

Alternate Payment Mechanisms for Early Intervention Services

FaHCSIA

Payment Review

June 2012

Executive summary

The Helping Children With Autism package (HCWA) and Better Start for Children with Disability Initiative (BSI) programs play an important role in providing good outcomes and longer term benefits for individuals, their families and the community. Whilst the current program design supports payments for this outcome, it is possible that FaHCSIA could further support the delivery of the programs through alternate payment options.

Some of the key drivers for FaHCSIA in conducting an analysis of alternate payment options is ensuring that:

- Administrative overheads associated with existing labour intensive processes are reduced.
- Families are provided better information from FaHCSIA to help them understand and access their full entitlement under these programs.
- Service providers are provided with a more efficient and automatic processes by which claims are submitted to the Australian Government.

PwC has conducted a detailed review of the program's current administration, and considered five options to enhance the existing payments process:

- Option 1: Streamline the current payment mechanism
- Option 2: Pre-paid card mechanisms
- Option 3: Healthcare payment mechanisms
- Option 4: Direct claim mechanisms
- Option 5: A combination of payment mechanisms

Of these options, it appears that a cost effective and relatively high impact option is to streamline current payment mechanisms. This could include enhancements to the current service provider portal user interface, streamlined and improved claims entry and potentially bulk import functionality. Whilst there are significant potential advantages associated with pre-paid cards and healthcare payment mechanisms, these are relatively high cost options that do not appear to provide significant additional advantages. It may be, however, that when these options are considered in the context of additional programs and initiatives they are much more attractive and worth more detailed investigation, particularly the option of using a healthcare payment mechanism, Health Industry Claims and Payments Service (HICAPS).

Regardless of considerations of payment mechanisms, PwC recommends that there are some improvements to current processes and activities could be considered to improve the administrative costs associated with HCWA and BSI. Specifically, we believe actions can be taken to address the following areas:

- Quantity of calls to the HCWA and BSI service desk;
- Number of failed payments which occur;
- Manual processing of FAS statements to families who cannot be sent these electronically; and
- Inefficiencies in the service provider registration process.

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1 Background and Approach

Early intervention services provide good outcomes and longer term benefits for individuals, their families and the community. The early intervention services delivered by state and territory governments are more effective when complemented by initiatives such as the Australian Government's Helping Children with Autism package (HCWA) and the Better Start for Children with Disability Initiative (BSI).

HCWA and BSI both include access to up to \$12,000 (with a maximum of \$6,000 per financial year) to assist access to early intervention therapy funding for each eligible child. The funding can be used to pay for early intervention services provided by a range of professionals who are members of the provider panel.

Professionals on the panel include:

- speech pathologists;
- audiologists;
- occupational therapists;
- physiotherapists;
- psychologists;
- orthoptists;
- teachers of the deaf;
- orthoptists; and
- others .

Eligible children register for the early intervention funding before their sixth birthday, and families have until the child turns seven to use the funding. Parents can choose the service providers from the provider panel and eligible therapeutic services that best meet the needs of their child. When a child accesses an early intervention service, service providers enter information into FaHCSIA's Online Funding Management System (FOFMS) manually, this includes creating client records and submitting payment claims.

At the end of each month, FOFMS generates Family Activity Statements (FASs) for each client accessing services in the previous month. This statement provides a summary of recent service activity and how much of the overall funding allocation remains.

The ability to provide appropriate levels of funding to individuals to meet their specific needs is a key enabler of early intervention and the ability to manage this funding (both by the Australian Government and by individuals and families) is a critical element of the provision of good outcomes. The investigation and assessment of alternate payment mechanisms will complement work currently being conducted on individualised funding and aligns with the concept of 'person centred and flexible approaches' outlined in the National Disability Agreement as well as the principles underpinning development of a National Disability Insurance Scheme.

In conducting this review, FaHCSIA are aiming to build on their knowledge base on payment mechanisms in operation today. The information presented here will be used in order to shape thinking around the implementation of these programs in the future. This report presents preliminary research into options available and a high level overview of how each could be applied to the FaHCSIA environment. This review is not intended to provide a detailed specification or design.

FOFMS is the central hub for current FaHCSIA grants management activity. This is a mature and sophisticated system that supports many programs, connections within and between departments and to external stakeholders

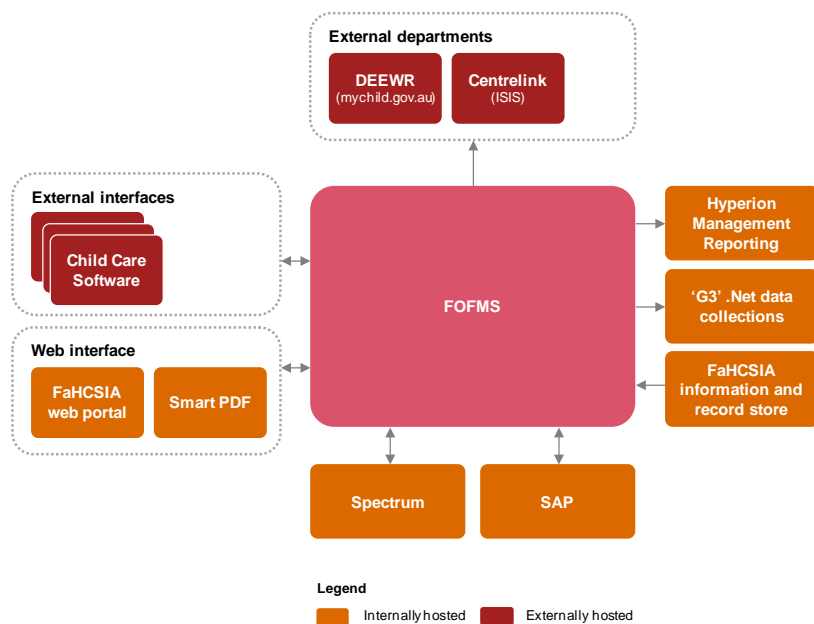


Figure 1 FOFMS integration diagram

A number of issues surrounding the execution of payments to service providers have been identified that can make the payments process both labour intensive and frustrating for those involved. Whilst there are many good reasons why FOFMS currently operates as it does, the adoption of alternate methods of payment could potentially offer greater flexibility and convenience to claimants while also reducing the demands placed on the department and service provider organisations.

Objectives

As a result of issues identified in the current payments process, FaHCSIA are now looking to understand alternate payment options available to drive thinking on the implementation of these programs in the future.

Some of the key areas identified as creating difficulties in the existing process are:

- Administrative overheads associated with existing labour intensive processes.
- Families being provided with statements that can be outdated at the time they are issued. Statements are generated based on the claim information populated in FOFMS and as such, if a claim has not been entered in a timely manner, the family will either receive outdated information or no statement at all.
- Unintuitive and difficult to use claims process for service providers.

Approach

The feasibility study was conducted in five stages as follows:

- **Confirm approach.** In the first three days, kick-off meetings and initial discussions were held, confirming how the following weeks would be run. Interviews were confirmed, documentation lists identified, and the detailed plan for the following weeks confirmed. A project management plan was defined for the execution of the review.
- **Detailed review.** In the subsequent week, the team simultaneously:
 - Reviewed the over-arching business processes in which current payment mechanisms operate to identify key factors in the functionality of those processes;
 - Performed a technical review of the systems used to understand current functionality and requirements;
 - Identified methods of payment that have proved to be successful in other organisations and sectors and that would be compatible with the systems used by FaHCSIA; and
 - Performed an analysis and developed an initial hypothesis for alternate methods of payment. This was articulated in high level draft report presented at the end of the second week.
- **Refine report and recommendations.** Over the next two weeks, based on feedback received the team completed final analysis and data collection activities. This included the incorporation of an initial assessment of likely ongoing maintenance costs. The report was submitted for final review and included details on the following points for each option:
 - description;
 - information available for reporting and data analysis purposes;
 - compatibility with existing departmental systems;
 - information on the costs and benefits for parents/carers of clients, service providers and the department; and
 - information on privacy and fraud concerns and risk management strategies.
- **Finalisation of report.** During this phase review sessions were held with FaHCSIA representatives to collect final feedback. Subsequent to the review sessions, the report was updated in accordance with the comments received. The report was then finalised and submitted.

Document Structure

The document outlines five alternate payment mechanisms for FaHCSIA's consideration and is structured as follows:

- Section 2, '**Alternate payment mechanisms**', discusses the existing process in more detail and goes on to outline each of the five options for enhancing this process. Each option is described at a high level, has details on the technical implementation, provides estimated costs associated to implementing and maintaining the mechanism and also outlines the associated advantages / disadvantages aligned to the objectives stated above.
- Section 3, '**Comparison of payment mechanisms**', provides a comparison between each option and provides a view of the relative strengths and weaknesses of each.
- Section 4, '**Next steps and further considerations**', outlines any next steps or additional considerations for FaHCSIA before pursuing one of the options presented here. This section also offers some high level recommendations on potential areas for improvement outside of this process.
- The appendices provide detailed information on the documentation that was reviewed and the citations used to produce this report.

2 Alternate payment mechanisms

This section outlines five options to enhance the existing payments process. Each option contains a description, details of the technical implementation, ongoing cost implications as well as the associated advantages and disadvantages of the option. The five options presented here are as follows:

- Option 1: Streamline the current payment mechanism;
- Option 2: Pre-paid card mechanisms;
- Option 3: Healthcare payment mechanisms;
- Option 4: Direct claim mechanisms; and
- Option 5: A combination of payment mechanisms.

In order to fully understand the relative benefits and pitfalls of each option, a more detailed understanding of the existing process and the role FOFMS plays in this is required.

Current Process

The HCWA and BSI packages aim to provide support for early intervention services for children with autism, a moderate or greater vision or hearing impairment including deafblindness, Down syndrome, Fragile X syndrome or cerebral palsy. Funding for these programs is provided through an approved service provider panel.

The end-to-end process to distribute funds under these programs can be broken down into four stages:

1. Admitting service providers to the panel;
2. Approving a client / family to receive funds under a program;
3. Distributing information and advisory services to clients as required; and
4. Distributing funds for early intervention services.

These stages are described in further detail below.

1. Admitting service providers to the panel

To become a member of the panel, services providers must submit an online application to FaHCSIA. This application outlines the services that are provided and providers need to be able to demonstrate that they have experience with the listed disabilities (1a in the diagram below).

FaHCSIA staff assess the applications submitted and go through the process of approving / declining these applications (1b in the diagram below). This process sometimes requires staff to request additional information from applicants.

FaHCSIA either accepts or rejects the service provider's application. If accepted, the provider is notified and the associated organisation and funding agreement records are created in FOFMS (1c in the diagram below).

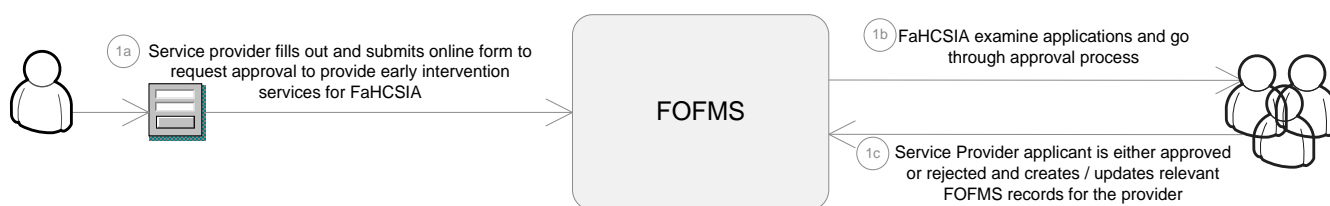


Figure 2 Service provider approval process

2. Approving a client to receive funds under a program

As this funding is intended to improve the capacity of children with disabilities which affect their development to transition successfully to school, most funding is only available until the child turns 7.

When a child, under the age of 7, is diagnosed with one of these disabilities the family can request funding from FaHCSIA for early intervention services. The family must register their child with an Autism Advisor or the BSI Registration Information Service (RIS) to receive services (2a in the diagram below).

The relevant advisory group then process the client's application by assessing whether the child has met the eligibility criteria, including confirming the diagnosis (2b in the diagram below).

If approved, the advisory group create a new client record in FOFMS and generate a letter of registration (2c in the diagram below).

This registration letter is then provided to the family so that they can begin to use early intervention services (2d in the diagram below).

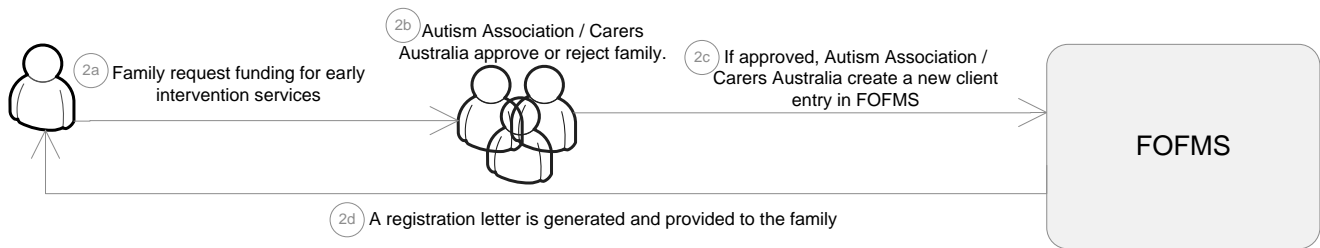


Figure 3 Client approval process

3. Advisory Services

After a client has been registered with either the HCWA or BSI programs, the advisory groups will provide ongoing information and an advisory service to the family. This group will assist clients with information such as approved service providers in their area, the types of services which can be provided as well as answering questions about how the program works in general. This informational service is available to clients for the duration of their involvement in the program.

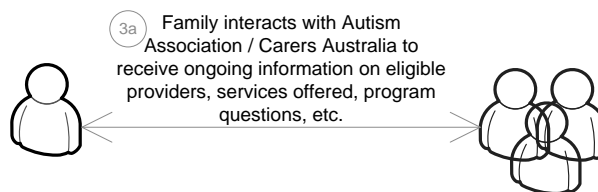


Figure 4 Advisory group shares information with the client

In addition to providing information to families and approving these families for service, the advisory groups also distribute the outer remote and regional grant. This grant is provided to families who reside in a regional area that is not in close proximity to any eligible service providers and is distributed in order to assist families with the costs of travelling to eligible providers. It is anticipated that irrespective of the final solution chosen, the outer remote and regional grant would likely still be distributed to families in the same way that it is today.

4. Distributing funds for early intervention services

Once a family is eligible and approved for early intervention funds, they are free to select services or resources up to an agreed amount from approved providers. The family must present the registration letter to the provider on their first visit. The child can then receive an early intervention service or resource (4a in the diagram below).

Once the service has been performed, and if the child has not participated in services from this provider previously, the provider will create a case record in FOFMS. The case record stores the relationship between the child and the service provider. Once a case exists between the child and provider, a case claim is created for each service incurred. The claim is verified by another member of the provider's organisation and submitted to FaHCSIA. The claim is processed by FOFMS and the funds are reimbursed to the provider (4b in the diagram below).

Each month, FOFMS generates a Family Activity Statement (FAS) for all families who have received eligible services within the previous calendar month. This statement is generated based on the claim information populated in FOFMS at the time the statement is created (4c in the diagram below).

Once generated, the FAS is either automatically emailed to families who have supplied a valid email address or are manually mailed out to families who have not provided an email address. There are currently 4,000 families who do not have an email address held within the system, however the reported average number of statements mailed out is approximately 1,500 per month across both programs (4d in the diagram below).

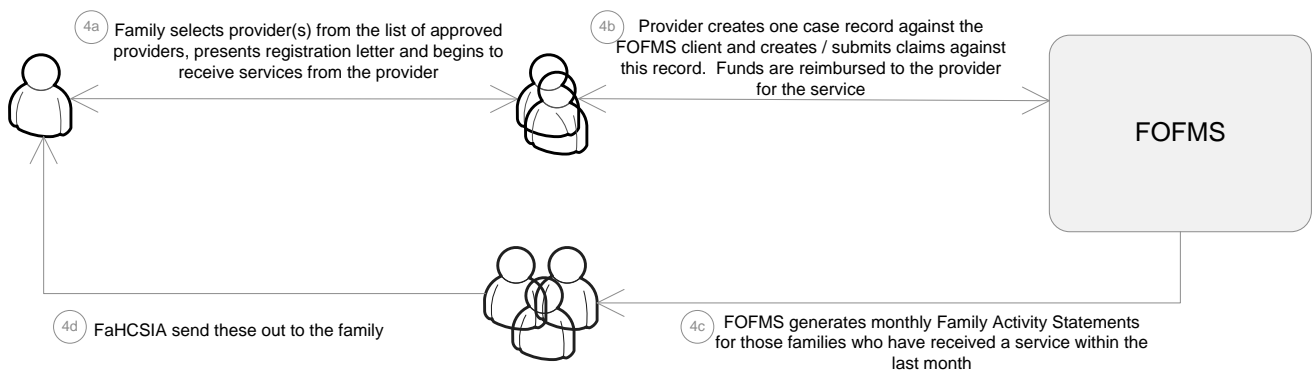


Figure 5 Submitting a case claim

Limitations of current process

The primary purpose of this assessment is to identify ways of improving and streamlining the process outline in step 4 - the distribution of funds for early intervention services.

When assessing each of the payment options put forward, each option should be measured on how well it adheres to the key drivers for FaHCSIA in conducting this analysis. These drivers are to ensure that:

1. Administrative overheads associated with existing labour intensive processes are reduced.
2. Families are provided better information from FaHCSIA to help them understand and access their full entitlement under these programs.
3. Service providers are provided with a more efficient and automatic processes by which claims are submitted to the Australian Government.
4. The Australian Government retains appropriate assurance that funding is correctly expended – both on an individual entitlement basis and that it is spent on approved services.

1. Reduced administrative overheads

A key driver in conducting this review is for FaHCSIA to reduce administrative overhead associated to running early intervention programs. During interviews conducted, the following key sources of administrative overhead were identified:

- Quantity of **calls to the helpdesk** from both service providers and clients.
Helpdesk call information is recorded in individual spreadsheets and this information is collated weekly to produce statistics on the volumes and types of calls. Calls recorded in the spreadsheets contain information on: the date and time of the call, program it relates to, name of the caller, type of stakeholder (i.e. service provider, parent, etc), contact details, subject of the call, description, status, call duration, etc. It has been reported that during peak periods, not all calls are logged in the spreadsheets and on occasion the weekly report is not produced. When looking at the call spreadsheets populated over the last two years, it appears that the subject and description are not always populated and the categorisation of calls is inconsistent across all helpdesk staff. In addition to this, the majority (53%) of calls logged either have no subject or have a subject of “Other”. This combined with the 6,000+ calls logged in this period makes detailed analysis of the types of calls received difficult and unreliable.
What is evident is that the helpdesk receives a wide variety of calls from clients and providers ranging from program policy and eligibility questions to FOFMS usage questions, balance checking, application questions, information update requests (such as name or address). While this couldn't be verified with call data alone, helpdesk staff have indicated that the majority of helpdesk calls pertain to:
 - Program policy questions / issues and often specifically relate to the use of funding for resources.
 - Balance enquiries of funds still available to clients – the information within FOFMS is limited in that FaHCSIA is reliant on service providers submitting claims on time to get an accurate picture of a family's current balance. Claims can be (and sometimes are) submitted months after the service was provided making statements distributed out of date.
- To correct and process a **failed payment** typically requires two FaHCSIA personnel – one person is required to update and submit the payment and another to approve it.
For the purposes of this review, failed payment data (provided in the form of excel spreadsheets extracted daily from FOFMS) was analysed to determine the highest causes of failed payments. The information obtained relates to failed payments which occurred between the 14th of May 2012 and the 15th of June 2012. While this time period may not be representative of failed payments which occur throughout the year, the data presented is consistent with the information obtained during interviews. The highest causes of failed payments appear to be due to the following business rule failures:
 - Claims submitted for unapproved funding agreements. This typically happens as updates made to service provider details (such as email address or staff changes) require a FaHCSIA staff member to approve the associated funding agreement again. If a claim is submitted before this approval is given, the payment will fail.
 - Service providers exceeding the funding agreement limit. Funding agreement limit is a mandatory field in FOFMS and appears to be populated with an arbitrarily large figure for BSI and HCWA programs (as it is not applicable to these programs). This limit is sometimes reached and any claims made for a service provider who has reached the limit will fail.

Over the period analysed, 297 payments failed for the HCWA or BSI programs with 185 of these failing on a single day (24th May).

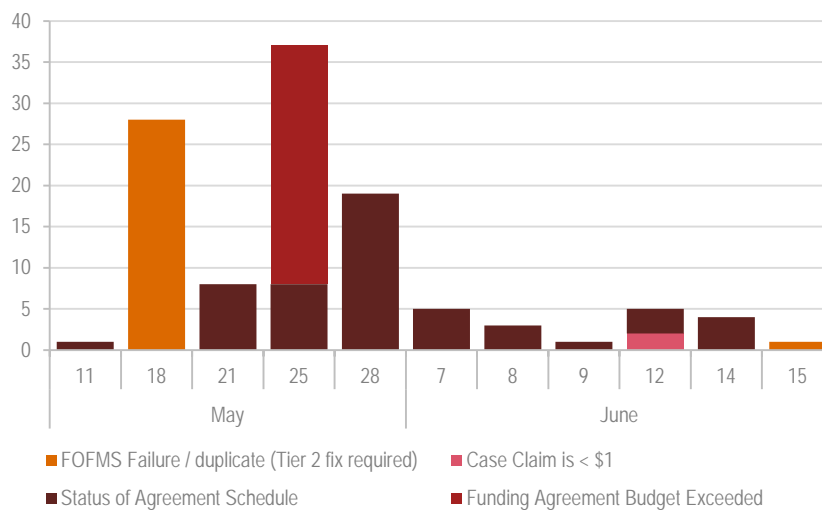


Figure 6 Failed payments 14th May - 15th June (excl 24th May)

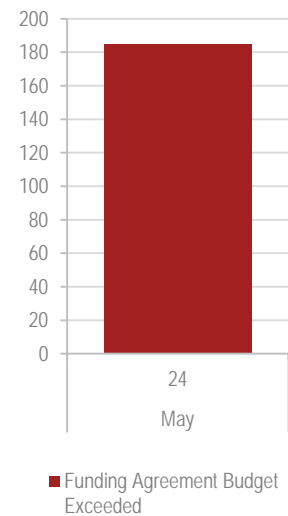


Figure 7 Failed payments 24th May (note different scale)

These numbers equate to an average of almost 12 failed payments per day over the course of the month, or an average of more than four failed payments per day when excluding those from the 24th of May.

- According to weekly helpdesk reports produced, over the last year an average of approximately 1,500 **family activity statements** (across the HCWA and BSI programs) are sent to families by physical mail every month. During peak periods this has risen to as high as 1,900 statements in one month and during quieter periods has been as low as 9,00 statements in one month. FaHCSIA print and send these statements in-house and this activity is estimated to take 2 business days per month to complete.
- Service provider **registration process** is reportedly labour intensive and is difficult to complete within short timeframes during peak periods.

2. Improved information for families

Anecdotal evidence suggests that families call the service desk primarily to ask policy / program questions or to enquire about the balance of funds available.

FaHCSIA's service providers are varied in type (from small sole traders to large consortiums) with many different payment options available to clients and billing arrangements in place. Some providers will submit all claims themselves whereas others have dedicated administrative staff to perform this function. Some providers will collect payment at the time of service, others will invoice after the fact, some providers claim within a day of service while others will only submit claims quarterly.

The differences in claiming practices mean that the lag between when a service is incurred and when it is entered into the system is varied across providers. FASs are generated on the basis of the data that is available in FOFMS at the time the job is run, so any delay in entering a claim in the system will cause the FAS to be out-dated. This is reportedly driving calls to the HCWA and BSI service desk from families enquiring on the balance of services available.

According to claim information extracted from FOFMS, almost 80% of HCWA claims are submitted within 20 days of the service being performed, with more than 88% of claims being submitted within 30 days across the life of the program.

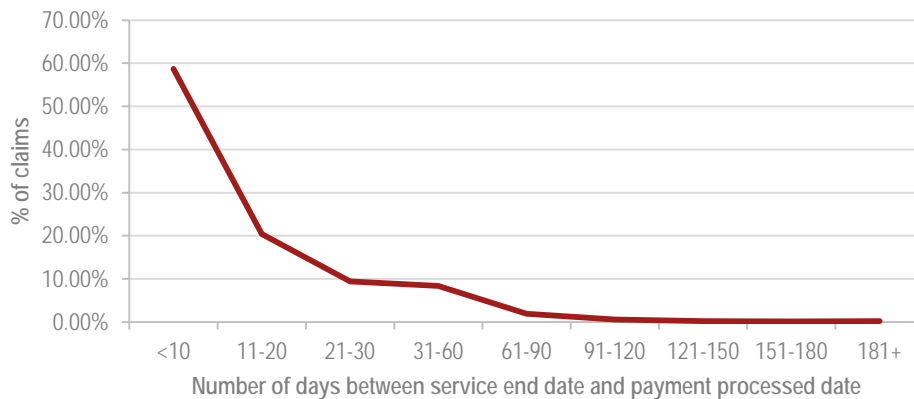


Figure 8 Number of days after a service a case claim was submitted

However, FASs are generated on the 1st of the month and only extract information for those clients who have incurred a service during the previous month. If, for example, a service occurs on the 30th June and the claim is submitted on the 1st of July the claim has been submitted within one calendar day of the service however will not appear on the client's FAS until the following month (i.e. the statement generated at the end of July). When analysing claim information for the HCWA program between May 2011 and May 2012, it appears that while 80% of claims are submitted within 20 days of service, only 65% of claims are submitted within the same month as the service. This means that from the client's perspective, almost 35% of claims appear on the FAS statement more than 1 month after service, with approximately 91% of claims appearing on the FAS within 6 weeks of the service date (allowing for postage times for manual mail families).

3. Ease of use for providers

It has been identified in interviews conducted that service providers feel that the existing process is un-intuitive and time consuming. Further, it has been suggested that service providers are expending vast quantities of time creating and submitting claims for the HCWA and BSI programs. It has not been possible to determine exactly how much time providers spend performing these activities on average; however this has been identified as a potential cause for the delay in some providers submitting claims to the system.

4. Assurance that funding is correctly expended

The HCWA and BSI operational guidelines outline the various rules and eligibility criteria associated to each of the programs. The data currently collected by FOFMS during the claims process allows FaHCSIA, to some degree, to ensure that providers are adhering to the terms and conditions set forward. There are restrictions as to the types of services that can be claimed, age limits for eligible children as well as limits on the amount of funding that can be expended on resources and within a single financial year. Any alternate payment mechanism should be assessed for its ability to ensure program rules are being applied.

Option 1: Streamline current payment mechanisms

FOFMS is now eight years old and supports a variety of funding programs for FaHCSIA and other government departments. The system has processed more than 600,000 service claims for HCWA in the four years the program has run and almost 30,000 BSI service claims in the year it has been run.

Description

The first option involves making improvements to the existing claims system (FOFMS) and data entry process so that it is easier for providers to create and submit claims. Improving this process addresses the third objective set out for an alternate payment mechanism (making it easier for providers) and could have flow on effects for FaHCSIA in terms of lower administrative costs and benefits for families (see advantages and disadvantages of this option outlined below).

The existing process for service providers is not immediately intuitive and can become frustrating particularly for providers who are new to the system. It requires the provider to have an understanding of how the system works and requires a level of technical proficiency. To create a claim in FOFMS, a provider is required to search for a client record and then navigate through a series of screens in a specific order until a claim can be created. The screens are not arranged in a way that easily supports the business process and as such some providers can become 'lost' in the system. The task card describing the process of creating a claim lists 22 distinct steps (assuming that the case record already exists) and a further 11 are required to submit a claim.



Figure 9 FOFMS claim entry forms

As an example of the complexity of this process, to create a claim service providers must perform the following high level steps:

- Open FOFMS and click on the link to 'Client'
- Search for a client record
- Select and open the relevant client record
- Click on the link to check the client balance
- Click on the link to display the list of cases for the client
- Select and open the relevant case
- Click on the link for case claims
- Create a new record
- Fill out the case claim form
- Save the record

These steps are not instinctive to a service provider who simply wants to create a claim for FaHCSIA. In addition to the complex navigation required through FOFMS screens, service providers can also find the entry of claim data complex. To create a payment claim, providers fill in details related to the service performed into the 'case claim' form. This form captures information such as the date of the service, the total cost of the service, the total cost of the claim, number of hours or sessions, the location of the service, type of service and any additional information the provider would like to specify. While this is not an excessive amount of information, the difficulty for providers is that the form will 'refresh' a number of times before all information can be captured. The refresh of the form is in large part due to a limitation with the way that the underlying FOFMS product works, however it is contributing to a less than optimal experience for providers when using the system.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

There are a number of options available to FaHCSIA to improve both the process of entering a claim as well as the usability for providers. These options include:

- Updating the look and feel of FOFMS in order to improve the service provider's experience: the claim form and the navigation through FOFMS could be improved such that it is more closely aligned with the business process. The aim for any updates here should be to reduce the number of 'clicks' that a provider needs to perform. This would make the process as simple as possible while still capturing the necessary claim information for FaHCSIA.
- Allow providers to create multiple claims at once: FOFMS can be updated so that providers can import many claim records at once without the need to manually fill out individual claim information within the system.
- Provide a way for service providers to create claims in FOFMS using their own software: FaHCSIA could create a way for provider software to automatically integrate with FOFMS. Providers would use their existing software (which they are already familiar with) and would not need to use FOFMS to enter any data.

Any FOFMS streamlining activities would be focussed upon improving the service provider experience to make it more efficient and effective. Changes introduced here would not materially affect the way that claims are processed today and simply relates to introducing superficial changes which optimise the existing process.

Technical implementation

The following section outlines the technical details of how the changes mentioned can be implemented within FOFMS. There are a number of options available to FaHCSIA to introduce improvements into the existing process and each of these options can be implemented independently. However, FaHCSIA would likely benefit the most by selecting a combination of these:

- Updating the look and feel of FOFMS in order to improve the service provider's experience by making **user interface (UI) improvements**:
This modification specifically relates to changes which can be made to the UI to improve the overall usability of the system. There are a number of options to do this (discussed in more detail below) including basic interface improvements, an enhanced claims entry process and the introduction of Siebel Open UI.
- Allow providers to create multiple claims at once by introducing a **bulk import tool**:
FaHCSIA could create a screen which is used by certain providers to import the details of multiple claims at once.
- Provide a way for service providers to create claims in FOFMS using their own software by creating a claims based **web service**:
FaHCSIA can introduce a case claim 'web service' to allow provider software to integrate with FOFMS automatically.

Each of these options is discussed in more detail below.

User Interface (UI) improvements

The existing claims entry process is complicated for users to navigate and can provide a poor end user experience. A contributing factor to this is that Siebel Partner Portal (the application used by service providers) uses a 'standard interactivity' mode. This mode is used in applications which need to be provided to external users as: it supports a wider variety of browser types; does not require the use of ActiveX controls; and does not require java plug-ins to be installed. In order to achieve this versatility for external users, certain functions are not available within the 'standard interactivity' mode of Siebel such as:

- Implicit save is not supported. In the 'high interactivity' modes of Siebel, records are automatically saved as soon as the user 'steps off' or navigates away from that record. In standard interactivity mode, the user must explicitly press the 'Save' button or changes will be lost.
- Interactive controls are not supported on drop down lists, multi-valued field popup boxes, date and time fields, etc. This means that in standard interactivity mode there is no support for functions such as auto-complete in a drop down list, nor can the user perform functions such as resizing a column within a list.
- Many functions that the user must perform in standard interactivity mode results in a page refresh. For example, if a new record is created the page refreshes so that the application can display a new entry form, when the record is saved the page is again refreshed so that the application can display the original form. In addition to this, the user may experience a number of refreshes when populating the data, such as when an item is selected from a dropdown list.

As a result of standard interactivity mode and the way in which the process is performed, the user must undergo more 'clicks' to complete a transaction and may need to undergo a number of screen refreshes to complete a claim. In order to improve the end user experience, FaHCSIA could consider:

- **Implementing basic user interface enhancements:** A number of enhancement activities can take place which should be relatively simple to implement within FOFMS and may provide usability benefits for end users. These activities include:
 - Modifying the order of tabs within Partner Portal such that it aligns to the process the end user must follow¹.

¹ It is important to note that FOFMS is used by a wide variety of programs and as such any changes to the look and feel (such as the order of tabs) best be considered across other programs which may be impacted by such changes.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

- Modifying the order of fields within the case claim form to align to the process an end user would follow. It is understood that the case claim form is specific to each program area and as such changes to this form can be made for the HCWA and BSI programs without impacting other areas.
- Investigate the source of screen refreshes and reduce this where possible.
- **Enhancing the claims entry form:** Another option available to FaHCSIA involves streamlining the existing forms and search functionality such that the process involves fewer steps. For example, the forms and views could be designed in such a way that the user could search within the case entity for a client record rather than following a series of steps to get to this point. The subsequent views presented to the user could also be streamlined such that financial information could be easily viewed. The aim of this process would be to ensure the provider undergoes less navigation within the system².
- **Implementing Siebel Open UI and task-based UI:**
 - In early-mid 2013, FaHCSIA are planning on introducing a new feature within FOFMS entitled 'Siebel Open UI'. This feature is a vast improvement on the current interface modes available within the product and is expected to provide a more intuitive end user experience for most operations. The implementation of this feature: will provide support for all browsers; is able to dynamically adapt to the type of device being used – such as a smartphone, iPad or desktop; provides more efficient navigation and shortcuts; and accessibility features such as screen readers. By implementing Open UI when it is released, service providers may find the claims process easier to use³.
 - With the introduction of Open UI, FaHCSIA can also investigate options around implementing 'Task based UI'. Siebel task based UI provides a method by which an end user can be 'stepped through' the process of completing a task. The user is guided through a wizard like interface and fields within the wizard are streamlined to ensure that only the information that the user needs to perform the task at hand is displayed. The interface is easier to use than standard Siebel navigation functions for less technical users. Currently, task based UI is only supported in 'high interactivity' mode and cannot be used in the Partner Portal application. However, with the introduction of Siebel Open UI this feature could be made available to external users of the system

Bulk import functionality

The ability to bulk import records into the system is a standard Siebel feature and depending on how it is implemented, could have a relatively low implementation cost. This option would allow selected service providers to upload a comma delimited file (csv) containing case claim details into FOFMS.

The import functionality would be provided via the existing 'All Claims' view only visible to selected providers. Fields which would be available for import include:

- Client Id / CRN
- Case Id
- All case claim fields such as date, cost, number of hours / sessions, location, etc

This tool would provide the same validation logic as specified in the current form and would not allow providers to submit claims unless all mandatory fields have been populated.

FaHCSIA should ensure that providers with access to this upload mechanism are not manually editing csv files to submit to the system. Manually editing csv files can present data integrity issues and may lead to an increase in errors experienced by providers. Instead, providers would need to be able to demonstrate that they have appropriate client management software that can programmatically export these files. In order to ensure this is the case, providers could be subjected to a certification process, and access can be given via an assigned 'responsibility' within the FOFMS system. If the provider has the responsibility, the import screen would be visible.

² Design decisions and implications around screen presentation should be thoroughly investigated and assessed before any modifications can be made. As a part of this, the balance between user interface requirements for the case creation processes vs the case claim processing usage should be considered.

³ It is important to note that Siebel Open UI is a new feature of Siebel and is undergoing the first rounds of client testing now. While it would likely improve the overall end user experience, the first Open UI version is expected to have limitations in some areas and contain some defects. Siebel Open UI is currently planned for release at FaHCSIA in early-mid 2013; however it may not be applied to all functional areas in the first instance.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

It is understood that FaHCSIA are currently considering the implementation of bulk import functionality and how it would be beneficial across areas and for program data collection.

Web service

A web service is an internet based programming interface made available to external users or systems to allow distributed processing of business functionality. Currently FOFMS has web service functionality available to childcare providers to update attendance information.

FaHCSIA could implement a similar such interface to allow eligible HCWA and BSI providers to automatically submit claims from their own client management software. Details of how the service can be accessed and used would be sent out to relevant practitioners who would then be required to alter their own software products to make use of the interface. Practitioners would have access to a FaHCSIA test / certification environment, whereby they would demonstrate that they are able to send and receive transactions to FaHCSIA in the required format.

Once the interface is implemented and certified for use, providers can enter information about early intervention claims and submit these details to FaHCSIA automatically from within their own client management software.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

Privacy and fraud assessment

We have assessed the privacy, fraud and ICT risk of each solution against a number of criteria.

Privacy:

1. Do providers capture any additional customer information?
2. Do providers handle any additional customer information?
3. Does FaHCSIA need to capture or handle any additional customer information?
4. Do any third parties require access to customer information?

Fraud:

1. Are any validation steps added or removed from the process?
2. Is the timeliness of payment processing increased or decreased?
3. Can transaction information be audited by the department?
4. Can a third party use the credentials?

Privacy assessment

This option preserves the status quo of provider and customer data capture. No additional customer information is accessible by providers, providers do not handle any additional customer information, and no additional third parties require access to customer information.

Fraud and risk assessment

Again, as the option preserves the status quo, there is no additional fraud risk. The timeliness of payments is unchanged so it is still possible for customers to overspend their balance, but information is sufficiently comprehensive to enable FaHCSIA's current audit program.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

Ongoing cost implications

This option has moderate cost implications. Ongoing costs are essentially unchanged, and implementation costs have been estimated at between \$1 million - \$3 million⁴. This makes this option a very attractive 'quick win' for the department – this solution can be implemented now and the benefits will be incurred in all options if the department continues to provide a manual transaction processing fall back, which may be required in case of transaction provider outages in options 2, 3 or 5, or to provide an online claims mechanism in option 4.

FaHCSIA may also elect to provide additional online training to ensure that the benefits of this solution can be captured. A refresh of all online training materials and the provision of eLearning modules to all providers (including animation, voice acting, interactivity and assessment) typically run to \$250,000 for the development of materials per 30 minutes of online training⁵. Based on the current departmental eLearning approach, full training could be provided for \$250,000 to \$500,000.

⁴ All costs provided are high level and based on our experience. These costs should undergo a detailed verification activity with the relevant FOFMS IT teams and this should include a formal estimate of effort for the cost of implementing such a solution in the FaHCSIA environment.

⁵ Internal cost estimation, based on an 'offshore' technical development model with course content, storyboarding, voice acting and assessment developed offshore.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

Advantages vs Disadvantages

User interface improvements

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> Improving the flow of screens and the look and feel of the application could reduce the number of calls into the helpdesk from service providers. Specifically those calls from providers with queries on how to use the system would be expected to decrease. A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. As the process remains largely the same as today, modifying the user interface ensures that the process is consistent with the existing operation guidelines of the programs. For example, claims will still be verified by another member of the provider's team. Modifications can be made with existing teams and skill-sets – no outsourcing is required to update or maintain the system and there is no requirement to involve a third party vendor. For this reason, this option is expected to be the least costly to implement and maintain. Improvements made to these forms can be extended and applied to other program areas for the benefit of the wider FaHCSIA organisation. 	<ul style="list-style-type: none"> This would not have an impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today.
Clients and families	<ul style="list-style-type: none"> A more streamlined process may encourage providers to submit claims in a timelier manner. If this occurs, it would lead to more accurate information for clients provided on their FASs. The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. Families with accessibility issues are able to successfully use and access their funds without difficulty. As providers will still have access to FOFMS, families can still request this information directly from the providers – they do not need to rely on FaHCSIA as the sole source of obtaining this information. 	<ul style="list-style-type: none"> As the process is still largely dependent on when providers submit their claims, there is no guarantee that families will receive improved information in their FASs. As the process would not be real time, it is likely that there would still be some form of lag between when services occur and claims are input into the system.
Service providers	<ul style="list-style-type: none"> A faster and more streamlined data entry with less navigation required would likely decrease the amount of time providers spend inputting information into the system. Providers would not be required to purchase additional equipment or software to make a claim. 	<ul style="list-style-type: none"> While improvements in this area would benefit providers, the system may not be as easy to use as some of the alternate payment mechanisms.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

Bulk Import Tool

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> Improving the flow of screens and the look and feel of the application could reduce the number of calls into the helpdesk from service providers. Specifically those calls from providers with queries on how to use the system would be expected to decrease. A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. As the process remains largely the same as today, modifying the user interface ensures that the process is consistent with the existing operation guidelines of the programs. For example, claims will still be verified by another member of the provider's team. Modifications can be made with existing teams and skill-sets – no outsourcing is required to update or maintain the system and there is no requirement to involve a third party vendor. For this reason, this option is expected to be the least costly to implement and maintain. Improvements made can be extended and applied to other program areas for the benefit of the wider FaHCSIA organisation. 	<ul style="list-style-type: none"> This would not have an impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today. It is unclear how many providers would have the required software to support the bulk import functionality. If the number of providers is too low, this option may not prove cost effective. Any modifications to the data which is captured through the claims process would become significantly more restricted. FaHCSIA could not simply add a field to a form and would be required to publish changes made in this area to all participating providers. The providers in turn would need to modify their software systems to accommodate these changes or imports would fail.
Clients and families	<ul style="list-style-type: none"> A more streamlined process may encourage providers to submit claims in a timelier manner. If this occurs, it would lead to more accurate information for clients provided on their FASs. The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. Families with accessibility issues are able to successfully use and access their funds without difficulty. As providers will still have access to FOFMS, families can still request this information directly from the providers – they do not need to rely on FaHCSIA as the sole source of obtaining this information. 	<ul style="list-style-type: none"> As the process is still largely dependent on when providers submit their claims, there is no guarantee that families will receive improved information in their FASs. As the process would not be real time, it is likely that there would still be some form of lag between when services occur and claims are input into the system. Allowing providers to enter information in this manner may actually cause families to receive less timely information – if providers decide to avoid importing claim information until they have accrued a large enough batch of claims, then there could be increased time delays between service dates and claim dates.
Service providers	<ul style="list-style-type: none"> A faster and more streamlined data entry process would decrease the amount of time providers spend inputting information into the system. Providers would not be required to purchase additional equipment or software to make a claim. 	<ul style="list-style-type: none"> While improvements in this area would benefit providers, the system may not be as easy to use as some of the alternate payment mechanisms.

Alternate payment mechanisms

Option 1: Streamline current payment mechanisms

Web Service

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> Improving the flow of screens and the look and feel of the application could reduce number of calls into helpdesk from service providers. Specifically those calls from providers with queries on how to use the system would be expected to decrease. A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. As the process remains largely the same as today, modifying the user interface ensures that the process is consistent with the existing operation guidelines of the programs. For example, claims will still be verified by another member of the provider's team. Modifications can be made with existing teams and skill-sets – no outsourcing is required to update or maintain the system and there is no requirement to involve a third party vendor. For this reason, this option is expected to be the least costly to implement and maintain. Improvements made to these forms can be extended and applied to other program areas for the benefit of the wider FaHCSIA organisation. 	<ul style="list-style-type: none"> This would not have an impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today. It is unclear how many providers would have the required software to support the bulk import functionality. If the number of providers is too low, this option may not prove cost effective. Any modifications to the data which is captured through the claims process would become significantly more restricted. FaHCSIA could not simply add a field to a form and would be required to publish changes made in this area to all participating providers. The providers in turn would need to modify their software systems to accommodate these changes or the service would fail.
Clients and families	<ul style="list-style-type: none"> A more streamlined process may encourage providers to submit claims in a timelier manner. If this occurs, it would lead to more accurate information for clients provided on their FASs. The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. Families with accessibility issues are able to successfully use and access their funds without difficulty. As providers will still have access to FOFMS, families can still request balance information directly from the providers – they do not need to rely on FaHCSIA as the sole source of obtaining this information. 	<ul style="list-style-type: none"> As the process is still largely dependent on when providers enter information into their own systems and submit their claims, there is no guarantee that families will receive improved information in their FASs. As the process would not be real time, it is likely that there would still be some form of lag between when services occur and claims are input into the system.
Service providers	<ul style="list-style-type: none"> The process could be seamless from the provider's perspective and would likely not involve additional training (depending on the capabilities and functionality of the existing provider software). Providers would not be required to purchase additional equipment or software to make a claim. 	

Option 2: Pre-paid / debit card mechanisms

A pre-paid card looks like any other credit or debit card in operation today and typically would have a card number, name, signature strip and company branding. Unlike a credit card, which provides a line of credit to the cardholder, a pre-paid card has access to a set amount of funds that have been pre-loaded into the cardholder's account.

Description

FaHCSIA has the option of distributing and managing claims through pre-paid cards. These would be issued to funded families and would have a set spending limit attached to each account. The card could be setup with the full annual entitlement for a family or be reloaded on a regular basis, such as monthly.

Cards can be restricted such that they only work at approved service providers and would operate in much the same way as gift cards operate in retail stores today. The family would visit an approved service provider and swipe their card at an electronic funds transfer at point of sale (EFTPOS) device. The device then connects to the cardholder's banking institution to verify the available balance of the card. Once approved, the amount of the service is deducted from the balance of the cardholder's account and the family is provided a receipt. In addition to this, as pre-paid cards are typically supported by card associations, such as Visa or MasterCard, clients could have the ability to not only pay for services at point of sale, but also to process online transactions. This would give flexibility for providers without EFTPOS facilities.

Providers of pre-paid cards can often be engaged to manage the transactional processing of card use themselves. Alternatively they can allow for management of the card by the funder, i.e. FaHCSIA. Web portals can be set up which allow a near real-time view of expenditure for the client and FaHCSIA.

There are multiple suppliers for EFTPOS machines in Australia today, with each supplier having varying system availability agreements. If an attempt to make a payment using a pre-paid card fails due to an outage with the EFTPOS system, payments are typically made using an alternate channel (such as with cash or a cheque). In FaHCSIA's case, claims could still be processed by either entering them manually into FOFMS (as per the existing process), or by waiting until the system is online and available to process the payment.

Real life implementation examples

The Department of Human Services (DHS) BasicsCard

DHS have introduced a card, the BasicsCard, which allows income managed families to spend Centrelink and/or Department of Veterans' Affairs payments at approved businesses via the EFTPOS system. BasicsCards are used to buy essential products such as food, clothes, health items and basic household products. The cards are PIN protected and cannot be used to obtain cash at an automatic teller machine (ATM) or from an EFTPOS terminal in an approved store. In order to accept the card, vendors are certified with DHS and must sign an agreement to ensure that the cards are only used to make approved purchases – for example they cannot be used to purchase alcohol, tobacco, pornography or gambling products.

DHS have engaged the card provider to manage transactional processing. As such, DHS provide the vendor with a data file on a regular basis to update the cards with balance instalments. The file specifies which card holders are entitled to what amounts. The card provider loads these balances onto the BasicsCard and manages the day-to-day transactional processing; including ensuring that funds are not exceeded and are only spent at approved providers. There is a regular reconciliation process in which DHS is provided with the transactional card details for each family. This includes details such as how much was spent by which cards at which merchants.

Transport and Accident Commission (TAC)

Today when a person is injured in a transport accident in Victoria, and require compensation, they are instructed to contact the Victorian TAC to complete a claim. TAC collect required information about the incident over the phone and then sends the completed form to the injured party to sign, date and have it witnessed. Once this form is returned, and the claim has been approved, TAC will begin paying for health care treatments associated to that claim for the injured party. These payments are typically made direct to the health care provider, but can also be made to the injured party in some instances.

The existing end-to-end claims process is currently being looked at by TAC with the aim of providing tools to help clients self-manage their funds. As a part of this, TAC is planning on introducing a debit card model for the distribution of payments made to those injured in a transport accident. This model would see clients being provided with debit cards set up with an agreed spending limit and funds would be loaded into the account on a monthly basis. The debit cards will be restricted for use to a pre-approved set of providers and clients will also be able to withdraw small amounts of cash from automatic teller machines (ATMs) if necessary. Reconciliation of transactions and statements will be provided by the bank (rather than TAC) to all card holders. As a part of this endeavour, TAC is also introducing a web-based portal which allows real-time view of expenditure for their clients.

British Educational Communications and Technology Agency (Becta) Home Access BarclayCard

In 2010, the former United Kingdom (UK) government department provided pre-paid cards to qualifying families for the purchase of computers and internet access. These cards were provided under the 'Home Access' scheme and were set up to ensure that underprivileged children had access to tools to enhance their learning at home.

Cards were configured such that they could only be used at specified service providers for approved products and were pre-loaded with the grant amount approved for each family. In order to deliver these cards, Becta collaborated with the financial services provider, Barclay. Barclay produced the cards and provided the payment mechanism to securely transfer funds to providers.

Technical implementation

Transaction details

The following diagram describes how a pre-paid card transaction would be processed.

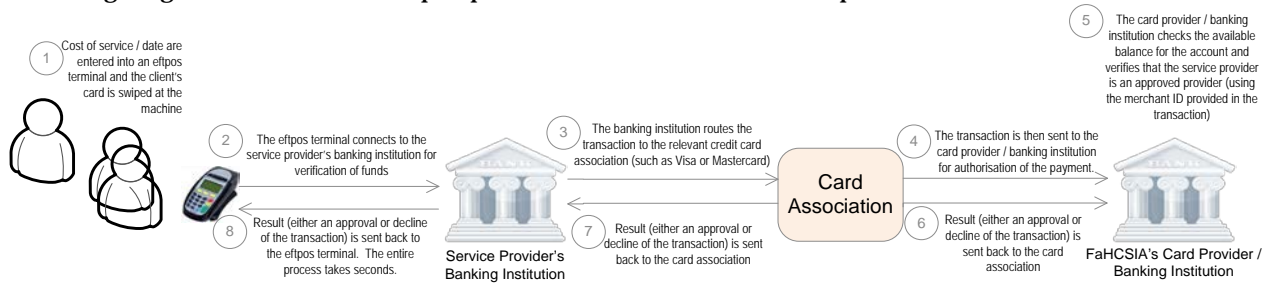


Figure 10 Pre-paid / debit card claiming process

1. Details of the transaction, such as the cost of service and the date, are entered into an EFTPOS machine at the point of sale. The pre-paid / debit card is then swiped and the client enters in the PIN provided with the card.
2. The machine connects to the service provider's financial institution (that is, the supplier of the EFTPOS machine) and requests approval for the proposed transaction. The machine provides information such as the merchant id, date of service, cost of service, card number expiry and encrypted PIN to the financial institution to allow for verification of the transaction.
3. The provider's financial institution connects to the card association (Visa, MasterCard, etc.) for approval of the transaction.
4. The card association in turn connects the issuing financial institution of the card for approval.
5. At this stage authentication of the card takes place, checks are performed to ensure that the service provider is an approved provider and that the client has sufficient funds available for the transaction. Once approved, funds are deducted from the available balance for the card holder.
6. The response is then routed back through the card association.
7. The card association passes the result back to the service provider's banking institution.
8. The result is then provided to the EFTPOS machine where it is displayed to the provider and client. This entire process should take seconds.
9. Each night a batch file containing the details of the day's transactions would be provided to FOFMS. This batch file would be uploaded and the individual transactions created as claims in the system.
10. Should an event occur which creates the need for FaHCSIA to update a card balance, such as a manual transaction being processed or the exiting of a client, FaHCSIA can send a batch file to the card provider to achieve this. The batch file would contain the expected card balance for each client.

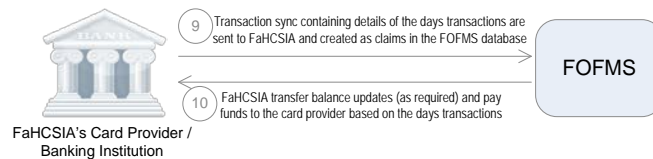


Figure 11 Nightly reconciliation process for pre-paid / debit card claiming

Compatibility with existing systems

Should the transaction processing be managed on behalf of FaHCSIA by the card issuer, FOFMS would likely operate in a similar fashion as it does today. The system would need to include integration points to load funds onto a card as well as to obtain transaction level details for upload into FOFMS. These interfaces may well be nightly batch interfaces and as such FOFMS would contain up-to-date claims information as of the previous business day.

Should FaHCSIA manage the transactional processing themselves, real time interfaces would be required to approve / reject funding requests. These interfaces would need to validate the vendor id and the payment itself and would need to be accessible to external financial institutions.

Privacy and fraud assessment

This option represents a significant change for the department's operation. A third party would be brought in to handle all transactions, with the department processing transactions in batch in real time. This change enables superior fraud controls by improving the timeliness of transactions, but increases privacy risks as a third party will hold on their infrastructure sensitive client information.

Privacy assessment

There is an additional privacy risk in any card solution in that the department may involve a transaction processing partner. That partner would hold information on all clients, service providers and client balances for services on their own infrastructure, as opposed to accessing it on an 'as needed' basis from the department. While this does represent a significant change, these providers manage similar information on behalf of other government departments currently and clients are typically familiar with banks / payment handling services holding their details – this means there is unlikely to be resistance from privacy advocates. This option would require a new privacy impact assessment to be commissioned by the department, the provider will have to meet government information security standards depending on the classification of the underlying data and all existing customers must be informed and agree to any new terms and conditions. This will impose a transition cost on the department, and the existing mechanisms will need to be operated in parallel during the transition, limiting cost savings. However, given that this solution has been adopted by other government departments (i.e. Centrelink), it is almost certain to be implementable.

Fraud and risk assessment

Credit card solutions provide an opportunity to significantly improve controls. The customer's eligibility and balance would be validated at the time of purchase, which should reduce and/or eliminate the potential of overspending. However, the department is exposed to additional risks in a credit card provider environment:

- To enable a card service and benefit from 'real time' balance checking, FaHCSIA will have to ensure that the card providers list of authorised service providers is kept up to date. If a funding agreement is allowed to expire, that will prevent all access by customers to services from this provider. If manual transactions are allowed as a work around, the benefit is lost.
- Existing credit card solutions do not capture details around the services or resources purchased with the cards, relying on the authorised organisations functioning as a 'gatekeeper' to the service rather than auditing records of transactions for compliance. To mitigate this risk authorised organisations will require training to ensure that the card is not used for non eligible purchases of services or equipment, and consideration given into the types of controls that are appropriate to manage any risk of fraudulent activity.

Ongoing cost implications

FaHCSIA Costs

The Australian Government has implemented a pre-paid card solution for approximately 20,000 clients for welfare quarantining, the BasicsCard. The BasicsCard has a similar sized user-base to the number of HCWA and BSI clients. The external costs of implementing and operating this solution on a rolling 3 year basis has been estimated at \$20 million, which includes the cost of tendering (\$8 million), and the cost of the ongoing delivery of the service for 3 years (approximately \$12 million over 3 years or approximately \$4 million per annum)⁶. In addition to this cost the department would need to make internal changes to FOFMS (estimated at between \$1 million - \$3 million)⁷.

Provider and Community Costs

There will be a significant cost born by FaHCSIA's providers under the solution. The largest consortiums on the Better Start panel of approved providers currently do not have access to EFTPOS terminals. This will impose a number of costs:

- Acquisition of an EFTPOS terminal is approximately \$30 dollars per month⁸. This is a fixed fee that must be paid and may discourage occasional service providers from service delivery. Assuming that some providers are on both the HCWA and BSI panels, total cost will be approximately \$500,000 per annum or \$1.5 million over the life of the contract⁹.
- Merchant services and interchange fees are approximately 2% of total transaction value¹⁰. However, these are individually negotiated with the bank on a per service provider basis. As the providers under the BSI agreement are predominately consortiums of small businesses, it is likely that costs will be higher than the industry average. For FaHCSIA's transaction volumes, and assuming that the remote and regional grants will be paid via the card, total costs will be approximately \$700,000 or \$2.1 million over three years.

It is likely that the service providers will pass these costs through to consumers rather than absorb them in their own operating margins and these costs will be borne by the families enrolled in the program.

⁶ (Australian National Audit Office, 2011)

⁷ All costs provided are high level and based on our experience. These costs should undergo a detailed verification activity with the relevant FOFMS IT teams and this should include a formal estimate of effort for the cost of implementing such a solution in the FaHCSIA environment.

⁸ Based on market cost information quoted by providers

⁹ Assumes 1,368 separate providers over both panels

¹⁰ (A Guide to the Card Payments System Reforms, 2010)

Advantages vs Disadvantages

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> • Could reduce number of calls into helpdesk from service providers relating to how to use the system. This is provided that service provider is already familiar with the EFTPOS system and how to process EFTPOS transactions. • Cards can be set up to ensure that they are restricted for use at approved service providers – this is consistent with operational guidelines in place today. • If a web-portal is implemented for clients, this could reduce the number of calls made to the service desk to obtain balance related information¹¹. • This mechanism could be extended and applied to other program areas for the benefit of the wider FaHCSIA organisation. 	<ul style="list-style-type: none"> • Service level information may not be able to be provided from EFTPOS terminal. This could lead to the loss of information being stored about each transaction and could restrict the level to which FaHCSIA can report on services. • If service level information is not available, FaHCSIA could not identify whether or not a client has exceeded their resource allocation or ensure that the funds are only being used approved services. This provides FaHCSIA with limited visibility as to whether or not the operational guidelines are being adhered to. • The complaints management process might be made more complicated when a client contests a charge to their account. As service level information would not be captured, FaHCSIA would not be able to supply this information to families should they request it. • This would likely not have a beneficial impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today. • Rather than reducing the number of calls, it is also possible that there will be a similar volume or an increase in calls to the helpdesk as the system would no longer provide prompts on eligible services to providers.
Clients and families	<ul style="list-style-type: none"> • Families will receive improved information in their FASs. As the process is real time, when statements are generated it would include all services received by the family to date. • The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. However this would need to be managed between the provider and family, with the claimable amount being entered into the EFTPOS terminal rather than the full cost of service. • Families with accessibility issues are able to successfully use and access their funds without difficulty. 	<ul style="list-style-type: none"> • If service information is not provided, families can only be provided with information on where their funds have been spent – not details as to the service or resource that those funds acquired. • As providers would not have access to FOFMS, families cannot request balance information from providers and must contact FaHCSIA to do so.

¹¹ Benefits of such an implementation are dependent on the number of clients which have access to internet facilities. The portal could be developed as a part of any of the options presented in this document and is not specific to the implementation of a pre-paid card.

Alternate payment mechanisms

Option 2: Pre-paid / debit card mechanisms

Service providers

- For all providers who are already familiar with the usage of the EFTPOS system, this process is much more simplified than what is in place today.
- For all providers who are not familiar with the usage of the EFTPOS system, the process may be more complicated and costly – especially if these providers are not equipped with EFTPOS facilities.

Additional considerations

If FaHCSIA elect to implement a pre-paid card model, there are a number of additional considerations which need to be made:

- It is unlikely that service details can be obtained from service provider terminals at point of sale. Without this functionality it would be difficult for FaHCSIA to retain details of the services incurred or resources acquired.
- It is expected that at least a portion of providers (which may or may not be significant) would not have EFTPOS or credit card facilities. Claims processing for these providers must be considered and may be a matter of following the existing FOFMS process or providing terminals to these providers.
- The distribution of cards to families on the program needs to be considered. If these cards are to be sent to families once they have been approved for funding, the turnaround time needs to be assessed against the need for families to be able to access funds straight away.
- A process by which balances are calculated for existing clients needs to be addressed. The outstanding balance could be loaded and a reconciliation process employed to ensure incoming manual claims (from prior to the introduction of the card) are deducted from the balance.
- Backup procedures need to be defined for when a client loses or forgets a card at the time the service is incurred.
- Some financial institutions providing EFTPOS terminals support the printing of card balance on the receipts produced. This would provide a way for families and provider's to have visibility of the available balance and would prove especially useful when the total cost of a transaction would exceed the card limit. However, not all institutions support this and as such service providers would likely not have access to balance information for clients. This could prove frustrating for both providers and clients.
- Consideration needs to be given as to how services which span multiple sessions should be treated – these services may span the end of one financial year and the impact on the card balance and how and when these claims can be processed should be considered.
- A process by which families will be exited from the program when the child has reached the end of their eligibility should be defined. It can occur that a child reaches seven years old and the family still has funds available on their card. How this situation will be handled should be considered – FaHCSIA could simply update the card balance to zero when the child reaches seven (with communication to families that this will happen), however there would be implications if any claim remains unprocessed at this point. Alternatively, FaHCSIA can extend the age of eligibility if necessary for a short period of time.
- Any changes required or implications on the current accounting model for these programs as a result of the implementation of this option should be assessed.

Option 3: Healthcare payment mechanisms

Healthcare claims can now be processed automatically and in real time. Participating health funds provide members with a healthcare card. These cards contain a magnetic stripe that can be swiped at proprietary point of sale devices. The magnetic strip stores details such as the member name, card number and health fund.

Description

The receipt is titled 'HICAPS' with the tagline 'Fast claims... on the spot' and the website 'www.hicaps.com.au'. It lists the provider as 'HICAPS MEDICAL SUITE' and 'PROVIDER COREY'. The receipt includes fields for 'MEDISTART', 'Terminal ID', 'Date/Time', 'SR NAME', 'PROVIDER NUMBER', 'CARD', 'FUND TEAM CARD', and 'MEMBERSHIP NUMBER'. A table titled 'SERVICES CLAIMED:' shows two entries for 'PATIENT ID: 01' and 'PATIENT ID: 02', each with 'AMOUNT STANDARD COVER' and 'APPROVED' values. At the bottom, it shows 'TOTAL RESPONSE - 00 Approved', 'GAP PAYMENT \$140.00', and 'TRANSACTION APPROVED'. There is also an 'IMPORTANT DECLARATION' section with three points and a 'Member Signature' line.

The Health Industry Claims and Payments Service (HICAPS) is an electronic claiming service being run by the National Australia Bank (NAB). It was initially developed as a mechanism by which private health patients could make on the spot claims to their health insurer for treatments. Today its use has been extended to include rebates for government payments including Medicare rebates and payments made by Worksafe Victoria. HICAPS is currently in use by 35 Australian health insurance funds and 38,000 service providers.

Each fund distributes a card to their members to enable them to claim using HICAPS. Once a card is provided, members can then visit participating health care practitioners and when the service has been performed, the HICAPS system is used to make a claim to the health care fund. The practitioner enters treatment information (such as the date, physician and type of service) into their HICAPS terminal and swipes the member's card (in the same way that credit and debit cards are swiped through EFTPOS terminals in retail operations). HICAPS then processes the claim with the health insurance fund. Once approval occurs a receipt is printed from the terminal displaying what portion of fee the insurer will cover and how much the member must contribute.¹²

HICAPS terminals look very similar to EFTPOS terminals available today and some HICAPS terminals can also perform EFTPOS transactions.



Figure 12 HICAPS receipt printed after validation of claim with health fund

Figure 13 HICAPS terminal

HICAPS is available 24 hours a day, 7 days a week. However, should the network become unavailable for a period of time (such as an unexpected outage with the system), claims can still be processed manually with the health insurance fund. In FaHCSIA's case, in this instance claims can either be entered manually into FOFMS (as per the existing process) or they can wait until the HICAPS network becomes available again. It is important to note that card information cannot be manually entered into the HICAPS terminal – a physical card is required at the point in time that the claim is made through the terminal.

¹² (HICAPS)

Real life implementation examples

In addition to HICAPS providing instant access to health insurance rebates, it is also currently being used by Medicare for patient claims.

Medicare Easyclaim¹³

Medicare offer a variety of mechanisms to process claims, an automated electronic claiming system called Medicare Easyclaim. The system can process bulk bill claims, paid patient claims, as well as unpaid or part-paid claims. The process for submitting these claims is as follows:

1. The patient's Medicare card is swiped through the practice's EFTPOS or HICAPS terminal.
2. Claim details are entered via the keypad.
3. The claim is sent to Medicare for verification and an approval message is sent back to the terminal.
4. At this point, the remainder of the transaction depends on the claim being processed:
 - a. *For Bulk bill claims:* The patient then presses a button on the keypad to assign their Medicare benefit to the doctor. The terminal prints a patient receipt and the health care provider receives a single payment in their nominated bank account within 24 - 48 hours.
 - b. *For fully paid claims:* The patient swipes their EFTPOS card through the EFTPOS terminal and enters their PIN. If Medicare accepts the service the Medicare rebate is paid directly into their cheque or savings account almost immediately.
 - c. *For partial paid or unpaid claims:* If Medicare accepts the service, a 'pay doctor' cheque will be sent to the patient, who brings it to the practice along with any outstanding balance.

Easyclaim can operate on either a HICAPS terminal or an EFTPOS terminal from participating financial institutions including:

- Commonwealth Bank of Australia
- National Australia Bank
- Tyro Payments
- ANZ
- Suncorp Bank
- Cuscal Limited

¹³ (Medicare Easyclaim for health professionals, 2011)

Technical Implementation

Transaction details

The following diagram describes how a HICAPS card transaction would be processed.

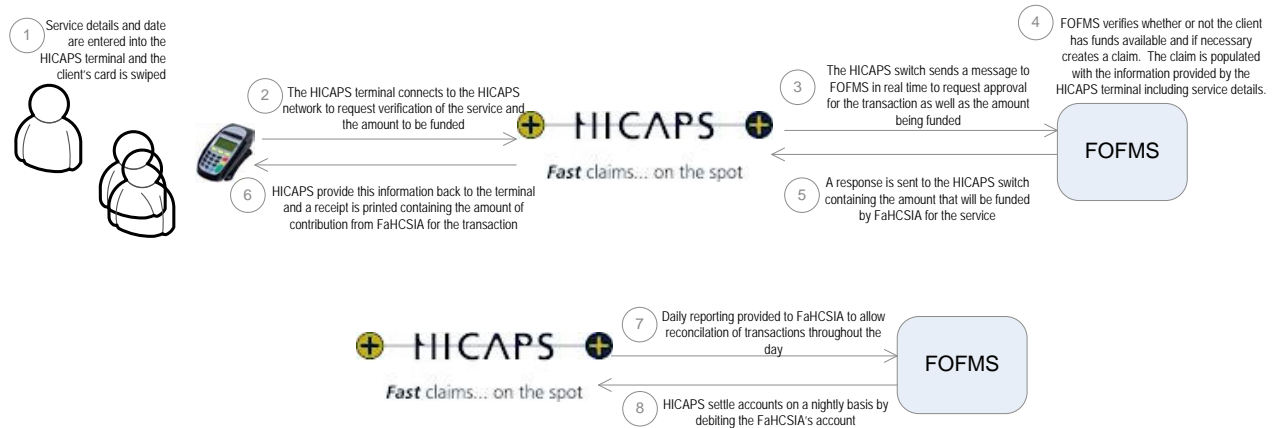


Figure 14 HICAPS transaction claim process

- Transaction details such as item number of the service incurred, the specific provider within the practice that provided the service, date of service, and cost are entered into the HICAPS terminal. The member card is then scanned through the terminal and the transaction is submitted to HICAPS.
- The terminal connects to the HICAPS switch for processing of the transaction.
- HICAPS then connects with FOFMS to request approval for the transaction.
- FOFMS would process the request in real-time. Validation would occur to ensure that the client still has funds available for the input service type (that is, if the family has the funds for the resource or service being requested). Should funds be available, a claim would be generated based on the input transaction details.
- FOFMS sends the result of the validation activity, including any details of approved claim amounts and any required co-payment for the member back to the HICAPS switch. This means that FOFMS can elect to reimburse the full cost of the service if the funds are available or alternatively the total amount of funds remaining if the full cost would take the client over their limit.
- This result is in turn passed back through to the HICAPS terminal and a receipt is printed. The receipt displays the transaction result and details of any co-payment that may be required. According to HICAPS, this integration process typically takes 30 seconds to execute.

Each night, the HICAPS transactions processed throughout the day are settled and funds are directly debited from the account of the funder. HICAPS provide daily reporting to assist funders in understanding the transactions, patterns, reconciliation and anomalies which may occur.

In addition to the transactions outlined here, the standard HICAPS process allows for quotations, cancellations and reversals where required.

Compatibility with existing systems

FaHCSIA would be required to implement:

- An interface such that HICAPS could request approval for services and upload claim information. The interface required would be real-time and would likely need to conform to an existing HICAPS interface specification. The process would consist of a request coming into FOFMS, and a response being provided in the HICAPS format. Full details of the HICAPS message structure could not be obtained for the purposes of this review – this information is proprietary and HICAPS only provide it to organisations during the contract negotiation phases. However, for the purposes of this review it is assumed that the structure of the interface would be complex and not necessarily representative of the structure of data in FOFMS.
- The 'request for approval' interface should create a claim record within FOFMS (capturing all information that is currently captured), if it is determined that funds are available. To do this, the interface will need to resolve the service provider (via an input merchant id) and the client (via the input

Alternate payment mechanisms

Option 3: Healthcare payment mechanisms

card number). This service also needs to support inbound requests for quotations, cancellations and reversals. For the purposes of this review, it is assumed that the message structure is consistent across requests for approval, quotations, cancellations and reversals – the difference would likely be indicated by a 'message type'. This type should indicate the action FOFMS must perform.

- FOFMS will need to store reference data for merchant ids, service ids, resource ids and client card numbers. An initial upload of these values to the system would be required.
- Changes may be required to the existing SAP process - HICAPS automatically direct debit funds from FaHCSIA. This means that if a claim relates to a HICAPS transaction it should not be paid out via the existing process.
- HICAPS provide daily reporting to assist organisations to understand transactions, patterns, reconciliation and anomalies. There may be a need for a reconciliation process to allow for the business to cross-check the daily report with FOFMS.

Privacy and fraud assessment

This solution offers strong control measures. Transactions are 'real time' enabling accurate balance checking and services delivered are recorded with the transaction and can be validated prior to authorisation of payment.

Privacy assessment

There is an additional privacy risk in any card solution in that the department must involve a transaction processing partner. That partner would have to handle some information on all clients, service providers and client balances for services. These providers manage similar information on behalf of other government departments currently and clients are familiar with banks or payment handling services holding their details so there is unlikely to be resistance from privacy advocates. However, it will likely require a new privacy impact assessment to be commissioned by the department, and all existing customers must be informed and agree to any new terms and conditions. This will impose a transition cost on the department, and the existing mechanisms will need to be operated in parallel during the transition, limiting cost savings.

Fraud and risk assessment

This solution does provide strong controls.

- Service providers can have a specified schedule of fees for services and resources. Currently providers are not audited to confirm compliance. This approach allows FaHCSIA to systematically enforce compliance across both services and resources.
- Balances are checked in real time, ensuring that customers cannot overspend their balance.
- Full service details are captured at point of sale, enabling full audit.
- Similarly to Option 2 (Pre-paid card mechanisms), FaHCSIA will have to ensure that the card providers list of authorised service providers is kept up to date. If a funding agreement is allowed to expire, that will prevent all access by customers to services from this provider, and also prevent effective auditing and controls.
- Organisations will require training to ensure that services provided are correctly coded for in the HICAPS system as data integrity is important to ensure that only eligible services or equipment are purchased.

Ongoing cost implications

FaHCSIA Costs

The costs of implementing and maintaining a HICAPS style card would consist of costs directly to HICAPS to provide the service as well as costs associated to internal FaHCSIA application changes that are required in order to integrate with HICAPS.

The cost model of service fees for HICAPS consists of a monthly service fee component as well as additional charges made per payment and settlement. The fees for each of these components are not publicly available and would need to be negotiated with HICAPS prior to contract execution. However, it is likely that the costs for external service provision and procurement could be similar in size to the pre-paid card option, presented in section 3. The Australian Government has implemented a pre-paid card solution for approximately 20,000 clients for welfare quarantining, the Basics Card. The BasicsCard has a similar sized user-base to the number of Better Start recipients. The external costs of implementing and operating this solution on a rolling 3 year basis has been \$20 million, which includes the cost of tendering (\$8 million), and the cost of the ongoing delivery of the service for 3 years (approximately \$12 million over 3 years or \$4 million per annum)¹⁴.

In addition to this cost the department will need to make internal changes to FOFMS (estimated at between \$2 million - \$4 million). The costs are greater than the prepaid card solution as FaHCSIA must provide a real time web service interface for use by the provider in calculating costs¹⁵.

Provider and Community Costs

There will be a significant cost born by FaHCSIA's providers under the solution. The largest consortium on the BSI panel of approved providers currently does not have access to EFTPOS terminals. This will impose a number of costs:

- Acquisition of a HICAPS terminal is comparable to an EFTPOS terminal at approximately \$30 dollars per month¹⁶. The most significant difference is that wireless HICAPS terminals are not available which may impact some providers who wish to offer a mobile service. This is a fixed fee that must be paid and may discourage occasional service providers from service delivery. Assuming that some providers are on both the HCWA and BSI panels, total cost will be approximately \$500,000 per annum or \$1.5 million over the life of the contract¹⁷.
- Merchant services and interchange fees may be charged and would be approximately 2% of total transaction value¹⁸. However, these are individually negotiated with the bank on a per service provider basis. As the providers under the BSI agreement are predominately consortiums of small businesses, it is likely that costs will be higher than the industry average. For FaHCSIA's transaction volumes, and assuming that the remote and regional grants will be paid via the card, total costs will be approximately \$700,000 or \$2.1 million over three years.

It is likely that the service providers will pass these costs through to consumers rather than absorb them in their own operating margins and these costs will be borne by the families enrolled in the program.

¹⁴ (Australian National Audit Office, 2011)

¹⁵ All costs provided are high level and based on our experience. These costs should undergo a detailed verification activity with the relevant FOFMS IT teams and this should include a formal estimate of effort for the cost of implementing such a solution in the FaHCSIA environment.

¹⁶ Based on market cost information quoted by providers

¹⁷ Assumes 1368 separate providers over both panels

¹⁸ (A Guide to the Card Payments System Reforms, 2010)

Advantages vs Disadvantages

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> • Could reduce number of calls into helpdesk from service providers relating to how to use the system. This is provided that service provider is already familiar with the HICAPS system and how to process HICAPS transactions. Real time processing of claims to FaHCSIA. • A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. • Cards can be set up to ensure that they are restricted for use at approved service providers – this is consistent with operational guidelines in place today. 	<ul style="list-style-type: none"> • HICAPS does contain a number of steps to submit a claim and this process may lead to an equivalent or increased number of calls to the helpdesk depending on how familiar providers are with this system. • This would likely not have a beneficial impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today.
Clients and families	<ul style="list-style-type: none"> • Families will receive improved information in their FASs. As the process is real time, when statements are generated it would include all services received by the family to date. • The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. However this would need to be managed between the provider and family, with the claimable amount being entered into the HICAPS terminal rather than the full cost of service. • Families with accessibility issues are able to successfully use and access their funds without difficulty. 	<ul style="list-style-type: none"> • As providers would not have access to FOFMS, families cannot request balance information from providers and must contact FaHCSIA to do so.
Service providers	<ul style="list-style-type: none"> • For all providers who are already familiar with the usage of the EFTPOS system, this process is simpler than what is in place today. Providers which have HICAPS terminals integrated with point of sale software should find this process even easier. 	<ul style="list-style-type: none"> • For all providers who are not familiar with the usage of the HICAPS system, the process may be more complicated and costly – especially if these providers are not equipped with the required facilities.

Additional considerations

If FaHCSIA elect to implement the HICAPS model, a number of considerations must be made:

- Despite HICAPS operating in over 38,000 service providers today, it is expected that some providers would not have HICAPS facilities. Claims processing for these providers must be considered and may be a matter of following the existing FOFMS process or providing terminals to these providers. According to HICAPS around 80% of eligible service providers have HICAPS terminals today. According to Medicare Australia's 2010-2011 annual report¹⁹, 77.8% of all claims were conducted electronically and in 2010-2011 approximately 8,000 medical practices were transmitting data using Medicare Easyclaim (a portion of which can be submitted via HICAPS terminals). Over the course of this year, approximately 7% of all claims (patient and bulk bill) were submitted via Medicare Easyclaim – a 2% increase on the previous financial year.
- To date, not all provider professions are supported within HICAPS. Examples of those which are currently not represented are audiologists, orthoptists and special educators. FaHCSIA would need to request new categories of providers to be added to the HICAPS system and the addition of these provider types would depend on their volumes and ability to claim benefits. It is understood that HICAPS are already in discussions around having audiologists added to the system.
- The distribution of cards to families on the program. If these cards are to be sent to families once they have been approved for funding, the turnaround time needs to be assessed against the need for families to be able to access funds straight away.
- Backup procedures need to be defined for when a client loses or forgets a card at the time the service is incurred.
- Any changes required or implications on the current accounting model for these programs as a result of the implementation of this option should be assessed.

¹⁹ (Medicare Australia Annual Report 2010-2011, 2011)

Option 4: Direct claim mechanisms

A direct claim mechanism is a common method of distributing funds and processing claims. This method is often used by government agencies, insurance companies and private enterprise to process claims made by clients, members and employees. This method would likely require no additional infrastructure to implement.

Description

Direct claim models can be implemented in a number of different ways. Two options are discussed further here:

- *Pre-paid direct claims:* In pre-paid direct claims, a base set of funds is distributed to each approved client. The client is free to use those funds to procure approved services as they see fit. When the pre-paid amount requires a top-up, the client must make a claim for further funds. The funder receives the claim and verifies that the provided funds were used at an approved location for an approved service. The funder then processes this claim to allow additional funds to be distributed.
- *Reimbursement claims:* The client must incur the service as an out-of-pocket expense. The client is then able to submit a claim to the funder for reimbursement. The funder receives the claim, verifies the transaction and allows for the reimbursement of funds to take place.

Direct claim mechanisms can be implemented via manual processes or online portals.

If an online portal for claims is provided to clients, and this portal is unavailable, families will still be able to submit claims manually. For manually submitted claims, staff will need to wait until the system is online again to process them.

Real life implementation examples

Medicare

Medicare offer a variety of mechanisms by which claims can be made and in addition to the Easyclaim option already discussed, Medicare still allows patients to submit direct claims. Direct claiming can be submitted to Medicare via a number of channels:

- *Online:* online claim forms are submitted for processing to Medicare. Once approved, funds are deposited into the patient's bank account.
- *In person:* Forms can be filled out with patient and service details and submitted in person to a DHS office. These forms are processed by Medicare and once approved funds are deposited into the patient's account or a cheque is mailed.
- *Phone:* Claims can be made over the phone by contacting DHS. For phone based claims, receipts are subsequently submitted to the department. Medicare processes the claim and a cheque is provided to the patient.
- *Via participating health funds:* A Medicare claim form is filled out and submitted to participating health funds. The health fund then provides this claim to Medicare for processing and approval. Once approved, Medicare reimburses the patient.

Technical implementation

Transaction details

The following diagram represents the proposed process flow for a direct claim mechanism:

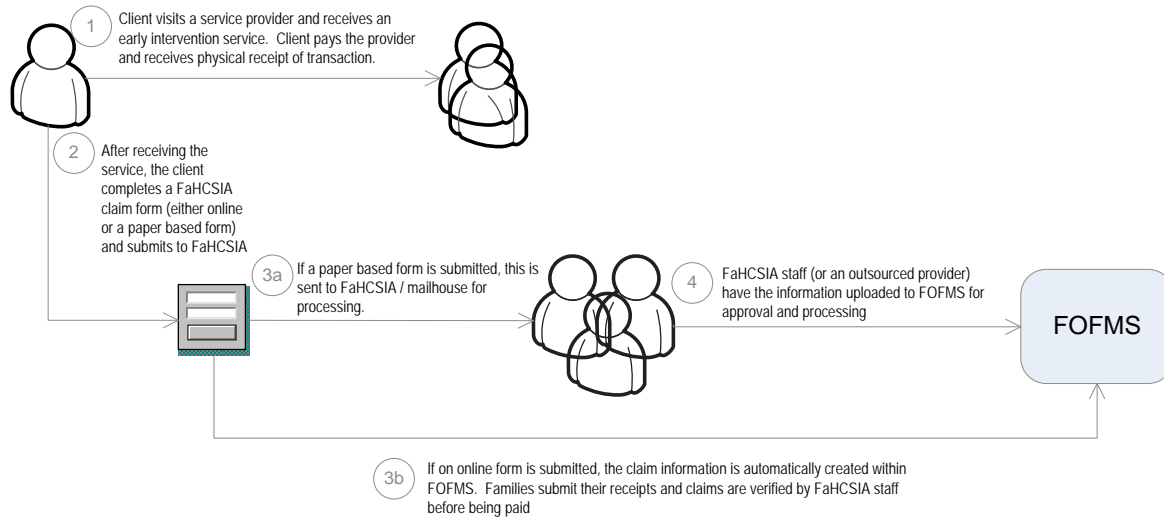


Figure 15 Direct claim process

1. The client incurs a service at an approved provider and reimburses the cost of this service to the provider.
2. Family submits a claim to FaHCSIA either via an online portal or a physical form. This claim contains all details currently captured such as the date of the service, number of sessions / hours, location, cost, etc. The claim should contain receipts from the service provider.
3. The submitted claim is verified by FaHCSIA to ensure it was incurred at an approved provider for an approved service.
4. The claim is then processed by FaHCSIA:
 - a. If a manual claim form was submitted, this information is keyed into FOFMS, verified and approved for processing of the payment.
 - b. If an online claim form was submitted, this information is verified and approved for processing of the payment.

Compatibility with existing systems

Should FaHCSIA allow for online claims submission, functionality would need to be delivered within FOFMS to allow this. This portal may or may not use a Siebel application such as Siebel Partner Portal and could include the option of attaching scanned or electronic receipts for verification purposes.

Manual processing of claims is unlikely to require significant change to the existing system – rather than providers entering claim details, FaHCSIA staff will perform this function.

Privacy and fraud assessment

This option minimises privacy risks – clients only have access to their own data and service providers do not have access to client data. It does create some program integrity issues – all enterprises, whether insurance or companies reimbursing travel are moving away from cash payments precisely because they enable fraud. Post payment and pre-payment of cash have very different fraud profiles. Reimbursing actual expenses has tighter controls and prevents the need for claw back of overpayments. Prepayment is the riskiest option.

Privacy

This solution offers ‘best case’ privacy protections. The only entities with access to client records are the department and the clients themselves. This minimises the possibilities of a data leak.

Fraud and risk assessment

- Prepayment of cash allowances is the riskiest option for the department. Payment in advance of cash means that it will be very difficult to ensure compliance from customers in entering receipts and capturing information. Without auditability, it will be effectively impossible for the department to control spending.
- Post payment only on submission of a valid claim enables controls, but only if the department wishes to validate the customers receipts. Involvement of a service provider enables this transaction checking to be done in real time and each party effectively audits the other. Without this control the department will have to conduct its own checking.
- Timeliness is effectively improved. While the customers may post the transactions at any time, there are no concerns about insufficient timeliness enabling users to overspend.

Ongoing cost implications

The primary cost driver of direct claim is the cost of processing paper based claims. The more claims the department is willing to handle entirely online the lower the cost base can be driven. Several options exist for the department:

- Process all claims online, and only manually audit claims where an irregularity is detected via analysis of claims processing;
- Process claims online but offer a manual processing approach for families that do not have access to an internet connection or computer;
- A risk based model in which a subset of all claimants or claims are audited; and
- Verification of all receipts.

Option 4 is significantly more expensive than options 1 and 2. Based on analysis of claims from the US healthcare industry manual processing of claims will cost between \$3 and \$4.5 million dollars per annum for the cost of claims processing and handling. An additional cost of \$60 per claim will have to be paid for claims that recruit manual reconciliation or follow up with the client. These claims are the most significant cost driver, and can be expected to run between 10 and 20% of all claims, putting the total cost to the department at approximately \$4 to 5.5 million dollars per annum.²⁰ Electronic handling of claims and targeted auditing will cost between \$530,000 and \$1 million depending on the exact audit approach selected by the department with a sample rate between 5 and 10% of all claims.

Provider Costs

This model is the lowest cost to providers, cheaper than even the status quo. Beyond needing to provide tax receipts they can use any payment mechanisms and approach they desire.

Cost to Families

Families have an additional indirect cost under this model. They must manually enter their claim details into FOFMS, and these users may not be as technically literate as providers, and will not have the same claim volumes as providers. Additionally, if they have to process claims manually they will be subject to the costs of mailing, as well as audits. These costs are not significant compared to funding received under the program, but will require the department to devote additional funding to training. Existing training programs targeted at a small panel of providers who are industry professionals are unlikely to be functional effectively when targeted at the broad base of clients. Training programs for enrollees without internet access, English language skills and general technical literacy will be required and these are likely to generate an additional volume of calls to the helpdesk.

²⁰ Costs per claim vary widely depending on the inclusion of claims that need additional manual validation – which typically costs \$60+ per claim.

Advantages vs Disadvantages

	<i>Advantages</i>	<i>Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> • Could reduce number of calls into helpdesk from service providers. However, depending on the familiarity of families with such mechanisms this process may lead to an equivalent or increased number of calls to the helpdesk. • A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. • Claims can be restricted to only approved service providers and services – this is consistent with operational guidelines in place today. • For manually submitted claims, this mechanism may have a beneficial impact on the number of failed payments. As FaHCSIA would be in control of submitting payments to the system, business rules could be implemented to ensure that payments are not submitted for un-approved funding agreements. • If a web-portal is implemented for clients, this could reduce the number of calls made to the service desk to obtain balance related information. 	<ul style="list-style-type: none"> • Claims and receipts would need to be verified by FaHCSIA and as such there is a likely increase in maintenance overhead associated with the processing of claim information. • FaHCSIA would need to manage family login details, bank account information, etc.
Clients and families	<ul style="list-style-type: none"> • If an online portal is provided, families can access this to be provided with up-to-date information on claims processing as well as the balance of funds available to them. • The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. 	<ul style="list-style-type: none"> • This mechanism places an increased burden on families to access and use funds – if a reimbursement model is selected some families might not have the funds available to pay for services up-front. • This process is difficult for families with accessibility issues. • There is no guarantee that families will receive improved information in their FASs as the process is dependent on when they submit claims. • Providers would not have access to a family's balance information (assuming that providers are no longer given access to Siebel Partner Portal), however it's likely that parents may still have improved visibility of this information.
Service providers	<ul style="list-style-type: none"> • Providers will experience less maintenance overhead in providing services to funded families. 	

Option 5: Combination of payment mechanisms

FaHCSIA may determine that implementing a solution which combines more than one payment mechanism will provide the greatest benefits. Two options are considered in further detail here:

- Streamline FOFMS in conjunction with a card based solution
- Implement custom FaHCSIA claiming mechanism (similar to Medicare Easyclaim) via EFTPOS

Streamline FOFMS and implement a card based solution

Description

By combining both a card based solution as well as an improved FOFMS process, FaHCSIA can cater for providers who do not have existing EFTPOS / HICAPS facilities as well as provide a means by which additional data can be captured above and beyond what is captured by the card based mechanisms alone. This option would allow the benefits of each mechanism to be realised while reducing the impact of the disadvantages associated to the standalone solutions.

This option would allow providers who have the required terminals to use the chosen card based technology, while providers without this facility use the more streamlined FOFMS process to enter claims. In addition to this, FOFMS could be set up to allow the capture of information (such as location, number of hours / sessions, etc) after a transaction has been processed. This would allow the current level of information to be retained within the system while still allowing point of service claims to be made. However, it is unlikely that providers would be motivated to provide additional information on a service after the fact unless there were penalties or rewards associated. The primary purpose of combining these options would be to cater for service providers who could not currently process card based claims.

If an attempt to make a payment using the card based solution fails due to an outage, claims could still be processed by either entering them manually into FOFMS (as per the existing process), or by waiting until the system is online and available to process the payment.

Technical implementation

Transaction details

For providers with EFTPOS / HICAPS facilities, the following process will be employed:

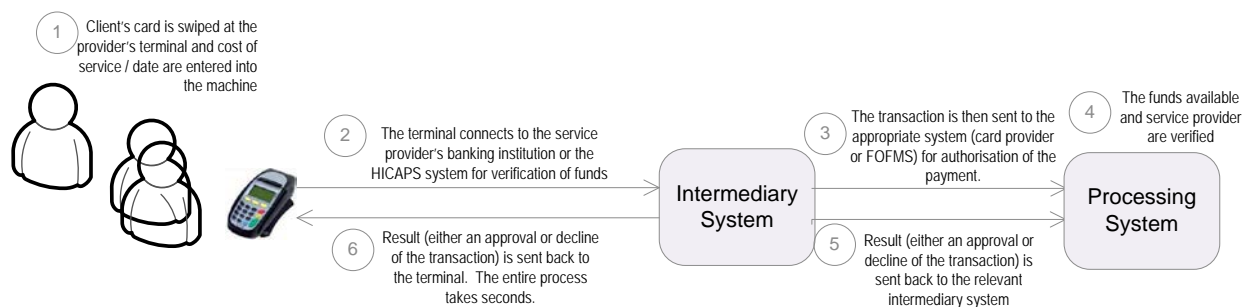


Figure 16 Pre-paid / debit card claiming process

1. Details of the transaction, such as the cost of service and the date, are entered into an EFTPOS or HICAPS machine at the point of sale. The card is then swiped and the transaction is submitted.
2. The machine connects to the appropriate intermediary system (the service provider's financial institution if a pre-paid card solution is chosen or the HICAPS switch if HICAPS is implemented) and requests approval for the proposed transaction. The machine provides information such as the merchant id, date of service, cost of service, etc to allow for verification of the transaction.
3. The intermediary system in turn connects the processing system (the card provider if a pre-paid card solution is selected or FOFMS if HICAPS is selected).
4. At this stage authentication of the card takes place, checks are performed to ensure that the service provider is an approved provider and that the client has sufficient funds available for the transaction.

Alternate payment mechanisms

Option 5: Combination of payment mechanisms

5. The response is routed back to the intermediary system.
6. The result is then provided to the terminal where it is displayed to the provider and client.

If further information is required, the service provider can continue to access claim and balance information via FOFMS, as and when required. The provider would also be able to enter additional information into FOFMS for each claim if necessary.

For providers without access to an EFTPOS / HICAPS terminal, the existing FOFMS process would be available. Modifications described in 'Option 1: Streamline current payment mechanisms' on Page 10 can be made to FOFMS to provide efficiency gains for these providers.

Compatibility with existing systems

Should the transaction processing be managed on behalf of FaHCSIA by the card issuer, FOFMS would likely operate in a similar fashion as it does today. The system would need to include integration points to load funds onto a card as well as to obtain transaction level details for upload into FOFMS. These interfaces may well be nightly batch interfaces and as such FOFMS would contain up-to-date claims information as of the previous business day.

Should FaHCSIA manage the transactional processing themselves, real time interfaces would be required to approve / reject funding requests. These interfaces would need to validate the vendor id and the payment itself and would need to be accessible to external financial institutions.

Privacy and fraud assessment

This solution offers strong control measures. Transactions are 'real time' enabling accurate balance checking and services delivered are recorded with the transaction and can be validated prior to authorisation of payment.

Privacy assessment

There is an additional privacy risk in any card solution: The department may need to involve a transaction processing partner. That partner could have to hold full information on all clients, service providers and client balances for services. These providers manage similar information on behalf of other government departments currently and clients are familiar with banks or payment handling services holding their details so there is unlikely to be resistance from privacy advocates. However, it will likely require a new privacy impact assessment to be commissioned by the department, and all existing customers must be informed and agree to any new terms and conditions. This will impose a transition cost on the department, and the existing mechanisms will need to be operated in parallel during the transition, limiting cost savings.

Fraud and risk assessment

This solution does provide strong controls.

- Service providers may have a specified schedule of fees for services and resources. Currently providers are not audited to confirm compliance. This approach ensures that FaHCSIA can systematically enforce compliance across both services and resources.
- Balances are checked in real time, ensuring that customers cannot overspend their balance.
- Full service details are captured at point of sale, enabling full audit.
- Similarly to Option 3, FaHCSIA will have to ensure that the card providers list of authorised service providers is kept up to date. If a funding agreement is allowed to expire, that will prevent all access by customers to services from this provider, and also prevent effective auditing and controls.
- Existing credit card solutions do not capture details around the services or resources purchased with the cards, relying on the authorised organisations functioning as a 'gatekeeper' to the service rather than auditing records of transactions for compliance. To mitigate this risk authorised organisations will require training to ensure that the card is not used for non eligible purchases of services or equipment.

Ongoing cost implications

FaHCSIA Costs

Costs of a HICAPS style card will likely be similar to the Pre-paid card above: external service provision, procurement will be similar to the pre-paid card above. The Australian Government has implemented a pre-paid card solution for approximately 20,000 clients for welfare quarantining, the BasicsCard. The BasicsCard has a similar sized user-base to the number of HCWA and BSI clients. The external costs of implementing and operating this solution on a rolling 3 year basis has been \$20 million, which includes the cost of tendering (\$8 million), and the cost of the ongoing delivery of the service for 3 years (approximately \$12 million over 3 years or 12 million per annum)²¹.

In addition to this cost the department will need to make internal changes to FOFMS (estimated at between \$2 million - \$5 million²²).

Provider and Community Costs

There will be a significant cost born by FaHCSIA's providers under the solution. The largest consortiums on the Better Start panel of approved providers currently do not have access to EFTPOS terminals. This will impose a number of costs:

- Acquisition of a HICAPS terminal is comparable to an EFTPOS terminal at approximately \$30 dollars per month²³. This most significant difference is that wireless HICAPS terminals are not available which may impact some providers who wish to offer a mobile service. This is a fixed fee that must be paid and may discourage occasional service providers from service delivery. Assuming that some providers are on both the HCWA and Better Start panels, total cost will be approximately \$500,000 per annum or \$1.5 million over the life of the contract²⁴.
- Merchant services and interchange fees are approximately 2% of total transaction value²⁵. However, these are individually negotiated with the bank on a per service provider basis. As the providers under the Better Start agreement are predominately consortiums of small businesses, it is likely that costs will be higher than the industry average. For FaHCSIA's transaction volumes, and assuming that the remote and regional grants will be paid via the card, total costs will be approximately \$700,000 or \$2.1 million over three years.

It is likely that the service providers will pass these costs through to consumers rather than absorb them in their own operating margins and these costs will be borne by the families enrolled in the program.

²¹ (Australian National Audit Office, 2011)

²² All costs provided are high level and based on our experience. These costs should undergo a detailed verification activity with the relevant FOFMS IT teams and this should include a formal estimate of effort for the cost of implementing such a solution in the FaHCSIA environment.

²³ Based on market cost information quoted by providers

²⁴ Assumes 1368 separate providers over both panels

²⁵ (A Guide to the Card Payments System Reforms, 2010)

Alternate payment mechanisms

Option 5: Combination of payment mechanisms

Advantages vs Disadvantages

	<i>Main Advantages</i>	<i>Main Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> • Could reduce number of calls into helpdesk from service providers relating to how to use the system. This is provided that service provider is already familiar with either the EFTPOS or HICAPS system and how to process these transactions. • A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. • Cards can be set up to ensure that they are restricted for use at approved service providers – this is consistent with operational guidelines in place today. 	<ul style="list-style-type: none"> • This would not have an impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today.
Clients and families	<ul style="list-style-type: none"> • Families will receive improved information in their FASs. As the process is real time, when statements are generated it would include all services received by the family to date. • The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. • Families with accessibility issues are able to successfully use and access their funds without difficulty. 	
Service providers	<ul style="list-style-type: none"> • For all providers who are already familiar with the usage of either the EFTPOS or HICAPS system, the initial transaction could be more simplified than what is in place today. • As providers would not have access to FOFMS, families cannot request balance information from providers and must contact FaHCSIA to do so. 	<ul style="list-style-type: none"> • For all providers who are not familiar with the usage of the EFTPOS or HICAPS systems, the process may be more complicated and costly – especially if these providers are not equipped with terminals. • If providers are required to use EFTPOS and then edit claim information via the portal after the fact, this process could become more burdensome than what is in place today.

Implement custom FaHCSIA claiming mechanism via EFTPOS

Description

FaHCSIA also have the option of introducing a proprietary EFTPOS claiming system managed by the department. This would allow FaHCSIA to implement custom data capture screens through any EFTPOS terminal which supports it, at the point of sale. FaHCSIA cards would be distributed to funded families. These cards would contain a magnetic strip (and / or smartchip) that would allow the card to be swiped at an EFTPOS terminal. Claims can be made via the EFTPOS terminal in a similar fashion to how HICAPS claims are made, however the back end processing would be conducted by FaHCSIA (rather than HICAPS). In order to achieve this, FaHCSIA would need to negotiate with EFTPOS terminal providers (such as CBA, NAB, HICAPS, etc) to allow a FaHCSIA EFTPOS terminal application to be deployed.

This solution is the most complex to implement, however combines the benefits of using the EFTPOS system (more terminals means greater accessibility) and HICAPS (where more information can be captured).

If an attempt to make a payment using the card based solution fails due to an outage, claims could still be processed by either entering them manually into FOFMS (as per the existing process), or by waiting until the system is online and available to process the payment.

Real life implementation examples

Medicare

Medicare Easyclaim allows providers to lodge claims using EFTPOS terminals. Each financial institution that delivers Medicare Easyclaim is required to sign a contract. The contract is a standard agreement with all financial institutions who agree to deliver Medicare electronic claiming through the EFTPOS network. Claims submitted through Medicare Easyclaim follow this process:

1. The patient's Medicare card is swiped through the practice's EFTPOS or HICAPS terminal.
2. Claim details are entered via the keypad.
3. The claim is sent to Medicare for verification and an approval message is sent back to the terminal.
4. At this point, the remainder of the transaction depends on the claim being processed:
 - a. *For Bulk bill claims:* The patient then presses a button on the keypad to assign their Medicare benefit to the doctor. The terminal prints a patient receipt and the health care provider receives a single payment in their nominated bank account within 24 - 48 hours.
 - b. *For fully paid claims:* The patient swipes their EFTPOS card through the EFTPOS terminal and enters their PIN. If Medicare accepts the service the Medicare rebate is paid directly into their cheque or savings account almost immediately.
 - c. *For partial paid or unpaid claims:* If Medicare accepts the service, a 'pay doctor' cheque will be sent to the patient, who brings it to the practice along with any outstanding balance.

Technical implementation

Transaction flow

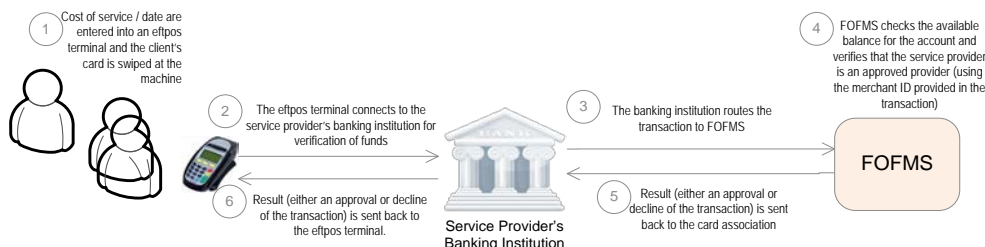


Figure 17 Custom EFTPOS claiming mechanism process

5. Details of the transaction, such as the service type, location, number of hours, cost of service and the date, are entered into an EFTPOS machine at the point of sale. The supplied FaHCSIA card is then swiped through the terminal.

Alternate payment mechanisms

Option 5: Combination of payment mechanisms

6. The machine connects to the service provider's financial institution (that is, the supplier of the EFTPOS machine) and requests approval for the proposed transaction. The machine provides information such as the merchant id, date of service, cost of service, card number expiry and encrypted PIN to the financial institution to allow for verification of the transaction.
7. The provider's financial institution connects to FaHCSIA for approval.
8. At this stage authentication of the card takes place, checks are performed to ensure that the service provider is an approved provider and that the client has sufficient funds available for the transaction. Once approved, funds are deducted from the available balance for the client
9. The response is then routed back through to the service provider's banking institution.
10. The result is then provided to the EFTPOS machine where it is displayed to the provider and client.

FaHCSIA would then be responsible for payment to the provider's banking institution.

Compatibility with existing systems

This solution would require a custom EFTPOS application to be developed and deployed to participating machines. FaHCSIA would need to create interfaces to allow for the processing of claims made in real time and would also need to develop a mechanism by which reimbursement to the provider's bank would occur.

Privacy / fraud implications

This solution offers strong control measures. Transactions are 'real time' enabling accurate balance checking and services delivered are recorded with the transaction and can be validated prior to authorisation of payment. Privacy assessment

There is an additional privacy risk in any card solution: The department must involve a transaction processing partner. That partner would have to hold full information on all clients, service providers and client balances for services. These providers manage similar information on behalf of other government departments currently and clients are familiar with banks or payment handling services holding their details so there is unlikely to be resistance from privacy advocates. However, it will likely require a new privacy impact assessment to be commissioned by the department, and all existing customers must be informed and agree to any new terms and conditions. This will impose a transition cost on the department, and the existing mechanisms will need to be operated in parallel during the transition, limiting cost savings.

Fraud and risk assessment

This solution does provide strong controls.

- Service providers have a specified schedule of fees for services and resources. Currently providers are not audited to confirm compliance. This approach ensures that FaHCSIA can systematically enforce compliance across both services and resources.
- Balances are checked in real time, ensuring that customers cannot overspend their balance.
- Full service details are captured at point of sale, enabling full audit.
- Similarly to Option 3 & 4, FaHCSIA will have to ensure that the card providers list of authorised service providers is kept up to date. If a funding agreement is allowed to expire, that will prevent all access by customers to services from this provider, and also prevent effective auditing and controls.
- Existing credit card solutions do not capture details around the services or resources purchased with the cards, relying on the authorised organisations functioning as a 'gatekeeper' to the service rather than auditing records of transactions for compliance. To mitigate this risk authorised organisations will require training to ensure that the card is not used for non eligible purchases of services or equipment.

Ongoing cost implications

FaHCSIA Costs

The cost of this solution is difficult to estimate. No information is publically available. Likely costs include dedicated ICT professionals who will be responsible for developing the EFTPOS firmware in conjunction with the banks, and implementing the relevant payment interfaces. In addition, the banks will have to make changes to their core transaction process information. Based on high level effort estimation, likely costs to the department exceed \$10 million per annum.

Provider and Community Costs

For providers and program enrolees, costs will be identical to options 3 and 4. The largest consortiums on the Better Start panel of approved providers currently do not have access to EFTPOS terminals. This will impose a number of costs:

- Any EFTPOS terminal can be used to process claims under this model, and acquisition will cost approximately \$30 dollars per month²⁶. This is a fixed fee that must be paid and may discourage occasional service providers from service delivery. Assuming that some providers are on both the HCWA and Better Start panels, total cost will be approximately \$500,000 per annum or \$1.5 million over the life of the contract²⁷.
- Merchant services and interchange fees are approximately 2% of total transaction value²⁸. However, these are individually negotiated with the bank on a per service provider basis. As the providers under the Better Start agreement are predominately consortiums of small businesses, it is likely that costs will be higher than the industry average. For FaHCSIA's transaction volumes, and assuming that the remote and regional grants will be paid via the card, total costs will be approximately \$700,000 or \$2.1 million over three years.

It is likely that the service providers will pass these costs through to consumers rather than absorb them in their own operating margins and these costs will be borne by the families enrolled in the program.

²⁶ Based on market cost information quoted by providers

²⁷ Assumes 1368 separate providers over both panels

²⁸ (A Guide to the Card Payments System Reforms, 2010)

Alternate payment mechanisms

Option 5: Combination of payment mechanisms

Advantages vs Disadvantages

	<i>Main Advantages</i>	<i>Main Disadvantages</i>
FaHCSIA	<ul style="list-style-type: none"> • Could reduce number of calls into helpdesk from service providers relating to how to use the system. This is provided that service provider is already familiar with either the EFTPOS or HICAPS system and how to process these transactions. • A wide variety of service information can still be captured as a part of the claims process, allowing FaHCSIA to continue to report on services incurred and detailed claims information. • Cards can be set up to ensure that they are restricted for use at approved service providers – this is consistent with operational guidelines in place today. 	<ul style="list-style-type: none"> • This would not have an impact on the number of failed payments and as such administrative expenditure for this activity would remain the same as it is today.
Clients and families	<ul style="list-style-type: none"> • Families will receive improved information in their FASs. As the process is real time, when statements are generated it would include all services received by the family to date. • The process would retain flexibility for families for budgeting claim amounts on a claim-by-claim basis. Families can continue to select how much FaHCSIA will contribute to each service as required. • Families with accessibility issues are able to successfully use and access their funds without difficulty. 	<ul style="list-style-type: none"> • As providers would not have access to FOFMS, families cannot request balance information from providers and must contact FaHCSIA to do so.
Service providers	<ul style="list-style-type: none"> • For all providers who are already familiar with the usage of either the EFTPOS or HICAPS system, this process is much more simplified than what is in place today. 	<ul style="list-style-type: none"> • For all providers who are not familiar with the usage of the EFTPOS or HICAPS systems, the process may be more complicated and costly – especially if these providers are not equipped with terminals.

3 Comparison of payment mechanisms

The key objectives of analysing different payment mechanisms available to FaHCSIA were identified as:

1. **Administrative Efficiency:** The reduction in administration overheads associated with the highly labour intensive processes in place.
2. **Accuracy and Timeliness:** Providing families with more accurate and timely information from FaHCSIA.
3. **Process Efficiency:** A more efficient and automatic processes for service providers to submit claims to FaHCSIA.
4. **Auditability:** Ability for the Australian Government to retain appropriate assurance that funding is correctly expended – both on an individual entitlement basis and that it is spent on approved services.
5. **Cost effectiveness:** How cost effectively the solution delivers against the previous 5 points.

Each of the options presented in this review have been measured against these objectives. In doing this, some additional measures have been identified to provide further insight into the benefits of each option. These are:

1. The extensibility of the solution to provide wider benefit to other programs within FaHCSIA.
2. The cost implications associated to both implementing and maintaining the mechanism. These costs may be borne by FaHCSIA, providers and families depending on the cost structure of solution employed by the department.
3. Privacy and Fraud control risk have been included in criteria 4, auditability.

Comparison of payment mechanisms

Option 5: Combination of payment mechanisms

Administrative Efficiency

	<i>Summary of Analysis</i>	<i>Rating</i>
Option 1	This option should improve process efficiency. A simplification of the user interface and improved training program for providers should decrease calls to the FaHCSIA help desk and improve outcomes for providers. Families will not be impacted, but may benefit from increased timeliness of information submitted by providers if provider behaviour changes.	Strong
Option 2	The card solutions have a high upfront administrative overhead for the department. Tendering costs for Centrelink's card solution have run to \$8 million dollars, greater than estimated current administration costs for the program.	Weak
Option 3	The card solutions have a high upfront administrative overhead for the department. Tendering costs for Centrelink's card solution have run to \$8 million dollars, greater than estimated current administration costs for the program.	Weak
Option 4	This option will have significant administrative overheads. The department must implement an auditing program and mail handling capability that are currently not in place.	Weak
Option 5	This solution will include a significant administrative overhead. The credit card solutions have a high upfront administrative overhead for the department. Tendering costs for Centrelink's card solution have run to \$8 million dollars, greater than estimated current administration costs for the program. Providing customised firmware comparable to Medicare's capability will impose further overheads.	Weak

Accuracy and Timeliness

	<i>Summary of Analysis</i>	<i>Rating</i>
Option 1	An improved interface should increase accuracy and timeliness of information captured. Anecdotal evidence drawn from fields in claims indicates a lack of provider awareness and knowledge of how the system works. Improved interfaces and training should increase accuracy and timeliness by increasing usability.	Medium
Option 2	This will increase accuracy and timeliness of information as information will be captured at the point of sale. Some providers may need to submit card claims manually or via the FOFMS interface, but this should only account for a minority of claims. However, this approach significantly reduces the amount of information captured by the department. This will be addressed further in the next assessment component.	Strong
Option 3	This will increase accuracy and timeliness of information as information will be captured at the point of sale. Some providers may need to submit card claims manually or via the FOFMS interface, but this should only account for a minority of claims.	Strong
Option 4	This approach will result in decreased timeliness for the department. Claims will have to be processed manually. Due to the fact that claimants are the 'owners' of the process, their experience should not be impacted by these delays, but the department will not be able to address claims being posted after the financial year as well as other issues that occur currently. This approach may reduce the amount of information captured by the department, as families of enrollees may not be able to provide the same level of detail about services delivered as a provider can due to a lack of professional knowledge.	Weak
Option 5	This will increase accuracy and timeliness of information as information will be captured at the point of sale. Some providers may need to submit credit card claims manually or via the FOFMS interface, but this should only account for a minority of claims.	Strong

Comparison of payment mechanisms

Option 5: Combination of payment mechanisms

Process Efficiency

	<i>Summary of Analysis</i>	<i>Rating</i>
Option 1	This option should improve process efficiency. A simplification of the user interface and improved training program for providers should decrease calls to the FaHCSIA help desk and improve outcomes for providers. Families will not be impacted, but may benefit from increased timeliness of information submitted by providers if provider behaviour changes.	Medium
Option 2	This option should result in increased process efficiency. Claiming via cards eliminates data entry by providers via a point of sale solution. However, there may be an additional administrative burden during establishment as new providers and claimants will have to acquire a POS terminal and card respectively.	Strong
Option 3	This option should result in increased process efficiency. Claiming via cards eliminates data entry by providers via a point of sale solution. However, there may be an additional administrative burden during establishment as new providers and claimants will have to acquire a POS terminal and card respectively.	Strong
Option 4	This option will have process efficiency costs. Manual handling of claims imposes process overheads, and audit or validation of manual claims would be a new process not currently delivered by the department. Receipts will require mailing imposing a posting and processing delay.	Weak
Option 5	This option should result in increased process efficiency. A simplification of the user interface and improved training program for providers should decrease calls to the FaHCSIA help desk and improve outcomes for providers. Families will not be impacted, but may benefit from increased timeliness of information submitted by providers if provider behaviour changes. Claiming via cards eliminates data entry by providers via a point of sale solution. However, there may be an additional administrative burden during establishment as new providers and claimants will have to acquire a POS terminal and card respectively.	Strong

Auditability

	<i>Summary of Analysis</i>	<i>Rating</i>
Option 1	This solution has comparable audibility to the current state and other potential solutions. The main limitation of audibility at the current time is the relative strength of information capture imposed on providers by policy.	Strong
Option 2	Prepaid cards have one significant limitation that may eliminate them as an option. Assuming providers do not have to capture any additional information outside of the transaction, the department will not be able to capture information about services delivered. If the department sees this as a critical requirement, it may remove this option from further consideration.	Weak
Option 3	HICAPS has the benefit of capturing information about the type of service delivered at the point of sale for checking claim eligibility, but which can also be stored against the claim itself. The only limitation on information capture is the limitations imposed by policy.	Strong
Option 4	This solution has reduced audibility compared to the current state and other potential solutions. The responsibility for providing claim information is switched to the families, who may not be readily able to provide the information required by the department.	Medium
Option 5	This solution has comparable audibility to the current state and other potential solutions. The HICAPS has the benefit of capturing information about the type of service delivered at the point of sale for checking claim eligibility, but which can also be stored against the claim itself. The only limitation on information capture is the limitations imposed by policy.	Strong

Cost Effectiveness²⁹

Costs are born by three groups in each solution:

1. **FaHCSIA Costs:** Costs borne by the department – implementation costs, administrative overhead, tendering costs and solution provider costs
2. **Provider Costs:** Costs borne by providers – merchant fees, cost of POS equipment and claim processing costs. It is likely that all these costs will be passed on to families in fees paid, which in turn will be claimed against the department’s funds.
3. **Families Costs:** Costs that will be incurred by the families, typically administrative and claims costs.

	<i>Summary of Analysis</i>	<i>Rating</i>
Option 1	<p>This option has the lowest overall costs.</p> <ol style="list-style-type: none"> 1. FaHCSIA Costs: The department would have to bear minimal additional costs to implement this option, and this option can be implemented immediately with funding. 2. Provider Costs: Improvements to processing efficiency should reduce provider costs. 3. Families Costs: Families costs are unchanged. 	Strong
Option 2	<p>This option is the equal second most expensive. Significant costs will be incurred by the department and by Providers:</p> <ol style="list-style-type: none"> 1. FaHCSIA Costs: The department must pay a solution provider and tendering costs to implement this feature, as well as changes to FOFMS and SAP to handle payments processing. Total costs are likely to be \$20-\$25 million over a 3 year operating period. 2. Provider Costs: To handle the costs of merchant interchange and EFTPOS terminals, providers will incur between \$3.5 and \$4.5 million dollars per annum in additional costs. 3. Families Costs: While families’ costs are unchanged, it is possible that providers will pass costs through to families. While the families will charge these costs back to FaHCSIA under the program, the amount of services families can claim under the scheme could be reduced. 	Weak

²⁹ All costs provided are high level and based on our experience. These costs should undergo a detailed review and estimation process which would include input from all affected FaHCSIA IT teams.

Comparison of payment mechanisms

Option 5: Combination of payment mechanisms

<p style="text-align: center;">Option 3</p>	<p>This option is the equal second most expensive. Significant costs will be incurred by the department and by Providers:</p> <ol style="list-style-type: none"> 1. FaHCSIA Costs: The department must pay a solution provider and tendering costs to implement this feature, as well as changes to FOFMS and SAP to handle payments processing. Total costs are likely to be \$20-\$25 million over a 3 year operating period. 2. Provider Costs: To handle the costs of merchant interchange and EFTPOS terminals, providers will incur between \$3.5 and \$4.5 million dollars per annum in additional costs. 3. Families Costs: While families' costs are unchanged, it is possible that providers will pass costs through to families. While the families will charge these costs back to FaHCSIA under the program, the amount of services families can claim under the scheme could be reduced. 	<p>Weak</p>
<p style="text-align: center;">Option 4</p>	<p>This option is the third most expensive. Significant costs will be incurred by the department and by Providers:</p> <ol style="list-style-type: none"> 1. FaHCSIA Costs: The department must pay solution provider and tendering costs to implement this feature, as well as changes to FOFMS and SAP to handle payments processing. Additionally, it must pay mail handling and audit costs. Costs will depend on the nature of the Audit program but are likely to range between \$3 and \$7 million for implementation and mail handling. In addition as families are more likely to come from backgrounds that require technical assistance than service providers, helpdesk calls are likely to increase significantly. 2. Provider Costs: Provider costs will be reduced, as they no longer have to interact with FaHCSIA or FOFMS to file claims. Instead the families will assume the administrative responsibility. 3. Families Costs: As families become the claimants under this option, their costs increase substantially both in time spent on indirect administrative activities and in direct financial cost, depending on what audit model is chosen. 	<p>Medium</p>
<p style="text-align: center;">Option 5</p>	<p>This option is also high cost, depending upon how the combinations are selected. They are in the order of scale of Options 2 and 3.</p>	<p>Weak</p>

Summary of Findings

A summary of these findings is tabulated in the summary below:

	1. Administration Efficiency	2. Accuracy and Timeliness	3. Process Efficiency	4. Auditability	Departmental Costs	Overall
Option 1: FoFMS Improvements						
Option 2: Prepaid Card						
Option 3: HICAPS Card						
Option 4: Direct Claim						
Option 5a: Combination						
Option 5b: Combination						

Overall, the preferred options are:

1. Direct improvements to FOFMS: This option is significantly cheaper than the alternatives and can be immediately implemented. It is likely to achieve significant benefits to administrative efficiency and the quality of service delivery to providers.
2. Longer term, a HICAPS style solution may be considered. It offers additional auditability and data capture over the prepaid card at minimal additional cost. However, this option is likely to be costly.

Comparison of payment mechanisms

Option 5: Combination of payment mechanisms

A comparison of each of the options is outlined in the following table. A legend can be found following the table and footnotes have been added to provide further details for some items:

		Option 1: Streamline current process	Option 2: Pre-paid card	Option 3: Healthcare card	Option 4: Direct Claim	Option 5a: Streamline process & introduce card	Option 5b: Custom claiming solution via EFTPOS
1 Administrative Overhead	Ability to reduce helpdesk calls	✓ ³⁰	✓ ³⁰	✓ ³⁰	✓ ³⁰	✓ ³⁰	✓ ³⁰
	Potential reduction in failed payments	✗	✗	✗	✓	✗	✗
	Limited manual intervention required for processing payments	✓	✓	✓	✗	✓	✓
2 Improved service for families	Claim for payment must be made at time of service delivery	✗ ³¹	✓ ³²	✓	✗	✓	✓
	Flexibility for families for budgeting claim amounts – i.e. ability to determine co-payment amount	✓	✓	✓	✓	✓	✓
	Families with accessibility issues are able to successfully use and access their funds without difficulty	✓	✓	✓	✗	✓	✓
	Accessibility of client balance information for a service provider ³³	✓	✗ ³⁴	✗	✗	✓	✗
3 Easier for providers	The claiming mechanism is easy to use and claims are easy to submit	✓	✓	✓ ³⁵	✓	✗	✓
4 Enforcing program rules	The claiming mechanism does not require program policy changes to operate	✓	✗	✓	✗	✓	✓
	All claim information can be captured within FOFMS (incl type of service, resource, etc)	✓	✗	✓ ³⁶	✓	✓	✓
	Claims can be restricted to only approved service providers and services	✓	✓ ³⁷	✓	✓	✓	✓
5 Wider organisational benefit	Mechanism could be re-used to enhanced to provide benefit for other program areas	✓	✓	✗	✗	✗	✗
6 Cost implications	No additional software / hardware required	✓ ³⁸	✗	✗	✓ ³⁹	✗	✗
	Level of training required	H	L / M	L / M	M	M	H
	Low implementation cost	✓	✗	✗	✓	✗	✗
	Low maintenance cost	✓	✗	✗	✓	✗	✗

³⁰ An easier to use processes may lead to a reduction in call volumes. Call volumes for card based solutions may increase if providers are not familiar with the operation of EFTPOS / HICAPS terminals.

³¹ Claims can still be processed in a timely manner; however more rigour is required from the provider using this mechanism.

³² This is possible as long as EFTPOS / HICAPS facilities are available to the provider. This may also have implications for treatments that span multiple sessions – the payment would only occur at the point of the last service within the treatment plan.

³³ This information is useful both for service providers for troubleshooting failed or rejected claims as well as families who do contact service providers at times to find out about their balance.

³⁴ This assumes that service providers will no longer be given access to FOFMS.

³⁵ Depends on how familiar the service provider is with the HICAPS interface and whether or not the provider has integrated point of sale software. If the provider is not familiar with this interface, this may not be easy.

³⁶ It is likely that using a HICAPS solution would not allow the capture of certain types of information such as location and number of sessions / hours

³⁷ For the pre-paid card option, service providers can be restricted but it is unlikely that the type of service can be – this detail isn't typically available when using pre-paid cards.

³⁸ Software development activities need to occur as well as the potential installation of Siebel Open UI. However this would not require the procurement of new software products.

³⁹ New software could be required if FaHCSIA provide families with a portal to submit claims; however this may be achievable within the existing product.

Comparison of payment mechanisms

Option 5: Combination of payment mechanisms

For the purposes of this comparison the following legend has been used:

- ✓ = option is compatible with the associated feature
- ✓ = option is either partially compatible or could be compatible depending on the specific implementation
- ✗ = option is not compatible with associated feature

4 Next steps and further considerations

The purpose of this report was to provide a high level overview of alternate options available to FaHCSIA to distribute early intervention funds. This review was undertaken to build on FaHCSIA's knowledge base in this area and to help shape thinking for the HCWA and BSI program areas for the future. The review has taken a high level look of payment mechanisms in use today and has presented the relative advantages and disadvantages of each, as well as forming an initial view as to the likely costs associated with each.

Due to the preliminary and focussed nature of this review, thorough analysis on all sources of inefficiencies in the HCWA and BSI processes were not undertaken. In order to assist with the process of finding the best fit solution for FaHCSIA's environment, and have an understanding of the key areas of focus some high level observations / considerations have been made. These observations have been broken down into two categories:

- Objectives of the review which won't be met by implementing an alternate payment mechanism
- Key activities which should be conducted before selecting an option

Objectives that won't be met by an alternate payment mechanism

A key driver in conducting this review was the identification of options which will reduce the current administrative costs associated with running the HCWA and BSI programs. The primary areas identified as contributing to this costs were:

- Quantity of calls to the HCWA and BSI service desk
- Number of failed payments which occur
- Manual processing of FAS statements to families who cannot be sent these electronically
- Inefficiencies in the service provider registration process

Observations and likely impact of an alternate payment mechanism on each of these is addressed in more detail below.

Helpdesk calls

According to helpdesk statistics collected over the last year, there has been a steady increase in the number of requests to the helpdesk – both in terms of emails and phone calls received. This increase is shown in Figure 18.

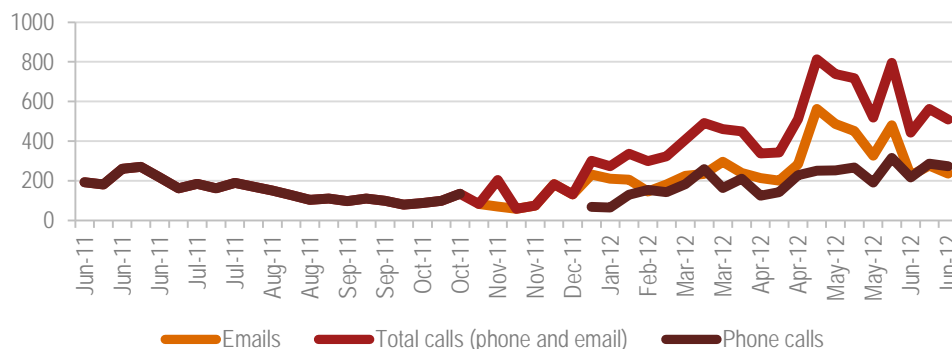


Figure 18 Calls to the HCWA / BSI service desk since June 2011

The number of helpdesk calls may be affected by introducing an alternate payment mechanism, however it is unclear if this impact would be a net beneficial one:

- With a more real time payments process, it is anticipated that the number of calls arising for balance enquiries by families could decrease as the information presented in FOFMS would be up-to-date. However, currently families do contact service providers to check their balance entitlements in the system before booking a service or ordering a resource. If service providers are no longer able to access to family balance information, then calls to the FaHCSIA helpdesk might increase or stay static, even with more real time information available.
- Calls which arise out of provider 'how-to' questions may decrease with a more simplified solution. The quantity of calls however is dependent on not only the final option selected, but also the level of training / experience providers have with that option. The HICAPS model, for example, could be considered quite complicated for users with no prior experience with this tool.
- Calls to the helpdesk which arise from policy queries, updates to service provider organisational information, application enquiries, etc would likely not be materially impacted with the introduction of an alternate payment mechanism.

Detailed analysis of the helpdesk call details was not possible, however it has been reported that the highest number of calls arise for program policy questions. As these calls will not be reduced in quantity by introducing a new payment method, FaHCSIA could consider other ways in which these volumes might be reduced. One such option would be the incorporation of ongoing education of providers. FaHCSIA could consider creating a 'Frequently Asked Questions' section for service providers. This section would be populated with information about each of the programs and be targeted to ensure that the questions posed by providers most frequently are answered on the site. Alternatively FaHCSIA could investigate whether or not simplifying the program policy would be possible and beneficial to the department.

Failed Payments

By implementing an alternate payment mechanism and streamlining this process, the number of failed payments may not be impacted significantly. The primary sources of failed payments identified during the review, have been those arising from:

- Claims submitted for unapproved funding agreements. This typically happens as updates made to service provider details (such as email address or staff changes) require a FaHCSIA staff member to approve the associated funding agreement again. If a claim is submitted before this approval is given, the payment will fail. It is unlikely that a more real-time based solution would significantly decrease the quantity of failed payments within the system:
 - With a pre-paid card solution, the transaction will go through, however the payment would still fail within FOFMS and would still require manual intervention;
 - With a HICAPS solution, the transaction would continue to fail; and
 - With a direct debit solution, the volumes could decrease – FaHCSIA could implement a business process for manually submitted claims such that claims shouldn't be entered / submitted into the system until the funding agreement is in an 'approved' state.
- Service providers exceeding the funding agreement limit. Funding agreement limit is a mandatory field in FOFMS and it appears to be populated with an arbitrarily large figure for Better Start and HCWA programs (as it is not applicable to these programs). This limit is sometimes reached and any claims made for a service provider who has reached the limit will fail. This type of failure is unlikely to be impacted by the introduction of an alternate mechanism. FaHCSIA could consider options around increasing the set funding agreement amounts such that providers would not exceed it.

Service provider registration process

Implementing an alternate payment mechanism would not alter the service provider registration process. Any inefficiency currently experienced in this area would remain and would need to be addressed separately. FaHCSIA could consider options around streamlining this process and this would be particularly beneficial during peak registration periods. One option available would be to create an online form for the registration of HCWA providers (currently only the BSI form is automated). This would allow FaHCSIA to perform validation of requests before they are submitted, reducing inefficiencies from asking providers to resubmit information.

Manually processed mail

It is possible that by implementing an alternate payment mechanism, the distribution of FASs could be stopped. If implementing a HICAPS solution, for example, it may be possible to print balance information as a part of each claim. However, FASs are generated not only to provide updates to families on the current balance of funds available, but also as an anti-fraud measure to prevent illegitimate claims being submitted for a client. The FAS provides a mechanism by which verification of the charges by a client against their account can occur. As it is possible that claims can still be manually entered into FOFMS (by FaHCSIA staff at a minimum) regardless of the option selected, a mechanism by which families could verify claims submitted would still provide benefits.

Most FASs generated are provided to clients via email. A number of clients have either not specified an email address with FaHCSIA or have an incorrect address recorded in the system. As such approximately 1,500 FASs are manually printed and posted each month. This activity is currently conducted in-house and is reported to take two business days to complete. FaHCSIA should consider whether it would be beneficial to outsource this activity to a mailing house. Costs associated to third party mail houses typically vary based on the contract as well as the volumes that require printing. Existing contracts between government departments and mail houses could be looked at to determine if cost efficiencies can be derived here.

Next steps before pursuing an option

Before pursuing any of the options presented here, a number of additional considerations should be made and information sought. The activities which should take place broadly fall into three categories:

- Understand service provider needs
- Consider where training can provide the greatest benefits
- Conduct in depth feasibility analysis
- Consider future needs of the programs

Understand service provider needs

Service providers operate in a variety of different ways with a variety of tools at their disposal. A detailed understanding of the issues providers currently face with the process, reasons behind why claims are not always submitted on time and current technical limitations will play an important part in the selection of a suitable approach. FaHCSIA could survey current providers to determine information such as:

- Current technology environment of the providers:
 - How many providers use practice management software?
 - What are the payment methods available for the provider's clients?
 - How many providers have EFTPOS or HICAPS facilities?
 - Of the providers who do not have these facilities, how many have plans in the foreseeable future to allow these payment methods?
- Does the provider have administrative staff who process claims and if so, is it possible for the provider to move to a point-of-sale claiming model?
- How often are claims entered into the system?
- If claims are being entered less than weekly, what is the key driver behind this – is it that the provider waits until a suitable volume of transactions have been accrued, are there system problems causing this or does the provider simply not have the time to process transactions more frequently?
- How long does the current claim process take (including creating and verifying a claim)?
- Identification of primary issue(s) with the existing process;
- Identification of primary benefit(s) with the existing process;
- What does the service provider want more information on – do they have problems with querying? Would they be interested in additional training?

If a survey is conducted, questions should be simple in nature and present multiple choice options where possible. There are currently less than 1,800 service providers across the HCWA and BSI programs. Should FaHCSIA determine this is too large a sample size to survey, an alternate option is to target the most vocally dissatisfied providers to understand what about the process is causing problems. A wider investigation of the technology set up of all providers would still be required should a card based solution be the preferred option.

Consider where training can provide the greatest benefits

To improve the current payments process, FaHCSIA will likely require payment mechanism in conjunction with more focussed efforts on training of service providers. During this review, two service providers were interviewed to discuss their experiences with the current system. Neither provider was aware that training material on the use of FOFMS had been produced and was available from the FaHCSIA website. It could be that the training material has only been communicated to new service providers but was not sent to existing providers. It may be beneficial for all providers, even those experienced in the use of the system, to have access to these materials. The training material available to date has focussed on the technical side of the claims system, it may also be beneficial for FaHCSIA to increase training on program operations / rules.

In depth analysis and conceptual design

Once a detailed understanding of the experience and environment has been obtained, FaHCSIA would need to perform a detailed analysis of the preferred option(s). This analysis should contain at a minimum:

- Analysis of the current program policies to determine where changes or improvements can be made to facilitate the payment mechanism. As a part of this FaHCSIA should consider which program policies could be modified to provide the greatest benefit to FaHCSIA, families and service providers.

Next steps and further considerations

- In depth analysis of detailed requirements for the mechanism. Each option can be scored and weighted based on these requirements and the best fit option selected. An assessment as to the impact of the inefficiencies in the current process and how the current system performs against these requirements should also be made at this stage. This assessment might include, for example, a review of the number of families who are exceeding their funding allocation due to the delay in the submission of claims to FaHCSIA.
- Documentation of a conceptual solution design which outlines in more detail how the program would operate with the new payment mechanism. This design would specify how any policy changes may be implemented and define in further detail the full scope of change from both a business and technical perspective.
- Detailed forecasts on the likely cost of implementing and maintaining the system. A market scan of the providers available would be performed. A full cost benefit analysis could be conducted, including likely growth of the programs to ensure that the option would provide the predicted benefits.
- The department will need to commission a privacy impact assessment for options 2, 3, 4 and 5.
- The department may need legislative changes depending on the terms of the relevant legislation. Legal advice will need to be sought, but this information should be identified as part of the privacy impact assessment.

The analysis performed here could form the basis of any subsequent Request for Tender (RFT) submitted to implement one of these options (if required).

Future needs of the program

It is understood that the department is currently considering the implications of the NDIS and what is required in order to support this. The introduction of the NDIS may result in additional features or requirements for the proposed mechanism. One such feature could be a payments solution which supports outcomes management. Outcomes management would provide a way for service providers and treatments to be assessed against one another to determine whether or not they are providing real benefits. When a child is first seen by a health care practitioner, a baseline assessment is taken which measures the child's relative performance against a variety of areas, including those which are hoped to be improved by the treatment. The complexity of the child's case is recorded at this point in order to allow for the results of treatment for one child to be compared to results of other children. A treatment plan is then discussed with the parents and created for the child. At regular points throughout the treatment, the child is re-assessed and compared against the baseline scores. The change in scores over time represent the child's progress and provides a measure by which providers, families and FaHCSIA can ensure good outcomes for clients. Incorporating outcomes management as a component of the HCWA and BSI programs would provide:

- a way for the department to assess the outcomes of programs and determine if funds being allocated are achieving their goals;
- a way for families to compare provider performance and identify the right treatments for their child.

On the market today, there are a range of evidence based, inexpensive tools available to perform this function. Before selecting any of the payment mechanisms discussed here, FaHCSIA should give consideration as to whether or not an outcomes management solution should be incorporated into each of the programs and how this might occur. If so, each option should also be assessed as to how well they are able to meet this function. For example, a pre-paid card solution that captures no service level information would not easily facilitate an outcomes management solution. However, a HICAPS solution which captures all details of a service in real time would be better equipped for this.

Appendices

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Appendix A List of acronyms / abbreviations

Acronym	Definition
ATM	Automatic Teller Machine
BSI	Better Start for Children with Disability Initiative
csv	comma separated values (aka comma delimited file)
DEEWR	Department of Education, Employment and Workplace Relations
DHS	Department of Human Services
EFTPOS	Electronic funds transfer at point of sale
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FOFMS	FaHCSIA Online Financial Management System
HCWA	Helping Children with Autism package
HICAPS	Health Industry Claims and Payments Service
NAB	National Australia Bank
RIS	Registration and Information Service

Appendix B Documentation received

Ref. #	Document Name
1	Better Start for Children with Disability (Better Start) Early Intervention Service Provider Panel Operational Guidelines
2	Helping Children with Autism Early Intervention Service Provider Panel Operational Guidelines
3	Task cards available to service providers: <ul style="list-style-type: none"> Create a New Client Record Create a New Case Record Print Letter of Introduction Create a New Outer Regional and Remote (OR&R) Claim Create an Early Intervention Claim Submit a Claim to FaHCSIA for Payment Update a Client Record
4	Training Videos available to service providers: <ul style="list-style-type: none"> Autism and Better Start Early Intervention Services Introduction to the FaHCSIA Online Funding Management System Autism Advisors and Better Start Registration and Information Service Search for and Create a New Client Record Create an Autism Advisor and Better Start Registration and Information Service Case Record for an Existing Client and Print and Reprint a Letter of Introduction to Early Intervention Services Autism Advisors and Better Start Registration and Information Service Create an Outer Regional and Remote Claim Record Create an Early Intervention Case Record for an Existing Client Create an Early Intervention Claim Record Submit a Claim Record to FaHCSIA for Payment Update an Existing Client Record that is Associated with Your Organisation View and Reconcile Payments Made To Your Organisation by FaHCSIA
5	Helpdesk call logs (15 spreadsheets spanning information captured from 08/10 til 06/12)
6	Helpdesk call statistics (20 spreadsheets representing statistics captured from the 02/03/2012 til 29/06/2012)
7	Failed Payments information (4 spreadsheets covering failed payments from 14/05/2012 til 15/06/2012)

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