Department of Health

Expression of Interest

Payment of health services by commercial payment service providers

Briefing Pack August 2014
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Market Testing
Payment of health services by commercial payment service providers

1. Introduction

As a part of the 2014-15 budget process, the Australian Government has provided funding to market test the payment of health services by commercial payment service providers. The health services in scope are funded by the Department of Health (Health) and the Department of Veterans’ Affairs (DVA), with the administration of the payment for these services provided by the Department of Human Services (DHS). DHS administer these payments through an integrated claims and payments system that involves people, processes and technology. The core of these services include the assessment and calculation of correct entitlements, as well as their payment through electronic payment processing and subsequent reconciliation. The market testing is to ascertain whether there are innovative and viable alternative approaches to delivery of these services through commercial payment service providers that will provide a system with integrity, efficiency and the required flexibility and agility to keep pace with the evolving policies that underpin the payment for health services.

1.1. Background to the market testing process

The current systems and processes for the payment for health services have been with DHS for many years. As a system which is highly integrated with other health and social welfare systems, its flexibility, agility and cost base are showing signs of a system in need of redevelopment. There are many possible options for improving the efficiency and providing the desired flexibility and agility, but instead of exploring any traditional government based systems redevelopment and process re-engineering, the Government would like to really test whether there are more efficient alternatives through commercial providers.

While the specific focus of this market test is on the assessment and calculation of correct entitlements, and their payment, it needs to be acknowledged that these aspects are the core of a much broader and complex system, and it is a possible that some service providers will have innovative suggestions that stretch into the broader system. We would like to understand the key areas of interest, and any such suggestions, but they must include the core eligibility checking, assessment, calculation and payment functions.

1.1.1. Cost efficiency

The Australian Government currently funds the ongoing operation of the payment for health services system on an annual basis. As well as the ongoing operational costs, there is a cost and a variable timeframe to implement changes to policy settings. These policy settings lead to changes to a current
set of complex and integrated IT systems, as well as the provision of
documentation and education material for consumers, healthcare providers,
DHS and DVA staff and technical documentation and support to the Medical
Software Industry.

1.1.2. Flexibility and agility in adopting to changed policies

The payment for health services system is the core of a much larger and
complex system, integrated with the health, veterans’ and social services IT
systems, business processes and people delivering registration, processing and
contact centre, compliance and debt management services. The current
systems are ageing in technology terms, and coupled with the inherent
complexity that has evolved over the years, means increased risk and longer
lead times to adapt these current systems to new policies.

Any change to the current arrangements will need to demonstrate that the
supporting decision making technologies employed will provide greater
flexibility and agility to quickly adapt to policy changes which impact the
calculation and assessment of entitlements to payments for health services.

1.1.3. Patterns of policy change/flexibility

Broadly, policy change occurs within the Federal Budget cycle, however,
implementation dates will vary and can span across a full calendar year. To
cater for the variability in timing, as well as for ongoing changes to relevant
schedules (which occur frequently), changes are predominantly managed
through four major IT system releases each year, with monthly minor updates
(including fixes) across all aspects of the services (Pharmaceutical Benefits
Scheme (PBS), Medicare and DVA health service payments).

For Medicare, the major releases generally occur in January, May, July and
November. For PBS, the major releases occur in March, June, September and
December.

1.1.4. A system with integrity

Claims and payments for health services in Australia is experienced by every
Australian at some stage of their life. A failure in such a service whether it be
from systemic errors, intentional misuse, unavailability or perceived unfairness
would be considered a failure. As such, any change to the current approach
needs to ensure that the system is able to demonstrate through reporting and
independent auditing that it is working correctly, and that all risks to the
systems ongoing sustainability and integrity are appropriately mitigated.
1.1.5. Natural commercial processes and systems to deliver these services

While claims and payments for national health services has traditionally been provided by government, there are other commercial parties that also transact in high volume claims and payment services. There are some existing commercial operations that are involved in claims and payments for private health insured services. There are also many parallels in the finance, banking, insurance and telecommunication sectors which deal with high volumes of claim and liability transactions which result in the movement of a very large number of financial transactions.

Through these parallels it is entirely possible that such systems could be supplemented or changed to also support claims and payments for health services.

This market testing process is seeking innovative approaches to the assessment and payment of health services that leverage existing commercial capabilities, supported by an innovative commercial arrangement.

This process is not expected to draw responses for a capital replacement of any existing computer system or a proposal for outsourced arrangements to run the current system as is with a different service provider.

1.2. Timeframes for expressions of interest

Commercial parties interested in expressing interest in providing any aspect of the claims and payments for health services will need to provide their submission in writing, including all of the required details set out in this EOI, by 5:00 pm (AEST) 22 August 2014.

1.3. Seeking clarification or asking questions

Any enquiries regarding the EOI process or the Response Form must be in writing and emailed to PaymentsEOI@health.gov.au prior to 5.00 pm (AEST) on 19 August 2014.

Health (in consultation with DHS and DVA) will arrange to answer questions that potential respondents have up until close of business on 20 August 2014.

Questions that will be answered will be limited to descriptions of the services, systems and processes as they are currently provided. Health will not provide advice on the types of innovative models, or commercial arrangements that may or may not be acceptable for consideration. It is important that this process deliver true commercial market innovation for the models that may support these services in the future.

It is expected that after the close of this initial EOI process, a series of meetings and workshops involving some, but not necessarily all, of the respondents to this EOI may be arranged on an individual basis to allow those respondents to clarify their response and
the scope of the services. The outcomes of the EOI and any subsequent meetings and workshops with respondents will inform future stages in this process.

1.4. Confidentiality of responses

The organisational details for each respondent will be regarded as commercial in confidence while they are being considered, noting that any suggestions and broad designs proposed in response to this EOI may be used publicly or in subsequent market testing phases. It is important that responses to this EOI do not contain any intellectual property of the respondent that cannot be used more broadly or potentially publicly in subsequent phases. There will be opportunities in the next stages of this process where respondents will be able to discuss innovative approaches and any intellectual property issues that may be involved.

The Department will appoint appropriate third parties to assist in the evaluation of the expressions of interest, modelling of various commercial and contractual models and potentially to run follow-up market testing activities. Any such parties will have declared that they have no interest in providing the claims and payments for health services.

Any responses should indicate the organisation’s interest in being involved in subsequent phases of the market testing which will likely delve into the types of models being proposed, and the potential commercial and contractual vehicles that may be exploited.
2. EOI Response Requirements

An EOI response form (the Response Form) is provided with this Briefing Pack, and this Response Form should be used as the template for all responses. Further documents can be attached to the Response Form when responding, with detail of acceptable files that can be included as attachments provided in the Response Form.

Organisations wishing to express interest in this process must lodge their response by 5.00 pm Australian Eastern Standard Time on 22 August 2014 by email to PaymentsEOI@health.gov.au.

Any enquiries regarding the EOI process or the Response Form must be in writing and emailed to PaymentsEOI@health.gov.au mailbox prior to 5.00 pm AEST on 19 August 2014.

As well as seeking information about the organisation expressing interest in this process, the key information that is sought relates to the scope of the services that is of interest to the respondent organisations. A high level model depicting the overall system within which the current claims and payments functions are a part of is at Section 4 of this Briefing Pack. It is possible that some respondent organisations will be interested in the provision of all services involved in the current process and systems, while others may be interested in specific elements such as the entitlement calculation and payment disbursement. Health has no firm views on the limitations or breadth of scope.

The information which needs to be provided in the EOI responses is detailed in the Response Form.

Respondents to this EOI should make note of the comments at Section 1.4 above regarding confidentiality of responses and potential reuse of information from responses at possible future stages of the market testing process.