Australian Government

Department of Health and Ageing

Medicare Locals

Guidelines for the establishment and initial operation of Medicare Locals
&
Information for applicants wishing to apply for funding to establish a Medicare Local

2011

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Purpose of this document

These guidelines provide an overview of the arrangements for the establishment of Medicare Locals. The Commonwealth Government is establishing Medicare Locals to drive improvements in primary health care and ensure that primary health care services are better tailored to meet the needs to local communities. Medicare Locals will be primary health care organisations, established to coordinate primary health care delivery to address local health care needs and service gaps.

These guidelines take into account submissions received on the *Medicare Locals Discussion Paper on Governance and Functions* released on 29 October 2010 on the *yourHealth* website and views of other key stakeholders.

The implementation of Medicare Locals will be done in three stages. The first tranche of Medicare Locals (approximately 15) will begin operating in mid 2011. A second tranche of approximately 15 Medicare Locals will commence in January 2012, with the remainder starting in July 2012.

These guidelines focus on the establishment and initial operation of Medicare Locals. The guidelines will be updated to reflect further details of the program, including transition arrangements for the first group of Medicare Locals from Divisions of General Practice, as they are settled.

The guidelines form the basis of the application and assessment process for organisations wishing to apply for funding to establish a Medicare Local.

Intending applicants should review this document carefully, including the specifications, outcomes to be achieved and selection criteria to ensure that they are completely familiar with the terms on which applications will be evaluated and funding may be provided. Applicants will be assessed against these guidelines and, in particular, against the six (6) selection criteria detailed in the Selection Criteria section (Section 2.4) of this document. Section 1.8 highlights the groups suggested to apply in the different tranches.

Please note that the Department of Health and Ageing is not seeking feedback on this document.

1 Program Guidelines

1.1 Policy context

The Council of Australian Governments has agreed to work in partnership on National Heath Reform to deliver a better deal for patients and secure the long-term sustainability of Australia's health system. National Health Reform will deliver a health system that will ensure future generations of Australians enjoy world class, universally accessible health care. As part of the health reform package the Commonwealth has agreed to fund up to 50% of future increased growth in efficient price and 50% of growth of demand for hospital services. This provides a powerful incentive to ensure that we make greatest use of the primary health care sector to ease the strain on our acute care hospitals. As such, a key part of the reforms focuses on the primary health care system and better coordination of front line services that care for people.

A strong primary health care system is essential to providing patients with the health care they need when and where they need it – and in doing so, to taking pressure off hospitals.

Better integrated primary health care will help manage emerging challenges for the health system, including an ageing population and the increasing burden of chronic disease.

Australians generally have good health outcomes, with high life expectancy and a health care system that is considered world class. However, there are some aspects of the health care system that are fragmented and, as a result, patients can experience uncoordinated and unintegrated care, including within and across the primary health care sector, acute sector, aged care and specialist care. This fragmentation and poor coordination can lead to some people missing out on services that would deliver improved health outcomes, or result in patients receiving their treatment in inappropriate settings.

Existing arrangements involving Divisions of General Practice, as well as Commonwealth, state and territory health programs and initiatives have had some impact on reducing the fragmentation of the primary health care service delivery system. However, their effect has been limited by a lack of overarching coordination between services offered by providers and the needs of patients and consumers. This shortcoming has often led to complexity within the service system resulting in delays and inefficiency, for example, patient attendance at a hospital Emergency Department for conditions that could be more appropriately treated in a primary health care setting.

Accordingly, the Commonwealth has announced the implementation of Medicare Locals, primary health care organisations, to improve coordination and integration of primary health care in local communities, address service gaps, and make it easier for patients to navigate their local health care system. Medicare Locals will reflect their local communities and health care services in their governance, including consumers, doctors, nurses, allied health and State-funded community health providers.

Medicare Locals will be expected to engage with a wide range of health professionals; identify community primary health care needs; and work to fill the gaps in primary health care in their area. To meet these complex challenges many existing primary health care organisations that plan to apply to operate as Medicare Locals will need to increase their capacity or expertise on a number of fronts to progress the health sector reforms. To adapt to the new reforms many organisations may need to increase their size, scope of program delivery, performance, achievement of outcomes, change management capacity, influence and engagement with the broader community and the primary health care sector. Medicare Locals will also be expected to report against an accountability and performance framework. They will be supported in all the above areas at a national level.

The establishment of Medicare Locals is part of the broader Commonwealth plan to ensure a greater focus on primary health care, including:

- fast-tracking the afterhours GP care reform to allow patients to receive face-to-face GP services outside normal operational hours;
- driving telehealth services via Medicare Locals enabling Australians to receive health services at home;
- implementing new program arrangements through a single funding agreement, giving Medicare Locals flexibility to address areas of need in their local communities; and
- providing Medicare Locals with the potential over time to manage more flexible funding to target services to meet gaps in service provision in order to meet their local community's specific needs.

The Commonwealth and states and territories will work together on system-wide policy and state-wide planning for GP and primary health care services, because this impacts on the efficient delivery of hospital services and other state-funded services, and because of the need for effective integration across Commonwealth and state and territory funded health care services.

The role of Medicare Locals

As critical elements in the Government's health reforms, Medicare Locals are expected to be closely involved with other reform initiatives to help drive and strengthen the primary health care system, including:

- establishing effective collaborations between Medicare Locals, Local Hospital Networks and local Lead Clinician Groups once established to deliver more coordinated, integrated, locally responsive and flexible health services so that patients transition smoothly in and out of hospital and receive the right care, in the right place, at the right time;
- supporting the development of e-health and health information, including shared electronic health records, data provision to drive health system performance, service planning, monitoring and evaluation;
- improving the planning of primary health care services to respond to local needs;
- supporting the ongoing development of primary health care infrastructure, including GP Super Clinics;
- initiatives to increase and enhance the primary health care workforce to meet local community needs; and
- initiatives in general practice and primary health care designed to improve disease prevention and management and improve access to services. These include the Australian Government's reform measures to improve access to after hours primary care, telehealth and access to primary health care services for older Australians.

Some Divisions of General Practice already provide some of the functions that Medicare Locals will undertake. However there are many important distinctions between Medicare Locals and Divisions of General Practice and it is important to recognise that Medicare Locals are new organisations with broader roles. Beyond the role of most Divisions, Medicare Locals will have a broad focus on the health needs and the primary care services of their local community.

The activities that Medicare Locals will do above and beyond those done by Divisions include:

- coordinating primary health care services beyond general practice, encompassing a range of primary health care practitioners in the community;
- undertaking local health planning, identifying gaps in services at the local level, and examining opportunities for better targeting of services;
- supporting the implementation of initiatives that improve the prevention and management of disease in general practice and primary health care;
- driving more efficient use of health resources, including the potential for administering flexible funding pools to target gaps in primary health care service provision;
- improving patients' access to services by improving the co-ordination and integration of care both within the primary health care sector and across other sectors of the health

care system (including the coordination of telehealth and after hours primary health care services in the local region), out-of-hospital physician care, linkages with LHNs and Lead Clinician Groups, once established;

- identifying local health care needs and having the responsibility and flexibility to address these needs through coordinating and funding services;
- providing patients with increased access to information about services available in the local area; and
- undertaking their obligations in relation to the Government's proposed transparency, performance and accountability arrangements for health reform, including Healthy Communities Reports prepared by the National Performance Authority (NPA).

It is recognised that while Medicare Locals will use different approaches to meet the needs of their community, they will all still strive to meet the same strategic objectives of Medicare Locals described below.

1.2 Medicare Locals – Strategic Objectives

Medicare Locals are a key part of health system reforms and are integral to delivering National Health Reform.

Medicare Locals will be responsible for a range of functions aimed at:

- making it easier for patients to navigate the local health care system;
- providing more integrated care;
- ensuring more responsive local GP and primary health care services that meet the needs and priorities of patients and communities; and
- making primary health care work as an effective system as part of the overall health system.

Funding will be provided to support the skills and capacity required of each Medicare Local to achieve and over time build upon the five strategic objectives described below.

Objectives:

<u>Objective 1</u>: <u>Improving the patient journey through developing integrated and coordinated services</u>

To achieve this objective Medicare Locals are expected to:

i work to make the health system function seamlessly for patients, though links with Local Hospital Networks, so that primary health care is a part of an integrated health system;

ii establish processes to engage effectively with patients, clinicians, Local Health Networks, local Lead Clinician Groups, once established, and other stakeholders to identify and remedy service gaps and breakdowns in service integration and coordination;

iii work with patients and the local clinical community to develop, monitor and maintain high patient care standards and integrated and coordinated clinical pathways to improve access to services, including after-hours services and telehealth services, provided in the most appropriate setting, and connectedness between services in the local area; and

iv improve patient awareness of the availability of services by maintaining and ensuring access to relevant and current service directories.

Objective 2: Provide support to clinicians and service providers to improve patient care

To achieve this objective, Medicare Locals are expected to:

i proactively engage with practitioners across the spectrum of primary health care provision;

ii provide practice support to improve the uptake of best practice in primary health care;

iii integrate varied provider types and models of care to reflect optimal care coordination; and

iv assist primary health care providers to meet safety and quality standards of service delivery, including monitoring and providing feedback to providers on their performance.

Objective 3: Identification of the health needs of local areas and development of locally focused and responsive services

To achieve this objective, Medicare Locals are expected to have the appropriate expertise in data collection and analysis, strategies and referral pathways to:

i maintain a population health database including community health and wellbeing measures, provide input to population health profiles, and undertake population health needs assessment and planning;

ii actively participate in the performance and accountability framework of the Government's health reforms;

iii undertake detailed analyses of primary health care service gaps and identify evidence-based strategies to improve health outcomes and the quality of service delivery in local area populations, including for disadvantaged or under-serviced population groups;

iv conduct joint service planning with LHNs and other appropriate organisations; and

v facilitate a reduction in inappropriate or inefficient service utilisation and avoidable hospitalisations.

Objective 4: Facilitation of the implementation and successful performance of primary health care initiatives and programs

To achieve this objective, Medicare Locals are expected to:

i improve the focus on prevention and early intervention in primary health care;

ii improve service delivery, clinical efficiency and efficacy, and drive appropriate service utilisation;

iii coordinate the delivery of local area primary health care reform initiatives; and

iv ensure the seamless transition of programs and services from existing Divisions of General Practice operating within the local area, including transfer of funding, staffing and corporate knowledge.

Objective 5: Be efficient and accountable with strong governance and effective management

To achieve this objective, Medicare Locals are expected to have:

i appropriate company, board and senior management structures and processes – to manage risk, ensure compliance with all legal and fiduciary responsibilities, ensure financial viability and accountability, and to attract and retain essential skills across the extent of corporate and primary health care expertise;

ii capacity to drive more efficient utilisation of health and administrative resources – including through contract management, resource allocation and acquittal, budget management, and contributing to efficiency and equity across health sectors in the local area;

iii sufficient capacity and expertise to effectively and efficiently manage flexible funding to target services to their local community's specific needs;
iv mechanisms to appropriately integrate information relating to clinical priorities and governance – including links with LHNs and local Lead Clinician Groups once established;
v appropriate data collection, performance monitoring and reporting processes – including a commitment to participating within a nationally consistent performance framework and monitoring of definitive outcomes related to Medicare Locals' core business requirements;
vi decision making processes that are responsive to local health care needs and accountable across the spectrum of the local community and primary health care providers; and
vii capacity to remain flexible and responsive to evolving circumstances.

1.3 Funding arrangements

A total of $477 million over four years will be provided to establish a national network of Medicare Locals across Australia.

Once all Medicare Locals are established, the total annual core funding for the Medicare Local network will be approximately $171 million. Medicare Locals will also be provided with funding to support their establishment.

The distribution of this funding between Medicare Locals will be based on a funding formula that takes into account the characteristics of each Medicare Local such as rurality, socio-economic, health and Aboriginal and Torres Strait Islander status of the community.

Commonwealth funding will be provided through a funding agreement which will detail the terms and conditions of the funding. Details of these funding agreements, including transition arrangements, will be negotiated between the Commonwealth and preferred applicants following the finalisation of the selection process. Parties involved in these negotiations should ensure they are familiar with, and seek legal advice on, the terms and conditions of the funding agreement.

As Medicare Locals will substantially build on the work of Divisions of General Practice, core funding to Divisions of General Practice under the Divisions of General Practice Program will progressively transfer to the Medicare Locals program. All core funding under the Divisions of General Practice Program will cease on 30 June 2012. The Department will work with the successful first tranche of Medicare Locals to ensure an orderly transition of core funding under the Divisions of General Practice Program to the new Medicare Locals.

All existing program funding to Divisions of General Practice will be directed through the Medicare Local and over time this will be absorbed into a single funding agreement.

As part of the Commonwealth's primary health care reforms, all Medicare Locals will also be provided funding to plan, coordinate and support local after hours GP services.

Over time, Medicare Locals will be given the capacity to use Commonwealth program funding flexibly.

Use of funding

Medicare Locals may only use funding for:

- activities that contribute to the achievement of the program's five key strategic objectives, as specified in Section 1.2 above;
- costs associated with establishment of Medicare Locals; and
- ongoing operational costs of Medicare Locals.

Essentially, the funding for Medicare Locals is for the purpose of supporting service infrastructure, not capital infrastructure.

Funding cannot be used:

- for capital infrastructure such as the purchase of real estate or for building or construction;
- as security for the purpose of obtaining commercial loans or for the purpose of meeting existing loan obligations;
- for the purposes of establishing a subsidiary company or other commercial entity; or
- to meet operational costs of Divisions of General Practice.

Funding may be used to meet legal costs associated with the establishment of the Medicare Local but not for legal or other costs (including damages) to settle unfair dismissal grievances and/or settle other claims brought against the Medicare Local.

The Commonwealth intends that a condition to be included in funding agreements will be that payments will be staged against agreed milestones.

Example Milestone Payment Schedule for year one - Note that the specific details of the Milestone Payment Schedule will be finalised during negotiations with the preferred applicants.

Milestone	Payment Amount	Payment timing
1. Execution of the funding agreement	30% of the total annual funding	30 days from the date of execution of the funding agreement by the Commonwealth
2. Approval of Strategic Plan, Risk Plan, Annual Plan and Budget	40% of the total annual funding	30 days from the date of Commonwealth approval of both documents
3. Approval of Six-Month Report	20% of the total annual funding	30 days from the date of Commonwealth approval of report
4. Approval of Twelve-Month Report and Audited Financial Statement	10% of the total annual funding	30 days from the date of Commonwealth approval of both documents

1.4 Medicare Local boundaries

Organisations that are selected to operate a Medicare Local will be required to deliver a suite of programs and services in support of primary health care providers and the population residing within a defined Medicare Local boundary. Only one Medicare Local will be established in each of the identified catchments.

On 23 December 2010, a total of 42 Medicare Local catchments were initially agreed across all states and territories, with the exception of Victoria and Western Australia. The boundaries for the catchments were developed following consultations with the states and

territories, and with consideration of approximately 120 submissions from the health sector and the wider community.

The Government has announced there will be more Medicare Locals to ensure local responsiveness. To determine where these additional Medicare Locals will be located, the Commonwealth will re-examine the existing Medicare Local catchments. When considering the optimum size of a Medicare Local there is inevitably a balance between being small enough to be locally responsive, yet large enough to be sustainable and achieve critical mass. The Commonwealth will take into account alignment with Local Hospital Networks; natural population catchment areas; the configuration of health services, patient referral patterns between services; and the level of support for the December 2010 boundaries. The review will be undertaken in consultation with states and territories and will be finalised in April 2011.

It is likely that most Medicare Local boundaries will not change as a result of this review. Any revised boundaries will be published on the *yourHealth* website once the review is finalised.

Applicants must clearly indicate the Medicare Local catchment their proposal relates to, according to the Medicare Local boundaries as published at www.yourhealth.gov.au.

For applicants wishing to the considered for the first group of Medicare Locals:

- Applicants, including those from Victoria and Western Australia, should base their proposals on the publicly released boundaries as at 23 December 2010; and
- the Commonwealth will consult with the preferred applicants if there have been any changes to the Medicare Local boundary relevant to their application following the finalisation of the selection process.

For all other applicants, it is important they note that some boundaries will be subject to change, and relevant applicants may need to adapt to some boundary changes once the review of the Medicare Local boundaries is finalised in April 2011.

1.5 Governance Arrangements

Medicare Locals are to be established as independent companies limited by guarantee, managed by skills based boards, and as such will be subject to the Corporations Act 2001. Applications proposing alternative arrangements will not be considered.

In general it is expected that:

- board and governance appointment processes should be robust and transparent and incorporate the required range of skills. In addition the membership should be involved in appointment processes;
- governance arrangements should promote strong linkages between Medicare Locals and local health care professionals, Local Hospital Networks and the community to ensure services work with each other;
- Medicare Locals and Local Hospital Networks will be expected to have some common membership of governance structures where possible;
- governance arrangements should adequately reflect the Medicare Local catchment's community and health care service providers within the area, as well as business and management expertise and have strong clinical leadership; and
- boards are expected to comprise between about seven and nine people and members should have expertise in areas including knowledge of local healthcare

providers and the local community, business management, accounting and legal issues.

It is preferred that Medicare Locals will be expected to operate under an organisational membership model – with members such as local health services and community groups - rather than the individual membership basis used for current Divisions of General Practice. The Government expects that membership should cover the full range of primary care providers in an area and the broader local community. Applicants should indicate the proposed membership structure for their Medicare Local, including any structures that would be based on an individual/clinician membership for example the use of additional restricted membership categories.

Medicare Locals will operate within an environment in which they are accountable to both the Commonwealth and their local community. This ITA process allows applicants the opportunity to develop governance arrangements that are appropriate to their Medicare Local area and meet the needs of their community whilst meeting good governance principles. This means that Medicare Locals across the country will, to a degree, have different approaches to governance that are tailored to the needs of their community.

The Commonwealth will be working on an ongoing basis with the first tranche of successful applicants to ensure that governance arrangements of individual Medicare Locals will meet the needs of their community.

1.6 Accreditation of Medicare Locals

The Commonwealth supports accreditation to ensure that appropriate organisational structures are in place and that there is capacity within an organisation to effectively deliver services. It also ensures accountability and transparency to the community.

Medicare Locals will be expected to become fully accredited by an agency approved by the Commonwealth and against standards approved by the Commonwealth. Further advice on this will be provided through updates to these Guidelines.

1.7 Performance and reporting procedures

Medicare Locals will be subject to and contribute to the broader performance monitoring and reporting requirements of National Health Reform. This will provide Australians with information about the performance of their health and hospital services in a way that is both nationally consistent and locally relevant.

New reporting requirements will be centralised and standardised, focussing on achievement against new performance standards. Healthy Communities Reports, to be published by the NPA, will include performance assessments for each Medicare Local against new service and financial reporting standards which will focus on access to services, quality of service delivery, financial responsibility, patient outcomes and/or patient experience. These new performance standards will, over time, be linked to performance management arrangements for Medicare Locals and be outcomes focussed.

The Healthy Communities Reports will be developed and agreed by COAG and arrangements associated with the performance framework will be detailed once the NPA commences operation from 1 July 2011. Medicare Locals will be expected to adapt and comply to this new reporting framework as it is finalised.

While the new performance reporting framework is being developed Medicare Locals will be required to submit the following reports to the Commonwealth:

- Annual Plan and Budget, specifying transition arrangements, program activities and associated budget allocation;
- Annual report against the program objectives and outcomes;
- Six-monthly progress reports and information on health service activities; and
- Other reports as specified in the Funding Agreement for financial acquittal purposes, such as a General Purpose Financial Report in accordance with Australian Accounting Standards and Australian Auditing Standards.

Failure to submit these reports on time and to an agreed standard will result in financial penalties for the Medicare Local.

To enable the experiences of the first group of Medicare Locals to inform the development and establishment of subsequent Medicare Locals, the Commonwealth will work closely with the first groups of Medicare Locals during their establishment phase.

1.8 Who will form Medicare Locals?

Medicare Locals may be formed by a single organisation or a group of organisations, a partnership, joint venture or consortium.

It is envisaged that Medicare Locals will reflect the range of organisational expertise needed to deliver an expanded suite of programs and services across defined Medicare Local boundaries and population catchments. Such combinations are expected to include Divisions of General Practice and, depending on the local community and range of other primary health care organisations and services, an Aboriginal Medical Service, a Primary Care Partnership, allied health service, non-government service provider and other appropriate organisations.

The Government expects that the first group of Medicare Locals will be drawn from high performing Divisions of General Practice. These Divisions are likely to be already providing some of the wider range of services and have relationships across the health sector including with local private health providers and community groups expected of Medicare Locals. However, these Divisions of General Practice will need to further develop to meet the roles and functions of a Medicare Local. These Divisions will preferably be working in consortia with other organisations, and with the advanced capacity needed to lead primary health care reforms in their catchment, and will have the capacity to take on the roles and functions expected under the new arrangements. Divisions of General Practice that can clearly demonstrate the capacity to deliver against the selection criteria in relation to their Medicare Local boundary will be selected to operate a first tranche Medicare Local. First tranche Medicare Locals will also need to have a track record of sustained outstanding performance as a Division of General Practice.

The Government expects that the subsequent two groups of Medicare Locals will build on the expertise and capacity of existing primary care organisations, particularly where there are partnerships involving existing Divisions of General Practice and other primary health care organisations and services.

Where a consortium is preferred as an applicant, its members will be required to form a company limited by guarantee.

2 The Application Process

The Department of Health and Ageing will seek applications from eligible organisations to become Medicare Locals.

It is expected that around 15 Medicare Locals will be selected to form the first tranche, and that these new organisations will be operational in mid 2011.

The remaining Medicare Locals will become operational in two tranches from 1 January 2012 and 1 July 2012.

It is expected that the first tranche of Medicare Locals will evolve from current high performing Divisions of General Practice. For the remaining Medicare Locals other high performing primary health care related organisations will be considered, particularly where there are partnerships involving existing Divisions of General Practice and other primary health care organisations and services.

Medicare Locals will substantially build on the functions, programs and activities currently undertaken by Divisions of General Practice. Applicants will be required to demonstrate the capacity needed to take on the expanded roles and functions expected of Medicare Locals.

Applications for all Medicare Locals will be assessed against the selection criteria listed at Section 2.4 below.

2.1 Invitation to Apply

An Invitation to Apply (ITA) process for Medicare Locals will be advertised in the national press and on the *yourHealth* (www.yourhealth.gov.au) and the Department of Health and Ageing's website (www.health.gov.au). Notification of the opening of the ITA process will be sent to all Divisions of General Practice.

Applications for Medicare Locals will be considered in two stages, with applications for Medicare Locals commencing in July 2011 closing earlier than those commencing in 2012:

- Applicants who wish to be considered for the first group of Medicare Locals to commence from 1 July 2011 will have six weeks from the time of ITA advertisement to submit their applications, with applications due on 5 April 2011.
- Applicants wishing to apply for a Medicare Local to commence in either January 2012 or July 2012 will have twenty one weeks from the time of the ITA advertisement to submit their applications, with applications due on 19 July 2011.

Where more than 15 proposals are assessed as successfully meeting the selection criteria, those that are not funded in the first tranche commencing on 1 July 2011 will be given the option of automatically being included in the selection process for the remaining Medicare Locals to commence in 2012, updating their applications, or withdrawing from consideration.

Applicants for the first tranche Medicare Locals not judged to have successfully met the criteria in the first tranche will receive feedback on their proposals by early May 2011 and will be permitted to seek reconsideration for the group of Medicare Locals to commence in 2012.

Applications received will be reviewed by the Department of Health and Ageing for compliance with the mandatory requirements set out below. Only compliant applications will be assessed.

2.2 Mandatory requirements

Please note these important points:

- Applications should be submitted on the attached application form. An electronic version is available at *yourHealth* (www.yourhealth.gov.au) and at www.health.gov.au.
- Each application must respond to the requirements of the ITA for the specific Medicare Local catchment for which funding is sought, including addressing each of the Selection Criteria listed at Section 2.4 below and detailing how the proposed structures and services will achieve the Objectives at Section 1.2 above.
- Applicants intending to apply for funding in more than one Medicare Local catchment must complete a separate application for each location:
    - Generic applications for more than one Medicare Local catchment will not be accepted; and
    - Applications must respond to the ITA requirements for each location and comprehensively detail how the proposed structures and services will meet specific local health needs and priorities and complement existing health services.
- Applicants should note that Medicare Locals are to be established as independent companies limited by guarantee, managed by skills based boards. Applications proposing alternative arrangements will not be considered.
- Applicants must clearly indicate the Medicare Local catchment to which their proposal relates, according to the Medicare Local boundaries as published at www.yourhealth.gov.au and note that only one Medicare Local will be established in each of the identified catchments.
- Applicants must ensure that they complete the application form check list.
- Any application that does not comply with any or all of the mandatory requirements will not be further assessed against the selection criteria for funding. It is the responsibility of each applicant to check that the mandatory requirements have been met.

2.3 Assessment process

Applications will be assessed by a selection panel consisting of officers from the Department of Health and Ageing.

Applicants should note that relevant sections of applications may also be assessed by independent financial advisors and legal advisors as deemed necessary.

As part of the assessment process, the Department may also take into account information that has come to its knowledge in the normal course of departmental business, such as through previous program participation.

All compliant applications will be assessed by the selection panel against the Selection Criteria outlined in Section 2.4 below.

2.4 Selection Criteria

There are six (6) selection criteria against which applications for Medicare Local funding will be assessed. These criteria are outlined below:

Criterion 1:

Demonstrated expertise and capacity to address the five Strategic Objectives for Medicare Locals specified above, for the selected catchment area including outlining:

i. Activities currently undertaken and previous achievements which relate to each of the five strategic objectives;
ii. How these activities can be extended and expanded to meet the needs of a modern primary health care system;
iii. Demonstrated knowledge of the population base, health service architecture and infrastructure, utilisation and other demographic characteristics and health priorities in the proposed catchment area (this should indicate the evidence from which this knowledge is drawn);
iv. A strategy for development of a population and health service plan to address need;
v. Infrastructure already in place;
vi. Capacity to collect and manage data as appropriate;
vii. Strategies for ensuring appropriate accountability and transparency to the community; and
viii. Indicative personnel and other resources to be allocated to deliver these activities.

AND

Criterion 2:

Proposed governance and operational arrangements, including:

i. Details of the proposed legal/corporate and organisational structures;
ii. Experience and skills expertise of the proposed Executive;
iii. A structure that recognises the diversity of clinicians, services and health care recipients within the modern primary health care sector;
iv. Structures that encourage and maintain local engagement and responsiveness;
v. A transition plan, including estimates of costs associated with transition activities;
vi. Strategy for ensuring appropriate clinical governance;
vii. Strategy, skills and expertise to manage flexible funding to target services to the local community's specific needs;
viii. Strategy for establishing effective linkages with other sectors and organisations, including LHNs; and
ix. Strategy for ensuring community engagement and accountability.

The assessment panel will have regard for the desired governance attributes, including broad community and health professional representation, as well as business management expertise; and have strong clinical leadership.

AND

Criterion 3:

The financial viability of the Medicare Local including:

i. Demonstrated record in efficient and effective use of funds of each organisation covered by the proposal;
ii. The experience and expertise of the organisation's proposed executive team to manage substantial public funds appropriately; and
iii. Current contractual arrangements.

AND

Criterion 4:

Demonstrated evidence of ability to engage with and form productive relationships with key stakeholders, providing supporting evidence of any current partnerships and operational arrangements, and strategies to improve engagement with:

i. Community Organisations;
ii. Aboriginal and Torres Strait Islander Health Organisations;
iii. Workforce Organisations;
iv. General practice;
v. The broader primary health care sector; and
vi. Research Organisations.

AND

Criterion 5:

Strategies and ability to respond to local needs and emerging priorities, including Commonwealth priorities in Aboriginal and Torres Strait Islander health, eHealth and telehealth, mental primary health care, aged care, population health and after hours primary health care.

AND

Criterion 6:

Evidence of ability to build upon a sustained track record of high performance as a Division/s of General Practice or primary health care related organisation, including:

i. Driving improved outcomes and system change in general practice and primary health care through effective practice support;
ii. Improving eHealth and information management infrastructure, including the use of data to improve preventive health and chronic disease management in clinical practice, to measure the effectiveness of health program delivery, and to inform population–based services planning and evaluation;
iii. Effective governance and corporate management;
iv. Demonstrating effective collaborative relationships with other agencies and health service providers to achieved improved referral pathways, health service provision and/ or outcomes, including a demonstrated culture of inclusion across the spectrum of primary health care service provision and local community engagement;
v. Demonstrating compliance with contractual obligations;

vi. Delivering sustained achievement and improvement against national performance indicators for Divisions of General Practice (where relevant) and associated programs; and
vii. Actively sharing expertise and resources with others to promote quality improvement and knowledge transfer across the primary health care sector.

The selection panel will develop a relative merit list from the applications assessed, based on the selection criteria above, and provide recommendations of preferred applicants to the Minister for Health and Ageing.

The selection panel will also have regard to the desirability of achieving a reasonable spread of Medicare Locals across the country and geographic classifications for the first tranche of Medicare Locals.

All applicants should note that, where the assessment process does not identify a preferred applicant within a Medicare Local region, the Department reserves the right to broker an arrangement between funding applicants and/or other interested parties.

2.5 Feedback

The Department will notify successful applicants in writing. Successful applicants will be published on the *yourHealth* website no later than seven days after the funding agreement takes effect.

The Department will also notify unsuccessful applicants in writing (to the address nominated in the application). Unsuccessful applicants will be able to obtain feedback from the Department.

Unsuccessful applicants for first tranche Medicare Locals will be permitted to submit an application for (re-) consideration for the groups of Medicare Locals to commence in 2012.

2.6 Complaints procedures

In order to ensure administrative transparency the Department operates a fair, equitable and non-discriminatory complaints handling procedure, which is published at:
http://www.health.gov.au/internet/main/publishing.nsf/Content/pfps-complaintsproceduresTenders and Grants Complaints Procedures

This document provides guidance to participants in a funding process as to the procedure for lodging a complaint about the process.

Process for lodgement

Should an organisation or individual wish to lodge a dispute or complaint about the Medicare Local funding process they should do so by advising the Departmental Contact Officer in writing. The complainant should provide details of the basis upon which the dispute or complaint is being lodged, including:

- A clear statement as to what the complainant considers was defective in the tendering/funding process;
- Copies of, or references to, evidence of information to support the complaint; and
- A statement as to what the complainant wishes to achieve from the complaint process.

The Contact Officer, or their manager, will acknowledge receipt of the complaint in writing within 10 working days of receiving the complaint. If further correspondence or information is required, the complainant will be given no less than 15 working days to respond to any communication from the Department unless the matter is urgent.

The Departmental Contact Officer and their manager will attempt to resolve the matter. The Department will advise the complainant of the decision in writing within a reasonable timeframe, which will usually be within 15 working days of receiving all written correspondence relating to a complaint.

If the complainant is not satisfied with the Department's response then the complainant may seek an independent internal Departmental review of the complaint.

The internal review officer will promptly notify the complainant in writing to advise of their appointment and the expected time frame for making the internal review decision. The notice will also include any request for further information that may be required to conduct the review. The complainant will be given no less than 15 working days to provide any further information unless the matter is urgent.

The internal review officer will notify the complainant in writing of the decision within the timeframe specified in the original notice.

Where the complainant is not satisfied with the Department's response, they may lodge a complaint with the Commonwealth Ombudsman.

2.7 Important Notice to Applicants

i. Reference to additional information

Applicants are advised to refer to relevant health reform associated documents when preparing their application.

These include:

- *Heads of Agreement – National Health Reform*, Council of Australian Governments, 2011
- *National Health and Hospitals Network Agreement,* Council of Australian Governments, 2010;
- *Building A 21st Century Primary Health Care System – Australia's First National Primary Health Care Strategy,* Commonwealth of Australia, 2010;
- *Primary Health Care Reform in Australia – Report to Support Australia's First National Primary Health Care Strategy,* Commonwealth of Australia, 2009*;*
- *A National Health and Hospital's Network for Australia's Future – Delivering Better Health and Better Hospitals,* Commonwealth of Australia, 2010;
- *Medicare Locals – Discussion Paper on Governance and Functions, Department of Health and Ageing, 2010; and*
- *Medicare Local and Local Hospital Network boundaries, Department of Health and Ageing, 2010.*

Further information on Medicare Locals and health reform can be found at the www.yourhealth.gov.au website.

ii. Conflict of interest

A conflict of interest may exist, for example, if the applicant or any of the applicant's personnel:

- has a relationship (whether professional, commercial or personal) with a party who is able to influence the application assessment process, such as a Departmental staff member;
- has a relationship with, or interest in, an organisation, which is likely to interfere with or restrict the applicant in carrying out the proposed activities fairly and independently; or
- has a relationship with, or interest in, an organisation from which they will receive personal gain as a result of the granting of funding under the Medicare Locals program.

Each applicant will be required to declare, as part of their application, existing conflicts of interest, or that to the best of their knowledge, there is no conflict of interest, including in relation to the examples above, that would impact on or prevent the applicant from proceeding with the project or any funding agreement the applicant may enter into with the Australian Government.

Where an applicant subsequently identifies that an actual, apparent, or potential conflict of interest exists or might arise in relation to this application for funding, the applicant must inform the Department of Health and Ageing in writing immediately.

iii. Privacy and Confidentiality

The Commonwealth undertakes to keep confidential any confidential information provided to the Commonwealth by applicants prior to the award of any funding, in respect of unsuccessful applicants, and after the award of any funding.

The obligation of confidentiality does not apply if the confidential information:

- is disclosed by the Commonwealth to their advisers or employees in order to consider the application and manage any funding agreement;
- is disclosed by the Commonwealth to the responsible Minister;
- is disclosed by the Commonwealth, in response to a request by a House or a Committee of the Parliament of the Commonwealth;
- is authorised or required by law to be disclosed; or
- is in the public domain otherwise than due to a breach of the above.

To enable the Commonwealth to consider whether it agrees to keep specific information confidential, applicants must include in their application any request that information is to be treated as confidential following the award of a contract to it, if any, specifying the information and giving reasons why it is necessary to keep the information confidential.

The Commonwealth will consider any request made and will inform the applicant whether or not the Commonwealth, in its sole discretion, agrees to the request and the terms under which it agrees. The terms of any agreement as to confidentiality will form part of the contract to be awarded at completion of the application process.

Applicants should also note the Commonwealth's external reporting requirements stipulated in Section 2.1 above.

iv. Roles and Responsibilities

The Department of Health and Ageing will provide funding to successful Medicare Locals. The Department has overarching responsibility for the implementation and monitoring of the Medicare Locals Program and will work closely with Medicare Locals, state and territory Governments and relevant national agencies established under the health reform agenda to review progress against its national performance and accountability framework.

v. Taxation

Applicants are advised to carefully consider the likely taxation treatment of any funding provided by the Commonwealth as part of the Medicare Locals program. As a general principle, funding such as that proposed to be provided to successful Medicare Local applicants will be assessable as income in the hands of a recipient where they are received in relation to the carrying on of a business.

This may mean that unless you (or the entity that you propose to use to receive funding) have tax exempt status (such as a not for profit organisation) or are not currently carrying on a business, tax may be payable on the full amount of funding provided. For some general guidance on the taxation treatment of grants and funding from the Commonwealth, applicants may wish to refer to the Australian Tax Office website at www.ato.gov.au However, you are advised to seek your own independent advice on this issue and should seek independent advice from a taxation professional on how funding paid to you (or to any entity you propose to establish to receive funding) under the program would be treated for tax purposes.

vi. Goods and Services Tax (GST)

Funding amounts payable by the Commonwealth are exclusive of GST. Applicants are advised to consider the likely implications of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) on the funding provided by the Commonwealth.

Where GST is payable, the Commonwealth will increase the funds payable to the funding recipient by the amount of GST that is payable for the purposes of the GST Act. For example, if the payment due at a particular milestone is $250,000 and GST is payable on that amount, then the Commonwealth will increase the payment provided to the funding recipient to $275,000. The GST inclusive amount will be reflected in any funding agreement. In the event GST is payable, the funding recipient will be required to provide the Commonwealth with a valid tax invoice.

vii. Information Management and Information Technology (IM/IT)

The introduction of a personally controlled electronic health record (PCEHR) is an important element of the Government's broader reforms to improve the Australian health system. The Commonwealth and state and territory governments are working to put in place national standards and infrastructure to support the secure management and communication of health information. As such, the Commonwealth requires each Medicare Local to make an appropriate investment to ensure IM/IT arrangements are secure and properly address community expectations on privacy and security, and to provide advice and assistance to primary health care providers to meet required standards. Applicants can obtain more information at the website addresses provided below.

Applicants should note the purposes for which Medicare Local funding can be applied (see Section 1.3 above). Medicare Locals that are responsible for the delivery of healthcare services will address the requirements below. Medicare Locals responsible for the provision

of support to organisations that deliver healthcare services will assist them with the implementation of the requirements below.

- Implementation of systems that adhere to National E-Health Transition Authority (NEHTA) specifications and frameworks and Standards Australia's Health Informatics Standards, within 24 months of publication.
- Compliance with all relevant state, territory and Commonwealth government requirements for collecting and reporting information, e.g. for data fields and connectivity.
- The Commonwealth intends to introduce a personally controlled electronic health record (PCEHR) to be available to Australians who wish to have one. Within 24 months of a Commonwealth approved PCEHR System becoming operational or being enhanced; ensure that primary health care providers use the PCEHR System for consumers who have given consent to do so.
- Noting that Privacy Impact Assessments (PIAs) represent best practice for the evaluation of arrangements for management of patient health information, ensure that a PIA is conducted in accordance with the Australian Privacy Commissioner's Privacy Impact assessment Guide Office of Privacy Commissioner, http://www.privacy.gov.au/ Privacy Impact Assessment Guide Revised May 2010.
- When implementing IM/IT systems, undertake a Security Threat Risk Assessment that is in line with recognised Australian standards. (ISO 31000 Risk management - Principles and guidelines, ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements). Ensure that this assessment considers the provisions in Health and Privacy legislation that require the protection of health and other personal information such as the protection of Medicare numbers.
- The Information Management Maturity Framework (IMMF) has been designed specifically to build capacity in information management and enhance service delivery outcomes. Consideration of the framework and its associated toolkit elements should be incorporated into standard IM/IT. The IMMF can be found at: http://www.agpn.com.au/programs/ehealth-and-information-management/agpn-ehealth-program/information-management-maturity-framework

viii. Marketing and branding

All Medicare Locals will be required to give due recognition to the Australian Government's health reform agenda, as well as investment in the Medicare Locals program.

As such, Medicare Locals will be subject to common communications, marketing and branding protocols, which will be reflected in future funding agreements.

The Department will issue further advice and guidance on these matters in due course to successful Medicare Locals.

ix. Performance Assessment Rating

Successful applicants must agree to the Department or other appropriate body on instruction from the Department, conducting a Performance Assessment Rating (PAR) as a part of an ongoing performance management process. The PAR will be undertaken annually for the first four years of operation.