1971

PARLIAMENT OF TASMANIA

PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

TASMANIAN PUBLIC HOSPITALS: OUTSTANDING FEES

Laid upon the Tables of both Houses of Parliament on 28 October 1971

The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970 (No. 54).

MEMBERS OF THE COMMITTEE

LEGISLATIVE COUNCIL	HOUSE OF ASSEMBLY
Mr Gregory	Mr Costello (Chairman)
Mr McKay	Mr Barrenger
Mr Fenton to 14 October 1971	Mr Braid
Mr Bisdee from 14 October 1971	

WITNESSES EXAMINED

L. J. Baillie, Chief Administrative Officer, and M. L. McVilly, Accountant, Department of Health Services; E. S. Wearne, Immediate Past Chairman, and B. J. Aherne, Secretary, Fire and Accident Underwriters' Association of Tasmania; and T. O. Corby, Administrator of the Royal Hobart Hospital.

REPORT

The Parliamentary Standing Committee of Public Accounts have the honour to report on an investigation into outstanding fees at public hospitals.

In his Report for 1970 (pages 14 to 16) the Auditor-General commented at considerable length on the problem of outstanding hospital fees.

> A disturbing feature of the accounts of public hospitals this year is the continuing growth in the amounts outstanding on account of hospital fees. At 30 June 1970, total fees outstanding amounted to $1,720,000 as compared with $1,590,000 at the end of the previous year.

The 1971 Report (page 10) provides a total figure of $1,855,074 for fees outstanding for all public hospitals at 30 June 1971. This is a rise of about 8% over the preceeding year. A summary of the position at 30 June 1971 appears on page 218 of the Auditor-General's 1971 Report. The figures for the General Hospitals reproduced below, justify the Auditor-General's concern for the effect on hospital finances of long delays in settling accounts.

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General Hospitals: Fees 1970-1971

	Royal Hobart	*Launceston*	*Mersey*	*North-Western*	*Total*
Total fees charged 1970-71, plus fees outstanding at 30 June 1970	$2,247,372	$1,487,302	$583,908	$839,183	$5,157,765
Total of outstanding fees, 30 June 1971	816,051	401,692	180,960	240,246	1,638,949
Percentage of outstanding fees to total fees, plus fees outstanding at 30 June 1970	%36.31	%27.01	%30.99	%28.63	%31.78
Fees outstanding up to three months	318,006	173,947	62,219	81,277	635,449
Fees outstanding three to twelve months	342,307	*227,745	46,522	71,429	688,003
Fees outstanding twelve months or more	155,738	....	72,219	87,540	315,497
Fees remitted 1970-71	130,933	37,150	11,321	16,853	196,257

* Included in this figure are fees outstanding twelve months or more for which dissection was not available.

As mentioned above, the total fees outstanding to public hospitals was about 8% above the previous year. The Committee compared these figures with those for 1969-70 in respect of fees outstanding three months or more.

General Hospitals: Fees outstanding 3 Months or more

	At 30 *June,* 1970	*At* 30 *June,* 1971
Royal Hobart	$470,918	$498,045
Launceston	98,034	227,745
Mersey	97,667	118,741
North-Western	122,706	158,969
	$789,325	$1,003,500

The figure which stands out is that for the Launceston General Hospital, where fees outstanding three months or more, rose to $227,745. The corresponding figure for 1969-70 was $98,034. The Committee will await with considerable interest the next report of the Auditor-General and anticipate a drastic improvement for this Hospital.

The Auditor-General said that the areas causing him most concern were patients who were qualified for Commonwealth hospital benefits but were uninsured at the time of admission and patients who were unqualified for Commonwealth benefits, namely third-party, workers' compensation and repatriation cases.

Qualified Patients (Non Third-Party, workers' compensation or repatriation)

At 30 June 1970, $342,300 was owed to the Royal Hobart Hospital by patients who were qualified for Commonwealth benefits as follows:—

	$
Insured	190,300
Uninsured	152,000
	$342,300

Insured patients, naturally, present little difficulty, but the Auditor-General included insured qualified patients among the source of most concern. He recommended in 1970 the appointment of a credit manager at each of the two largest General Hospitals, the Royal Hobart and Launceston General, who would handle, among other things, assessment of the means of patients. His comment has some point when it is remembered that the estimate of fees waived by the Royal Hobart Hospital in 1970/71 was only $16,700, whereas fees remitted during the year amount to $130,933. It is obviously desirable, for hospitals and patients alike, that there be the earliest possible recognition of the fact where fees are not going to be able to be met. This suggestion was raised with a representative of the Department of Health Services who said:—

> You just cannot pluck someone off the street and set him up as a credit manager. They have to be specially trained and it is only the very large hospitals in Melbourne that employ credit managers. The hospitals of comparable size to Launceston and Hobart follow the same pattern as we do and employ collection agencies.

The committee heard evidence from the Administrator, Royal Hobart Hospital (the late Mr T. O. Corby) on procedures currently followed in assessing means of patients. In his submission he said:—

> Patients for admission to hospital or the responsible person are seen by the interviewing clerk prior to admission and the basic particulars taken. If the patient is insured no financial circumstances are recorded and the patient is charged the standard fees applicable. If workers' compensation or third-party insurance is involved the relevant information is obtained and the stay in hospital is charged at the rates which apply to such cases. When the patient is not insured for hospital benefits a 'Financial Card' is completed. This contains information as to income, rent, dependent children, pensions, social service benefits, etc. No assessment of fees is made at this stage. If the patient is not interviewed prior to admission, due to ailment or after hours, the patient is seen in the ward by a clerk from the accounts office.

The assessment of fees for uninsured patients is determined by the Senior Clerk (Accounts) who examines the 'Financial Card' for this purpose.

Patients eligible to receive 'subsidised medical service' benefits but who have not applied for same are contacted in the wards and arrangements are made for necessary forms to be completed. During the period until entitlement for S.M.S. is determined by the Social Services Department, the hospital receives two dollars per day Commonwealth benefit. This benefit also applies to uninsured patients for whom a debit is not raised and who do not have entitlement for the S.M.S. benefits. The latter is in accordance with section 55A of the Commonwealth Health Act.

There are very few uninsured patients who say that they cannot afford to pay. In the majority of cases uninsured patients, when being asked the questions on the 'Financial Card', claim that they can and wish to pay—in some instances offering to do so by instalments. It is the practice to accept such offers.

In making an assessment of fees it is the direction of the Department of Health Services that a 'means test' based on income, rent and family is not to be made but the assessment is to be on the ability of the patient to pay. This had been done, as far as possible, and, where the patient has indicated willingness to pay fees these have been charged. Many find that they are unable to meet such a commitment and hence the large amount of fees outstanding and the subsequent remission.

Mr Corby explained that interviews are conducted by 'female clerks, usually in their early twenties'. He agreed with the Auditor-General's suggestion that there should be a credit manager, though, he stressed that he should be called an 'assessing officer", since hospitals do not actually give credit. Mr Corby envisaged a senior full-time officer, specialising in this field and capable of investigating each case fully. The Committee commends this suggestion to the larger hospitals as a more appropriate means of determining ability to pay. If the proper organisational steps were taken the use of private collection agencies could be avoided and patients and their families spared unnecessary worry.

Unqualified patients (Third-party, workers' compensation or repatriation)

As the Auditor-General has pointed out:—

The problem of the unqualified patients is not just that the outstanding fees on their account are continuing to increase but that third-party claims generally involve litigation and frequently settlement of hospital accounts in such cases takes from two to three years, and workers' compensation claims incur other delays.

A substantial number of accounts of third-party patients at the Royal Hobart Hospital have been outstanding for more than five years with some for periods in excess of ten years. . . .

The pattern of outstanding fees as illustrated above appears to apply generally to all hospitals throughout the State.

The representatives of the Department of Health Services shared this concern at delays in settlement of third-party accounts. They drew the Committee's attention to a scheme introduced in Victoria in March 1971 whereby a fund has been formed of contributions on a *pro rata* basis by third-party insurers. The fund is administered by a Committee consisting of representatives of involved organisations. Hospital accounts for motor vehicle accident patients are paid monthly from the fund. The rate of payment is 80% of the average daily bed day cost of the hospital concerned. It is estimated that in Tasmania the final percentage collection of all amounts raised is 80%, in the case of third-party fees and practically 100% of workers' compensation fees. The representatives of the Department of Health Services said that they considered the most important aspects of the arrangement to be:—

(*a*) Drivers are covered (this is not so anywhere else);
(*b*) There is no subsequent adjustment;
(*c*) There is no delay in payment to hospitals;
(*d*) There must be a police report regarding the accident.

The Chairman and Secretary of the Fire and Accident Underwriters' Association of Tasmania submitted in evidence to the Committee that 'delays arise primarily in the lengthy procedure of establishing the legal liability of the insurer for his client's negligence'. They concluded by saying:—

We believe that there is no serious problem about Hospital accounts in respect of workers' compensation cases. The main difficulty arises in regard to motor accident victims. This is so serious a matter to our hospitals that we volunteer to implement a scheme indentical to that attached to remedy the position in this State. An extra premium of forty cents on all compulsory third-party insurances would be necessary to defray the additional costs to insurers.

The attachment referred to is set out in the Appendix to this report.

The Committee were advised that the system proposed could be adopted by arrangement between the parties, without the need for legislation. Inasmuch as the present delay in payment of motor accident victims' accounts contributes most to the problem of outstanding hospital fees, the Committee recommend that negotiations between the Department of Health Services and the Fire and Accident Underwriters' Association of Tasmania be held and the earliest possible decision made on this matter.

Ministerial Party Room,

Parliament House,

Hobart, 12 October 1971

L. COSTELLO, Chairman

APPENDIX

VICTORIAN HOSPITAL CHARGES PAYMENT SCHEME.

Outline of proposed Agreement between hospitals and insurers regarding payment of hospital accounts of persons involved in motor vehicle accidents.

1. Committee of four to be set up to administer the agreement comprised of—
   Representative of State Insurance Office.
   Representative of private third-party insurance offices.
   Representative of Hospital and Charities Commission.
   Representative of private hospitals.

2. The Committee to pay 80% of accounts rendered for ambulance service, hospital treatment on an in-patient or out-patient basis in respect of all persons, including drivers, pedestrians and passengers, who are injured in an accident in which at least one motor vehicle registered in Victoria is involved. The person in respect of whom the accounts are raised must be mentioned in a police report of the accident as an injured person.

3. Insurers will reimburse the Committee for any authorised expenditure on same basis as nominal defendant claims.

4. Payments to hospitals would be made within one month of receipt of the account.

5. The scheme would operate if possible in respect of accidents occurring on or after say, I March 1971.

6.—
   (*a*) An agreement would be signed by all hospitals who wish to be included and thereafter such hospitals would not issue any accounts to private persons or their solicitors if the accounts come within the definition set out in paragraph two.
   (*b*) If an insurer pays a claim which includes a hospital account from a hospital which has not joined in the agreement it would be reimbursed by the Committee to the extent of 80% of the account.

7. All authorised insurers must suscribe to the agreement for the scheme to be workable. It will be suggested that no additional insurers be authorised to carry on third-party business unless they are prepared to sign the agreement.

8. The costs of administration incurred by the Committee will be reimbursed by insurers in the same manner as the payment of hospital accounts.

9. The balance of 20% of hospital etc., accounts not payable by the Committee would be written off as uncollectable. The payment by the Committee would be in full discharge of any liability by any claimant, solicitors or insurers.

T. J. HUGHES, Government Printer, Tasmania.