

Introduction

This report is devoted to matters concerning public entities operating in the health sector. The Audit Office is the auditor of a large number of such entities – including the Health Funding Authority and its subsidiaries, and 23 Hospital and Health Service companies and their subsidiaries.

Much of the public funding for the health sector is disbursed through contracts between the Health Funding Authority and providers of health services – such as the Hospital and Health Service companies. A small number of those contracts are contestably allocated and, sometimes, the way in which the contract is perceived to have been let results in a complaint being made to us.

Report Content

The first article (on pages 9-45) concerns a Hospital and Health Service company – in this case Capital Coast Health Limited – and is about contracting for and implementing a new computerised information system. We looked into both aspects at the request of the Health Committee of the House and because of adverse comment in the media and elsewhere.

The second and third articles (on pages 47-66 and 67-83, respectively) concern contracts entered into by the Health Funding Authority for the provision of specialised services. Both contracts were subject to a contestable process for selecting the preferred provider, and both processes brought complaints to us on the grounds of claimed lack of fairness.

The fourth article (on pages 85-92) reports the results of a follow-up review of a subject that we reported on in 1997.¹ That subject was the payment of claims for subsidies for pharmaceutical services that are processed by Health Benefits

¹ *Fourth Report for 1997*, parliamentary paper B.29[97d], pages 61-75.

Limited – a wholly owned subsidiary of the Health Funding Authority. The follow-up review looked specifically at what had been done to settle pharmacists' queries on the more than 10,000 unpaid claims for subsidy that we found in 1997.

Future Report Topics

We intend to continue looking at contracting for spending in the health sector. Next for our attention are primary health care services – such as fundholding arrangements for General Practitioners.

At present we are working on three matters for future reports to the House:

- The proposed change from a manual to an electronic system of processing claims for pharmaceutical service subsidies. The project involves the Health Funding Authority and its two subsidiaries – Health Benefits Limited and Pharmaceutical Management Agency Limited (Pharmac).
- Purchasing practices of Hospital and Health Service companies – with particular attention on major capital purchases, including buildings and information technology projects.
- A further review of the financial condition of Hospital and Health Service companies. We presented reports on their financial condition in 1997² and 1998³. This time the results should reflect the policy changes made in 1998 that were designed to improve their financial condition and financial performance.

2 *First Report for 1997*, parliamentary paper B.29[97a], pages 121-140.

3 *Second Report for 1998*, parliamentary paper B.29[98b], pages 11-36.