

PROFESSIONAL SERVICES REVIEW

Entity Resources and Planned Performance

PSR

Professional Services Review

Health Portfolio Entity

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PSR

Section 1: Entity Overview and Resources

1.1 Strategic Direction Statement

The Australian Government, through the Professional Services Review (PSR), aims to safeguard the public against the risks and costs of inappropriate practice by health practitioners.

PSR investigates health practitioners who are suspected of inappropriate practice, on request from the Chief Executive Medicare (Medicare). 'Inappropriate practice' includes inappropriately rendering or initiating health services that attract a Medicare Benefits Schedule (MBS) payment, or inappropriately prescribing under the Pharmaceutical Benefits Scheme (PBS).

The PSR Scheme is part of a strong regulatory regime designed to ensure that appropriate and cost-effective clinical services are delivered. The Scheme covers medical practitioners, dentists, optometrists, midwives, nurse practitioners, chiropractors, physiotherapists, podiatrists and osteopaths, audiologists, diabetes educators, dieticians, exercise physiologists, mental health nurses, occupational therapists, psychologists, social workers, speech pathologists, Aboriginal and Torres Strait Islander health practitioners, Aboriginal health workers and orthoptists.

Investigations are conducted by the Director of PSR who may refer the health practitioner to a committee of peers constituted by appointed PSR Panel members and Deputy Directors. This review could be undertaken in relation to the MBS and/or the PBS, both of which are administered by the Department of Human Services. The PSR Scheme also applies sanctions, if required, through the PSR Determining Authority.¹

PSR seeks to change behaviour across the health professions by deterring inappropriate practice and raising awareness of the Australian Government's expectation of high quality health service delivery. The role and functions of PSR are set out in Part VAA of the *Health Insurance Act 1973*. PSR is a Non-corporate Commonwealth Entity under the *Public Governance, Performance and Accountability Act 2013*. Operational details are contained in the Corporate Plan, which is available on the PSR website.

¹ The Determining Authority is the body established by section 106Q of the *Health Insurance Act 1973* that determines the sanctions that should be applied in cases where PSR committees have found inappropriate practice, and decides whether or not to ratify negotiated agreements.

1.2 Entity Resource Statement

Table 1.1 shows the total funding from all sources available to the entity for its operations and to deliver programs and services on behalf of the Government.

The table summarises how resources will be applied by Outcome (Government strategic policy objectives) and by Administered (on behalf of the Government or the public) and Departmental (for the entity's operations) classification.

For more detailed information on special accounts and special appropriations, please refer to *Budget Paper No. 4 – Agency Resourcing*.

Information in this table is presented on a resourcing (i.e. appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome' tables in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: PSR Resource Statement – Budget Estimates for 2016-17 as at Budget May 2016

	2015-16 Estimated actual \$'000	2016-17 Estimate \$'000
DEPARTMENTAL		
Prior year appropriation available	3,290	2,692
Annual appropriations		
Ordinary annual services ¹		
Departmental appropriation	5,528	5,135
s74 retained revenue receipts ²	-	40
Departmental capital budget ³	5	143
Other services ⁴		
Equity injection	-	-
Total departmental annual appropriations	5,533	5,318
Total departmental resourcing	8,823	8,010
Total resourcing for PSR	8,823	8,010
	2015-16	2016-17
Average staffing level (number)	17	18

All figures are GST exclusive.

¹ Appropriation Bill (No. 1) 2016-17.

² Estimated retained revenue receipts under section 74 of the PGPA Act 2013.

³ Departmental capital budgets (DCB) are not separately identified in Appropriation Bill (No. 1) and form part of ordinary annual services items. Refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

⁴ Appropriation Bill (No. 2) 2016-17.

1.3 Budget Measures

This entity was impacted by the 2015-16 *Mid-Year Economic and Fiscal Outlook* measure *Public Sector Savings – Shared and Common Services Program*. For details refer to Table 1.2 in the Department of Health chapter of this publication.

Section 2: Outcomes and Planned Performance

Government Outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which Government entities achieve the intended results of their Outcome statements. Entities are required to identify the programs which contribute to Government Outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each Outcome and program, further broken down by funding source.

Note: From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the Enhanced Commonwealth Performance Framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plan and annual performance statement – included in Annual Reports from October 2016 – to provide an entity's complete performance story.

2.1 Budgeted Expenses and Performance

Outcome 1: A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical benefits schemes

Linked Programs

Commonwealth entity and linked programs	Contribution to Outcome 1 made by linked programs
Department of Health Program 4.1: Safeguarding the Integrity of the Medicare Program and Pharmaceutical Benefits Scheme	The Department of Health has policy responsibility for Medicare and the Pharmaceutical Benefits Scheme (PBS).
Department of Human Services Program 1.2: Services to the Community – Health	The Department of Human Services administers the PBS, Repatriation PBS, Indigenous access to PBS, and Medicare services and benefit payments. Under the National Compliance Program, the Chief Executive Medicare refers suspected cases of inappropriate practice by health care service providers to the PSR for investigation.

Budgeted Expenses for PSR

This table shows how much the entity intends to spend (on an accrual basis) on achieving the Outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.1: Budgeted Expenses for PSR

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward Year 1 \$'000	2018-19 Forward Year 2 \$'000	2019-20 Forward Year 3 \$'000
Program 1.1: Safeguarding the integrity of the Medicare program and Pharmaceutical Benefits Scheme					
Departmental expenses					
Departmental appropriation ¹	5,528	5,175	5,145	5,175	5,211
Expenses not requiring appropriation in the Budget year ²	201	233	201	181	174
Operating deficit (surplus)	342	-	-	-	-
Total for Program 1.1	6,071	5,408	5,346	5,356	5,385
Total expenses for Outcome 1	6,071	5,408	5,346	5,356	5,385
	2014-15	2015-16			
Average staffing level (number)	17	18			

¹ Departmental appropriation combines "Ordinary annual services (Appropriation Bill No. 1)" and "Revenue from independent sources (s74)".

² Expenses not requiring appropriation in the Budget year are made up of depreciation expense, amortisation expense, makegood expense and audit fees.

Table 2.1.2: Performance Criteria for PSR

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1.² It also summarises how each program is delivered and where 2016-17 Budget measures have created new programs or materially changed existing programs.

Outcome	1: A reduction of the risks to patients and costs to the Australian Government of inappropriate clinical practice, including through investigating health services claimed under the Medicare and Pharmaceutical benefits schemes
Program	<p>1.1: Safeguarding the Integrity of the Medicare Program and Pharmaceutical Benefits Scheme</p> <p>The Australian Government, through PSR, aims to safeguard the public against the risks and costs of inappropriate practice by health practitioners. PSR works with Governments, medical and health care regulatory bodies, and professional organisations to protect the integrity of the Medicare Benefits Scheme (MBS) and the Pharmaceutical Benefits Schedule (PBS).</p>
Purpose	To protect the integrity of the Commonwealth Medicare Benefits and Pharmaceutical Benefits programs and to safeguard the Australian public from the cost and risk of inappropriate practice. ³
Delivery	<p>Program activities, which are intended to benefit the Australian community, will be delivered under the following program objectives:</p> <p>A. Protecting against inappropriate health care practice</p> <p>B. Maintaining professional support for PSR</p>
Program objective	
A. Protecting against inappropriate health care practice	
<p>The Australian Government, through PSR, contributes to the delivery of high quality health services by ensuring that the public is protected from the adverse consequences of inappropriate practice. PSR will collaborate with the Department of Health, Medicare, health and medical regulatory bodies and professional organisations to ensure it achieves this aim.</p> <p>PSR's workload is dependent upon the number of cases referred by Medicare. Under the National Compliance Program, suspected cases of inappropriate practice by health care service providers are identified and referred to PSR. All referred cases are investigated by PSR.</p> <p>Where it is found that the practitioner has practised inappropriately, sanctions can include a reprimand, counselling, repayment of MBS payments received, or partial to full disqualification from rendering or initiating MBS payments or writing PBS prescriptions. The Determining Authority imposes the sanctions as a 'final determination'.</p> <p>If, during an investigation, PSR identifies a practice that poses either a significant threat to the life or health of a patient, or does not meet professional standards, the practitioner is referred to the relevant regulatory body. Through this activity, PSR is able to integrate its activities within the broader health care regulatory framework, including State and Territory health departments, registration boards and health care complaint mechanisms.</p>	

² Progress against the performance criteria published in the 2015-16 Portfolio Budget Statements will be reported in the 2015-16 PSR Annual Report.

³ This purpose text will be reflected in the 2016-17 PSR Corporate Plan.

Qualitative performance criteria		2016-17 Reference point or target				
The Director of PSR will review the provision of services by practitioners referred by Medicare and where appropriate refer the practitioner to a PSR Peer Review Committee. ⁴		PSR Committees will be convened and will conduct hearings in a timely manner ensuring that practitioners being reviewed by their peers are afforded procedural fairness in each stage of the hearing process.				
Positively influence health care professional behaviour.		Analysis of available information demonstrates a positive change in health care professional behaviour by those who have been subject to a review under the PSR Scheme.				
Professional bodies actively engaged in consultation.		Professional bodies actively engaged in the process for appointments to the PSR Panel, and PSR receives the required number of nominees to ensure broad professional representation on the PSR Panel.				
Quantitative performance criteria	2015-16 Target	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target	
Percentage of reviews by the Director of PSR finalised within 12 months.	100%	100%	100%	100%	100%	
Total number of matters finalised. ⁵	50	50	50	50	50	
Percentage of cases referred to regulatory bodies where a possible threat to life or health of a patient is identified.	100%	100%	100%	100%	100%	
Total PSR actions upheld by the courts after appeal.	100%	100%	100%	100%	100%	
Program objective						
B. Maintaining professional support for PSR						
PSR is the Australian Government's means of investigating inappropriate health care practice. PSR utilises a peer review process and relies on the support of health practitioners, and their representative registration bodies, to perform its statutory function. In 2016-17, PSR will continue to work closely with the health care professions, the Department of Health, and Medicare. PSR will consult with relevant professional bodies to raise awareness of inappropriate practice issues and work with those bodies to ensure that PSR's processes are transparent and fair.						

⁴ This performance criterion has been reworded for clarity, the target remains unchanged.

⁵ Including section 91 no further actions, section 92 negotiated agreements, and final determinations resulting from a committee hearing.

Qualitative performance criteria	2016-17 Reference point or target
PSR will engage with Governments and relevant professional and regulatory bodies to discuss the nature and cause of inappropriate practice to reduce these behaviours.	Actively engage with stakeholders to provide information on the nature and cause of inappropriate practice through a variety of avenues.
Material changes to Program 1.1 resulting from the following measures:	
There are no material changes to Program 1.1 resulting from measures.	

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 Budget year, including the impact of Budget measures and resourcing on financial statements.

3.1 Budgeted Financial Statements

3.1.1 Differences Between Entity Resourcing and Financial Statements

This section is not applicable to PSR.

3.1.2 Explanatory Notes and Analysis of Budgeted Financial Statements

An analysis of PSR's budgeted financial statements is provided below.

Departmental Resources

Comprehensive Income Statement

PSR's approved operating loss in the current year relates to litigation costs and staff restructuring costs.

3.2 Budgeted Financial Statements Tables

Table 3.1: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Employee benefits	3,073	2,757	2,876	2,928	3,113
Supplier expenses	2,827	2,448	2,299	2,277	2,128
Depreciation and amortisation	171	203	171	151	144
Total expenses	6,071	5,408	5,346	5,356	5,385
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	-	-	-	-	-
Other revenue	-	40	-	-	-
Total revenue	-	40	-	-	-
Gains					
Other	30	30	30	30	30
Total gains	30	30	30	30	30
Total own-source income	30	70	30	30	30
Net cost of (contribution by) services	6,041	5,338	5,316	5,326	5,355
Revenue from Government	5,528	5,135	5,145	5,175	5,211
Surplus (deficit)	(513)	(203)	(171)	(151)	(144)
Surplus (deficit) attributable to the Australian Government	(513)	(203)	(171)	(151)	(144)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	(513)	(203)	(171)	(151)	(144)
Note: Reconciliation of comprehensive income attributable to the entity					
	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Total comprehensive income (loss) attributable to the Australian Government	(513)	(203)	(171)	(151)	(144)
plus non-appropriated expenses depreciation and amortisation expenses	171	203	171	151	144
Total comprehensive income (loss) attributable to the entity	(342)	-	-	-	-

Table 3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	179	179	179	179	179
Receivables	2,543	2,494	2,494	2,630	2,575
Total financial assets	2,722	2,673	2,673	2,809	2,754
Non-financial assets					
Land and buildings	177	92	492	440	388
Property, plant and equipment	120	228	161	109	257
Intangibles	269	235	195	158	121
Other	39	39	39	39	39
Total non-financial assets	605	594	887	746	805
Total assets	3,327	3,267	3,560	3,555	3,559
LIABILITIES					
Payables					
Suppliers	352	352	352	352	352
Other payables	158	158	158	158	158
Total payables	510	510	510	510	510
Provisions					
Employees	780	780	780	780	780
Other provisions	86	86	86	86	86
Total provisions	866	866	866	866	866
Total liabilities	1,376	1,376	1,376	1,376	1,376
Net assets	1,951	1,891	2,184	2,179	2,183
EQUITY					
Contributed equity	854	997	1,461	1,607	1,755
Reserves	498	498	498	498	498
Retained surpluses or accumulated deficits	599	396	225	74	(70)
Total equity	1,951	1,891	2,184	2,179	2,183

Table 3.3: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2016-17)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016				
Balance carried forward from previous period	599	498	854	1,951
Surplus (deficit) for the period	(203)	-	-	(203)
Capital budget - Bill 1 (DCB)	-	-	143	143
Estimated closing balance as at 30 June 2017	396	498	997	1,891

Table 3.4: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	6,126	5,184	5,145	5,039	5,266
Net GST received	342	233	238	243	248
Other cash received	-	40	-	-	-
Total cash received	6,468	5,457	5,383	5,282	5,514
Cash used					
Employees	3,073	2,757	2,876	2,928	3,113
Suppliers	2,882	2,418	2,269	2,247	2,098
Net GST paid	342	233	238	243	248
Total cash used	6,297	5,408	5,383	5,418	5,459
Net cash from (or used by) operating activities	171	49	-	(136)	55
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	176	192	464	10	203
Total cash used	176	192	464	10	203
Net cash from (or used by) investing activities	(176)	(192)	(464)	(10)	(203)
FINANCING ACTIVITIES					
Cash received					
Capital budget - Bill 1 (DCB)	5	143	464	146	148
Total cash received	5	143	464	146	148
Net cash from (or used by) financing activities	5	143	464	146	148
Net increase (or decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	179	179	179	179	179
Cash and cash equivalents at the end of the reporting period	179	179	179	179	179

Table 3.5: Departmental Capital Budget Statement (for the period ended 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	5	143	464	146	148
Total capital appropriations	5	143	464	146	148
Total new capital appropriations represented by:					
Purchase of non-financial assets	5	143	464	146	148
Total items	5	143	464	146	148
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB ¹					
- current year appropriation	5	143	464	10	148
- prior year appropriation	171	49	-	-	55
Total acquisitions of non-financial assets	176	192	464	10	203
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	176	192	464	10	203
Total cash used to acquire assets	176	192	464	10	203

¹ Does not include annual finance lease costs. Includes purchases from current and previous years' Departmental Capital Budgets (DCB).

Table 3.6: Statement of Asset Movements (Budget year 2016-17)

	Buildings	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016				
Gross book value	261	265	680	1,206
Accumulated depreciation amortisation and impairment	(84)	(145)	(411)	(640)
Opening net book balance	177	120	269	566
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services	-	192	-	192
Total additions	-	192	-	192
Other movements				
Depreciation/amortisation expense	(85)	(84)	(34)	(203)
Total other movements	(85)	(84)	(34)	(203)
As at 30 June 2017				
Gross book value	261	457	680	1,398
Accumulated depreciation amortisation and impairment	(169)	(229)	(445)	(843)
Closing net book balance	92	228	235	555