

Health Employment Directive No. 04/22

Effective Date:
1 July 2022

Supersedes:
No. 02/22

Senior medical officers: Remuneration support – private practice diagnostic billing

1. Compliance

Compliance with this Health Employment Directive (HED) is mandatory.

2. Purpose

The purpose of this HED is to establish the governance requirements for over-award payment arrangements applicable to certain senior medical officer (SMO) employees in relation to private practice diagnostic billing.

3. Legislative Provision

Section 51A of the *Hospital and Health Boards Act 2011* (the Act).

4. Application

This HED applies to SMO employees in Hospital and Health Services (HHSs) engaged under the Act and practicing in the medical disciplines of:

- radiology
- nuclear medicine
- diagnostic cardiology
- vascular medicine.

5. Related documents

- *Hospital and Health Boards Act 2011 (Qld)*
- *Medical Officers' (Queensland Health) Certified Agreement (No. 5) 2018 (MOCA5)*
- *Medical Officers (Queensland Health) Award – State 2015*
- *Health employment directive No. 06/21 – Senior medical officers: special remuneration arrangements*
- *Remuneration support framework - private practice diagnostic billing (Attachment 1)*



Directive

6. Consistency

All HHSs must:

- Adhere to the *Remuneration support framework - private practice diagnostic billing* (Attachment 1).
- Clearly document the rationale/evidence for an over-award payment or adjustment to a SMO's private practice retained earnings baseline and/or earnings gap.

7. Definitions

Act	<i>Hospital and Health Boards Act 2011</i>
Award	Medical Officers (Queensland Health) Award - State 2015
Earnings gap	The difference between the SMO's private practice retained earnings baseline and current retained private practice earnings, as defined in the <i>Remuneration support framework - private practice diagnostic billing</i> .
Granted private practice arrangement (GPPA)	A limited arrangement to provide professional services to patients in the public hospital system who elect to be private patients, and to support private practice during the senior medical officer's hours of work under the terms of a granted private practice agreement.
Hospital and health service (HHS)	A statutory body established under the <i>Hospital and Health Boards Act 2011</i> , responsible for the provision of public sector health services for a geographical area, which includes one or more health facilities.
MOCA5	<i>Medical Officers' (Queensland Health) Certified Agreement (No. 5) 2018 (MOCA5)</i>
Over-award payment arrangement	Any remuneration that exceeds or is not required to be paid under an applicable industrial instrument.
Private practice retained earnings baseline	An amount as defined in the <i>Remuneration support framework - private practice diagnostic billing</i> , applicable to a senior medical officer as an individual or in partnership.
Senior medical officer (SMO)	A registered medical practitioner employed in any position in a classification level L13 (C1-1 only) to L29 under clause 2.6.3 of the <i>Medical Officers' (Queensland Health) Certified Agreement (No. 5) 2018 (MOCA5)</i> , as amended from time to time.

8. History

HED No. 04/22 September 2022	Amended to update the <i>Remuneration support framework - private practice diagnostic billing</i> to provide the methodology for calculating: <ul style="list-style-type: none"> • private practice retained earnings baseline • current retained private practice earnings • earnings gap.
HED No. 02/22 July 2022	Issued under section 51A of the <i>Hospital and Health Boards Act 2011</i> as a condition of employment for senior health service employees.

9. Approval and implementation

Directive custodian

Chief Human Resources Officer

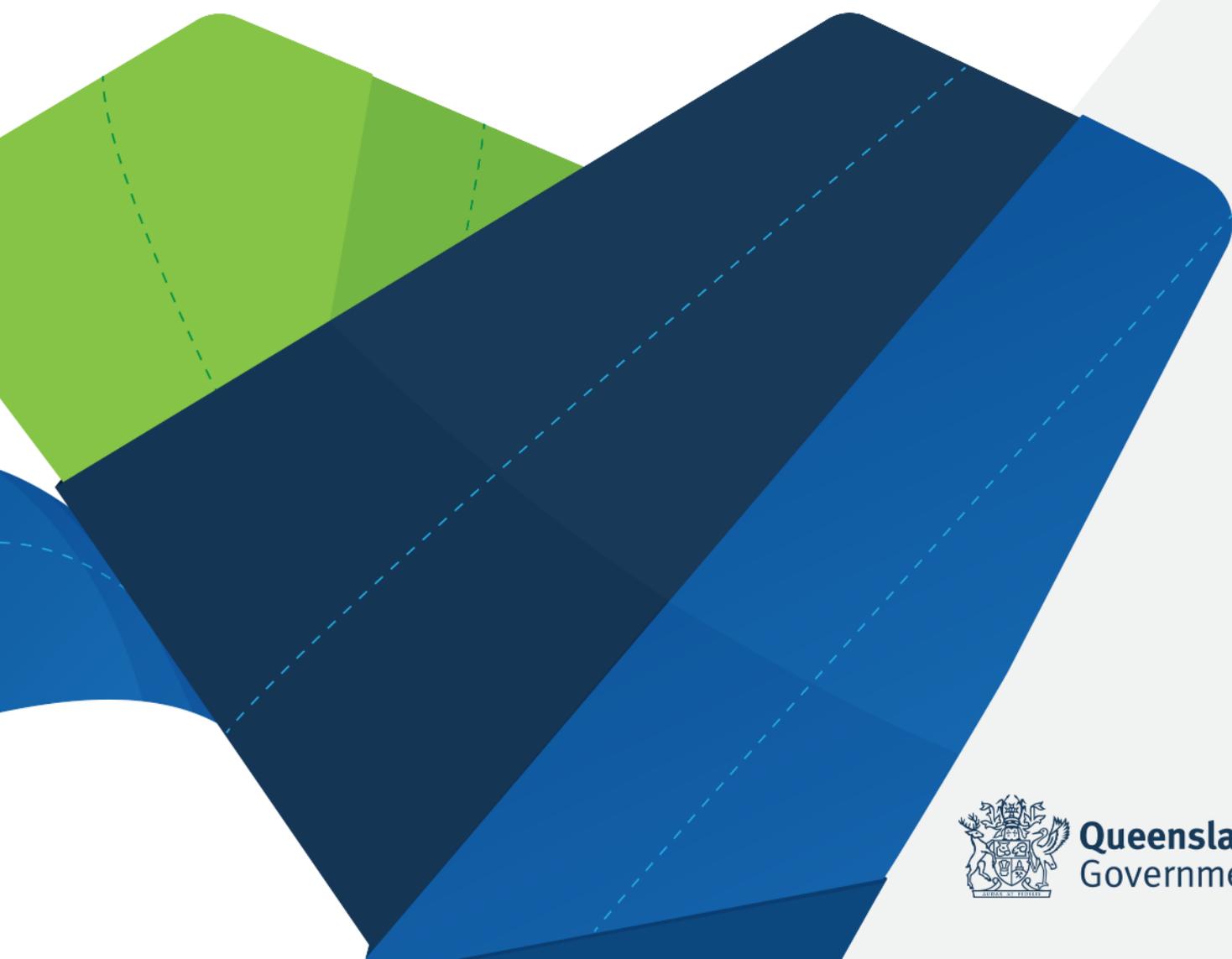
Approval by Chief Executive

Shaun Drummond
Director-General

Approval date: 13/09/2022

Remuneration Support Framework

Private Practice Diagnostic Billing



Remuneration Support Framework - Private Practice Diagnostic Billing

Background

Queensland Health's Granted Private Practice Arrangements support the recruitment and retention of a highly qualified medical workforce. These arrangements enable Senior Medical Officers (SMOs) to supplement their income through the treatment of private patients, making their overall remuneration package more competitive with that available in the private sector.

Changes to the interpretation of the National Health Reform Agreement (NHRA) Business Rule G20, and the Commonwealth Government's subsequent introduction of data matching rules from 1 July 2021, now prevent public hospital outpatients from being given the choice to receive their non-admitted diagnostic services as a private patient of a private provider. This has negatively impacted the level of private practice income earned by some SMOs practicing in affected medical disciplines (i.e., Radiology, Nuclear Medicine, Diagnostic Cardiology and Vascular Medicine). It also presents as a recruitment and retention risk for Hospital and Health Services (HHSs), which in turn impacts their ability to provide these services to the community.

In consultation with a range of stakeholders, Queensland Health undertook a review of its existing Granted Private Practice Arrangements, and those used by other States and Territories, to identify possible solutions that could be implemented by HHSs. The findings of the review identified various solutions that could be adopted by Queensland Health. However, when measured against the guiding principles, the preferred option was to use existing policy levers to lower the Service Fees charged to affected SMOs and, where necessary, supplement this with an over-award payment. This option is simple to implement consistently across HHSs within the confines of existing legislation and policy, it can be confined to affected SMOs and provides flexibility to adjust existing and future income levels to achieve comparative levels of remuneration.

To support implementation, the Department has amended the Queensland Health Fees and Charges Register to enable HHSs to reduce the Service Fee rates for relevant service categories. In addition, HHS Chief Executives (CEs) have been authorised via Health Employment Directive (HED 04/22) to approve over-award payments, where a SMO's estimated earnings gap cannot be adequately addressed through a reduction in Services Fees alone.

Purpose

This Framework outlines the necessary steps to ensure an equitable and consistent approach is applied by HHSs in the implementation of Service Fee reductions and over-award payments for existing employees, and for new employees where necessary.

Scope

This Framework applies to existing Queensland Health employed SMOs who:

- have an existing Granted Private Practice Arrangement (GPPA) in place, and
- are expected to experience a reduction in retained private practice income generated from non-admitted diagnostic services resulting from changes to the interpretation of the NHRA Business Rule G20, and the Commonwealth Government's subsequent introduction of data matching rules.

This Framework also applies to newly employed SMOs who:

- have signed, or intend to sign, a GPPA, and
- have been assessed by the HHS as having a reduced capacity to generate retained private practice income from non-admitted diagnostic services resulting from changes to the interpretation of the NHRA Business Rule G20, and the Commonwealth Government's subsequent introduction of data matching rules.

This Framework applies to affected SMOs practicing in the medical disciplines of Radiology, Nuclear Medicine, Diagnostic Cardiology and Vascular Medicine.

This Framework also extends to affected SMOs who have elected to move from Retention GPPA to Assignment GPPA for the 2022/2023 financial year (starting from 1 July 2022). In these instances, under HED 04/22, the additional twenty-five percent "Attraction and Retention Incentive Allowance" must be considered when calculating the earnings gap to determine any over award payments.

Principles

The following guiding principles were established as a basis for assessing the feasibility of options identified through the review undertaken by Queensland Health, and are based on key objectives and feedback provided through stakeholder consultation:

1. **Comparable remuneration** - achieves a comparable remuneration to the remuneration paid prior to impact (i.e. the private practice retained earnings baseline).
2. **Flexible** – sufficiently flexible to accommodate future changes (e.g., future changes to interpretation or changes to private outpatient referral pathways).
3. **Contained to affected specialists** – targeted to the affected specialist groups and does not establish a precedent for other medical specialties.
4. **Simple to implement** – does not require wholesale changes to existing arrangements (including Medical Specialists Award, technology and/or systems) and does not require a lengthy approval process.
5. **Supports localisation** – considers varying degrees of private practice billings related to differences in complexity/activity between HHSs.

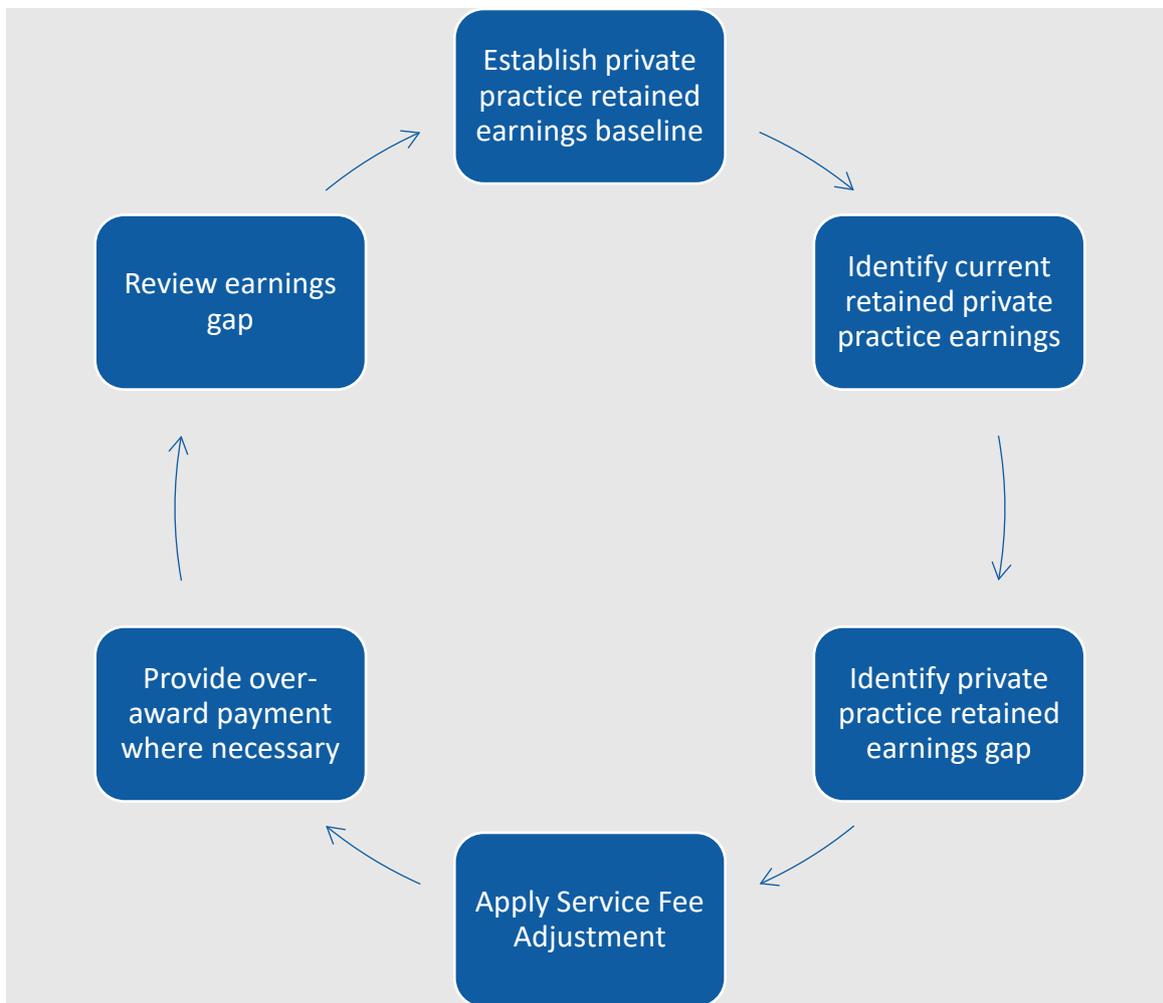
6. **Limits financial impact to HHS** – annual review facilitates adjustment to account for a future increase in SMO retained earnings resulting from increased growth in private patient activity.
7. **Applicable to new recruits** – will be available to new recruits.

Options

1. Where an “Earnings Gap” has been identified, the HHS must first address this via a reduction to the Service Fees applied to the affected SMO’s private practice billings.
2. Where a reduction in Service Fees does not fully address the “Earnings Gap”, the HHS CE will approve an over-award payment to the affected SMO to bridge the remaining shortfall in baseline earnings.

Methodology

HHSs should follow the process specified below, starting with the establishment of a baseline at the beginning of each annual cycle.



Private Practice Retained Earnings Baseline

The Private Practice Retained Earnings Baseline should be established in consultation with affected SMOs.

For **existing** employees

- Individuals:

Equal to the average annual private practice income retained by the affected SMO taking into account all deductions (i.e. Gross billings¹, less Service Fees, and Service Retention Amount)² for a period up to three financial years preceding the cessation of G20 billing by the HHS in which they are employed, taking into account any Full Time Equivalent (FTE) fluctuations.

Methodology:

$$\text{Baseline} = \text{Avg Total Income per one FTE} * \text{Current FTE (full year)}$$

The formula displayed below to calculate the Total Income per one FTE, is based on a single financial year. If more than one financial year is used repeat the below method for each financial year when determining the Average Total Income per FTE.

$$\text{Total Income per one FTE} = \frac{\text{Gross Earnings} - \text{Service Fees} - \text{Service Retention Amount}}{\text{FTE (full year)}}$$

Simple example (based on 1 FTE):

Gross Billings: \$400,000.00
Less Service Fees: \$100,000.00
Less Service Fees: \$60,000.00
Equals Baseline: \$220,000.00

(Note: Complex examples, please refer to the “Example – Baseline, Service Fee Reduction & Over-Award Calculations” information workbook. Available from the Revenue Strategy and Support Unit.)

¹ Gross billings = all inpatient and outpatient activity.

² Service Fees GST and Service Retention Amount GST are not to be deducted from the gross billings when determining the “Private Practice Retained Earnings Baseline”.

- Partnerships:

Determined as the average annual private practice income retained by the affected Partnership taking into account all deductions (i.e. Gross billings¹, less Service Fees and Service Retention Amount)² for a period up to three financial years preceding the cessation of G20 billing by the HHS in which they are employed, considering any Full Time Equivalent (FTE) fluctuations. Individual disbursement from the partnership should be made based on pro-rated FTE amounts.

Methodology:

$$\text{Partnership Baseline} = \text{Avg P'ship Total Income per one FTE} * \text{Current P'ship Total FTE}$$

The method displayed below to calculate the Partnership Total Income per one FTE, is based on a single financial year. If more than one financial year is used repeat the below method for each financial year when determining the Average Total Income per FTE.

$$\text{P'ship Total Income per one FTE} = \frac{\text{P'ship Gross Earnings} - \text{P'ship Service Fees} - \text{P'ship Service Retention Amount}}{\text{P'Ship Total FTE}}$$

Simple example (based on 10 FTE):

Gross Billings: \$2400,000.00
Less Service Fees: \$600,000.00
Less Service Fees: \$100,000.00
Equals Baseline: \$1,700,000.00

(Note: Complex examples, please refer to the “Example – Baseline, Service Fee Reduction & Over-Award Calculations” information workbook. Available from the Revenue Strategy and Support Unit.)

For **new** employees

- Individuals:

Agreed at a local level between the HHS and the new employee in consideration of recruitment and retention needs.

- Partnerships:

Where a new starter joins a partnership, the baseline of that partnership will be applied to the new starter, with consideration given to the effect of any FTE impact to the partnership.

Current Retained Private Practice Earnings

Current retained private practice earnings (i.e. Gross billings³, less Service Fees and Service Retention Amount)⁴ can be calculated based on actuals or estimates, with consideration given to variations in demand.

Methodology:

Current Retained Earnings =

Current Gross Earnings – Service Fees – Service Retention Amount

Calculating Earnings Gap

This is determined as the difference between the baseline and current retained private practice earnings.

For affected SMO's who have elected to move from Retention GPPA to Assignment GPPA for the 2022/2023 financial year (starting from 1 July 2022), the additional twenty-five percent "Attraction and Retention Incentive Allowance" must be considered when calculating the earnings gap to determine any over award payments under HED 04/22.

Methodology:

Retention GPPA

Earnings Gap = Baseline – Current Retained Earnings

Assignment GPPA

Earnings Gap =

Baseline – Current Retained Earnings – 25% Attraction and Retention Incentive Allowance

Addressing Earnings Gap

The primary method for addressing an affected SMO's "Earnings Gap" is via a Service Fee reduction. In instances where this adjustment does not meet the identified "Earnings Gap" an over-award payment will also be granted to the affected SMO.

Service Fee Reduction

HHSs can reduce the total Service Fee amount payable by the affected SMO for the relevant period by up to 100 percent and may vary across facilities, affected specialties and individuals.

³ Gross billings = all inpatient and outpatient activity.

⁴ Service Fees GST and Service Retention Amount GST are not to be deducted from the gross billings when determining the "Current Retained Private Practice Earnings".

The Service Fee reductions are to be applied to the total Service Fee amount payable by the affected SMO/Partnership arrangement, as opposed to individual MBS item numbers or groupings. (For example, if determined that a 50 percent reduction to Service Fees is to be applied and the total amount of Service Fees payable is equal to \$10,000, then the total Service Fee amount payable would be reduced to \$5,000. GST would then be applied to the reduced Service Fee amount).

Over-Award Payments

Over-award payments are enabled by way of HED 04/22 from 1 July 2022. These are time limited and designed to compensate affected SMOs where Service Fee adjustments do not address their earnings gap alone.

In accordance with HED 04/22, these over-award payments will be approved by HHS Chief Executives (HHS CE), when supported by a HSCE Brief.

The frequency of over-award payments will be monthly unless otherwise agreed with affected SMO's.

Review Earnings Gap

The level of "Earnings Gap" reduction for affected SMOs should be reviewed at least every six months and adjusted as appropriate.

Adjusting Service Fees and Over-Award Payments

Where it is identified that there has been a reduction in the "Earnings Gap", the HHS must first address this via an adjustment to over-award payments. Service Fee reductions should only be decreased once the affected SMO is no longer receiving over-award payments.

Where over-award payments are not required, the HHS can adjust the service fee reduction factor each review period as required to cover the "Earnings Gap".

Rebasing of Baseline

The baseline should be adjusted considering changes to FTE, including increases, decreases and resignations as part of the "Earnings Gap" review (For example, if an affected SMO/Partnership has an FTE of 0.8 and a baseline value of \$80,000 and this increases to an FTE of 1.0 the baseline would increase to \$100,000).

Indexation of Baseline

The baseline should be indexed annually in line with the annual indexation rate applied by the Commonwealth to the Medicare Benefits Schedule (MBS). (Effective from the commencement of the HED).

HHS Funding

Over-award payments are to be self-funded by the HHS, unless the HHS makes an application to the Own Source Revenue initiative, including details on the scope, implementation plan(s), including support required, to improve processes to support Medical and Professional staff holding rights of private practice at the HHS.

Indemnity

The Employer will continue to indemnify the Medical Officer in accordance with Human Resources Policy 12 (QH-POL-153) entitled “Indemnity for Queensland Health Medical Practitioners”.

Shared Debt Recovery

Shared Debt Recovery arrangements are managed through the SMOs Granted Private Practice Agreement and the Private practice in the Queensland public health sector Framework.