $(174,594), (153,128)
- Total internally developed - in use: $32,262, 33,276
- Total intangibles (non-current): $102,690, 127,725

No indicators of impairment were found for intangible assets.

Note 6D: Other non-financial assets

Prepayments: $40,302, 2,950

Total other non-financial assets: $40,302, 2,950

All other non-financial assets were current assets.

No indicators of impairment were found for other non-financial assets.
### Note 6: Non-Financial Assets

**Note 6E: Analysis of property, plant and equipment (2008-09)**

**TABLE A – Reconciliation of the opening and closing balances of property, plant and equipment (2008-09)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Buildings</th>
<th>Other IP &amp; E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 July 2008</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>497,048</td>
<td>622,663</td>
<td>1,119,711</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(388,877)</td>
<td>(272,618)</td>
<td>(661,495)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2008</strong></td>
<td>108,171</td>
<td>350,045</td>
<td>458,216</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>78,917</td>
<td>78,917</td>
</tr>
<tr>
<td>Revaluations and impairment through equity</td>
<td>304,954</td>
<td>(6,066)</td>
<td>298,888</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>(99,410)</td>
<td>(114,256)</td>
<td>(213,666)</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset cost</td>
<td>(41,261)</td>
<td>(41,261)</td>
<td></td>
</tr>
<tr>
<td>Asset accumulated depreciation</td>
<td>27,395</td>
<td>27,395</td>
<td></td>
</tr>
<tr>
<td><strong>Net book value 30 June 2009</strong></td>
<td>313,715</td>
<td>294,774</td>
<td>608,489</td>
</tr>
</tbody>
</table>

**Net book value as of 30 June 2009 represented by:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Buildings</th>
<th>Other IP &amp; E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross book value</td>
<td>384,020</td>
<td>294,774</td>
<td>678,794</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(70,305)</td>
<td>-</td>
<td>(70,305)</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2009</strong></td>
<td>313,715</td>
<td>294,774</td>
<td>608,489</td>
</tr>
</tbody>
</table>

**TABLE B – Reconciliation of the opening and closing balances of property, plant and equipment (2007-08)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Buildings</th>
<th>Other IP &amp; E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 July 2007</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>461,147</td>
<td>488,150</td>
<td>949,438</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(268,147)</td>
<td>(179,719)</td>
<td>(447,866)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2007</strong></td>
<td>193,141</td>
<td>308,431</td>
<td>501,572</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase</td>
<td>-</td>
<td>145,106</td>
<td>145,106</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>(120,730)</td>
<td>(102,840)</td>
<td>(223,570)</td>
</tr>
<tr>
<td>Other movements</td>
<td>35,760</td>
<td>-</td>
<td>35,760</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(652)</td>
<td>(652)</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2008</strong></td>
<td>108,171</td>
<td>350,045</td>
<td>458,216</td>
</tr>
</tbody>
</table>

**Net book value as of 30 June 2008 represented by:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Buildings</th>
<th>Other IP &amp; E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross book value</td>
<td>497,048</td>
<td>622,663</td>
<td>1,119,711</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(388,877)</td>
<td>(272,618)</td>
<td>(661,495)</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2008</strong></td>
<td>108,171</td>
<td>350,045</td>
<td>458,216</td>
</tr>
</tbody>
</table>
### TABLE C: Reconciliation of the opening and closing balances of intangible (2008-09)

<table>
<thead>
<tr>
<th>Item</th>
<th>Computer software internally developed $</th>
<th>Computer software purchased $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 July 2008</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>186,404</td>
<td>246,077</td>
<td>432,481</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(153,128)</td>
<td>(151,628)</td>
<td>(304,756)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2008</strong></td>
<td>33,276</td>
<td>94,449</td>
<td>127,725</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase or internally developed</td>
<td>20,452</td>
<td>10,349</td>
<td>30,801</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(21,468)</td>
<td>(30,442)</td>
<td>(51,910)</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Asset cost</td>
<td>-</td>
<td>(14,910)</td>
<td>(14,910)</td>
</tr>
<tr>
<td>- Asset accumulated depreciation</td>
<td>-</td>
<td>10,982</td>
<td>10,982</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2009</strong></td>
<td>32,260</td>
<td>70,428</td>
<td>102,688</td>
</tr>
</tbody>
</table>

**Net book value as of 30 June 2009 represented by:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Computer software internally developed $</th>
<th>Computer software purchased $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross book value</td>
<td>206,856</td>
<td>241,516</td>
<td>448,372</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(174,596)</td>
<td>(171,088)</td>
<td>(345,684)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net book value 30 June 2009</strong></td>
<td>32,260</td>
<td>70,428</td>
<td>102,688</td>
</tr>
</tbody>
</table>

### TABLE D: Reconciliation of the opening and closing balances of intangibles (2007-08)

<table>
<thead>
<tr>
<th>Item</th>
<th>Computer software internally developed $</th>
<th>Computer software purchased $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 July 2007</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>186,404</td>
<td>190,257</td>
<td>376,661</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(119,532)</td>
<td>(115,801)</td>
<td>(235,333)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2007</strong></td>
<td>66,872</td>
<td>74,456</td>
<td>141,328</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase or internally developed</td>
<td>-</td>
<td>55,820</td>
<td>55,820</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(33,596)</td>
<td>(35,827)</td>
<td>(69,423)</td>
</tr>
<tr>
<td>Other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2008</strong></td>
<td>33,276</td>
<td>94,449</td>
<td>127,725</td>
</tr>
</tbody>
</table>

**Net book value as of 30 June 2008 represented by:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Computer software internally developed $</th>
<th>Computer software purchased $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross book value</td>
<td>186,404</td>
<td>246,077</td>
<td>432,481</td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td>(153,128)</td>
<td>(151,628)</td>
<td>(304,756)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net book value 30 June 2008</strong></td>
<td>33,276</td>
<td>94,449</td>
<td>127,725</td>
</tr>
</tbody>
</table>
### Note 7: Payables

#### Note 7A: Suppliers

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>200,798</td>
<td>208,832</td>
</tr>
<tr>
<td><strong>Total supplier payables</strong></td>
<td><strong>200,798</strong></td>
<td><strong>208,832</strong></td>
</tr>
</tbody>
</table>

Supplier payables - external parties are represented by:

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>200,798</td>
<td>208,832</td>
</tr>
<tr>
<td>Non-current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total supplier payables</strong></td>
<td><strong>200,798</strong></td>
<td><strong>208,832</strong></td>
</tr>
</tbody>
</table>

All supplier payables are current and settlement is usually made net 30 days.

#### Note 7B: Other Payables

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; wages</td>
<td>92,642</td>
<td>122,960</td>
</tr>
<tr>
<td>Superannuation</td>
<td>6,531</td>
<td>3,953</td>
</tr>
<tr>
<td>Interest from ATO</td>
<td>-</td>
<td>147</td>
</tr>
<tr>
<td>FBT Payable</td>
<td>2,749</td>
<td>7,713</td>
</tr>
<tr>
<td>Payable to Department of Health and Ageing</td>
<td>-</td>
<td>7,281</td>
</tr>
<tr>
<td><strong>Total other payables</strong></td>
<td><strong>101,922</strong></td>
<td><strong>142,054</strong></td>
</tr>
</tbody>
</table>
## Notes To and Forming Part of the Financial Statements continued

### Note 8: Provisions

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Note 8A: Employee provisions

- **Leave**: 470,749  \(\rightarrow\) 383,343
- **Other**: 6,610  \(\rightarrow\) 2,555

**Total employee provisions**: 477,359  \(\rightarrow\) 385,898

Employee provisions are represented by:
- **Current**: 378,483  \(\rightarrow\) 295,631
- **Non-current**: 98,876  \(\rightarrow\) 90,267

**Total employee provisions**: 477,359  \(\rightarrow\) 385,898

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in twelve months from the reporting date are $211,435 (2008: $247,414), and in excess of one year $265,924 (2008: $138,484).

#### Note 8B: Other provisions

- **Restoration obligations**: 79,674  \(\rightarrow\) 75,954
- **Lease provisions**
  - **Lease incentive**: 1,109  \(\rightarrow\) 14,420
  - **Straight lining of lease**: 1,915  \(\rightarrow\) 23,881

**Total lease provisions**: 3,024  \(\rightarrow\) 38,301

**Total other provisions**: 82,698  \(\rightarrow\) 114,255

Other provisions are current.

<table>
<thead>
<tr>
<th>Makegood provision</th>
<th>Lease provision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Carrying amount 1 July 2008</strong></td>
<td>75,954</td>
<td>38,301</td>
</tr>
<tr>
<td><strong>Additional provisions made</strong></td>
<td>-</td>
<td>(35,277)</td>
</tr>
<tr>
<td><strong>Change in discount rate</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Unwinding of discount</strong></td>
<td>3,720</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance 2009</strong></td>
<td>79,674</td>
<td>3,024</td>
</tr>
</tbody>
</table>

PSR currently has one agreement for the leasing of premises where it is possible that PSR may need to restore the premises to its original condition at the conclusion of the lease. PSR has made a provision to reflect the present value of this obligation in the event that it is required to restore the building to its original condition.
### Note 9: Cash flow reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement

Report cash and cash equivalents as per:

<table>
<thead>
<tr>
<th></th>
<th>Cash Flow Statement</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow Statement</td>
<td>380,321</td>
<td>1,569,531</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>380,321</td>
<td>1,569,531</td>
</tr>
<tr>
<td>Difference</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Reconciliation of operating result to net cash from operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating result</td>
<td>(47,400)</td>
<td>147,649</td>
</tr>
<tr>
<td>Depreciation/amortisation</td>
<td>265,574</td>
<td>292,993</td>
</tr>
<tr>
<td>(Gain)/Loss on disposal of assets</td>
<td>11,834</td>
<td>(3,757)</td>
</tr>
<tr>
<td>(Increase) / decrease in net receivables</td>
<td>(1,294,758)</td>
<td>9,159,549</td>
</tr>
<tr>
<td>(Increase) / decrease in prepayments</td>
<td>(37,352)</td>
<td>2,888</td>
</tr>
<tr>
<td>Increase / (decrease) in employee provisions</td>
<td>91,461</td>
<td>78,671</td>
</tr>
<tr>
<td>Increase / (decrease) in supplier payables</td>
<td>(8,152)</td>
<td>46,052</td>
</tr>
<tr>
<td>Increase / (decrease) in GST receivable</td>
<td>41,914</td>
<td>-</td>
</tr>
<tr>
<td>Increase / (decrease) in other payables</td>
<td>(40,132)</td>
<td>7,429</td>
</tr>
<tr>
<td>Increase / (decrease) in appropriation</td>
<td>(37,000)</td>
<td>(9,493,000)</td>
</tr>
<tr>
<td>Increase / (decrease) in other provisions</td>
<td>(31,557)</td>
<td>(32,196)</td>
</tr>
<tr>
<td><strong>Net cash from / (used by) operating activities</strong></td>
<td>(1,085,568)</td>
<td>206,278</td>
</tr>
</tbody>
</table>

### Note 10: Contingent Liabilities and Assets

**Quantifiable Contingencies**

The Schedule of Contingencies shows the total of contingent assets in respect of 2009 of $0 (2008: $101,800). At 30 June 2009 PSR had no quantifiable contingencies.

**Unquantifiable Contingencies**

At 30 June 2009 PSR did not have any unquantifiable contingencies.

**Remote Contingencies**

At 30 June 2009 PSR did not have any remote contingencies.
Notes To and Forming Part of the Financial Statements continued

Note 11: Senior Executive Remuneration

2009 2,008

The number of senior executives who received or were due to receive total remuneration of $130,000 or more:

|$130 000 to $144 999  -  - |
|$145 000 to $159 999  -  - |
|$160 000 to $174 999  1  - |
|$175 000 to $189 999  -  1 |
|$190 000 to $204 999  1  - |
|$205 000 to $219 999  -  1 |
|$220 000 to $234 999  -  - |
|$235 000 to $249 999  1  - |
|$305 000 to $319 999  1  1 |

Total 4 3

The aggregate amount of total remuneration of senior executives shown above.

$ 897,732  $ 702,047

The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.

$ -  $ -

Note 12: Remuneration of Auditors

2009 2,008

Financial statement audit services are provided free of charge to the Agency.

The fair value of the services provided was:

Audit fees 14,500 13,000

14,500 13,000

No other services were provided by the Auditor-General.
Note 13: Financial Instruments

13A Categories of financial instruments

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$380,321</td>
<td>$1,569,531</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>$417,021</td>
<td>$377,263</td>
</tr>
<tr>
<td>Carrying amount of financial assets</td>
<td>$797,342</td>
<td>$1,946,794</td>
</tr>
</tbody>
</table>

Financial Liabilities

<table>
<thead>
<tr>
<th>Liabilities Measured at Amortised Cost</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>$200,798</td>
<td>$208,832</td>
</tr>
<tr>
<td>Carrying amount of financial liabilities</td>
<td>$200,798</td>
<td>$208,832</td>
</tr>
</tbody>
</table>

13B Net income and expense from financial instruments

There was no income or expense from financial instruments through profit and loss for the period ending 30 June 2009 (2007-08: nil).

13C Fair value of financial instruments

The carrying amount of all financial assets and liabilities are a reasonable approximation of their fair value.
Notes To and Forming Part of the Financial Statements continued

Note 13: Financial Instruments (cont’d)

13D Credit risk

PSR’s maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet. This risk is mainly related to the recovery of debts owed by persons under review. PSR is exposed to minimal credit risk in relation to loans and receivables, and cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of debt. This amount is equal to the total amount of trade receivables. PSR provides for this risk through the recognition of doubtful debts where necessary. PSR’s credit risk profile has not changed from the prior financial year.

Credit quality of financial instruments not past due or individually determined as impaired

<table>
<thead>
<tr>
<th>Loans and receivables</th>
<th>Not Past Due</th>
<th>Not Past Due</th>
<th>Past due or</th>
<th>Past due or</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nor Impaired</td>
<td>Nor Impaired</td>
<td>impaired</td>
<td>impaired</td>
</tr>
<tr>
<td></td>
<td>2009 $</td>
<td>2,008 $</td>
<td>2009 $</td>
<td>2,008 $</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>380,321</td>
<td>1,569,531</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>417,021</td>
<td>377,263</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>797,342</td>
<td>1,946,794</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1Cash and cash equivalents are subject to minimal credit risk as cash holdings are held with the Reserve Bank of Australia.
2Trade and other receivables are subject to minimal credit risk, the majority of which will be recovered on a timely basis. The credit risk in relation to debts which have become past due and impaired is such that recovery processes, as specified above, may result in such debts being subsequently recovered.

13E Liquidity risk

PSR has no significant exposures to any concentrations of liquidity risk.
PSR analyses measures of liquidity, such as the relationship between current assets and current liabilities. Such processes, together with the application of full cost recovery, ensures that at any point in time, PSR has appropriate resources available to meet its financial obligations as and when they fall due.
PSR manages liquidity risk by ensuring all financial liabilities are paid in accordance with terms and conditions on demand.
PSR’s liquidity risk profile has not changed from the prior financial year.

The following tables illustrates the maturities for financial liabilities

<table>
<thead>
<tr>
<th>Liabilities measured at amortised cost</th>
<th>On demand</th>
<th>within 1 year</th>
<th>1 to 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>200,798</td>
<td>-</td>
<td>-</td>
<td>200,798</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200,798</td>
<td>-</td>
<td>-</td>
<td>200,798</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities measured at amortised cost</th>
<th>On demand</th>
<th>within 1 year</th>
<th>1 to 5 years</th>
<th>&gt; 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>208,832</td>
<td>-</td>
<td>-</td>
<td>208,832</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>208,832</td>
<td>-</td>
<td>-</td>
<td>208,832</td>
<td></td>
</tr>
</tbody>
</table>

13F Market risk

PSR holds basic financial instruments that do not expose PSR to certain market risks. PSR’s market risk profile has not changed from the prior financial year.
PSR is not exposed to ‘Currency risk’, ‘Other price risk’ or ‘Interest rate risk’.
**Note 14: Appropriations**

Table A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Departmental Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Balance brought forward from previous period</td>
<td>$1,614,531</td>
</tr>
<tr>
<td>Appropriation Act:</td>
<td></td>
</tr>
<tr>
<td>Appropriation Act (No.1) 2008-09</td>
<td>$5,841,000</td>
</tr>
<tr>
<td>Reductions of appropriations (Appropriation Act section 9)</td>
<td>$(37,000)</td>
</tr>
<tr>
<td>FMA Act:</td>
<td></td>
</tr>
<tr>
<td>Appropriations to take account of recoverable GST (FMA section 30A)</td>
<td>$324,384</td>
</tr>
<tr>
<td>Annotations to ‘net appropriations’ (FMA section 31)</td>
<td>$444,077</td>
</tr>
<tr>
<td>Total appropriation available for payments</td>
<td>$8,186,992</td>
</tr>
<tr>
<td>Cash payments made during the year (GST inclusive)</td>
<td>$6,506,671</td>
</tr>
<tr>
<td>Balance of Authority to Draw Cash from the Consolidated Revenue Fund for</td>
<td></td>
</tr>
<tr>
<td>Ordinary Annual Services Appropriations and as represented by:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,680,321</td>
</tr>
</tbody>
</table>

**Represented by**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and on hand</td>
<td>$380,321</td>
<td>$1,569,531</td>
</tr>
<tr>
<td>Departmental appropriations receivable</td>
<td>$1,300,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,680,321</td>
<td>$1,614,531</td>
</tr>
</tbody>
</table>
Note 15: Reporting of Outcomes

Note 15A: Net Cost of Outcome Delivery

<table>
<thead>
<tr>
<th>Outcome 1</th>
<th>2009</th>
<th>2,008</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>6,386,735</td>
<td>5,369,119</td>
<td>6,386,735</td>
<td>5,369,119</td>
</tr>
<tr>
<td>Total expenses</td>
<td>6,386,735</td>
<td>5,369,119</td>
<td>6,386,735</td>
<td>5,369,119</td>
</tr>
<tr>
<td>Other external revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>483,835</td>
<td>449,951</td>
<td>483,835</td>
<td>449,951</td>
</tr>
<tr>
<td>Total other external revenues</td>
<td>483,835</td>
<td>449,951</td>
<td>483,835</td>
<td>449,951</td>
</tr>
<tr>
<td>Net cost/(contribution) of outcome</td>
<td>5,902,900</td>
<td>4,919,168</td>
<td>5,902,900</td>
<td>4,919,168</td>
</tr>
</tbody>
</table>

Outcome 1 is described in Note 1.1.

Note 15B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

<table>
<thead>
<tr>
<th>Outcome 1</th>
<th>Output Group 1.1</th>
<th>Outcome 1 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2,008</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Departmental expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>2,728,120</td>
<td>2,072,153</td>
</tr>
<tr>
<td>Suppliers</td>
<td>3,355,545</td>
<td>2,999,479</td>
</tr>
<tr>
<td>Depreciation &amp; Amortisation</td>
<td>265,574</td>
<td>292,993</td>
</tr>
<tr>
<td>Finance costs</td>
<td>3,719</td>
<td>4,434</td>
</tr>
<tr>
<td>Losses from sale of Assets</td>
<td>11,834</td>
<td>60</td>
</tr>
<tr>
<td>Other</td>
<td>21,943</td>
<td>-</td>
</tr>
<tr>
<td>Total departmental expenses</td>
<td>6,386,735</td>
<td>5,369,119</td>
</tr>
</tbody>
</table>

Funded by:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Government</td>
<td>5,841,000</td>
<td>5,000,000</td>
<td>5,841,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Other non-taxation revenue</td>
<td>483,835</td>
<td>449,951</td>
<td>483,835</td>
<td>449,951</td>
</tr>
<tr>
<td>Total departmental revenues</td>
<td>6,324,835</td>
<td>5,449,951</td>
<td>6,324,835</td>
<td>5,449,951</td>
</tr>
</tbody>
</table>
## Notes To and Forming Part of the Financial Statements continued

### Note 16: Compensation and Debt Relief

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2,008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Departmental</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No payments were made during the reporting period. (2008: No payments made)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>No payments were made under s73 of the <em>Public Service Act 1999</em> during the reporting period. (2008: No payments made).</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Appendix 3 Freedom of information statement

During 2008–09, PSR did not receive any requests for access to documents under 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 7152
Canberra Business Centre
Fyshwick ACT 2610

Documents

The types of documents PSR holds are:

- requests for review and related documents from Medicare Australia pursuant to section 86 of the Health Insurance Act 1973 regarding the conduct of a person Medicare Australia considers may have engaged in inappropriate practice in connection with rendering or initiating services
- reports of, and related documents regarding, reviews carried out by PSR
- reports of committees
- administrative files
- memoranda of understanding and other agreements
- finance and accounting records
- legal advices
- computer records
- consultancy reports and databases
- contracts
- minutes of various meetings
- general correspondence.

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

## Glossary and indexes

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary</td>
<td>90</td>
</tr>
<tr>
<td>MBS items referred to in text</td>
<td>92</td>
</tr>
<tr>
<td>Compliance index</td>
<td>93</td>
</tr>
<tr>
<td>Alphabetical index</td>
<td>96</td>
</tr>
</tbody>
</table>
Glossary and indexes

Glossary

80/20 rule  
see prescribed pattern of services

Act  

Committee  
A Professional Services Review Committee established by the Director in accordance with section 93 of the Health Insurance Act 1973 to examine a case of apparent 'inappropriate practice' referred by Medicare Australia.

Determining Authority  
A three-person panel responsible for determining the sanction following an adverse PSR Committee finding.

Director  
The Director of Professional Services Review is an independent statutory officer appointed by the minister – the occupant must be a medical practitioner and the Australian Medical Association must agree to the appointment.

Disqualification  
Exclusion (partial or complete) from eligibility for the practitioner’s services to attract Medicare benefits.

ECG  
electrocardiogram

Inappropriate practice  
Conduct in connection with rendering or initiating services for which a Medicare benefit was payable, and which a committee of peers could reasonably consider would be unacceptable to the general body of the peer group (section 82 of the Health Insurance Act 1973).

Level A service  
A professional attendance for an obvious problem characterised by the straightforward nature of the task that requires a short patient history and, if required, limited examination and management.

Level B service  
A professional attendance involving taking a selective history, examining the patient and implementing a management plan.

Level C service  
A professional attendance involving taking a detailed history, examining multiple systems, arranging any necessary investigations and implementing a management plan for one or more problems, and lasting at least 20 minutes.
<table>
<thead>
<tr>
<th>Glossary Item</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level D service</td>
<td>A professional attendance involving taking an exhaustive history, conducting a comprehensive examination of multiple systems, arranging any necessary investigations and implementing a management plan for one or more complex problems, and lasting at least 40 minutes.</td>
</tr>
<tr>
<td>MBS</td>
<td>Medicare Benefits Schedule</td>
</tr>
<tr>
<td>Minister</td>
<td>Minister for Health and Ageing</td>
</tr>
<tr>
<td>Panel</td>
<td>PSR Panel consisting of medical practitioners, dentists, optometrists, chiropractors, physiotherapists, osteopaths and podiatrists appointed by the minister following consultation with the relevant professional organisations.</td>
</tr>
<tr>
<td>PBS</td>
<td>Pharmaceutical Benefits Scheme</td>
</tr>
<tr>
<td>Prescribed pattern of services</td>
<td>A prescribed pattern of services is also known as the 80/20 rule, whereby a practitioner is deemed to have practiced inappropriately if he or she renders 80 or more services on 20 or more days in a 12-month period.</td>
</tr>
<tr>
<td>PSR referral</td>
<td>Professional Services Review</td>
</tr>
<tr>
<td>request for review</td>
<td>A case prepared by the Director and referred to a PSR Committee for investigation, detailing the concerns and the reasons a practitioner or other person may have engaged in 'inappropriate practice' in the terms of section 82 of the Health Insurance Act 1973.</td>
</tr>
<tr>
<td>request for review</td>
<td>A case prepared by Medicare Australia asking the Director to review the provision of services and containing Medicare Australia's concerns and the reasons it considers a practitioner or other person may have engaged in inappropriate practice in the terms of section 82 of the Health Insurance Act 1973.</td>
</tr>
</tbody>
</table>
## MBS items referred to in text

<table>
<thead>
<tr>
<th>MBS item no.</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Level B general practitioner consultation less than 20 minutes</td>
</tr>
<tr>
<td>36</td>
<td>Level C general practitioner consultation more than 20 minutes</td>
</tr>
<tr>
<td>44</td>
<td>Level D general practitioner consultation more than 40 minutes</td>
</tr>
<tr>
<td>53</td>
<td>standard consultation lasting up to 25 minutes</td>
</tr>
<tr>
<td>54</td>
<td>long consultation lasting more than 25 minutes but less than 45 minutes</td>
</tr>
<tr>
<td>97</td>
<td>urgent after hours attendance</td>
</tr>
<tr>
<td>193</td>
<td>professional attendance involving acupuncture</td>
</tr>
<tr>
<td>721</td>
<td>general practitioner management plan</td>
</tr>
<tr>
<td>723</td>
<td>Team Care Arrangement</td>
</tr>
<tr>
<td>900</td>
<td>Domiciliary Medication Management Review</td>
</tr>
<tr>
<td>2710</td>
<td>general practitioner mental health plan</td>
</tr>
<tr>
<td>10940</td>
<td>computerised perimetry</td>
</tr>
<tr>
<td>11604</td>
<td>assessment of chronic venous disease by plethysmography</td>
</tr>
<tr>
<td>11610</td>
<td>measurement of ankle-waveform analysis</td>
</tr>
<tr>
<td>11611</td>
<td>measurement of wrist-brachial arterial waveform</td>
</tr>
<tr>
<td>11612</td>
<td>exercise study for lower limb arterial disease</td>
</tr>
<tr>
<td>11712</td>
<td>multi channel ECG recording during exercise</td>
</tr>
<tr>
<td>30473</td>
<td>oesophagoscopy, gastroscopy, duodenoscopy or panendoscopy</td>
</tr>
<tr>
<td>30487</td>
<td>small bowel intubation with biopsy</td>
</tr>
<tr>
<td>45200</td>
<td>skin flap repair of a defect in skin</td>
</tr>
<tr>
<td>45206</td>
<td>skin flap repair to eyelid, nose, lip, neck, hand, thumb, fingers or genitals</td>
</tr>
<tr>
<td>45632</td>
<td>rhinoplasty with correction of lateral or alar cartilages</td>
</tr>
<tr>
<td>66710</td>
<td>blood test for three hormones</td>
</tr>
</tbody>
</table>
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