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Health and
Aged Care

Mr D Hawker
Chairman
House of Representatives
Standing Committee on Economics
Finance and Public Administration
Parliament House
CANBERRA ACT 2600

Dear Mr Hawker

Review of the Australian National Audit Office (ANAO) Audit Report No 37 1998-99 on the Management of Tax File Numbers

Thank you for the opportunity to comment on issues raised by the Health Insurance Commission (HIC) at the public hearing on 9 March 2000 for the Review of the Australian National Audit Office (ANAO) Audit Report No 37 1998-99 on the Management of Tax File Numbers. I would be happy for my response to be treated as a submission to the inquiry by the Department Health and Aged Care.

A number of the issues raised by the ANAO in its report, and the recommendations it put forward, are relevant principally to the activities of the Australian Taxation Office and its application of the Tax File Number (TFN) arrangements. However, issues raised with respect to proof of identity (PoI) are relevant to the health portfolio.

With respect to the particular matters you have raised in your letter, at a broad level the Department's view is to only provide limited support to the development of a client service number and linking of data between the Australian Taxation Office and the Health Insurance Commission. These are very sensitive issues and our own research shows that people see health information as being different and highly sensitive. While the health portfolio has its own needs for identification, cognisant of the strength of public feeling we would want to keep this limited to the health sector.

To address the issues you have raised in greater depth, including Proof of Identity processes I have included more, specific comments provided by the Department at Attachment A.

I trust this information is of assistance to you in your review process. If you have any further queries, please contact Susan Rogers (6289 7952) or Jane Aitken (6289 8526).

Yours sincerely

Andrew Podger
Secretary
Department of Health and Aged Care

17 May 2000

DEPARTMENT OF HEALTH AND AGED CARE COMMENTS RE REVIEW OF THE ANAO AUDIT REPORT NO 37 1999-99 ON THE MANAGEMENT OF TAX FILE NUMBERS

Client Service Number

A client service number, which could be used by an Commonwealth agencies to identify an individual, has the potential to resolve a number of the difficulties facing agencies in verifying Proof of identity (PoI). A client service number could:

- reduce the burden for members of the public to prove their identity to every government agency with which they may have dealings;
- reduce the duplication of identity processes across government agencies, and
- allow for improved cross-referencing between government agencies where it is necessary.

However, a client service number also has the potential to generate adverse public comment and resistance to such a process.

The Australian public is sensitive to issues of privacy and the capacity of various government agencies to share data and personal information. Therefore, in the event that the Government decided to introduce a client service number, a number of issues would need to be resolved satisfactorily, including:

- clear arrangements in place (and with appropriate legislative requirements) to protect the privacy of individuals issued with client service numbers;
- permitted uses to be defined in legislation; and
- integrity of the verification processes and issuing of the client service number (lack of integrity would undermine the efficacy of the client service number and thus compromise the data on an individual's identity held by government agencies).

Although there would be clear benefits to Commonwealth agencies having access to a common client service number, the Department of Health and Aged Care does not believe that a common client number will necessarily preclude the need for individual agencies to continue to use other forms of identifiers for individuals. The Medicare number *is an example. Medicare numbers are not simply linked to individuals- They are also ascribed to couples and families. As the Health Insurance Commission pointed out in the hearing on 9 March individuals can also be listed against two Medicare numbers.

Moreover, given the particular sensitivities regarding health information in general, the introduction of a common client number for the administration of Medicare services would require careful consideration of the privacy and confidentiality implications. The need to develop a unique health identifier to ensure the safe and secure transmission of health information in an electronic age and realise the many potential benefits that e-health initiatives can bring to health consumers has been identified in several arenas - including the National Health Information Management Advisory Council¹. To realise its potential, such an identifier would need to be used, with

¹ National Health Information Management Advisory Council, *Health Online: A Health Information Action Plan for Australia*, Commonwealth of Australia, Nov 1999.

consumer consent across the private and public health sectors. From discussions with stakeholders (including consumer representatives) regarding the development of such an identifier, it is clear that health consumers and providers would have grave concerns about any initiatives that could link health information beyond the health sector. They would be seeking reassurance that a client service number would not be able to be used for such purposes and would want to see appropriate legislation in place to protect their privacy.

The Australian Taxation Office in its submission to the Committee has proposed an eight point hierarchy of options to improve PoI processes. This Department supports this approach to addressing PoI issues, noting the need to maintain community confidence, including privacy concerns.

Whilst some of the latter steps in the proposed hierarchy would be highly effective in improving PoI processes, (eg step 6 upgrading data matching plus electronic verification or step 7 - client service number for whole of Government), they also present higher risks in terms of public acceptance and the costs of implementation. Earlier steps in the hierarchy, such as step 3 - Commonwealth agencies to use the same PoI format or step 4 - data match cleansing project, will be easier for agencies to agree to and implement in the short term. Issues of cost and public acceptance are also likely to be more manageable.

Overall, the Department would support Commonwealth agencies introducing the measures set out in the initial steps in the Australian Taxation Office's hierarchy - namely. 1 - 4. The efficacy of these measures would need to be assessed. If it were felt generally that these initial steps did not bring about the necessary level of integrity to the PoI process within the Commonwealth, then the Department's further consideration of the option of a client service number may be warranted.

Extending UN quotation to Health Insurance Commission activities

The Committee has asked for comments on the benefits of linking Tax file Number and Health Insurance Commission records. In particular, it is seeking comments with regard to the greater use of data matching between these data sets, especially with respect to preventing fraud.

The Department notes the anticipated benefits which the Australian Taxation Office could derive from systematic data matching, such as under-reporting of income by medical practitioners and identification of individuals who have not lodged tax returns. However, given that there is insufficient data to determine the extent to which such benefits might outweigh the considerable community concerns raised by such a proposal, the Department would suggest that further research and consultation is required before considering extensions of Tax File Number quotation to Health Insurance Commission activities. Moreover, the introduction of the Australian Business Number under the New Tax System will provide a consistent identifier that will eventually be used for business dealings with government at all levels and, as such, will assist in reducing any under-reporting of income received from the Health Insurance Commission by medical practitioners.

Having said this, at the level of data cleansing, the Department would support data matching between the Health Insurance Commission and the Australian Taxation Office at the lower levels of risk including data matching for the purposes of cleansing data that has been put forward by the Australian Taxation Office as the fourth step in its hierarchy of options for improving the integrity of PoI processes. The benefits of such a process are thought to include:

- identifying inconsistencies in identity data held by Government agencies;
- improve agencies' capacities to identify potential fraud cases which may otherwise remain undetected;

- update identity records held by Government agencies.

Even so, were data matching for the purpose of data cleansing to become routine, some changes may need to be made to legislation affecting the transfer of information between agencies. Routine matching of data would also raise issues of privacy, which would need to be addressed satisfactorily to ensure community support for such activities.

Proof of Identity processes and identity fraud

The Committee also asked for comments on the extent of fraudulent use of Medicare cards, both within the Medicare system and as proof of identity with external agencies.

As Geoffrey Probyn from the Health Insurance Commission noted at the hearing on 9 March, the fraudulent use of Medicare cards is believed to be small. After all, all Australian citizens and permanent residents who physically reside in Australia are eligible for Medicare benefits. Some temporary residents are also eligible for Medicare and may be issued with a Medicare card. Given that eligibility for Medicare is spread broadly throughout the community, the opportunities for fraudulent use of Medicare cards may be limited to some illegal immigrants or career criminals. However, there is no evidence, apart from anecdotal accounts of the degree to which such fraudulent use exists.

The Department supports the statements made by Health Insurance Commission officers at the hearing on 9 March 2000 that Medicare cards are not issued as proof of identity documents but as an indication of a person's entitlement to receive Medicare benefits. As such, it is not intended to be used by other agencies for proof of identity. The Department's view therefore is that the current processes in place to verify a person's eligibility are quite adequate for its intended purposes. Given that the Medicare card is a family-based card, any additional measures such as photographic evidence would be both unrealistic and costly. In its submission the Australian Taxation Office referred to the "circular path" by which material issued by one agency can be used to establish a person's credentials with another agency. This is certainly the cue for people enrolling in Medicare. A range of documents produced by other agencies, which provide evidence of a person's identity, are required by the enrollee. These include:

- a current passport;
- driver's licence with photograph;
- citizenship papers; or
- birth certificate.

Clearly, any measures aimed at increasing the integrity of these identification documents would be useful in ascertaining a person's identity for determining Medicare eligibility.

Gateway proposal

The proposal put forward by the Australian Bankers' Association has much merit and warrants further exploration. The Department understands that there has already been a pilot of on-line verification in New South Wales, which has proved to be effective. On-line verification is also included in the ATO's hierarchy of options. This Department would support further examination of on-line verification, in conjunction with other elements of this hierarchy being put in place.