

Slide 1



This presentation provides an overview of the Victorian Auditor-General's report *Managing Private Medical Practice in Public Hospitals*.

**Overview**



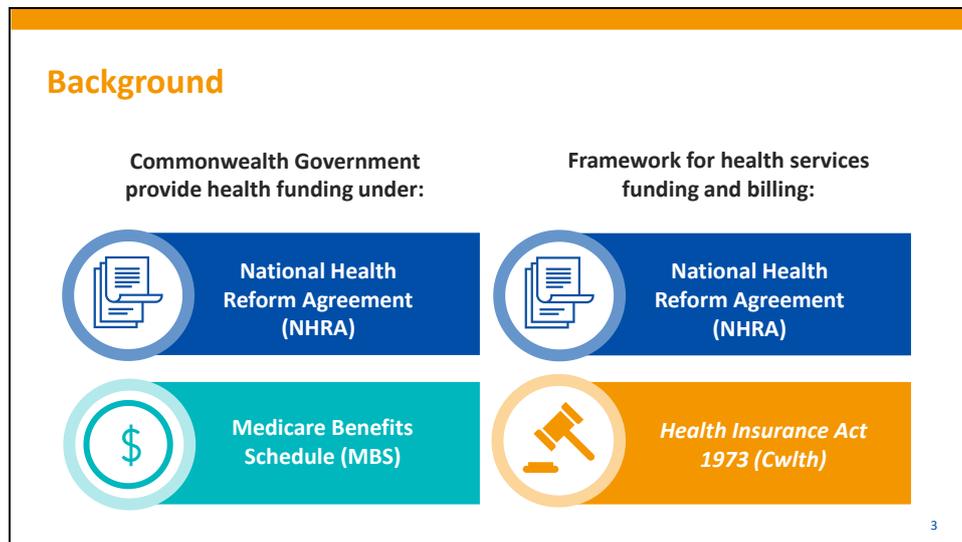
Private medical practice in public hospitals provides health services with an additional revenue stream

Health services enter into private practice arrangements with senior medical practitioners

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Private practice in public hospitals provides health services with an additional revenue stream to help fund their operations.

To facilitate private practice in public hospitals, known as health services in Victoria, health services enter into private practice arrangements with senior medical practitioners.



Victorian public health services are funded by the Australian and Victorian governments.

The Commonwealth Government provides health funding under the National Health Reform Agreement (NHRA) and through the Medicare Benefits Schedule (MBS). The NHRA and the federal *Health Insurance Act 1973* provide the framework for health services' funding and billing.

The Commonwealth Government provides activity-based funding and has developed the National Weighted Activity Unit (NWAU) as a measure of health service activity.

**What we looked at**



**Whether the Department of Health and Human Services (DHHS) and health services are effectively managing private practice in public hospitals to optimise outcomes for the health sector**

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This audit examined whether the Department of Health and Human Services (DHHS) and three audited health services are effectively managing private practice in public hospitals to optimise outcomes for the health sector and Victorians.

**Who we looked at**



- DHHS
- Latrobe Regional Hospital
- St Vincent's Hospital Melbourne
- Western Health

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We audited DHHS and three health services:

- Latrobe Regional Hospital
- St Vincent's Hospital Melbourne
- Western Health.

**What we found**



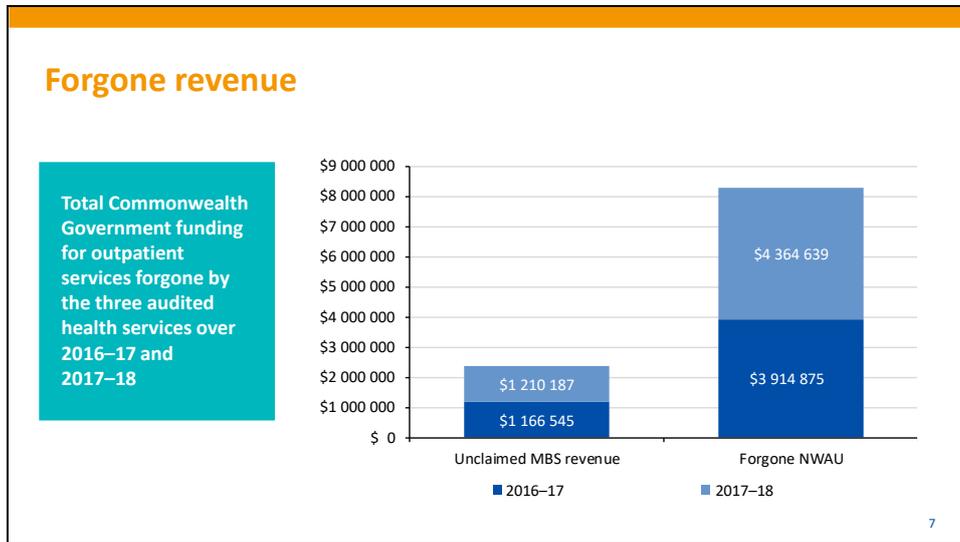
- DHHS has not effectively managed private practice to optimise outcomes for the health sector
- Health services have not taken action to ensure private practice activities comply with the NHRA, the *Health Insurance Act 1973* and MBS billing requirements
- DHHS's current funding model does not incentivise health services to ensure public and private services deliver cost efficient services for the state

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We found that DHHS does not guide the management of private practice in public health services and does not monitor whether health services comply with national requirements.

Health services have not taken enough action to ensure that their private practice activities comply with the NHRA, the *Health Insurance Act 1973* and the national MBS billing requirements.

DHHS's current funding model does not incentivise health services to ensure their combination of public and private services deliver the most cost efficient services for the state.



DHHS does not have a strategy for how Victoria can achieve the best mix of state, Commonwealth and private revenue funds. We examined the three audited health services outpatient funding data for 2016–17 and 2017–18 and identified lost Commonwealth Government funding for Victoria totaling \$10.65 million through:

- unclaimed MBS billing
- forgone NWAU or activity-based funding—as a result of health services using lower paying MBS instead of public occasions of service.

**Compliance with the National Health Reform Agreement**

Lost revenue when health services bill Medicare for services instead of claiming public payments from the state

For 2016–17 and 2017–18, NWAU payments would have exceeded the MBS payments by more than \$8.2 million.

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When health services bill Medicare for services instead of claiming public payments from the state, the state loses revenue because for some outpatient services, the public NWAU payment is greater than the MBS payment.

For 2016–17 and 2017–18, we examined the audited health services outpatient activities and found that NWAU payments would have exceeded the MBS payments by more than \$8.2 million.

**Compliance with the National Health Reform Agreement**

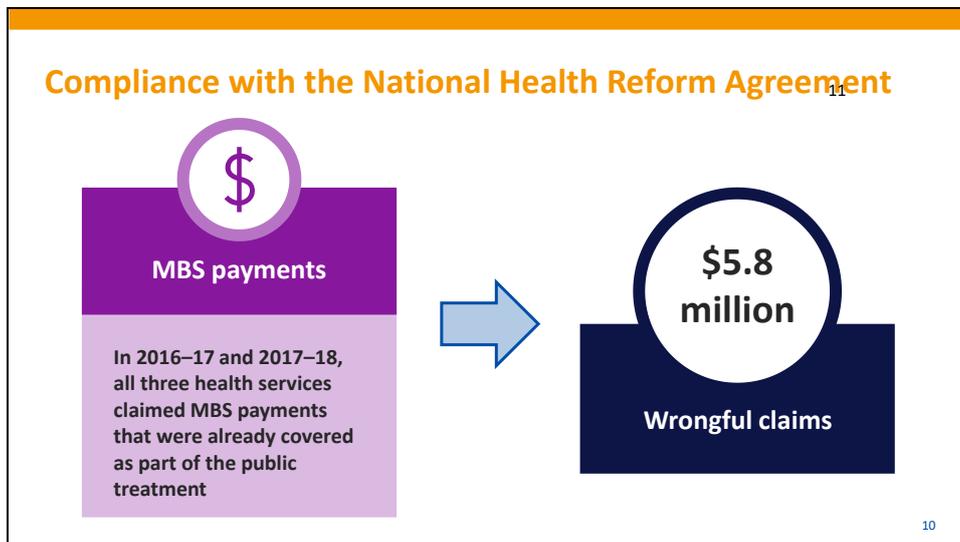
NHRA requires health services to provide the same level of access to services to public and private patients and treat eligible patients free of charge unless they choose to be treated as a private patient

Western Health's Sunbury Day Hospital breached the NHRA

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The NHRA requires health services to provide the same level of access to services to public and private patients and treat eligible patients free of charge unless they choose to be treated as a private patient.

We found that Western Health's Sunbury Day Hospital breached the NHRA by providing faster access to private cataract and wisdom teeth surgical patients. Western Health permits private specialists to use the Sunbury Day Hospital to treat their own private patients. Western Health does not charge the private specialist for the use of the facility.



The NHRA stipulates—where a patient chooses to be a public patient—components of the patient’s treatment, such as pathology and medical imaging, are bundled into the cost of treatment, and health services cannot claim separately for them. In 2016–17 and 2017–18, all three health services claimed MBS payments that were already covered as part of the public treatment.

These wrongful claims total over \$5.8 million. The Commonwealth Government could require Victoria to repay money wrongfully claimed, DHHS does not monitor health services’ compliance with this.

## Recommendations

**7** recommendations for DHHS

- Form a network that reports to one Deputy Secretary to undertake a comprehensive review of health funding to create a funding approach for the state
- Create guidance for health services to align their practice to DHHS's funding approach
- Ensure health services are compliant with the NHRA and other key national legislation
- Review its MBS guidance to ensure it complies with national guidance
- Provide health services with guidance on not adding private patients from private surgeons' lists on the public waiting list and monitor compliance with this

**2** recommendations for three health services

- Examine unclaimed MBS services
- Ensure they comply with the NHRA, MBS, DHHS and IHPA guidelines

**1** recommendation for Western Health

- Examine its private practice arrangements to ensure they comply with DHHS requirements

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We made 10 recommendations in total—seven for DHHS, two for the three audited health services and one for Western Health.

We recommend that DHHS form a network that reports to one responsible Deputy Secretary to review Victoria’s health funding to better use the mix of funding available, provide better guidance for health services, and monitor and ensure health services are compliant with the NHRA and other legislation.

We recommend that the audited health services examine unclaimed MBS services, and ensure they comply with the NHRA and other relevant guidelines.

We recommend Western Health examine its private practice arrangements at the Sunbury Day Hospital to ensure they comply with DHHS requirements, are properly documented and cost effective.

For further information, please view the full report on our website:  
[www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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