REVIEW OF THE AUDITOR-GENERAL'S EFFICIENCY AUDIT REPORT;

Commonwealth Administration of Nursing Home Programs

REPORT FROM THE HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EXPENDITURE

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1. Chairman of the Joint Committee of Public Accounts, who, in accordance with Clause (2) of the Resolution of Appointment is a member of the Expenditure Committee.

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Background

1. The House has referred to the Committee for inquiry and report, the Auditor-General's Efficiency Audit Report, Commonwealth Administration of Nursing Home Programs (the EA Report). The objectives of the Committee inquiry were to assess the substantive content of the audit exercise and the quality of the EA Report and to examine the responses of departments. The Department of Health (Health) administers the 2 nursing home programs.

2. The conclusions of the Committee fall into two broad categories, namely matters which are:

- specific to the EA Report
- general to efficiency auditing

Conclusions

1. The chapters in the EA Report on Control of Fees, Deficit Financing and Standards of Nursing Home Care, by and large address issues aimed at improving the efficiency of administration. Many of the Audit suggestions for change in these areas are worthwhile and useful. In its examination of fees control Audit has identified what the Committee perceives as the weakest area of departmental administration in respect of nursing homes. Health has appointed a consultant to advise on fees control and the Committee is satisfied that Audit has been a catalyst in this appointment.

2. In developing an integrated approach to care for the aged the EA Report proceeds beyond an examination of administrative efficiency. The integrated approach offers a strategy for correcting the mismatch between the real care requirements of individual patients and the types of care provided; and the prospects of reduced Commonwealth expenditure on high cost nursing home programs. The Committee notes that programs which provide a range of services for the aged are funded at different levels by the Commonwealth. Thus while some changes in the mix of programs may reduce Commonwealth expenditure such changes could at the same time increase expenditure by State Governments and/or charitable organisations and, in doing so, raise basic questions of relative responsibilities as well. Nevertheless, the Audit proposals which review the effectiveness of programs that care for the aged will be taken into consideration in the Expenditure Committee inquiry into Accommodation and Home Care for the Aged.

3. There are errors and weaknesses in the Audit figuring. The Committee commends Audit for providing estimates of savings that could result from the audit. For such estimates to be meaningful, however, they must be accurate and realistic. The 1980-81 Annual Report of the Auditor-General says the net benefits of the nursing homes efficiency audit were estimated at a 'potential' of about $26m. a year in addition to unquantifiable improvements. The errors and weaknesses would put any recalculated figure at a level substantially below $26m. But over and above this we have doubts as to whether even a recalculated figure is capable of being achieved.

4. Health appears to have accepted the thrust of a majority of the Audit suggestions for change. It is important to note, however, that the department has set aside a significant number of Audit suggestions for change as being policy matters for consideration by Government and, in effect also rejects $24m or over 90% of Audits net potential savings. It is also important to note the general reservations Health has made. The Committee was told the EA Report appears to be based on an exaggerated view of the Commonwealth's authority, that the States have major responsibility for the provision

of health care services and that in some cases the efficiency focus may be at the expense of adequate consideration of the quality of care. Yet, Health's overall view of the EA Report is that it 'should act as an effective catalyst in achieving improved levels of efficiency and effectiveness in nursing home services for the aged'.

5. The Committee's final point relates to the scope of efficiency audits. We have discussed, without reaching any conclusions, the advantages and disadvantages of efficiency audits being extended into reviews of the effectiveness of programs in achieving their objectives. The advantages of audits extending further up the Audit continuum are additional information and, as Audit puts it, the identification of big savings. The major disadvantage, as the Committee sees it, is the entry of the Auditor-General into the political arena.

Recommendations

1. The Committee's recommendations are of two broad types. The first type asks for decisions by the Government or the Department of Health. The second type asks Health to keep the Parliament informed of progress in matters it has told the Committee it (Health) would be doing.

2. The Committee recommends that the Government inform the House of:

(a) the recommendations of the fees control consultant and the decisions taken in relation to those recommendations
(b) the Government's views on the Committee suggestion that, if cooperation from the States is not forthcoming, the Commonwealth fund the number of nursing hours per patient to a uniform standard set by the Commonwealth
(c) the Government's views on the Audit suggestion to expand the provision of paramedical services to cover patients in private nursing homes
(d) the Government's views on the Audit suggestion for linking Commonwealth benefits to fee levels in the coming year.
(paragraph 88)

3. The Committee recommends that the Department of Health:

(a) publish the results of its review of the comparison of the deficit financed nursing homes sector with the private nursing homes sector
(b) negotiate with the States for joint inspections of nursing homes.
(paragraph 89)

4. The Committee recommends that the Department of Health keep the Parliament informed, by appropriate comments in its annual reports, of the progress made on the following matters:

(a) review of information systems
(b) the need for more precise classification criteria for nursing home patients
(c) development of more uniform standards of nursing care and domestic (housekeeping) staff
(d) preparation of a fees manual
(e) development of procedures for efficient architectural design of deficit financed nursing homes
(f) the expanded role of external auditors in respect of deficit financed nursing homes
(g) review of admission and classification criteria used by the Departments of Health and Veterans' Affairs to obtain consistency in treatment of patients
(h) examination of the costs and benefits of the Department of Health undertaking Department of Veterans' Affairs functions for the payment of nursing home benefits.
(paragraph 90)

Review

Introduction

1. The Report of the Auditor-General on an Efficiency Audit-Commonwealth Administration of Nursing Home Programs,[1] is his second efficiency audit report. It is also the second such report that the House has referred to the Expenditure Committee for inquiry and report.[2]

2. When compared with the first efficiency audit report the second one does represent an improvement in the quality of presentation and analysis. The report makes several worthwhile suggestions for change which should increase the efficiency of administration of nursing home programs. There are also improvements in the quality of evidence. The submissions and evidence of Audit and the Department of Health (hereinafter also referred to as Health) have helped us to get a good appreciation of the problems of policy and administration of programs in this complex area of social welfare.

3. One aspect of the major Health submission of 29 June 1981 that was disappointing, however, was the absence of clear indications as to whether the department supported or opposed specific suggestions for change made by Audit. Departments should be more specific in their responses to Audit recommendations in efficiency audit reports when making submissions to parliamentary committees. This conclusion is discussed at paragraph 64.

Program Description and Administration[3]

4. Nursing homes are one type of program that provide accommodation and care for the aged. Other programs range from community support services for persons living at home, to hostel accommodation, and the acute care hospital. Services are provided by State governments, local governments, charitable and religious organisations and the private sector. It is important to note that the form and extent of Commonwealth financial assistance varies between the programs that provide accommodation and care for the aged. For example, the Commonwealth funds a very large proportion of the operational expenses of all nursing homes whereas in the provision of home care services the Commonwealth shares the costs with the States on a dollar for dollar basis.[4] Further, responsibility for caring for the aged is distributed between the Commonwealth, the States and in practice religious and charitable organisations as well.

5. Commonwealth Government recurrent financial assistance is provided to three broad categories of nursing homes. These are homes run by State Governments; non-Government participating nursing homes run by and large for profit (hereinafter called private nursing homes); and deficit financed nursing homes, operated by religious or charitable organisations or local government. Recurrent assistance is provided under two Acts of Parliament, namely:

- the *National Health Act* 1953 under which Commonwealth benefits are paid to eligible nursing home patients in State and private nursing homes; and
- the *Nursing Homes Assistance Act* 1974 under which the Commmonwealth funds the operating deficits of approved non-profit nursing homes run by religious and charitable organisations and local government.

The Commonwealth provides capital assistance for the construction of nursing home facilities under the *Aged or Disabled Persons Homes Act* 1954.

6. The EA Report says that although not expressed as a statement of goals or purposes Government intentions in respect of nursing home programs 'appear to be to ensure

that all persons requiring nursing home care can obtain an adequate standard of care without financial hardship and without incurring excessive costs to the Commonwealth' (p.5).

7. Commonwealth outlays under the National Health Act and the Nursing Homes Assistance Act was about $269m. in 1978-79.[5] Assistance given under the Aged or Disabled Persons Homes Act amounted to $23.4m. in 1978-79. The operations of nursing homes are regulated by the Commonwealth and the States. Commonwealth control is related to the provision of financial assistance. Many of the Commonwealth controls are not applied to State Government nursing homes. Some controls are applied to both the private and deficit financed sectors whereas other controls affect only one of the sectors. Commonwealth controls that apply to both sectors are on increases in the number of nursing home beds, patient admission and standards of care. Commonwealth-State Co-ordinating Committees have been established in each State to examine and recommend on applications for the provision of new nursing home beds.

8. Government policy is that the sole criterion applying to admissions is the well being of the patient. Approval must be given to admission unless it can be shown that the patient's needs can be provided for more suitably in another institution and that such accommodation is available.

9. Another control that applies to both private nursing homes and deficit financed sectors is on standards of care. The States play a significant role in setting such standards. Except in Queensland, nursing homes are licensed by State Governments which promulgate and enforce minimum standards for staffing and facilities. The Commonwealth has to accept standards of nursing care set by the States. Minimum nursing requirements vary from State to State. A consequence of this is that patients in South Australia and Victoria receive signficantly more hours of nursing care than patients in other States and the Commonwealth pays different benefits for the different levels of care. The Audit conclusions are that State Government standards for hours of nursing care are thus a prime determinant of benefit levels and deficit payments and that State Governments have a considerable impact upon Commonwealth capital and operating expenditure in respect of nursing homes.[6]

10. The controls that apply mainly to private nursing homes are in respect of patient classification, payment of Commonwealth benefits and fees controls. Patients in nursing homes are classified as either ordinary care or extensive care patients. Extensive care patients receive an additional $6 a day benefit to the benefit received by ordinary care patients. In 1979-80 the Commonwealth paid $40m. in extensive care benefits.

11. In practice the extensive care benefit and the ordinary care benefit are paid by the Commonwealth direct to State and private nursing homes on behalf of the patient. The ordinary care benefit is determined annually and separately for each State to cover fully, when combined with the statutory minimum patient contribution (i.e. 87½% of combined single pension plus supplementary assistance), the fee charged at the time of the benefits review for 70% of private nursing home beds. At 6 November 1980 the ordinary care benefit ranged from $112 a week for a patient in Western Australia to $187.60 a week for a patient in Victoria. The EA Report contains a useful diagram (page 86) which shows the relationship between the fee level, the ordinary care benefit and the patient contribution.

12. The National Health Act requires that the approval of premises of a nursing home eligible for Commonwealth benefits be subject to, *inter alia*, determination of fees by the Director-General of Health. In determining the scale of fees the Director-General is required to 'have regard to costs necessarily incurred in providing nursing home care in

the nursing home'.[7] Proprietors have to apply for fee increases. Three types of cost increases are allowed: salaries and wages, other operating expenses and miscellaneous expenses such as rent and higher interest rates. Claims for fee increases resulting from increased salaries and wages are assessed quarterly. Claims for increasing fees because of increases in other operating expenses are made annually. Compensation for increases in costs of miscellaneous items may be submitted at any time.

13. Thus fees in private nursing homes can be increased several times during a year whereas Commonwealth benefits are reviewed and adjusted annually. As a result in some instances the benefits are insufficient to cover fees for part of the year. However, patients in State government and deficit financed homes do not have this problem because they pay only the standard patient contribution.

14. The Nursing Homes Assistance Act allows the Commonwealth to fund the deficits of nursing homes operated by religious and charitable or benevolent organisations. A major feature of the administration of the Act is a common form of agreement between the Commonwealth and each individual home. Under the terms of the agreement the home agrees to provide nursing home care and, in return, the Commonwealth funds an approved budget deficit. Health's control over deficit financing is applied principally through the examination of budgeted expenditure for the forthcoming year and a detailed inspection of nursing home records and accounts at the end of the financial year.

The EA Report

DESCRIPTION

15. 'The objectives of the audit were:

1. to examine, assess and report on the extent to which Commonwealth administration of nursing home programs:
   - is conducted in accordance with Commonwealth Government policies;
   - interacts with related Commonwealth programs of care for the aged and the infirm;
   - is conducted in an efficient, effective and consistent manner; and
2. where possible, to make suggestions for improvements in the administration of Commonwealth nursing home programs.'[8]

16. The Abstract of the EA Report says at page v that in respect of program administration, the Report reveals a number of weaknesses which 'have led to unnecessary expenditure and a lack of consistency in the distribution of assistance to the aged and infirm'. Particular aspects that gave Audit cause for concern were, as summarised by the Committee:

- a lack of an integrated approach to care of the aged
- weaknesses in controls on patient admission and classification
- a lack of economy in aspects of nursing home care
- weaknesses in controls over increases in the numbers of nursing home beds; and
- looseness in systems for controlling fees of private nursing homes and budgets of deficit financed homes.

17. Chapter 2 of Part 1 of the EA Report is a Summary of Audit Observations and Suggestions for Change. The Chapter has an overview of the Audit conclusions and at pages 30 to 35 a very useful 'Table-Major Audit Findings, Suggestions for Change and Estimated Costs and Benefits'. Chapters 3 through to 9 of Part II contain the more detailed analyses of the matters covered in Chapter 2 of Part 1.

COMMITTEE INQUIRY OBJECTIVES

18. The inquiry objectives of the Committee were to:

- assess the substantive content and quality of the EA Report, and
- examine departmental responses

COMMITTEE ANALYSIS

19. Committee comment on Audit Suggestions for Change are at Appendix 1. Analysis by the Committee of the substantive content and quality of the EA Report and departmental responses can be broken down into 3 separate parts:

- Committee analysis of EA Report
  - administrative efficiency; control of fees, deficits, standards of care and overview
  - the integrated approach to care
  - Audit figuring
- Quality of departmental submissions and evidence
- Scope of the EA Report.

1. ADMINISTRATIVE EFFICIENCY

(a) Control of Fees

20. Control of fees is examined in detail by Audit in Chapter 6 of Part II of the EA Report. Audit has identified what we perceive as the weakest area of departmental administration of nursing homes and has made several worthwhile suggestions for change which when taken together and acted upon should improve efficiency of administration. Control of fees by the Commonwealth applies only to private nursing homes which supplied about 55% of total beds in 1978-79.[9] The Commonwealth pays the greater proportion of patient fees. The private nursing home proprietor is also reimbursed through approved fee increases for increases in approved costs necessarily incurred in caring for the aged in the nursing home. Growth in the number of beds is controlled by the Commonwealth and occupancy rates of close to 100% result in part from growth control.

21. The Department of Health states that Government policy does not encompass profit control and departmental officers do not take profits into account at all when considering applications for fee increases. The EA Report says at page 79 that between 1973 and 1978 'profit per bed increased Australia-wide at approximately 12% per annum'. Audit appears to attribute such increases to the lack of effectiveness of Health's fee control mechanism. The Audit suggestion for change is that Health seek clarification from Government of the need for assessment procedures to take nursing home profits into account.[10]

22. The EA Report says at page 50 that it is not entirely clear whether the extensive care benefit paid by the Commonwealth is 'intended as a form of cost reimbursement, as an incentive to proprietors to accept 'heavy care' patients or as a mixture of both intentions'. The benefit of $6 a day is the same for all States but costs of providing extensive nursing care can vary between States because of differences in nursing hour requirements established by State regulations or awards. In Queensland the amount of benefit was less than the cost of providing extensive care whereas the reverse position applied in New South Wales, Victoria and South Australia. The Audit suggestion is to link the benefit to the cost of providing it if that is Government intent. If this is done there would be possible savings in excess of $4m. a year on account of the extensive care benefit.[11]

23. The EA Report states at page 79 that the principal reason for the increase in profitability per bed since 1973 appears to be 'lack of departmental control in the area of salaries and wages increases'. Audit refers to a number of significant weaknesses in

Health's procedures for checking (validating) claims by proprietors for increased staffing or higher wage levels and concludes that fees may be based on costs which are greater than the costs actually incurred. If the findings of a departmental study of 50% of private nursing homes in New South Wales were applicable to all States, Audit says that there could be overpayment by the Commonwealth of about $4m. a year on account of salaries and wages.[12]

24. Audit also says Health should examine means by which private nursing home proprietors can be encouraged to seek internal efficiencies and cost reductions consistent with maintenance of nursing care standards.

25. Health has questioned the Audit findings and suggestions for change in these four areas. The department says the Audit finding on profit increases is misleading. If the extensive care benefit is reduced by matching it with costs Health concludes that proprietors will have no incentive to accept patients requiring extensive care, which Health believes to be one of the reasons for the benefit, so that the possible savings of $4m. a year are illusory. While accepting the need for more comprehensive and systematic validation of claims, Health says the sample used by Audit is such a limited one that it cannot be used to interpret profit increases in the period 1973 to 1978.[13] Finally, Health recognises that the present system of fees control does not provide nursing home proprietors with incentives to operate in a cost efficient manner.

26. Assessment of the relative merits of contrary points of view put to the Committee is a profitless exercise because of subsequent developments and in particular, the appointment of a consultant. In its submission of 29 June 1981 Health says that the 'fees control system is intended mainly to ensure that nursing homes, protected by growth control and subsidised by patient benefits, do not charge excessive fees in the absence of normal market place constraints'. The department notes that some nursing homes have effectively increased their profits particularly by introducing rent as a 'cost necessarily incurred'.[14] Given these matters and other complexities referred to in the EA Report, Health has commenced a fundamental review of the fees control system. As part of the review Health has engaged a consultant whose terms of reference are shown at Appendix II. The consultant is asked to advise on factors to be taken into account in determining a reasonable level of operational profitability, to examine possible means of adequately reimbursing costs and providing incentives for proprietors to admit extensive care patients, to establish guidelines for the verification of costs and to provide ways of giving incentives to proprietors to reduce costs with financial benefits that would accrue to both the Commonwealth and the proprietor.

27. In short, the very matters that give Audit cause for concern have been included in the consultant's terms of reference. We would concede the Health viewpoint that it is very difficult to attribute credit to a particular organisation for initiatives taken to improve administration of complex programs such as nursing homes. Nevertheless, the Committee is satisfied that Audit has been a catalyst, perhaps an important catalyst in this area.

(b) Control of Deficits

28. The Commonwealth funds the deficits of nursing homes run by non-profit religious, charitable or benevolent and local government organisations. Such funding, under the Nursing Homes Assistance Act, commenced in 1975. By providing a means of meeting the losses incurred the government of the day felt that these homes would be 'encouraged to improve and expand the traditionally high standard of patient care that they provide'. Subsequent decisions have placed greater emphasis on containing the costs of deficit financed homes. The cost to the Commonwealth of funding these deficits was $85m. in 1979-80 and this covered 23% of all nursing home beds.[15]

29. Audit says that Health has not undertaken a comprehensive comparison of deficit financed and other types of nursing homes in terms of Commonwealth expenditure and

relative value for money. The EA Report compares occupied bed day costs of deficit financed homes with homes that received Commonwealth assistance under the National Health Act (State and private homes). The Audit conclusion is that 'deficit financed homes' costs are significantly greater than costs in privately operated nursing homes charging up to the standard fee'.[16] The fact that this is not so is dealt with later. However, the report recognises that a direct comparison of the two sectors' cost to the Commonwealth is difficult because of differences in philosophy, financial structures and nature of Commonwealth payment. Audit suggests that Health should research and develop policy advice on the comparative costs to the Commonwealth and the existence and acceptability of different standards of care in the deficit financed and private nursing homes sectors.[17]

30. Health says that deficit financed homes cost the Commonwealth more per bed than private homes but that this is a consequence of Government policy. The department intends to review the deficit funded scheme alongside the participating scheme. Health added that deficit funded homes also catered for special groups, such as spastic children and this factor had to be taken into account in the review.[18] The Committee assumes that the Health review will also focus on what Audit refers to in another section of the EA Report (page 73), namely that departmental evaluation of the relative levels of care and costs in each sector should be the basis for determining the appropriate mix of deficit financed and private nursing homes. The Committee notes that such evaluation would be necessarily subjective.

31. The Audit analysis has contributed to a broader departmental review which appears to be necessary. In this sense, Audit has made a worthwhile contribution.

32. Under the Aged or Disabled Persons Act the Commonwealth provides capital grants on a $2 for $1 basis to religious and charitable organisations for accommodation for the aged or disabled. This Act is administered by the Department of Social Security. Audit says that a number of deficit financed homes subsidized under the Act had design features which have resulted in diseconomies both in construction and operating costs. The EA Report suggests co-operative research between Health and Social Security to encourage cost effective design.[19]

33. This suggestion is a worthwhile one which is being pursued by departments. The Committee notes that Health provided Audit with two examples of additional staffing costs of about $137,000 a year that result from uneconomic design of 2 homes in New South Wales. These two homes between them provide 118 beds. If calculated over the life of a health service building these additional costs could add up to millions of dollars.[20]

(c) Standards of Care

34. Audit analysis on standards of care apply to State, private and deficit financed nursing homes (Chapter 4, Part II of the EA Report). It is important to note that some standards, particularly on nursing hours which account for over 50% of operating costs, are set by the States. Close to 100% of the funds are provided by the Commonwealth.[21]

35. Audit says that the need for standards in the provision of nursing home care should be based on an interest in ensuring that adequate standards are provided, consistency in the treatment of patients and economy and efficiency in the use of funds.[22] The matters covered are very similar to those in the Chapter on Deficit Financing.

36. Audit finds that the Commonwealth is funding standards of nursing care which vary State by State. Hours of nursing care in deficit financed homes exceed the hours in private homes. The suggestions for change are the development of uniform standards and an examination of the need for the Commonwealth to fund nursing care above State minimum standards. The Committee notes that the application of uniform guidelines should result in more consistent treatment of patients than at present and achieve economy in use of Commonwealth funds as well.

37. Health sees advantages in having uniform standards. We would go further and emphasize that the Commonwealth should seek the cooperation of the States to accept these standards and, if need be, pay only for such standards.

38. The development of uniform standards is not something new. In 1975 a working party established by the Hospitals and Allied Services Advisory Council (HASAC) recommended specific standards on minimum nursing hours per patient. At the time of the EA Report New South Wales was the only State that accepted HASAC for staffing levels in private nursing homes. Recently Western Australia too accepted HASAC.[23] The Committee expresses no view as to the appropriateness or otherwise of the HASAC standards.

39. Paramedical care includes services such as physiotherapy and diversional therapy. A substantial proportion of deficit financed homes provide such services at no additional charge to the patient. The cost of such services was estimated by Audit at $4m. to $5m. in 1978-79. State government homes also provide such services. Only a comparatively small number of private nursing homes provide paramedical services. Audit suggests the development of policy guidelines to permit a consistent and equitable approach to the availability and cost of paramedical care.[24]

40. Audit has made a worthwhile suggestion from the point of view of equity but it is questionable whether it is within efficiency audit parameters. In this case Audit suggests there may be increased expenditure. The Committee points out that this is to achieve equity rather than to induce savings. Health agrees with the need for work in this area and proposes to engage a consultant geriatrician. The department also concedes that the Commonwealth may be doing less to encourage such services in private nursing homes than in deficit financed homes.[25]

(d) Overview

41. At this point our assessment of the substantive quality of the EA Report has covered control of fees, deficit financing and standards of nursing homes (i.e. Part II, Chapters 6, 8 and 4 respectively). By and large these chapters address problems and issues related to improving the efficiency of administration. Some of the suggestions, particularly those on control of fees have been subsumed in the terms of reference of the consultant engaged by the Department of Health. The Committee expects the Parliament to be informed of decisions taken on the consultant's report. Other suggestions for change have been accepted, in one form or another by Health. The Committee considers that the department should report progress by appropriate comments in its annual reports.

2. INTEGRATED APPROACH TO CARE

42. The second part of our analysis covers those parts of the EA Report that proceed beyond an examination of administrative efficiency. In these areas there is an examination by Audit of the need for an integrated approach to care for the aged. Such work fits into one of the objectives of the audit, namely to examine and assess the extent to which Commonwealth administration of nursing home programs interacts with related Commonwealth programs of care for the aged and infirm.

43. In the Abstract (page v) of the EA Report Audit says that one of the particular aspects that gave it concern was:

- a lack of an integrated approach to care of the aged appears to be leading to increasing Commonwealth financial support to high cost institutional nursing care and to a mismatch between the real care requirements of individual patients and the types of care provided.

44. The basis for the mismatch argument is given at pages 57 and 58 of the EA Report. Departmental studies and a consultant's report indicate that 15% to 25% of patients in

nursing homes could be adequately cared for in alternative accommodation at a lower cost. 'Assuming the real figure to be currently only 10%, the additional ongoing cost to the community of accommodating these people in nursing homes instead of hostels, if available, would be of the order of $36 million p.a.'[26] Audit also states that the difference in Commonwealth benefits for hostels (personal care subsidy) and nursing homes (nursing home benefits) is in the order of $5500 a year for each person.

45. Our reading of the report shows that Audit identifies two causes of the mismatch problem. First, the planning process for nursing home care is generally isolated from the process for related programs, that planning is fragmented between Commonwealth and State agencies and that interdepartmental program effectiveness reviews do not appear to have resulted in an adequately integrated program directed at care of the aged and infirm. In short, the EA Report says at page 51, 'there is no single coherent formal strategy for rational matching of needs and services (or funding of services) for the aged and the infirm'.

46. The second apparent cause of the problem is the lack of information for effective program planning and evaluation. At pages 49 to 51 of the EA Report Audit says that the social and medical impacts of nursing home programs have not been evaluated by Health as part of a formal policy review mechanism (p. 49), that there is an absence of comprehensive profiles of present and future needs of the aged and infirm and an absence of comprehensive information on services currently available to the aged and infirm (p. 51).

47. The Audit strategy for correcting the problem is an integrated approach to care for the aged. The strategy can be said to consist of 4 parts. First, Audit puts forward in the Chapter on Patient Admission and Classification (Chapter 3 of Part II) two options for changing the current controls on admission of patients to nursing homes. Both options require the introduction of multi-disciplinary assessment panels which would physically examine the patient and assess the need for care (i.e. nursing home or alternative) in accordance with established criteria.[27]

48. The second part of the integrated approach to care for the aged is community research. Basing its view on the consultant's observation that nursing home care is generally more expensive than hostel care and home support services, Audit says in the Chapter on Control of Numbers of Nursing Home Beds (Chapter 5 of Part II) that community requirements for nursing home beds should be researched as part of a more general assessment of community requirements for the range of accommodation and support services for the aged and infirm.[28] The Committee notes that the Department of Social Security is sponsoring a survey on care of the aged at home in association with the Australian Council on the Ageing. The intention is to survey the actual living arrangements of people who are outside institutions.[29]

49. The third part of the integrated approach is planning for nursing home care within the structure of an integrated long-term view of the range of needs of the aged and the infirm, and the development of a structured approach to providing funds and services to meet those needs. Audit states that this planning activity should be co-ordinated by the Social Welfare Policy Secretariat.[30] Finally Audit suggests evaluation into program outcomes which would include joint evaluation and planning for related programs.

50. It appears to the Committee that Audit has put together a logical and structured presentation for an integrated approach to care for the aged. The Committee must presume that the work of assessment panels, when combined with other parts of the approach, will reduce greatly what Audit refers to as the unnecessary institutionalisation of the aged.[31] Community research is necessary for the effective operation of assessment panels. Long-term planning, using the information obtained from research and assessment would entail projections of the extent to which a particular type of service is needed and where it is needed, so that such projections can be linked with the forward

planning of Commonwealth expenditure. Finally, evaluation would be the means of monitoring success. The net effects of the integrated approach to care for the aged are stated in the Table at page 30 of the EA Report, as a better utilisation of health services, a more appropriate level and form of patient care and prospects of reduced Commonwealth expenditure on (high cost) nursing home programs.

51. The Committee shares the serious concern of Audit on the mismatch between real care requirements and the type of care provided. As Audit says at page 54 of the EA Report, '(u)nless a patient really requires the level of nursing care provided in a nursing home, his physical and psychological condition may after admission deteriorate to the point where nursing care is in fact necessary'.

52. The Audit suggestion for planning, according to the EA Report, has been repeated in a series of public reports over the last decade.[32] In evidence, Audit said that the fact that a particular measure had been raised before should not preclude it from being raised again. In general terms, the Committee would accept this viewpoint. Audit also said that the provision of hard quantitative information on matters such as appropriate levels of care could help to solve what appears to be an insurmountable political problem.[33] The Committee considers that inquiries and reviews which follow closely on the heels of earlier reports on the same topic could be enriched by an analysis of the factors that caused the findings and recommendations made in them not to be adopted and implemented. If it turns out that there are deep seated political issues involved, then it would be necessary to provide advice on how these issues might be resolved or overcome. The Committee doubts that quantification could, by itself, be relied upon to solve what are basically political problems. It may be that these matters are not appropriate for discussion in an EA Report. This raises the question of the scope of efficiency audits and is taken up at paragraphs 69 to 86 of this Review.

53. It appears to the Committee that the basic problem —the dilemma —in this area relates to questions of funding and responsibility. Programs which provide a range of services for the aged are funded at different levels by the Commonwealth (see paragraph 4). Some services are not funded at all. While changes in the mix of programs may reduce Commonwealth expenditure, such changes may at the same time require increased expenditure by State Governments and/or voluntary organisations and, in doing so, raise questions of relative responsibilities. For example, Audit identifies possible community savings of $36m. that would result from caring for a certain percentage of patients in hostels rather than nursing homes (see paragraph 44). Although the Committee does not seek to disturb the figure in the context in which Audit puts it, we would make it clear that this is not available as a net saving to the Commonwealth[34] because of the restrictive assumptions on which the calculation is based. While the Commonwealth may save money from this change in the mix of nursing homes and hostel accommodation such changes under current arrangements may increase both capital and operational costs of the States and voluntary organisations. This then raises separate questions of funding and responsibility.

54. The Holmes report perceived the nature of the problem, which is indicative of the difficulties the Commonwealth faces if it is to adopt an integrated approach. That report said:

> The States will not accept cost-sharing if it will make them worse off. Efficiency in the allocation of resources requires as many areas as possible to be financed on a similar basis.[35]

55. The Committee believes that Audit has not produced sufficient evidence to establish that the integrated approach to care for the aged provides a basis for correcting the mismatch and, **at the same time**, reducing or containing total Commonwealth expenditure in this area. The Committee also questions the reality of the Audit proposition and why it did not pick up the point made by Holmes. The Committee will take

up later the questions of program effectiveness analysis and accountability that have been raised in this section of the Report.

56. A sub-committee of the Expenditure Committee is inquiring into Accommodation and Home Care for the Aged. The Audit proposals which review the effectiveness of programs that care for the aged will be taken into consideration in that inquiry.

3. AUDIT FIGURING

57. The third part of our analysis deals with the accuracy and validity of some of the figures used in the EA Report. In examining the comparative costs of deficit funded and private nursing homes Audit uses two sets of figures. At page 97 Audit says that in 1979-80 Commonwealth expenditure per deficit financed bed was about 29% higher than expenditure for each National Health Act bed (private plus State homes), or 22% higher if costs of approved services are excluded (paramedical services provided by deficit financed homes to both inpatients and others). The Audit office provided details of the calculations of the 22% and 29%.[36] The Audit suggestion for change is policy advice based on the analysis of comparative costs of deficit financed and private nursing homes (see paragraph 29).

58. Health told the Committee that the figures on which the above calculations were based should have but did not include over $32m. spent on National Health Act nursing homes by the Department of Veterans' Affairs and the Capital Territory Health Commission. The department recalculated the figures at 6.4% and 13.1% respectively and this was accepted by Audit. The Committee is of the opinion that cost comparisons should bring out the differences in bed day costs of deficit financed and private nursing homes because the Audit suggestion for change refers to such analysis (EA Report, p. 103). When this is done Commonwealth expenditure for a deficit financed bed is 8% higher than for a private sector bed or 2% higher if costs of approved services (paramedical) are excluded. These figures are explained in Appendix 3. The Audit figures have caused comment and concern in the industry and among parliamentarians. The Committee finds as unsatisfactory Audit qualifications which say the figures were general indicators and were not used analytically in the text of the report.[38]

59. At page 114 of the EA Report there is a statement of the extra cost to the Commonwealth, put at about $820,000 of Department of Veterans' Affairs (DVA) paying the Victorian State nursing home fee rather than the Health benefit for DVA patients. This matter was pursued with DVA. The information supplied to the Committee indicates that these extra costs resulted from a 1972 policy decision and the special needs of certain DVA patients.[39] There is merit in Audit seeking views of departments on figures used in reports at as early a stage as possible.

60. Perhaps the greatest difficulty the Committee has with Audit figuring relates to the savings identified with specific suggestions for change. In the table at pages 30 to 35 of the EA Report Audit identifies and quantifies under the Benefits column possible or potential savings that could accrue from the acceptance of suggestions for change. Part of the problem the Committee faced turned on the use of the word 'possible'.[40] The Committee sought to find out whether savings that were described as possible were indeed capable of realisation. The Audit responses were that it had identified savings only as possible savings and further that these savings were conditional. Audit said that it did not make judgements as to whether conditional events were likely or unlikely and, to go beyond this, requires the exercise of considerable judgement.[41]

61. The reader of the EA Report is not made aware of the qualifications placed on the use of figures. More importantly, Audit itself appears to ignore these qualifications in the 1980-81 Annual Report of the Auditor-General. At page 187 of his Annual Report the Auditor-General, when referring to the EA Report states '(t)he net benefits were

estimated at a potential of approximately $26 million per annum in addition to unquantifiable improvements'.

62. Audit is to be commended for its attempts to quantify benefits and should be supported in its desire to make this a feature of future reports. However it is necessary for savings identified in efficiency audit reports to be accurate and realistic. It may be that auditors would have to exercise judgement in providing realistic savings but this would not be very different to the entire efficiency audit exercise. The Audit methodology, with its use of models and normative frameworks, requires personal judgements in the selection of criteria and norms.

63. The Committee does not think the audit exercise has the potential to realise net benefits of the order of $26m. as quoted in the Auditor-General's 1980-81 Annual Report. Errors and weaknesses in the calculations and estimates alone will reduce that figure substantially. But even any reduced figure is heavily dependant on the HASAC savings (see paragraph 38), now revised by Audit from over $20m. to $18m. The HASAC standards for nursing hours have been opposed by the States of Victoria and South Australia and by the Australian Affiliation of Voluntary Care Associations. Like Health we have reservations about the potential for HASAC savings in the EA Report. The Committee points out that if these savings are not realised the audit will not achieve any quantifiable savings and may even result in increased costs. Details of this discussion are provided at Appendix 3.

QUALITY OF DEPARTMENTAL SUBMISSIONS AND EVIDENCE

64. The major submission of the Department of Health (29 June 1981, transcript pages 44 to 114) is basically a response to the findings and suggestions for change in the Table at pages 30 to 35 of the EA Report. The submission does not address the more specific Audit views on scope for improvement made throughout Part II of the EA Report.

65. The Health responses are both specific to the Audit findings and suggestions for change in the Table and general to the EA Report. Health appears to have accepted the thrust of a majority of the Audit suggestions for change. It is important to note, however, that a significant number of suggestions for change have been set aside by Health as being policy matters for consideration by Government. For example, the Audit suggestions to link benefits to fees (additional cost of $8m. to $10m.), research into community needs and the tightening of growth control guidelines are said to be policy matters for consideration by Government.[42] It is also necessary to note that in effect Health rejects $24m. of the Audit savings (i.e. over 90% of the net potential savings) as being either illusory or based on unrealistic premises. The department says that some of the identified benefits are based on doubtful premises since they assume policy changes which are outside the scope of the stated objective of the audit.[43]

66. In the introductory comments to the major submission Health states that some of the findings of the EA Report appear to be based on an exaggerated view of the Commonwealth's authority and influence in the total area of nursing home care, that the States have main responsibility for the general provision of health care services and that in some cases the efficiency focus may be at the expense of adequate consideration of quality of care. Health also says that the EA Report adopts a centralist and perfectionist philosophy of management. Yet, Health's overall view of the EA Report given at transcript page 49 is that it 'should act as an effective catalyst in achieving improved levels of efficiency and effectiveness in nursing home services for the aged'.[44]

67. In future examination of efficiency audit reports the Committee may find it necessary to question why and how matters said to be policy are in fact so. Health has said that sometimes administrative matters are converted into policy matters because of the interest of a particular Minister (see paragraph 75). It may be necessary to check such views with the relevant Minister. Health was uncertain initially as to the origins of one

of the basic features of the scheme: that departmental medical officers do not interfere with the professional relationship between the private doctor and the particular patient. This matter was raised in relation to the extensive care benefit and we were told that the existing view on the doctor–patient relationship was a carry over from previous arrangements that dealt with patient admission. More information was sought and the Committee was referred to a report of an interdepartmental committee (IDC) established in 1970. The IDC said that reassessment by the department of subjective medical judgements of doctors could be regarded by the medical profession as unnecessary government intrusion into the doctor-patient relationship. Still further probing finally brought to light an August 1972 policy statement on the role of the patient's doctor on admission to a nursing home.[45] It is surprising that Health's information system took so long to retrieve such an important policy decision.

68. Health advised the Committee of 31 work priorities, estimated to take a total of 30 to 50 work years to complete, in its Nursing Home Care and Benefits Branch.[46] Some of these priorities relate to Audit suggestions for change. The Committee was also told that improvements in the nursing homes area will require significant additional resources.[47] We are not in a position to comment on whether additional resources are required or whether the Department of Health as a whole should rearrange its overall priorities to meet an increased workload in the Nursing Homes Care and Benefits Branch. There would be merit however in a careful consideration of the need for evaluation of programs as suggested by Health in its detailed work priorities. The EA Report says at page 50 that the 'material improvements resulting from sound program evaluation are likely to far outweigh the costs of making the necessary staff available . . .' Health says its planning and evaluation capacity can be expanded significantly with very cost/effective results.[48] These views are not supported by hard evidence from either Health or Audit and such work and its priority must be based on faith rather than firm prospects of results. The need for additional staffing resources will no doubt be pursued by the Public Service Board in a follow-up to this Report.

SCOPE OF THE EA REPORT

69. The Office of Auditor-General was created with the purpose of achieving control over the regularity of government expenditure. The Auditor-General is the means by which the Parliament can be assured that the Executive Government has spent the money allocated to it in accordance with the terms and conditions laid down in the Audit Act and Appropriation Acts. Although the Auditor-General is not an officer of the Parliament, he is, in theory at least, above politics and totally independent of the Executive. For example, once appointed and until voluntary or statutory retirement, he can only be removed from office by a resolution of both Houses of Parliament. The Executive (acting as Governor-General-in-Council) may only suspend him: it does not have the power to remove.

70. In recent years, in response to the growth in government activity and services, together with the increasing cost of providing them, the Parliament is more concerned with 'value for money' in the allocation and use of funds made available. At the same time there has been a call from both within and outside the Parliament for more attention to be given by public auditors to questions of value for money in government spending—as distinct from regularity and compliance. In Australia, and also in Britain and Canada, the change in the scope of public audit and the extension of the role of the Auditor-General has been the subject of extensive deliberation and reflection.[49]

71. There is no doubt that an extension of the scope of public audit beyond the traditional concerns of regularity and compliance is both desirable and essential if the Parliament is to adequately perform its function of securing the accountability of the

Executive for the funds voted it for the purposes of carrying out its programs and policies. It is also a function of Parliament, as a political institution, to question and debate the merits of those programs and policies using the available forums, including parliamentary committees. However, to extend the examination of the merits of programs and policies into the Office of the Auditor-General, as one of the consequences flowing from the expansion of his public audit activities, poses serious questions concerning the traditional independence of his Office. It is in this context that the we propose to discuss, **without reaching any conclusions**, the advantages and disadvantages of efficiency audits being extended into reviews of the effectiveness of programs.

72. The legislation authorizing the Auditor-General to conduct efficiency audits followed from a recommendation in the Report of the Royal Commission into Australian Government Administration (RCAGA). Briefly, RCAGA saw efficiency audits as a means of making officials accountable to the Parliament for efficient administration. The Commission did not include in the efficiency audit function the task of reviewing the effectiveness of programs because it thought the Auditor-General could get involved in political judgements.[50]

73. A Working Party of Officials reported on the implementation of a system of efficiency audits. The report referred to the difficulties of achieving firm definitions of efficiency and effectiveness and hence of establishing firm boundaries between efficiency audits and program effectiveness reviews. It said the emphasis of the audit should be on reporting findings and conclusions on specific processes, methods or activities that can be more efficient or economical. The Working Party also said an external auditor will have to proceed cautiously if his independence and objectivity are not to be prejudiced by judgements which take him into political or subjective areas.[51]

74. Before we discuss the advantages and disadvantages of efficiency audits being extended into program effectiveness reviews it is necessary to examine whether such reviews can be separated from policy matters which can arise in the course of an efficiency audit.

75. What must be recognised at the outset is the classic problem of distinguishing between policy and administration. In its very first report the Committee noted that '(i)t is sometimes difficult to know where administration ends and policy begins'.[52] There is, of course, no universally accepted definition of the term policy. It can sometimes be quite clear as in the case of a Cabinet decision, but at other times policy determination could depend very much on the perceptions of senior public servants and Ministers. As Health says, Ministers can involve themselves in all sorts of detail depending on the subject matter, its sensitivity, the Minister's interest and the circumstances of the time. Thus even matters which might be described normally as administrative policy can become ministerially endorsed policy.[53]

76. It would be an absurdity if, given the circumstances of the last paragraph, Audit were to be debarred from commenting on policy in the course of an examination of specific processes, methods or activities that can be made more efficient or economical. Broadly speaking, the policy content of matters raised in our analysis of administrative efficiency (see paragraphs 20 to 38) falls within this connection between policy and administration.

77. Reviews of program effectiveness are different from the consideration of policy matters that arise from an examination of how specific processes, methods or activities can be made more efficient or economical. A review of program effectiveness or results determines whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorising body are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost.[54] It appears to us that reviews of the effectiveness of programs are a separate and particular type of policy analysis.

78. The EA report says there is 'a mismatch between the real care requirements of individual patients and the types of care provided'. The Committee has interpreted this as meaning that the nursing home programs are not effective in providing an adequate standard of care. The integrated approach to care for the aged offers an alternative which could correct the mismatch thus enabling achievement of the objective as well as the possibility of reduced Commonwealth expenditure.

79. In discussing the advantages of Audit extending its work into the review of program effectiveness the Committee relied solely on Audit responses to why it dealt with the integrated approach in the EA Report. These responses were both specific to the report and general to efficiency auditing. To understand some of the Audit responses, however, it is necessary to describe the concept of the 'Audit continuum'. It is said that efficiency may be regarded as occupying the centre of a spectrum bounded at the upper or strategic level by effectiveness and at the lower level by compliance —(checking that the rules are observed). The existence of a continuum suggests indefinite boundaries so that, for example, efficiency audits would touch on matters to do with program effectiveness.[55]

80. Audit has expressed a view that if it were to restrict itself to fairly cut and dried questions of administration it would not uncover anything new or startling. The big pay-offs are slightly higher up the Audit continuum because this is where the big expenditure is and where the 'big savings' are. The Committee was reassured that the Auditor-General had no wish to become an evaluator of policy, no desire to go down that track too far, but that it is difficult to separate administration completely from policy. Audit considers it can, and sometimes must, address weaknesses in departmental processes —for example, of program evaluation and policy advising.[56] The EA Report says 'the range and quality of such advice are issues that are regarded as appropriate to comment upon in a report on administrative efficiency'.[57] Audit also told the Committee that its work would have been superficial had it failed to address the more basic difficulties associated with the need for a more integrated approach to care for the aged.

81. It can be argued that in extending efficiency audits to the sorts of matters further up the continuum there is a gain for the Parliament because it receives more information. If Audit were to restrict itself to the rather simpler questions of administration then one view (a personal view of an Audit officer) was that Parliament would be the loser.[58]

82. The possible disadvantages of efficiency audits being extended into reviews of the effectiveness of programs can be separated into two parts. First it can be said that it is inconsistent for the Audit Office to audit compliance with the rules in one part of its work and, in another part of its work, not to comply itself with the general purpose and understanding of efficiency audits. Although the extension of efficiency audits, as described in paragraph 79 may be of interest to Audit, this was not the role envisaged by the Parliament or the Government in the debate on the Audit Amendment Bill 1979.[59]

83. The second type of possible disadvantage is related to the role of the Auditor-General in the determination of policy. Audit says that it must sometimes comment on the quality of policy advice given by public servants to Government. Such a role could be fraught with difficulties. The Auditor-General could be cast in the role of a policy analyst. If the Auditor-General considers that the examination of the range and quality of such advice is an appropriate task for his Office then the Committee considers that the Government must either confirm his opinion or redefine the role of the Auditor-General.

84. Audit states that the big savings are not to be found in pure administration. They exist slightly up the Audit continuum. It can be argued that such savings, found along the Audit continuum between efficiency and effectiveness, should be the result of

government inquiry and debated in the Parliament. The danger of the Auditor-General doing this work could be at the expense of his traditional independence and could take him into the political arena.

85. Finally there is the question of accountability: of who is accountable to whom and for what. The concept of efficiency audits, as developed by RCAGA, was to make officials accountable to the Parliament for efficient administration. The further efficiency audits move along the Audit continuum, the greater the involvement of Ministers with such reports. Ministers could be then placed in the situation of frequently explaining or defending government policy in the context of suggestions made by Audit. It could even be said that Ministers would then be accountable to the Auditor-General for a range of policy matters. A consequential question then is whether the Auditor-General would then be challenging the conventions of political accountability for the actions of the government.

86. The Committee reiterates what was said at the beginning of this sub-section. We do not have a definitive view on the matters raised and have discussed, without reaching conclusions, the advantages and disadvantages of efficiency audits being extended into reviews of the effectiveness of programs. It is hoped that Government consideration and parliamentary debate could help resolve what is an important and perhaps complex issue which is tied to the role of the Auditor-General.

Recommendations

87. The Committee's recommendations are of two broad types. The first type asks for decisions by the Government or the Department of Health. The second type asks Health to keep the Parliament informed of progress in matters it has told the Committee it (Health) would be doing.

88. The Committee recommends that the Government inform the House of:

(a) the recommendations of the fees control consultant and the decisions taken in relation to these recommendations
(b) the Government's views on the Committee suggestion that, if cooperation from the States is not forthcoming, the Commonwealth fund the number of nursing hours per patient to a uniform standard set by the Commonwealth
(c) the Government's views on the Audit suggestion to expand the provision of paramedical services to cover patients in private nursing homes
(d) the Government's views on the Audit suggestion for linking Commonwealth benefits to fee levels in the coming year.

89. The Committee recommends that the Department of Health:

(a) publish the results of its review of the comparison of the deficit financed nursing homes sector with the private nursing homes sector
(b) negotiate with the States for joint inspections of nursing homes.

90. The Committee recommends that the Department of Health keep the Parliament informed, by appropriate comments in its annual reports, of the progress made on the following matters:

(a) review of information systems
(b) the need for more precise classification criteria for nursing home patients
(c) development of more uniform standards of nursing care and domestic (housekeeping) staff
(d) preparation of a fees manual
(e) development of procedures for cost-effective architectural design of deficit financed nursing homes
(f) the expanded role of external auditors in respect of deficit financed nursing homes

(g) review of admission and classification criteria used by the Departments of Health and Veterans' Affairs to obtain consistency in treatment of patients

(h) examination of the costs and benefits of the Department of Health undertaking Department of Veterans' Affairs functions for the payment of nursing home benefits.

4 February 1982

STEPHEN LUSHER
Chairman

APPENDIX 1

COMMITTEE COMMENT ON AUDIT SUGGESTIONS FOR CHANGE

1. *These comments are on Audit suggestions for change which appear in the Table* —Major Audit Findings, Suggestions for Change and Estimated Costs and Benefits, at pages 30 to 35 of the EA Report. Committee comments will follow the order of the suggestions made in the Table.

CHAPTER 2: CENTRAL MANAGEMENT OF NURSING HOME PROGRAMS—DEPARTMENT OF HEALTH

Audit suggestion

2. 'Undertake long term planning for funding of nursing homes in co-ordination with planning for other health and welfare services for the aged and the infirm. Commonwealth-State consultative arrangements should be strengthened.'

Committee comment

3. This suggestion is part of Audit's integrated approach to care for the aged which has been discussed in paragraphs 42 to 56 of the Review chapter of the Committee report.

Sources:

1. EA Report, pp. 48-53
2. Evidence, pp. 23, 64-66, 195, 196, 227-231, 580-585

Audit suggestion

4. 'Establish an evaluation unit within the I.H. and N.H. Division to develop and implement processes for evaluating program performance.'

Committee comment

5. The evaluation unit suggested by Audit is identical to the function being established by Health.

Sources:

1. EA Report, pp. 46, 49-51, 52
2. Evidence, pp. 67, 233

Audit suggestion

6. 'Departmental Management should seek clarification of policy intentions.'

Committee comment

7. Health says that the Government has given broad policy directions on issues which are complex and sensitive and that where necessary or appropriate the department seeks and receives more detailed policy guidance from the Minister.
8. The Committee questioned Health on the 3 examples of lack of precision of policy guidelines (EA Report, p.50). Health said the Audit comment on the lack of clarity on policy guidelines for the extensive care benefit was a reasonably fair one. Although Health may be correct about Government policy not including profits in fee determination, the Committee notes that the consultant's terms of reference indicate that the policy is under review.
9. The last Audit example was that in deficit financing homes it was not clear whether or how priority of access is intended to be given to the financially needy. The Committee is not certain whether such priority of access is intended to include nursing homes.

Sources:

1. EA Report, pp. 50-52
2. Evidence, pp. 67, 68, 123-134, 136-152, 552-558

Audit suggestion

10. 'Develop comprehensive statements of systems objectives, procedures and guidelines for application in Regional Offices.'

Committee comment

11. The Department of Health agrees in principle that operational control guidelines need to be more detailed for proper control of some functions. The Committee notes that the suggestions for change on operational control appear to bring together particular aspects of other suggestions.

Sources:

1. EA Report, pp. 49-52
2. Evidence, pp. 68, 222-224

Audit suggestion

12. 'Review information systems with a view to identifying control requirements. Greater use should be made of ADP for data processing and compilation of statistics.'

Committee comment

13. Health says that some time ago it commenced consideration of an ADP system which is now operational in all States for payment of advances to deficit funded nursing homes. The department is evaluating the range of statistical information which will be available under the current development of the ADP system. The need for expansion of that system will be examined on a cost-benefit basis.
14. Health should keep the Parliament informed of developments by appropriate comments in its annual reports.

Sources:

1. EA Report, pp. 51, 53
2. Evidence, pp. 68, 69, 222-225

CHAPTER 3: PATIENT ADMISSION AND CLASSIFICATION

—Admission controls—

Audit suggestion

15. 'Develop and promulgate detailed admission criteria. Strengthen the role of assessing medical officers. Develop data on availability of care options. Later, consider introduction of assessment panels operating across a range of care options and patient types.'

Committee comment

16. Assessment panels are part of Audit's integrated approach to care for the aged which has been discussed in paragraphs 42 to 56 of the Review chapter of the Committee report. The establishment of assessment panels raises questions on the availability of specialist staff and who bears the costs of such panels and more importantly the questions of the availability of alternatives to nursing home care and who is responsible for the physical and financial provision of such alternatives. These matters are not discussed in the EA Report.

—Patient admission—

Audit suggestion

17. 'Develop more precise classification criteria and uidelines. Possible use of assessment teams for patient classification. Consideration of alternatives to dual classification (ordinary and extensive).'

Committee comment

18. Health says it is examining the need for more precise classification criteria of nursing home patients but has given the task a low priority because of the difficulty of appointing a geriatrician. The Department of Veterans' Affairs is prepared to cooperate with Health in resolving inconsistencies between the two organisations in criteria for admission and classification of patients. This was the result of another Audit suggestion (Table, p. 35).

19. Developments on the above issues should be reported in Health's annual reports.

Sources:

1. EA Report, pp. 55-57, 59-61
2. Evidence, pp. 72, 73, 276-281, 603

CHAPTER 4: STANDARDS OF NURSING HOME CARE

—Nursing care and supervision—

Audit suggestion

20. 'Develop a uniform set of standards covering both trained and untrained nursing staff for use by Regional Offices. Examine the continuing desirability of the Commonwealth's funding of nursing homes above State minimum standards.'

Committee comment

21. Health will be examining means of establishing more uniform standards of nursing care, involving minimum and maximum standards where appropriate. The department should report progress in its annual reports. Further Committee comment is at paragraph 37 of the Review chapter.

Sources:

1. EA Report, pp. 62-64, 67
2. Evidence, pp. 76, 562-578

—Physical standards—

Audit suggestion

22. 'In consultation as necessary devise a uniform code for physical standards. Provide guidelines to Regional Offices on standards to be adopted where State standards are absent. Determine any extent to which the Commonwealth should fund higher than accepted standards.'

Committee comment

23. Health accepts that the introduction of uniform physical standards is a desirable activity and proposes to devote more resources as they become available to this work. The department should keep the Parliament informed by appropriate comments in its annual reports.

Sources:

1. EA Report, pp. 64, 65, 67
2. Evidence, p. 77

—Paramedical standards—

Audit suggestion

24. 'Develop policy guidelines to enable a consistent and equitable approach to the availability and cost of paramedical care.'

Committee comment

25. See paragraphs 39 and 40 of the Review chapter.

Sources:

1. EA Report, pp. 65-67
2. Evidence, pp. 78, 161-163, 578, 579

—Housekeeping—

Audit suggestion

26. 'Determine guidelines for use by assessors and inspectors in determining quality of patient care and acceptable levels of staffing for fee setting purposes.'

Committee comment

27. Health says it will review the levels of domestic staff in nursing homes in conjunction with the review of nursing care (paragraph 21). The department should report progress in its annual reports.

Sources:

1. EA Report, pp. 66, 67
2. Evidence, p. 79

—Inspections—

Audit suggestion

28. 'Negotiate with State Governments to reduce the degree of overlap.'

Committee comment

29. Health says previous attempts to get joint inspections floundered through lack of interest by the States. The department has agreed to try again.

Sources:

1. EA Report, pp. 66, 67
2. Evidence, pp. 79, 80, 579, 580

CHAPTER 5: CONTROL OF NUMBERS OF NURSING HOME BEDS

Audit suggestion

30. 'Undertake research into community needs. Tighten application of growth control.'

Committee comment

31. The suggestion on research is part of Audit's integrated approach to care for the aged which is discussed in paragraphs 42 to 56 of the Review chapter.
32. The Committee notes differences of opinion between Audit and Health on the tightening of guidelines for the control in the growth of the number of nursing home beds.

Sources:

1. EA Report, pp. 68-75
2. Evidence, pp. 81-84, 166-171, 611-622

CHAPTER 6: CONTROL OF FEES

Audit suggestion

33. 'Clarify the extent to which assessment processes should take into account nursing home profits.'

Committee comment

34. This matter is covered in the discussion in paragraphs 20 to 27 of the Review chapter.

Sources:

1. EA Report, pp. 76-80, 82, 83
2. Evidence, pp. 86-90, 281-300, 502-517

Audit suggestion

35. 'Policy guidelines and assessment criteria for application in all Regional Offices should be developed and issued in the form of a manual.'

Committee comment

36. The Audit proposal for a fees manual is a worthwhile suggestion which Health has accepted. The Parliament should be kept informed of when the anual is issued by appropriate comments in Health's annual reports.

Sources:

1. EA Report, pp. 79, 80, 83
2. Evidence, p. 91

Audit suggestion

37. 'Once yearly assessment involving a comparison of actual and projected costs. Systematic validation program covering all claims, at least on a sample basis.'

Committee comment

38. This matter is covered in the discussion in paragraphs 20 to 27 of the Review chapter.

Sources:

1. EA Report, pp. 80, 83, 84
2. Evidence, pp. 91, 92, 308-312, 514-518

Audit suggestion

39. 'Development of a consistent approach to new fee setting. Link extensive care to cost of providing care, if that is Government intent.'

Committee comment

40. The Audit suggestion on the extensive care benefit is covered in the discussion in paragraphs 20 to 27 of the Review chapter.
41. The Audit suggestion for change on the extensive care benefit is to link the benefit to the related additional expenditure. Health saw problems with this approach but accepted the Committee suggestion for the linkage to take into account the need for proprietors to be given financial incentives to accept extensive care patients. The department said that if this was done consistently across the country the result could be a significant improvement in the extensive care arrangements.

Sources:

1. EA Report, pp. 80, 81, 84
2. Evidence, pp. 92-94, 304-307, 517-519

Audit suggestion

42. 'Develop incentives for efficiency and adequate standards of care.'

Committee comment

43. This matter is covered in the discussion in paragraphs 20 to 27 of the Review chapter. There is also merit in the Audit view that procedures could be developed to encourage proprietors to introduce capital improvements which reduce operational costs —as long as such improvements do not affect adversely standards of care.

Sources:

1. EA Report, pp. 81, 84, 85
2. Evidence, pp. 94, 520-523

Audit suggestion

44. 'Review guidelines to promote consistency between Committees. Assessment criteria should be linked more closely to fee control assessment criteria.'

Committee comment

45. Health states that the Nursing Homes Fee Review Committees of Inquiry advise the Minister who has issued them with broad guidelines relating to the profitability of nursing homes.

Sources:

1. EA Report, pp. 82, 85
2. Evidence, pp. 95, 96, 312-316

CHAPTER 7: BENEFIT DETERMINATION, INSURANCE AND PAYMENTS

—Benefits—

Audit suggestion

46. 'Clarify Government's requirements for patient coverage by the benefits mechanism. Set benefits annually and link to fees for the coming year. Consider whether consistency accords with government policy. Review nature and value of extra charges. Determine whether they should be included in nursing home fee.'

Committee comment

47. The Committee has concentrated on the Audit suggestion that links benefits with fees and sees merit in the broad thrust of that suggestion.

Sources:

1. EA Report, pp. 86-90, 92
2. Evidence, pp. 97-100, 321-324

—Insured patients—

Audit suggestion

48. 'Develop controls to identify insured patients and to avoid duplicate payment by Commonwealth and private insurer. An immediate comprehensive check of all patients against fund records should be undertaken.'

Committee comment

49. Health says the Government has recently announced that fund nursing home benefits will no longer be payable and that the Commonwealth will pay benefits for all qualified nursing home patients from 1 September 1981.

Sources:

1. EA Report, pp. 90-92
2. Evidence, pp. 100, 101

—Payment of Commonwealth Benefits—

Audit suggestion

50. 'Review Commonwealth requirements for financial controls over claims from State Government nursing homes.'

Committee comment

51. Health notes that State Government homes are purely State administered institutions and are not subject to Commonwealth fees or admission controls. The department adds that Commonwealth financial controls over claims from State Government nursing homes will be reviewed.

Sources:

1. EA Report, pp. 91-93
2. Evidence, p. 101

CHAPTER 8: DEFICIT FINANCING

—Comparative cost analysis—

Audit suggestion

52. 'Research the respective costs to the Commonwealth of the deficit financing and benefits programs; evaluate their achievement for costs incurred and provide policy advising to Government.'

Committee comment

53. This suggestion has been discussed in paragraphs 28 to 31 of the Review chapter.

Sources:

1. EA Report, pp. 96, 97, 103 and Appendix 8.1(i)
2. Evidence, pp. 103-106, 171-173, 398-403, 527-539

—Nursing hours—

Audit finding

54. 'Establish a base staffing level for purposes of Commonwealth funding.'

Committee comment

55. Health says there are inherent difficulties in the Audit proposal and explained later that the proposal was a policy related one. The Committee finds it difficult to reconcile these responses with the Health support for examining uniform standards of nursing care referred to at paragraph 21 of the Appendix.

Sources:

1. EA Report, pp. 98, 104
2. Evidence, pp. 107, 108, 539-542

—Domestic hours—

Audit suggestion

56. 'Develop standards in domestic staffing levels to be financed by the Commonwealth. Develop guidelines for assessing cost-effectiveness of contract services.'

Committee comment

57. The Audit suggestion appears worthwhile and should be implemented by Health.

Sources:

1. EA Report, pp. 98, 104
2. Evidence, pp. 107, 108

—Paramedical hours—

Audit suggestion

58. 'Develop standards to be used in the determination of paramedical hours.'

Committee comment

59. This suggestion is covered by our comments at paragraphs 39 and 40 of the Review chapter.

Sources:

1. EA Report, pp. 98, 99, 104
2. Evidence, pp. 108, 109, 542-548

—Architectural design—

Audit suggestion

60. 'Institute research to establish those features of design and capacity which are considered to enhance cost effective nursing home operations. These could form the basis as guidelines for the Commonwealth/State Co-ordinating Committees.'

Committee comment

61. This suggestion is discussed at paragraphs 32 and 33 of the Review chapter. Health should keep the Parliament informed by appropriate comments in its annual reports.

Sources:

1. EA Report, pp. 99, 100, 104
2. Evidence, pp. 109, 110, 185-189, 351-361, 549

—Medians—

Audit suggestion

62. 'Reassess the construction and use of medians as guides to assessment processes. Medians should be linked to the specific group to which they relate e.g. handicapped. Consideration could be given to including some private nursing homes in the construction of medians.'

Committee comment

63. Health says it is not altogether convinced by its own or Audit's acceptance of medians. The department expects to get much useful information out of the fees consultant on this matter.

Sources:

1. EA Report, pp. 100, 104, 105
2. Evidence, pp. 110, 111, 549, 550

—Level of fees—

Audit suggestion

64. 'The Department of Health should give consideration to:

- whether deficit homes should attract a higher level of health insurance fund benefit
- whether patients with means should pay a higher fee
- whether controls should be introduced to give priority of access to the needy (including the financially needy)

Detailed policy advice to Government should then follow.'

Committee comment

65. The question of giving priority of access to the needy was discussed at paragraph 9 of the Appendix. The Committee notes the administrative difficulties of the Audit proposal.

Sources:

1. EA Report, pp. 101, 105
2. Evidence, pp. 111, 112, 131–134, 346-350, 551-557

—External audit—

Audit suggestion

66. 'External auditors should be required to report whether financial statements reflect the requirements of the Nursing Homes Assistance Act.'

Committee comment

67. This is a worthwhile suggestion, acknowledged as such by Health. The department should report progress in its annual reports.

Sources:

1. EA Report, pp. 102, 103, 105, 106
2. Evidence, pp. 112, 557

CHAPTER 9: RELATED ACTIVITIES—DEPARTMENTS OF SOCIAL SECURITY AND VETERANS' AFFAIRS

—Planning and co-ordination—

Audit suggestion

68. 'Develop in consultation, planning which is:

- systematic
- based on decisions derived from an adequate data base and
- co-ordinated through close liaison between the Department of Health, Social Security and Veterans' Affairs as well as State Health Authorities.'

Committee comment

69. This suggestion has been discussed in paragraphs 42 to 56 of the Review chapter.

Sources:

1. EA Report, p. 35

—Admission and classification—

Audit suggestion

70. 'Review of the Departments of Health and Veterans' Affairs systems for patient assessment, placement, review and subsidy, in the interests of consistency.'

Committee comment

71. The matter of Veterans' Affairs paying the Victorian State nursing home fee rather than the Health benefit for DVA patients has been discussed at paragraph 59 of the Review chapter.

72. Veterans' Affairs is pleased to cooperate with Health in revising the criteria for the admission and classification of patients to nursing homes. Although Veterans' Affairs has some reservations on Health undertaking DVA functions for the payment of nursing home benefits, DVA would cooperate in an examination of the costs and benefits of such a proposal. Progress on these matters should be reported in Health's annual reports.

Sources:

1. EA Report, pp. 111-115
2. Evidence, pp. 6-10

APPENDIX 2

REVISED TERMS OF REFERENCE FOR CONSULTANCY ASSIGNMENT ON FEE CONTROL POLICY OF NURSING HOMES

A. The Consultant shall provide the Department with advice and information on a number of matters relating to nursing homes. This advice and information will be used by the Department in its review of the current fees control system, the possible development of changes to this system, and the development of consistent policy where appropriate for the nursing homes program.

B. The Consultant shall provide:

(i) guidelines for use in assessing appropriate costs in the operation of nursing homes and in setting fees for participating nursing homes. These guidelines shall cover topics such as standard costs, cost ratios, necessary and discretionary costs, monitoring of movements in costs and verification of costs, having regard to the varying features of nursing homes. These guidelines could also include a series of model cost structures, possibly for various categories of nursing homes;

(ii) details of appropriate factors to be taken into account in determining a reasonable level of operational profitability for participating nursing homes;

(iii) guidelines and indicators of both management performance and adequate quality of care in nursing homes. These guidelines shall recognise and specify the interrelationships and balances between standards and efficiency in providing nursing home care;

(iv) details of appropriate means of providing incentives to proprietors to reduce costs without reducing quality of care with financial benefits accruing to both the proprietor and the Commonwealth; and

(v) details of appropriate means of adequately reimbursing and providing sufficient incentive for proprietors admitting extensive care patients. This should recognise the need to avoid encouraging a bias towards either extensive care or ordinary care patients and should have due regard to any need for differing approaches in differing States.

C. In providing this advice and information the consultant shall have regard to:

- differences between nursing homes (e.g. both within and between the categories of participating and deficit financed nursing homes);
- the existing fees control scheme and Department's proposals for possible changes to the system;
- comparable industries in the private sector;
- the effects of Government control and regulation;
- the need for restraint on Government expenditure;
- the need to provide appropriate incentives to nursing home proprietors; and
- the need to maintain a proper level of patient care.

APPENDIX 3

AUDIT CALCULATIONS

Costs of Deficit Financed and Private Nursing Homes

1. At page 97 of the EA Report Audit says that '(i)gnoring the effects of private insurance and excluding capital subsidies, Commonwealth expenditure in 1979-80 per deficit financed bed, as reported in the 1979-80 Annual Report of the Department of Health, was approximately 29% higher than expenditure for each National Health Act bed, or 22% higher if costs of approved services are excluded.' Audit suggests that Health should research and develop policy advice of the deficit funding program and the funding of non-government participating homes (private nursing homes).
2. Audit calculations of these figures are at transcript page 432. It is noted that the National Health Act covers private nursing homes and State Government nursing homes. Figures of Commonwealth benefits are not shown separately for each sector. What Audit has done is to obtain an average per bed cost for both sectors combined. The result was $4482 a bed which was compared with two types of per bed costs of deficit financed homes. It was from such comparisons that the figures of 22% and 29% were derived.
3. At our request Health has said that certain Commonwealth expenditures were excluded from the Audit calculations. They included $30.8m. spent on National Health Act nursing homes by the Department of Veterans' Affairs and $2m.-$3m. by the Capital Territory Health Commission. Using the Audit method the recalculated percentages show, according to Health, figures of 6.4% and 13.1%, rather than 22% and 29%. Audit agrees with the revised Health figures.
4. The recalculated figures do not reflect the differences in bed day costs of deficit financed and private nursing homes. The figures should show such differences because the Audit suggestion for change is comparative cost analysis of the two groups. To obtain more accurate comparisons then, it is necessary to allocate the $32.8m. to $33.8m. to private homes and not to spread these amounts over all National Health Act beds (i.e. State plus private). This can be done by using the Audit method (transcript p. 432). It is noted that the average for the group applies equally to both sub-groups (State and private). When $31.3m. is allocated to private nursing homes the bed day costs of private nursing homes are 8% higher than private nursing homes or 2% higher if the costs of approved services are excluded.

The $26m. Net Savings

5. Audit has provided details of the composition of the net potential savings of $26m. (transcript p. 467) The EA report says there are possible savings in excess of $20m. if a decision is taken to fund more closely to HASAC standards. There is an error in the audit formula which was used to calculate part of these savings. Audit has now recalculated the figure in response to the Committee's request. Audit's recalculated figure is $18m. The Committee accepts the recalculation but notes that the recalculation uses raw data not used in the original calculation.
6. Audit says its suggested controls to identify insured patients has a potential to save $4m. While this may have been correct when the EA Report was presented to the Parliament (25 February 1981) there has been a policy change. On 29 April 1981, the Minister for Health said that fund nursing home benefits will no longer be payable and that the Commonwealth will pay benefits for all qualified nursing home patients from 1 September 1981. It is not accurate for the $4m. to be included in an estimate of net potential savings in the Auditor-General's Annual Report, presented to the Parliament on 24 September 1981.

7. The savings from linking the extensive care benefit to its costs are estimated by Audit at $4m. and conditional upon this linking being the intention of Government. Health says and maintains that the savings are illusory. If the benefit contains an incentive i.e. cost plus there would be savings but not to the extent estimated by Audit.

8. Audit sees possible savings of $2m. if approved paramedical services are cost shared with the States. This is not realistic. We cannot see why the States will cost share if the only reason is to save money for the Commonwealth (see transcript pp. 542-548).

9. There is a worthwhile Audit suggestion which will extend the provision of paramedical care to private nursing homes. A comparatively small number of private nursing homes provide such care. The Committee notes that such extensions would increase Commonwealth expenditure. Paramedical services in deficit financed homes cost $4-$5m. In 1979-80 the number of private nursing homes was more than two and a half times greater than the number of deficit financed homes (Department of Health Annual Report, 1979-80, p. 244).

10. On the basis of the above paragraphs and the information in transcript page 467 we would conclude that the net potential savings are substantially less than the $26m. identified in the 1980-81 Annual Report of the Auditor-General. Any recalculated figure should allow for some savings from a cost plus system for the extensive care benefit and also for cost increases that would result from an extension of paramedical care to private nursing homes.

11. Further discussion on the Audit savings is at paragraph 63 of the Review chapter.

APPENDIX 4

CONDUCT OF THE INQUIRY, WITNESSES AND EVIDENCE

Conduct of the Inquiry

1. On 25 February 1981 the House referred the EA Report to the Committee for inquiry and report. The sub-committee which conducted the inquiry consisted of Mr S.A. Lusher (Chairman), Mr R.J. Brown, Dr H.R. Edwards, Mr L.B. McLeay and Mr J.R. Porter.
2. Submissions were requested from several government departments and agencies and from the nursing home industry groups. The nursing home programs are administered principally by the Department of Health. The first submission of the department (its major submission) was received on 29 June 1981.
3. The first public hearing was on 18 August 1981. Subsequent hearings were on 1 and 2 September. At the hearings evidence was taken from the departments of Health, Veteran's Affairs and Social Security and the Office of the Auditor-General. After examination of the evidence the sub-committee formed its preliminary conclusions which were sent to Health and Audit on 11 November 1981, and discussed with them at an *in-camera* hearing on 17 November 1981. This evidence will be published when the Committee report is tabled in the House.

Witnesses

DEPARTMENT OF HEALTH
Carroll, Mr M., First Assistant Director-General, Insurance, Hospitals and Nursing Homes Division
Pflaum, Mr P., First Assistant Director-General, Policy and Planning Division
Lane, Mr L.W., First Assistant Director-General, Management Services
Johnstone, Mr P.J., Assistant Director-General, Nursing Home Care and Benefits Branch
Webb, Dr R.G., Commonwealth Director of Health, Victoria

OFFICE OF THE AUDITOR-GENERAL
Hill, Mr D.J., Deputy Auditor-General
Jones, Mr J.C.M., First Assistant Auditor-General, Efficiency Audit Division
Masey, Mr P., Assistant Auditor-General, Efficiency Audit Division
Kimball, Mr B.T., Principal Auditor, Efficiency Audit Division

DEPARTMENT OF SOCIAL SECURITY
Hall, Mr J.D., First Assistant Director-General, Social Welfare Division
Horsham, Mr K., Assistant Director-General, Subsidies
Scott, Mr D.R., Acting First Assistant Director-General, Rehabilitation and Subsidies Division
Brewer, Mr J., Assistant Director-General, Rehabilitation and Subsidies Division

DEPARTMENT OF VETERAN'S AFFAIRS
Trabinger, Mr N., First Assistant Commissioner, Treatment Services Division
Hunt, Mr N.W.H., Acting Assistant Commissioner, Finance
Kehoi, Dr M.M., Acting Chief Director, Medical Services
Ward, Miss W.S., Director, Social Work and Welfare

Evidence

4. Evidence was taken from the following organisations:

Department of Health, 18 August, 1 September and 17 November 1981
Departments of Social Security and Veteran's Affairs, 2 September 1981
Office of the Auditor-General, 2 September and 17 November 1981

5. The following submissions were incorporated in the transcripts of evidence:

18 AUGUST 1981 TRANSCRIPT
Department of Veteran's Affairs (7 May 1981)
Public Service Board (19 May 1981)
Department of Social Security (27 May 1981)
Australian Association of Voluntary Care Associations (June 1981)
Department of Health (29 June 1981)

1 SEPTEMBER 1981 TRANSCRIPT
Social Welfare Policy Secretariat (6 May 1981)
Department of Housing and Construction (20 August 1981)
Department of Health (31 August 1981)

17 NOVEMBER 1981 TRANSCRIPT*
Office of the Auditor-General (6 August and 24 September 1981)
Department of Housing and Construction (17 August 1981)
Department of Veteran's Affairs (22 September 1981)
Department of Health (14 October and 20 October 1981)
*Also includes the Preliminary Conclusions of the sub-committee.

Exhibits

Exhibit No. 1: Report of Working Party to Examine Guidelines for Nursing Home Accommodation (June 1981), National Standing Committee (Hospitals Agreement).

The sub-committee has also authorised publication of the following documents:
Office of the Auditor-General (16 and 18 November and 14 December 1981)
Department of Health (3 December 1981)

ENDNOTES

1. Australia, Parliament, *Report of the Auditor-General on an Efficiency Audit, Commonwealth Administration of Nursing Home Programs*, Parl. Paper No. 12/1981, Canberra 1981.
2. Australia, Parliament, *Review of the Auditor-General's Efficiency Audit Report; Department of Administrative Services—Australian Property Function: Report from the House of Representatives Standing Committee on Expenditure*, Parl. paper No. 110/1981, Canberra 1981.
3. Much of the material in this sub-section is taken from the EA Report.
4. Under the *States Grants (Home Care) Act* 1969, the Commonwealth shares on a $1 for $1 basis with the States the cost of approved housekeeping or other domestic assistance provided wholly or mainly for aged persons in their homes.
5. EA Report, p. 5. Up until 31 August 1981 the Commonwealth subsidised private health funds for the cost of paying benefits to insured patients in nursing homes through the Hospital Reinsurance Trust Fund. In 1979-80 the amount spent was $20.1m. On 1 September 1981 the Commonwealth assumed direct responsibility for paying all nursing home benefits.
6. EA Report, p. 62.
7. *Ibid*, p. 76.
8. *Ibid*, p. 3.
9. *Ibid*, p. 76.
10. *Ibid*, pp. 32, 82, 83.
11. *Ibid*, pp. 32, 80, 81, 84.
12. *Ibid*, pp. 32, 79, 80.
13. Transcript of evidence, pp. 86-88, 91-94, 510.
14. Transcript, pp. 88-90.
15. EA Report, p. 94.
16. *Ibid*, p. 97.
17. *Ibid*, p. 103.
18. Transcript, pp. 531-533.
19. EA Report, pp. 99, 104.
20. Transcript, p. 109 and EA Report, p. 100.
21. Transcript, p. 568.
22. EA Report, p. 62.
23. Transcript, p. 563.
24. EA Report, pp. 31, 67.
25. Transcript, p. 163.
26. EA Report, p. 58.
27. *Ibid*, pp. 58, 59.
28. *Ibid*, pp. 74, 75.
29. Transcript, pp. 330, 331.
30. EA Report, p. 52.
31. *Ibid*, p. 51.
32. *Ibid*, p. 52.
33. Transcript, p. 581.
34. The $36m. is identified as an additional ongoing cost to the 'community' at page 58 of the EA Report. The Audit calculation of the figure is titled, Costs to the Commonwealth of Nursing Home Care compared to Hostel subsidy (transcript p. 428).
35. Australia, Parliament, *Report of the Committee on Care of the Aged and the Infirm*, Parl. Paper No. 46/1977, Canberra, 1977, p. 87.
36. Transcript, p. 432.
37. Transcript, pp. 478-480, 527-530.
38. Transcript, p. 534, 535.
39. Transcript, pp. 7, 8, 443-445.
40. Audit has used the word 'potential' as a synonym for the word 'possible'.
41. Transcript, pp. 545-548, 569-571.
42. Transcript, pp. 81, 83, 99.
43. Transcript, pp. 51, 76, 93.
44. Transcript, pp. 48-52.
45. See transcript pp. 139-143 (18 August 1981), pp. 264-276 (1 September 1981) and pp. 470, 471 (letter received 14 October 1981).
46. Transcript, pp. 55-59.
47. Transcript, p. 634.
48. Transcript, p. 66.

49. See for example:
Great Britain, Parliament, *The Role of the Comptroller and Auditor-General* (Green Paper), Cmmd. 7845.
Great Britain, Parliament, *The Role of the Comptroller and Auditor-General*, First Special Report, 1980-81, Committee of Public Accounts, House of Commons 115-1.
Great Britain, Parliament, *The Role of the Comptroller and Auditor-General*, (White Paper), Cmmd. 8323.
Canada, *Report of the Independent Review Committee on the Office of the Auditor-General*, Ottawa, Information Canada, 1975.
Canada, Royal Commission on Financial Management and Accountability, Final Report, March 1979, Minister of Supply and Services, Canada 1979.
50. Australia, Parliament, *Report of the Royal Commission on Australian Government Administration*, Parl. Paper No. 185/1976, Canberra 1976, pp. 12, 13, 46-50.
51. *Report of the Working Party of Officials on Efficiency Audits*, Australian Government Publishing Service, Canberra, 1977, pp. 14, 15.
52. Australia, Parliament, *Accommodation for Married Servicemen: Report from the House of Representatives Standing Committee on Expenditure*, Parl. Paper No. 90/1977, Canberra, 1977, p. x.
53. Transcript, pp. 654, 655.
54. United States, General Accounting Ofice, Standards for Audit of Governmental Organisations, Programs, Activities and Functions (1974 Reprint).
55. J. C. Jones, Operational and Efficiency Auditing, *Newsletter of the Royal Institute of Public Administration*, A.C.T. Group, Vol. v, No. 2, June 1978, p. 11.
56. Transcript, pp. 571, 636, 644.
57. EA Report, p. vi.
58. Transcript, p. 641.
59. Australia, House of Representatives, *Hansard*, 12 September and 25 October 1978, pp. 824-827, 2295-2317. Australia, Senate, *Hansard*, 1 March 1979, pp. 429-442.

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