Australian Government

Medicare Australia

Driving Efficiency, Cost Reductions and Achieving Excellence in Service Delivery

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Insurance Claims Processing 2008

30 October 2008

Hotel Boulavard, Sydney, NSW

Thank you for the opportunity to speak here today. Given one of the themes for this conference is achieving excellence in service delivery, it's quite timely that I can share with you news from a service awards presentation held in Melbourne last night. My organisation Medicare Australia received three awards and was named joint winners of the main award at the Customer Service Institute of Australia (CSIA) ceremony, for great customer service.

Some of you may know that Medicare Australia has a long history of excellent service delivery and our client surveys regularly record high levels of satisfaction.

But the main focus of my comments today is around the claims experience itself. How those claims can be managed and as a consequence how the experience can be improved. I would like to do that by using a couple of examples.

Before getting to that however, I would like to touch on product delivery more generally. And to do so a short review of what we all receive when acquiring goods or services.

Whilst many categorisations are possible there are three broad groupings of products. First there are the tangible items, cars, or whitegoods for example. Second are the intangibles, conference registrations or holiday bookings – the classic goods or services split.

And thirdly, government programme delivery. This will vary across programmes but in the main, amounts to payments made to or on behalf of citizens.

If we look historically, most of these transactions occurred in the way that has been around for centuries. The person would go into the business and purchase or receive their product.

How would they do that? Well normally the person would go to the office or business, fill in a form or forms and receive their product. You can still see this today in many small businesses and government agencies. The key issues here are the cost of the process, time taken to process the transaction and the inconvenience for the client.

The next stage in service delivery and processing is to partially automate the process, more efficiently manage the clients with queuing systems and the like and improve the skill levels of staff interacting with the clients. We can safely add to this suite of improvements the telephone service. It avoids the need to have direct physical contact in a variety of ways and of course replaces the physical queuing with the telephone queue system we have all come to love.

What about the future? Well it depends a bit on the product being delivered. You can quickly think of purchasing books or groceries online and having them delivered to your door.

Holidays, footy tickets and the like are regularly purchased online at a time to suit the purchaser and again be delivered to a home address.

It's worth noting here that many organisations use the carrot and stick approach to move clients to their (the organisations) preferred interaction channel. Online tickets can be cheaper, physical visits may result in long waits in a queue etc.

One thing that can get lost in all of this channel management and organisational cost savings is the propensity to not so much reduce costs but to shift costs. This is an area of focus in government as we seek to improve the service to clients whilst reducing or at least not adding to their costs.

So now I want to move to some of those government programmes I mentioned earlier and the future. What does the future hold? Well for many the solution seems to be online services and the internet. And indeed for many purchases of goods or services that is the key way forward.

In one way going online does stop people filling out a paper form – by having them fill out an electronic one of course. Is that better? Well yes and no!

Web forms have the capacity if well constructed to bring some smarts to the form filling. This means that the form is more likely to be completed correctly as the on board edits ensure that many errors are rejected at the point of completion. A classic example of which many would be aware is the Tax Return filled out through eTax.

And indeed this form goes a step further by having segments pre-filled so that the taxpayer is saved the trouble of completing some components of the form.

Sounds good – well it is. More accurate data means less re-work, faster turnaround and lower costs.

However, this approach still requires the user to fill in a form, to go outside normal day to day activities to meet obligations under a government programme. Can we get around this, well yes, in some cases by the use of natural systems.

Natural systems are the systems that we use every day as we live our lives. For example, a visit to the doctor. How can the system of a visit to the doctor deliver a government programme outcome.

Well consider if as you paid for your consultation and the doctor asked “would you like me to claim your Medicare rebate” and then by simply hitting an extra key or two, the doctor was able to send your claim and have it paid into your bank account.

Moving on I'd like to talk a little about the nature of Medicare's business.

Without going into too much detail I can tell you that Medicare Australia administers the Medicare programme worth about 12 billion dollars a year, the Pharmaceutical Benefits programme at 6 billion, the Aged Care programme 6 billion and the Private Health Insurance rebate at about 3 billion per annum. *(go to slide - payments by program)*

You can see that these quickly add up to almost 30 billion dollars. And just in case you think we have it easy we also administer the Australian Childhood Immunisation register, the Australian Organ Donor register and the Bowel Cancer service register. In addition we have the most comprehensive register of Australian citizens held by any government agency and make payments for LPG vehicle rebate, Family Assistance services and some other programmes. *(go to slide - chart of growth of Medicare registrations over time)*

What does this mean for Medicare Australia and it's clients?

Let me start by mentioning the move of pharmacies to PBS online. In 2007 – 2008 virtually all of the 5,000 or so pharmacies in Australia took up the option of the fully online PBS claiming system. PBS Online has streamlined the claiming process by reducing payment times and has also minimised red tape by removing the duplication in handling administration errors. It provides pharmacies with certainty about the payment of a PBS subsidy during the dispensing process while the customer is in the pharmacy. *(go to slide – PBS online services)*

Medicare Australia has now also developed online claiming solutions for use by Aged Care providers. Due to the diversity of the sector we have made 2 solutions available. An electronic form to be filled out by accessing our website, and online claiming software that integrates with accounting and clinical care systems used by the aged care sector.

The implementation of these alternative approaches has seen a fairly rapid take-up of electronic claim related events.

As at the end of September 2008, over 2,200 or 70% of residential services have registered with Medicare Australia to use the aged

care online claiming functionality and almost 1,500 or 40% residential services are transmitting claim related data to Medicare Australia. Over a 1,000 of these services are transmitting data by means of the web channel *(go to slide – Aged Care online claiming take-up)*

Now you might say “so what?” Well to deliver these and other outcomes Medicare Australia processes around half a billion transactions each year. And to give you a sense of the pace by the time I’ve finished this speech we will have handled about a quarter of a million payment transactions.

Whilst this is impressive in it’s pure scale, I’m sure other organisations like banks may handle even more. But what is critical to note is that not only does Medicare Australia have to process these transactions and get the accounting correct, it also has to ensure that the claims made by doctors, pharmacists and you and I, are made correctly with no errors or fraudulent behaviour involved.

You can imagine that keeping a check on so many payments is quite a sophisticated process, one that has been developed and

enhanced over many years. You might also feel that a fundamental part of the design is to make the process as fail proof as possible and this is certainly so.

How do we do this? Well part comes down to the way in which citizens behave, part to education, part to our back end analysis and part to the intrinsic design of the system.

At Medicare Australia we recently did a little bit of analysis of what our organisation would look like without having automated so much of its work. Such an assessment is always assumption driven but in it we have been fairly conservative. And if you look at the graph here you will see that Medicare Australia would need to employ in excess of twelve thousand staff if the claims processing approaches of the past were still in vogue today, an "army of assessors" you might say. *(go to slide – Cathy Argall's staffing, actual vs projected)*

The automation of our service provision began way back in the late 1980's early 1990's and if you look at this table I can show you where we've got to. In fact for the payment of claims made by medical providers, Pharmaceutical and Aged Care providers on

their own account, over 90% are now managed with virtually no human intervention. That is except for the error and edit cases that the system rejects for operator checking. *(go to slide- number of claims processed electronically MCA, PBS Aged Care)*

That's not bad is it? Who else has such a high level of automation?

For some government programmes however, a second and very useful vehicle is the use of natural systems. I would like to come back now to natural systems and use Medicare Online as an example.

Medicare Online was developed around 2001 and is available as an Application Programme Interface (API) to medical practice software developers. Software developers then incorporate it into their medical accounting package. Medicare Online allows the claim for the Medicare rebate to be generated during the doctor's normal billing cycle at the end of each consultation.

Medicare Online links the doctors accounting system with Medicare Australia. Secure messages are sent via the internet and

the patient's eligibility and the doctor's service are validated by Medicare's assessment engine. If this checks out the Medicare rebate is calculated and paid directly into the patients bank account. (Go to slide on how MCOL works).

There is a minimum of additional overhead for the medical practice to do this and absolutely no impact on the patient. Payment by the Government is made automatically. No visit to a Medicare branch is required to collect a cash rebate.

You may have been asked to provide your bank account details by a doctor at some time. If you did provide these to the doctor then all future Medicare rebates can be deposited directly into your bank account. All the doctor has to do is to tick a couple of additional boxes while they are charging you for your consultation.

Another example of the use of a Natural System was the eGrant Diesel fuel rebate system. Was, I say because it no longer operates. The policy framework has changed and the grant is no longer payable.

But in July 2002 the Tax Office introduced a then new claim process, eGrant to eliminate the need for some clients to lodge paper forms to claim the Diesel Grants.

The grants policy was originally introduced to support commercial truck operators by providing a 14 cent per litre diesel fuel subsidy. Drivers had to keep their paper receipts for fuel purchases and attach these to a covering (paper) form which they had to complete each month with details of their expenditure and distance travelled. These would then be sent by mail to the Tax Office, checked by staff, and if all was correct duly processed. A cheque would be issued and posted to the operator.

This approach was a standard implementation of policy. The replacement eGrant system changed all of this. Under eGrant the information on fuel transactions is captured by the fuel company at the point of sale when a fuel card is used and forwarded to the Tax Office to authorise payment of the claim.

eGrant connected commercial truck drivers, petroleum retailers and the Tax Office and provided a seamless and transparent

system. It replaced the laborious paper based delivery approach with a natural system that captured the relevant programme administrative information as a by-product of normal day-to-day business operation. It saved time, saved paper, and improved monitoring and compliance for the programme.

So where does the future go. I'd like to talk about the Electronic Claim Lodgement and Information Processing Service Environment, otherwise known as ECLIPSE. (The extent some people will go to get a jazzy acronym). *(go to slide – acronym of ECLIPSE).*

Interestingly, ECLIPSE connects a much wider group in the community, than for example Medicare Online.

ECLIPSE was designed and built for dealing with claims relating to in-hospital episodes of medical care. It also allows for the costs associated with in-hospital treatment to be calculated and the rebate entitlements coming from government and private health funds to be offset against the costs.

These costings allow for what is known as informed financial consent. That is for the patient to know before agreeing to go ahead how much they will be out of pocket for the procedure. But in doing so the system connects with government, private health funds, hospitals and the doctors to determine that the patient is known and what benefits they may be entitled to. *(go to slide - how does ECLIPSE work graphic).*

The crucial issue here in the wider context is the secure connectivity that these systems offer for communicating between health professionals. And in terms of Medicare's strategy of the habituation of health professionals to the use of ehealth connectivity, a way at a practical usage level of making inroads. So how many practices now have this connectivity. A way of estimating this is to look at the number of practices who have active PKI certificates and therefore are communicating electronically. *(go to slide - No's of providers with PKI registration chart).*

So now for Medicare Australia the next challenge lies in getting specialists who will be the key provider users of ECLIPSE into the electronic claiming and hence connectivity world. Electronic

Medicare claiming take up by specialists is still quite low. In fact our data says that only around 45% of specialists have the necessary infrastructure to support connectivity. *(go to slide - what % of spec. practices bulk bill).*

But that issue aside how are we going with the communities engagement with ECLIPSE. Well of course Medicare Australia operates and maintains ECLIPSE and the government has flagged on-going funding support over the forecast period of the budget. The private health funds are well advanced in integrating ECLIPSE into their back end systems with virtually all funds having some level of integration, some fully integrated.

It's worth noting at this point that in the world of e-commerce things can change slowly. Large organisations have many pressures on them and driving system change can take some time to deliver. So even with the best of intentions, delays can occur against what with hindsight might have been optimistic change agendas. *(go to slide - goat in cloud bank cartoon)*

I can show you a couple of graphics that indicate the position of each of Australia's private health funds in enabling ECLIPSE

connectivity. The first chart gives the position across functionality at 1 January 2008 and this second chart shows the expected additional connectivity by 1 January 2009. *(go to slide – funds functionality currently in prod) and) (go to slide – funds planned development).*

It's obvious that the funds are moving rapidly to full engagement with ECLIPSE. And their engagement is starting to push hospitals to connect as well. Two of Australia's largest private hospital groups are in test now and others are moving forward quickly. Some smaller groups have been connected for a while.

So whilst Medicare Australia will be working to help and support specialists to move to eclaiming and the use of the infrastructure, funds and hospitals will be adding their weight to the effort. They of course stand to gain as recent advice from one large fund suggests error rates in claims processing, drop from around 40% in the case of manual processing with paper transfer and re-keying, to less than 2% once the ECLIPSE system is operational and data transferred that way. *(go to slide - quote from health fund).*

That is a significant change in anyone’s language and you can imagine the cost savings. So encouraging medical professionals, especially specialists, is important in moving forward to have a national infrastructure capable of supporting secure connectivity. Is progress being made? Well yes and some of the transmission volume growth is quite sharp though off a small base.

Let me show you the growth in doctors transmitting claims via ECLIPSE verification of entitlement using ECLIPSE and lastly the percentage of in-hospital medical claims being made by ECLIPSE. You can see particularly with this last chart the growth progress is exponential and has moved by some 400% in twelve months. *(go to slide 1 – doctors transmitting via ECLIPSE, slide 2 - OPV and slide 3 - IMC)*

Like many other organisations a key focus for Medicare Australia is the convenience for the community that comes from the use of direct Online Services. To give you a sense of the growing importance of this area I’d like to share some statistics with you.

As at 30 September 2008 739,147 people had registered to interact with Medicare Australia through our online services, with approximately 750 people signing up each day. About two thirds of the people registered are female, one third male and around one third of those registered are in the 25 – 34 year age bracket. Whilst these are not surprising findings in themselves they do point to a rapidly growing use of online services as this group ages, and as those currently below 25 start to become interested in their healthcare. *(go to slide – who is accessing online services).*

What do people use Online Services for? Well services such as being able to view your Medicare Safety Net balance and Medicare Tax statement are in high demand. The capacity to update personal details and order replacement Medicare cards and register as an organ donor are regularly used as well. One of the most used services is downloading Australian Childhood Immunisation Register Statements by parents.

One of the most important and recent innovations made in this area is the capacity to view your Medicare benefits transaction history. Since this service was introduced in March this year, over

100,000 people have accessed their history statement with the numbers continuing to grow. (*go to slide MBS transaction history)*

To access these Online services all you need to do is register with Medicare Australia and a password will be mailed to your current Medicare Australia mailing address. Medicare Australia ensures that access to these Online services is secure and requires authentication to protect the privacy of your information.

In conclusion, let me briefly mention a broader approach to improving service at the Federal level. And in doing that, discuss the Department of Human Services (DHS) and the key role it plays in improving government social and health related services to all Australians.

DHS was created in 2004 with the aim of achieving improved governance, clearer accountability and better performance in government service delivery. It's committed to achieving best value for money in service delivery, while emphasising innovation and continuous improvement. In doing so DHS works across

service delivery agencies and government as a whole to achieve these objectives.

The Human Services Portfolio is about people and the services they may need at different stages of their lives.

Human Services consists of the Portfolio Department, including the Core Department, the Child Support Agency and Commonwealth Rehabilitation Service (CRS) of Australia. The Portfolio’s agencies are Centrelink, Medicare Australia, Australian Hearing and the Health Service Australia Group.

You would appreciate that central to much of this activity is the notion of collaboration between what were previously separate government agencies. So this departmental construct is really based on the idea that collaboration produces improved outcomes for all concerned.

So government is about improved service delivery at all stages from the skilled staff, web services and online connectivity and

natural systems to major machinery of government changes, like those that created DHS.

Thank you for your time today. I'm happy to respond to any questions my comments might have raised. *(go to slide - thank you & questions).*