LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NO 6, 1997

The Canberra Hospital Management - Control of Salaried Specialists Private Practice

STANDING COMMITTEE FOR THE CHIEF MINISTER'S PORTFOLIO (INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)

Public Accounts Committee Report Number 4

August 1998

RESOLUTION OF APPOINTMENT

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

(a) to examine:

  (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

  (ii) the financial affairs of authorities of the Australian Capital Territory; and

  (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and

(c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

MEMBERSHIP OF THE COMMITTEE

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Cornwell MLA

Secretary: Bill Symington

1. INTRODUCTION

Background

1.1. Auditor-General's report No 6, 1997 was presented to the Assembly on 26 June 1997.

1.2. Review of this audit report by the Public Accounts Committee in the previous Assembly had not been completed before the Assembly was dissolved prior to the February 1998 election. In accordance with the resolution of the Assembly this committee has exercised its power to consider and make use of the evidence and records of the Public Accounts Committee in the previous Assembly.

1.3. The Canberra Hospital obtains specialist medical services through a combination of contracting Visiting Medical Officers (VMOs) and employing salaried specialists. Salaried specialists' duties include caring for patients at the hospital, research, teaching, managing departments and attending conferences and meetings.

1.4. The Canberra Hospital's salaried specialists may also be entitled to engage in private practice at the hospital as well as outside both after and within normal working hours and about two thirds of salaried specialists do this in some form. For some, the earnings are considerable.

1.5. The hospital outlaid more than $6m in annual salary and allowances for the 63 salaried specialists at the time of the audit.

2. AUDIT FINDINGS

2.1. The audit findings were:[1]

(i) management has inadequate internal controls to identify the level of compliance by salaried specialists with their private practice agreements

(ii) there are no management policies in relation to the purpose of facility charges made to salaried specialists for hospital facilities and other resources used in their private practices

(iii) management has not calculated the actual costs of specialists using hospital facilities and other resources in their private practices

(iv) there are inadequate internal controls over billing and receipts for private practice services provided by salaried specialists at both outpatient clinics and to hospital in-patients

[1] Audit report p3

(v) there are inadequate internal controls to review activity levels of VMOs and salaried specialists to ascertain whether a cost effective combination of VMOs and salaried specialists is being used to meet the hospital's load demands for specialists.

2.2. The audit also considered the implementation of the most important recommendations from a previous ACT Health Internal Audit Review titled *"Private Practice Arrangements Of Salaried Specialists - May 1994 "* and found that few recommendations from that review have been fully implemented. This finding was inconsistent with hospital management written advice that implementation had generally been effective.

COMMITTEE APPROACH

2.3. Comment on the audit findings was sought by the Public Accounts Committee (PAC) in the previous Assembly from the Minister for Health and Community Care. The Minister provided a Government submission to the PAC in a letter dated 30 September 1997.[2] The committee also invited and received comment on the audit report from the Australian Salaried Medical Officers Federation (ACT Branch) (ASMOF).

3. GOVERNMENT COMMENT ON THE ISSUES

3.1. The preamble to the Minister's submission advised that all salaried specialists groups in Australia have won either the right to private practice within normal working hours, or the payment of an allowance in lieu of such practice. This allows supplementation of a salary, which by comparison is significantly less than that obtainable in private practice. Also behind the development of such schemes is the widely held belief that a strong core of excellent salaried specialists is essential in the growth of a successful hospital, especially a teaching and referral facility.

3.2. The Minister advised that most schemes have limits set on the percentage of base salary which can be earned as a "bonus" by the salaried specialists. This lessens the incentive for the specialists to seek private patients beyond the number necessary to achieve the payments of the bonuses. In any event earnings beyond a certain level revert to the hospital.

3.3. The ACT scheme provides that pre 1994 salaried specialists, operating under the "old" scheme, have the right to 2 sessions (half days) outside the hospital and in normal working hours, to practice privately. The earnings in these sessions are the property of the specialists and the hospital is not involved in its handling. The proviso exists that the specialist must make up the time so taken in private practice.

3.4. Salaried specialists who entered into contracts since 1994 are eligible for three new schemes. These are:[3]

[2] Minister for Health and Community Care, letter to PAC dated 30 September 1997
[3] Audit report, p21

Scheme A : specialists may choose to be paid 20% of their annual gross salary in addition to their gross salary in lieu of private practice earnings from within the hospital;

Scheme B: in addition to their salary, specialists may earn up to 50% of their annual gross salary in on site private practice income from their activities within the hospital; and

Scheme C: specialists receive 75% of their gross salary and may claim additional amounts from outside private practice within the hospital, up to 113.3% of the salary paid to the specialist in a financial year.

3.5. Under Scheme A arrangements, specialists must not conduct private practice, during usual working hours, at a place other than a health facility or Calvary Hospital. Under Scheme B and C arrangements, no specialist may conduct private practice, during usual working hours, at a place other than a health facility or Calvary Hospital without the prior written approval of an Executive in the hospital.

Action advised by the Minister

3.6. The Minister advised that effective from 23 July 1997 the Chief Executive Officer of The Canberra Hospital commissioned an experienced medical administrator on short-term contract to implement the recommendations of the audit report, and also developed measures to ensure ongoing compliance with private practice agreements. These measures included a meeting with representatives of the salaried specialists, the Australian Salaried Medical Officers Federation, the Auditor-General's Department and hospital staff following which an implementation plan was presented and accepted.

3.7. A data base on each salaried specialist was created from the 1994 internal review, the Auditor-General's report, and personnel files. Each specialist was requested to provide details of their current private practice and make up time arrangements. Interviews were conducted with the "Old" scheme specialists who exercise their rights of external private practice, as well as the majority of those in schemes B and C.

3.8. The medical administrator produced an analysis of compliance with conditions of private practice agreements and the administration of all types of leave and was to implement the plan with regard to facility charges, private practice billing and receipting, activity levels of salaried specialists and VMOs. An administrative position of coordinator of private practice arrangements was to be established to oversight the conduct of the scheme on a permanent basis.

Specific comments by the Minister in relation to the areas of audit investigation

Compliance with Agreements

3.9. The Minister advised that the Government accepts the Auditor General's findings in relation to inadequate controls over private practice arrangements and is ensuring that the new executive management team at The Canberra Hospital puts in place measures to guarantee that specialists comply with the terms and conditions of their private practice agreements. The action taken to date has been to examine all the personnel records of the salaried specialists and to ensure compliance with their individual agreements.

3.10. This examination showed:

- there were 26 "Old" scheme salaried specialists
- 22 of them exercise the right of outside private practice and four did not
- of the 22, 14 had written approval in their files, with another four producing letters of approval from their own files. (The committee subsequently learned that at 30 June 1998 three salaried specialists had yet to gain written authority for outside private practice although the Department had been seeking to resolve the matter. The committee further learned that the matter had been caught up in the June 1998 VMO contract dispute)

3.11. The Minister advised that the right to outside private practice is not in question as this is ratified in an agreement between ACT Health, the AMA and the predecessor of ASMOF ACT Branch, and further advised that during the implementation plan arising from the audit report all salaried specialists had been re-surveyed, most had been interviewed and all had stated that they meet the terms of their agreements as regards time absent from the hospital and the make up of the time taken.

3.12. With regard to the "New" scheme salaried specialists, who have no contractual barrier to private practice outside normal hours, the Minister advised that:

- 20 are on Scheme A who do not practice privately outside the hospital
- five are on Scheme B, with none practising privately outside the hospital
- five are on Scheme C, of whom, three conduct a hospital outreach clinic in a south coast town, shared between them on a once weekly basis, and the other two do not practice privately outside the hospital

Leave administration

3.13. The Minister acknowledged there had been a lack of effective management of leave for salaried specialists and that those with excess accumulations had been informed that they must make arrangements to take this leave within a reasonable time and comply with industrial requirements. It was also noted that a small number of specialists had been taking one days leave a week to supplement their time in private practice outside the hospital. Those specialists had been informed this was unsatisfactory from the hospital's viewpoint and must cease, though it is not prohibited by their award.

Facility fees

3.14. The Minister acknowledged the need for a review of charging for the use of hospital facilities and resources but noted that current charges at The Canberra Hospital are similar to those used in NSW and Victorian public hospitals and that the charges are based on the fees recommended in the 1984 Commonwealth Department of Health's inquiry into Private Practice in Public Hospitals.

3.15. The Minister advised that a review of facilities fees will be included as part of the renegotiation of the Enterprise Agreement with salaried specialists.

Billing and receipting

3.16. The Minister accepted that there had been inadequate management controls over billing and receipts for private practice services, but stated this is the area in which most progress was made in implementing the recommendations of the 1994 internal audit review.

3.17. The Minister advised that a review of the recommendations of the current Auditor General's report and the existing computer systems has indicated that significant changes will be required with both software and systems integration issues to be addressed with the extension of the computerised booking system for outpatients. However, this will greatly assist in the capture of data that is both timely and accurate.

Comparison of VMO and salaried specialist activities

3.18. The Minister was not convinced that the Auditor General has an overall understanding of the inter-relationships between VMOs and salaried specialists' private practice activities, although it was recognised that it should be determined if the combination is the most cost effective.

3.19. To that end, the Minister advised that as noted in the implementation plan many changes are necessary in the production of meaningful output figures for each senior medical officer, both VMO and salaried. Such an exercise would be conducted over the twelve months (from last September) and regular reports will be forwarded to the ACT Health and Community Care Services Board for their consideration. It was noted that the expected work profile of the different salaried specialists will need to be determined and will be included in the current negotiations on the new enterprise agreement for staff specialists and for the next visiting medical officer agreement.

3.20. The Minister further noted that discussions with the ASMOF (ACT Branch) to introduce a method of monitoring and recording had been positive.

4. COMMENTS BY THE ASMOF (ACT BRANCH)

4.1. While not commenting specifically on the audit report, the Federation offered the following general observations:

- each State health system provides salaried specialists access to a right of practice, although the details of each specific scheme varies in each jurisdiction. However, when medical practitioners choose to exercise their right of private practice it is clear that considerable benefits accrue to the health system, individual hospitals and to the medical practitioners themselves.

- income received by medical practitioners from private practice is one component of a complex remuneration package including base salary, allowances and payments for on-call and overtime. The total package is determined dynamically with reference to the demand for and supply of specialist services, interstate comparisons and the rates of remuneration paid to VMOs.

- to adjust any or all of these components on an ad-hoc basis risks placing the Australian Capital Territory in a commercially disadvantageous position with regard to other States and creates an imbalance between the relative returns to a medical practitioner to practice medicine as a VMO rather than as a salaried specialist. The maintenance of a healthy private practice arrangement keeps the pressure off award and enterprise bargaining salary outcomes while generating income for the hospital.

- in the Australian Capital Territory the private practice arrangements are recorded in individual contracts signed between ACT Health and the medical practitioner. The agreements are negotiated by ASMOF ACT Branch on behalf of its members; the contracts are comprehensive and impose obligations on both parties and it is the Federation's view that both parties should continue to honour the contracts as they now stand.

- the Federation is involved in discussions with ACT Health to examine any problems alleged to exist by the audit report and any changes necessary to the

private practice arrangements or associated conditions of employment will be negotiated and ratified through the normal channels.

5. COMMITTEE COMMENT

5.1. The committee notes that while the Government has accepted the validity of the audit findings and has taken action to address those administrative and management shortcomings identified in the audit report, no specific mention was made of the audit finding that few recommendations of the 1994 ACT Health Internal Audit Review of salaried specialists private practice arrangements had been fully implemented. It is of concern that management and other shortcomings have not been effectively responded to. This must be viewed seriously and the committee will recommend Ministerial action to assure the Assembly that the issues either have been addressed or are being addressed.

5.2. Some time has now elapsed since the audit and the Minister's response to its findings and it is now timely that the committee call for an assessment of the outcomes of the changes arising from the implementation plan developed to ensure the audit recommendations are put into effect and the committee recommends accordingly.

5.3. The committee also recommends action in relation to the 1994 ACT Health Internal Audit Review of salaried specialists private practice arrangements.

6. RECOMMENDATIONS

6.1. The committee recommends:

(1) that the Minister for Health and Community Care inform the Assembly on:

(i) the efficacy of measures to guarantee that salaried specialists comply with the terms and conditions of their private practice agreements, and the extent of compliance by specialists;

(ii) a strategy to address inadequate management controls:

(iii) a timetable for phasing out of the "old" scheme outlined in the audit report;

(iv) the effectiveness of the coordinator of private practice arrangements in monitoring specialists' leave entitlements, the current leave profile and the extent to which, if at all, the practice of some specialists in taking leave to supplement their time in outside private practice continues;

(v) the present position with regard to the review of charging for the use of hospital facilities and resources for private practice, including whether a strategy on fees was included in the enterprise agreement;

(vi) changes instituted in billing and receipting arrangements for private practice services;

(vii) whether a method of monitoring and recording the activities of salaried specialists has been introduced, and its effectiveness; and

(viii) the extent to which recommendations of the 1994 ACT Health Internal Audit Review of salaried specialists private practice arrangements have been implemented and, where they have not been fully implemented, the reasons; and

(2) that the Minister for Health and Community Care give an assurance to the Assembly that the lack of control over leave arrangements identified by the audit have been addressed and rectified.

Ted Quinlan MLA
Chair