

The Auditor-General  
Audit Report No.11 2002–03  
Performance Audit

# **Medicare Customer Service Delivery**

**Health Insurance Commission**

Australian National Audit Office

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of Australia 2002

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Canberra ACT  
3 October 2002

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Health Insurance Commission in accordance with the authority contained in the *Auditor-General ACT 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Medicare Customer Service Delivery*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

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**Audit Team**  
Dr Paul Nicoll  
Deborah Jackson

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## Abbreviations/Glossary

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ANAO	Australian National Audit Office
BI	Business Improvement
CDQI	Continuous Data Quality Improvement
CSIPs	Customer Service Improvement Plans
CFR	Customer Feedback Register
CSO	Customer Service Officer
CSOP	Customer Service Officer Program
EFT	Electronic Fund Transfer
Health	Department of Health and Ageing
HIC	Health Insurance Commission
KPI	Key Performance Indicator
ORC	Output Review Committee
ORIMA	ORIMA Research Pty Ltd
PMD	Program Management Division
PSA	Performance Support Agreement
PSP	Performance Support Program
QCS	Quality Control System
SPA	Strategic Partnership Agreement between Health and HIC
W3C	World Wide Web Consortium
WAI	Web Accessibility Initiative

# **Summary and Recommendations**





# Summary

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## Background

### Health Insurance Commission (HIC)

1. HIC is a Commonwealth statutory authority initially established in 1973, under the *Health Insurance Commission Act 1973*, to administer Medibank, which was then a new universal health insurance scheme for Australia. HIC has since grown to take on the administration of an extensive range of health and allied programs. These programs include Medicare, the Pharmaceutical Benefits Scheme, the Australian Childhood Immunisation Register and the Australian Organ Donor Register.
2. HIC delivers its services through an Australia-wide network of 226 Medicare offices. HIC also uses fax, telephone, post, easyclaim phone booths and the Internet as a means of providing services and information to customers. HIC has 2590 staff employed as customer service officers, either in Medicare branches or State offices. Customer Service Officers (CSOs) account for 58 per cent of HIC's 4459 staff.

### Medicare

3. The focus of the audit was on HIC's delivery of Medicare services to the Australian public. Medicare is Australia's universal health insurance scheme. Introduced in 1984, Medicare's objectives are to:
  - make health care affordable for all Australians;
  - provide all Australians with access to health care services, with priority according to clinical need; and
  - provide a high quality of care.
4. Benefits paid under the Medicare program are estimated to cost the Commonwealth \$7.8 billion in 2001–02 and \$8.3 billion in 2002–03.
5. Medicare provides access to free treatment as a public (Medicare) patient in a public hospital, and free or subsidised treatment in and out of hospital by medical practitioners including general practitioners, specialists, participating optometrists and dentists. HIC's responsibilities relate to assessing and paying Medicare benefits, for a range of medical services, based on a schedule of fees set by the Commonwealth Government on advice from expert committees.

6. In 2001–02, HIC’s Medicare outputs included the following:
- 4.0 million Medicare cards were issued;
  - 220.7 million services were processed;
  - 155.7 million services were bulk billed (accounting for 70.4 per cent of all services);
  - 530 Medicare *easyclaim* self-service fax devices were operating in pharmacies across Australia with 195 935 patient claims lodged;
  - 121 Medicare *easyclaim* facilities were operating in Rural Transaction Centres and State government shopfronts, and 380 *easyclaim* facilities were operating in local community buildings. From these, 49353 telephone claims were lodged;
  - 921627 in-hospital gap claims were lodged under two-way agency arrangements from 57 participating health funds; and
  - 130 providers and 13459 services were audited to ensure legislative compliance. Approximately \$2.0 million was identified for recovery for non-compliance with the legislation.

## **Business Improvement Program**

7. In 2001–02, HIC commenced the implementation of a major organisational change program, the Business Improvement (BI) Program. The BI Program involves an investment of \$200 million over four years in new technological infrastructure, business process redesign and human resource development. The expected outcomes of the BI Program are greater choice in access to services for consumers and health professionals, improved data quality, greater efficiency and higher service quality.

8. The BI Program contains a number of initiatives that either directly or indirectly impact upon Medicare customer service delivery to the Australian public. The initiative that will have the greatest direct impact is Medicare Easyclaim (Practice Based Claiming), which is designed to improve Medicare service delivery by providing faster and more accurate processing of claims. This initiative involves delivering a widely available e-business service whereby patients can claim Medicare benefits directly from medical practitioners’ premises through the lodgement of electronic claims.

## Audit objective and approach

9. The objective of the audit was to determine the effectiveness of HIC's approach to customer service delivery to the Australian public as customers of Medicare. The primary issues examined were whether:

- HIC manages its customer service delivery performance effectively;
- HIC's approach to people management adequately supports customer service delivery;
- HIC obtains adequate information from customers on their needs, expectations, and perceptions of HIC's service delivery; and
- HIC provides adequate information to customers on its services and on the service standards that customers should expect.

10. The ANAO focused on these issues on the basis of their importance for high quality customer service delivery, as identified in previous ANAO performance audits<sup>1</sup> and *The Better Practice Guide to Quality in Customer Service*, produced by the Management Advisory Board and Australian National Audit Office in 1997.<sup>2</sup>

11. To achieve the audit objective, the ANAO's approach included:

- interviewing relevant staff and examining relevant files and documents within HIC from the National Office, New South Wales, Victoria and Queensland State Offices and Medicare Branches;
- reviewing customer and staff research commissioned by HIC; and
- conducting a staff survey of HIC staff in order to assess specific customer service and human resource issues.

## Overall conclusion

12. HIC is a customer-focused organisation that is, overall, performing effectively in the delivery of customer service to the Australian public under the Medicare program. HIC has met its 2001–02 performance targets for most of its Key Performance Indicators (KPIs) relevant to customer service to the Australian public as customers of Medicare. There is scope, however to enhance the agency's approach to measuring its customer service performance.

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<sup>1</sup> Relevant reports include Audit Report No.5 (1999–2000), *IP Australia—Productivity and Client Service*, Audit Report No.4 (1998–99), *Client Service Initiatives—Australian Trade Commission*, Audit Report No.22 (1996–97), *Client Service—Australian Taxation Office*, and Audit Report No.25 (1996–97), *Customer Service—Department of Social Security*.

<sup>2</sup> Management Advisory Board and Australian National Audit Office, 1997, *The Better Practice Guide to Quality in Customer Service*, Canberra.

13. HIC systematically monitors and evaluates its customer service delivery performance. While broad in scope, HIC's KPIs related to Medicare customer service delivery do not measure all important dimensions of key interactions between HIC and its customers. Those not covered include staff level of understanding, willingness to help and the consistency of information provided by staff. This limits the effectiveness of the KPIs in measuring HIC's progress towards its goal of better meeting customers' needs and expectations.
14. The data collection methodologies for the majority of HIC's current KPIs are sound in that they provide a reliable basis for the production of accurate performance information. However, weaknesses in particular data collection approaches mean that HIC cannot be assured of the accuracy of the performance information currently being collected for its accuracy of processing and Medicare office counter response time KPIs.
15. In general, HIC's people management function effectively supports customer service delivery. HIC's customer service staff generally have the skills, knowledge and resources to perform effectively in their jobs and are committed to HIC's customer service objectives. HIC is addressing some areas requiring attention including learning and development, information technology and information resource support, for staff in customer service roles.
16. HIC conducts effective customer research that provides it with information on customers' needs, expectations and perceptions of HIC's service delivery. HIC provides information on the Medicare program to the Australian public through a range of mechanisms, including via its client service charter, that is, the Charter of Care. The Charter provides an example of better practice among Commonwealth agencies' client service charters. However, customer awareness of the Charter is low. As well, HIC does not have an ongoing communication strategy in relation to the Charter. HIC has identified that there are a number of gaps in the public's understanding of Medicare, and is seeking to raise awareness through its external communications strategy.

# Key Findings

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## Customer service performance management

17. HIC has adopted a multi-level, 'balanced scorecard' approach to managing its business performance. This involves formal processes for monitoring and evaluating performance using a range of scorecards that contain performance indicators and targets for different business areas.

### Appropriateness of HIC's KPIs

18. HIC's KPIs relevant to Medicare customer service delivery to the Australian public cover the timeliness of various customer interactions with HIC, accuracy of processing, and ease of access. HIC also endeavours to measure customers' overall satisfaction with Medicare services.

19. Customers' evaluations of service quality for each major area of service delivery interaction with HIC depend on a broad range of factors. HIC's KPIs at the service interaction level focus on timeliness, viz: prompt processing of Medicare claims for payment, Medicare office counter response time, and call/contact centre response time. KPIs also cover ease of access to service delivery channel and accuracy of claims and enrolment processing. The KPIs do not, however, address other service quality dimensions such as staff level of understanding, willingness to help and the consistency of information provided by staff. These dimensions are not adequately picked up in HIC's measures of overall satisfaction with Medicare service delivery KPI because of the aggregate nature of the KPI and the significant variety in the services received by Medicare customers from HIC.

### Quality of data collected against KPIs

20. The ANAO assessed that the data collection methodologies for the majority of HIC's current KPIs were sound in that they provided a reliable basis for the production of accurate performance information. However, the ANAO found weaknesses in the data collection methodologies for ensuring HIC's accuracy of processing and Medicare office counter response time KPIs.

21. Processing accuracy has been measured via the HIC's Quality Control System (QCS). Under the QCS, a sample of processing transactions is examined after completion and checked for processing error. The ANAO found that HIC had not adequately maintained the QCS to ensure that the system produced accurate estimates of processing error rates. In particular, HIC was unable to

provide the ANAO with information about the sampling methodology used within the QCS that the ANAO required to assess the statistical appropriateness of the methodology.

22. In addition, the ANAO found that the QCS had a structural weakness in relation to the incentive environment surrounding quality checks. Quality control checks had been conducted by Medicare Office Branch Managers, State Office processing team leaders and their delegates. These individuals had appropriate skills and experience to conduct effective checks. However, the performance assessment of these individuals was tied, in part, to their teams meeting QCS accuracy targets. This created a potential problem in that the quality assessors had an incentive to ensure that the quality checking process achieves better performance ratings.

23. A structural weakness in relation to the incentive environment surrounding data collection also affects HIC's KPI relating to queue waiting times at Medicare Offices. Until March 2001, Medicare Branch Managers were responsible for collecting performance information on their Branch's queue response times. Revised procedures took effect from 1 March 2001, with Regional Managers taking measurements during their regular Branch inspections. However, these revised procedures do not solve the potential incentive problem, as Regional Managers' performance is judged in part on their Region's performance in terms of queue response times.

24. A mitigating factor is that the current performance standard appears to be generally easily achieved. Hence, there presently appears to be little incentive in practice to influence the performance measurement process. Nevertheless, this could become an issue in the future if the standard becomes more challenging. This could occur, for example, if the standard were changed or if resource constraints made the existing standard more difficult to achieve.

## **HIC's performance against its customer service KPIs**

25. HIC did not collect data in 2001–02 in relation to its KPI on customer satisfaction with access to preferred channel of dealing with HIC. HIC has met its 2001–02 performance targets for all of the other KPIs relevant to customer service to the Australian public as customers of Medicare (subject to the measurement caveats discussed above), with the exception of accuracy of processing. On the latter KPI, HIC has recorded accuracy of 98.1 per cent, against a target of 99 per cent.

26. HIC's 2002 customer survey found that 90 per cent of community customers overall were satisfied with HIC's Medicare service delivery performance. This was significantly higher than the overall satisfaction rate for

the other main Medicare customer group, medical practitioners, of 72 per cent. In relation to service delivery issues, this overall satisfaction measure largely reflects customers' assessments of the two most common customer interactions with Medicare: 'visiting a doctor who bulk bills'; and 'making a claim at a Medicare office'. To assess whether the overall satisfaction result masked underlying areas of customer dissatisfaction with particular HIC services, the ANAO examined HIC's customer research findings. The ANAO found that customer satisfaction in relation to specific customer service interactions was broadly consistent with overall customer satisfaction with Medicare services.

## People management and customer service delivery

### Learning and development for staff with a customer service role

27. The ANAO administered an on-line self-completion survey to all HIC staff. Of the respondents to the ANAO survey who provided, or directly supervised people who provided, Medicare program services to the Australian public, 77 per cent agreed that customer service staff recruited by HIC had good customer service skills. Most of these respondents (81 per cent) agreed that customer service skills were important for obtaining promotions within HIC to positions that involve providing Medicare services to the general public.

28. The ANAO survey of HIC staff found a very positive assessment by HIC customer service staff of their peers' customer service skills and knowledge. A large majority (90 per cent) of respondents directly involved in the provision of Medicare services to the general public indicated that people in their team had the skills and knowledge to provide good customer service. Only 4 per cent of the respondents considered that this was not the case.

29. Notwithstanding these positive results, the ANAO survey identified a significant degree of dissatisfaction among HIC staff with the Customer Service Officer Program (CSOP), HIC's primary learning and development tool for CSOs. Of the respondents to the ANAO survey who provided, or directly supervised people who provided, Medicare program services to the Australian public, only 34 per cent agreed that the CSOP is sufficiently up to date to effectively address current CSO learning and development needs.

30. HIC engaged a consultant to carry out a Learning and Development Infrastructure Review. For the CSOP, the review made two recommendations, both of which were endorsed by HIC management:

- conduct an evaluation of the current CSO Competency Framework with a view to make comprehensive changes to the competencies; and

- undertake a detailed review of the CSO training package with a view to update that package and to include recent changes in process and structure.

## **Resourcing to provide customer service**

31. In ANAO fieldwork interviews, most customer service staff stated that they were provided with the resources they required to deliver good customer service. This finding is consistent with the findings of the 2001 HIC Staff Survey.

32. HIC had introduced an intranet-based tool, the Program Management Division (PMD) Reference Suite, with the aim of providing a single, nationally consistent information resource containing policy and technical information on Medicare. At interview, the ANAO found that this tool was not widely used because it was not kept up-to-date and was generally perceived as being difficult to use.

33. On 15 March 2002, after the conclusion of the audit fieldwork, PMD advised that it would conduct a review of the PMD Reference Suite and that one objective of this review would be to develop processes to ensure that revisions to information occur in a consistent and timely manner. PMD also put in place an interim process designed to improve the timeliness of information updates, pending the outcomes of the review.

## **Staff commitment to HIC's customer service objectives**

34. The ANAO administered an on-line self completion survey to all HIC staff. Over 90 per cent of respondents indicated that HIC's key customer service objectives and values were of high importance to them. Most respondents (over 80 per cent) also considered that their colleagues and managers acted consistently with these objectives and values.

## **Communication with customers**

35. HIC conducts an annual customer survey of its three main customer groups: the Australian public; medical service providers; and pharmacists. In addition, since 1996, HIC has completed over 20 other customer research projects relevant to the provision of Medicare services to the Australian public. The ANAO reviewed the research methodologies adopted in HIC's customer research and concluded that they were appropriate and effectively addressed HIC's research objectives.

36. HIC has a computer mainframe-based Customer Feedback Register to capture compliments, complaints and suggestions from customers. However, there are a number of technical problems with the register, usage is uneven across



HIC, and comments are not effectively monitored or actioned. HIC acknowledges these issues and is seeking to replace the current system.

37. HIC's Charter of Care is consistent with the Commonwealth's Client Service Charter Principles and has been recognised in the Commonwealth's Service Charter Awards for Excellence scheme as representing better practice among Commonwealth agencies. However, there is limited customer awareness of the Charter (HIC's 2000 customer survey found that only 16 per cent of customers who had visited a Medicare office or had called HIC were aware of the Charter of Care) as well, HIC does not have a communication strategy for it.

38. HIC provides information on the Medicare program to the Australian public through a range of printed information products, its website and targeted public relations activities. HIC's market research suggests that these activities have not been fully effective, as there are significant awareness/knowledge gaps about Medicare among the Australian public.

## **HIC's Response**

39. HIC advised that it welcomed the report and concurred with its findings. HIC further advised that it had worked hard, and will continue to do so, in the area of customer service delivery.

# Recommendations

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Set out below are the ANAO's recommendations with abbreviated responses from HIC. More detailed responses are shown in the body of the report. The ANAO recommends that priority be given to recommendations 1 and 2.

## **Recommendation**

### **No. 1**

#### **Para. 2.33**

To improve the effectiveness of HIC's performance information on customer service delivery, the ANAO recommends that HIC further develop KPIs that endeavour to measure all important dimensions of key interactions between HIC and its customers as identified in customer research.

*HIC's response:* Agreed.

## **Recommendation**

### **No. 2**

#### **Para. 2.35**

To ensure that the performance information it collects in relation to the accuracy of processing of Medicare claims and enrolments is accurate, the ANAO recommends that HIC:

- ensure that the sampling methodology underlying its Quality Control System is statistically sound; and
- introduce a comprehensive, nationally consistent and independent quality assurance system over Quality Control System checks.

*HIC's response:* Agreed.

## **Recommendation**

### **No. 3**

#### **Para. 4.43**

The ANAO recommends that HIC develop and implement an ongoing communication strategy aimed at increasing community awareness of its customer service Charter of Care.

*HIC's response:* Agreed.

# **Audit Findings and Conclusions**



# 1. Introduction

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*This chapter provides background to the audit, and introduces the audit objectives and approach, as well as the environmental factors that the ANAO took into account.*

## Background

### Health Insurance Commission (HIC)

**1.1** HIC is a Commonwealth statutory authority initially established in 1973, under the *Health Insurance Commission Act 1973*, to administer Medibank, which was then a new universal health insurance scheme for Australia. HIC has since grown to take on the administration of an extensive range of health and allied programs. These programs include Medicare, the Pharmaceutical Benefits Scheme, the Australian Childhood Immunisation Register and the Australian Organ Donor Register.

**1.2** HIC works in partnership through a Strategic Partnership Agreement with the Department of Health and Ageing to achieve the Commonwealth Government's health policy objectives. HIC's activities are conducted within the policy framework set by the Department of Health and Ageing, Department of Veterans' Affairs, Department of Family and Community Services and relevant legislation.

#### *HIC's customers*

**1.3** HIC's customers include health care consumers, health professionals, private health organisations, State health agencies, researchers, peak health bodies and other Commonwealth departments and agencies.

#### *Service delivery*

**1.4** HIC delivers its services through an Australia-wide network of 226 Medicare offices. HIC also uses fax, telephone, post, *easyclaim* phone booths and the Internet as a means of providing services and information to customers. HIC has 2590 staff employed as customer service officers, either in Medicare branches or State offices. Customer Service Officers account for 58 per cent of HIC's 4459 staff.

## Medicare

1.5 The focus of the audit was on HIC's delivery of Medicare services to the Australian public. Medicare is Australia's universal health insurance scheme. Introduced in 1984, Medicare's objectives are to:

- make health care affordable for all Australians;
- provide all Australians with access to health care services, with priority according to clinical need; and
- provide a high quality of care.

1.6 Benefits paid under the Medicare program are estimated to cost the Commonwealth \$7.8 billion in 2001–02 and \$8.3 billion in 2002–03.

1.7 Medicare provides access to free treatment as a public (Medicare) patient in a public hospital, and free or subsidised treatment in and out of hospital by medical practitioners including general practitioners, specialists, participating optometrists or dentists. HIC's responsibilities relate to assessing and paying Medicare benefits for a range of medical services based on a schedule of fees set by the Commonwealth Government on advice from expert committees.

1.8 In 2001–02, HIC's Medicare outputs included the following:

- 4.0 million Medicare cards were issued;
- 220.7 million services were processed;
- 155.7 million services were bulk billed (accounting for 70.4 per cent of all services);
- 530 Medicare *Easyclaim* self-service fax devices were operating in pharmacies across Australia with 195935 patient claims lodged;
- 121 Medicare *Easyclaim* telephone claiming facilities were operating in Rural Transaction Centres and State government shopfronts, and 380 *Easyclaim* telephone claiming facilities were operating in local community buildings. From these, 49353 telephone claims were lodged;
- 921627 in-hospital gap claims were lodged under two-way agency arrangements from 57 participating health funds; and
- 130 providers and 13459 services were audited to ensure legislative compliance. Approximately \$2.0 million was identified for recovery for non-compliance with the legislation.

## Business Improvement Program

**1.9** In 2001–02, HIC commenced the implementation of a major organisational change program, the Business Improvement (BI) Program. The BI Program involves an investment of \$200 million over four years in new technological infrastructure, business process redesign and human resource development. The anticipated outcomes of the BI Program are greater choice in access to services for consumers and health professionals, improved data quality, higher efficiency and higher service quality.

**1.10** The BI Program contains a number of initiatives that either directly or indirectly impact upon Medicare customer service delivery to the Australian public. The initiative that will have the greatest direct impact is Medicare Easyclaim (Practice Based Claiming), which is designed to improve Medicare service delivery by providing faster and more accurate processing of claims. This initiative involves delivering a widely available e-business service whereby patients can claim Medicare benefits directly from medical practitioners' premises through the lodgement of electronic claims.

## Audit objective and approach

**1.11** The objective of the audit was to determine the effectiveness of HIC's approach to customer service delivery to the Australian public as customers of Medicare. The primary issues examined were whether:

- HIC manages its customer service delivery performance effectively;
- HIC's approach to people management supports customer service delivery;
- HIC obtains adequate information from customers on their needs, expectations, and perceptions of HIC's service delivery; and whether
- HIC provides adequate information to customers on its services and on the service standards that customers should expect.

**1.12** The ANAO focused on these issues on the basis of their importance to high quality customer service delivery, as identified in previous ANAO performance audits<sup>3</sup> and *The Better Practice Guide to Quality in Customer Service*, produced by the Management Advisory Board and Australian National Audit Office in 1997.<sup>4</sup>

<sup>3</sup> Relevant reports include Audit Report No.5 (1999–2000), *IP Australia—Productivity and Client Service*, Audit Report No.4 (1998–99), *Client Service Initiatives—Australian Trade Commission*, Audit Report No.22 (1996–97), *Client Service—Australian Taxation Office*, and Audit Report No.25 (1996–97), *Customer Service—Department of Social Security*.

<sup>4</sup> Management Advisory Board and Australian National Audit Office, 1997, *The Better Practice Guide to Quality in Customer Service*, Canberra.

**1.13** To achieve the audit objective, the ANAO's approach included:

- interviewing relevant staff and examining relevant files and documents within HIC;
- reviewing customer and staff research commissioned by HIC; and
- conducting a staff survey of HIC staff in order to assess specific customer service and human resource issues.

**1.14** For its fieldwork interviews, the ANAO visited eight Medicare branches in New South Wales, Queensland and Victoria. These branches were selected by ANAO and covered a selection of metropolitan and non-metropolitan locations, and different sizes of Medicare office. During these visits and visits to associated State offices, the ANAO interviewed 75 HIC Customer Service Officers and 27 HIC operational managers.

**1.15** The audit was conducted in conformance with the ANAO Auditing Standards at an estimated cost to the ANAO of \$292 350.

**1.16** The ANAO engaged ORIMA Research Pty Ltd to assist with the conduct of the audit due to the firm's expertise in measuring and evaluating the customer service performance of public sector organisations.

## Structure of the report

**1.17** The following chapters cover the primary issues addressed by the audit:

- Chapter 2 assesses HIC's management of its customer service performance to the Australian public under the Medicare program, including performance measurement, monitoring and evaluation;
- Chapter 3 assesses people management and customer service delivery, addressing recruitment and promotion to customer service positions, learning and development for staff with a customer service role, the performance assessment framework, the resources allocated to provide customer service, the supervision of customer service officers and staff commitment to the HIC's customer service objectives; and
- Chapter 4 examines the effectiveness of HIC's communication with its customers, focusing on customer research, HIC's customer feedback register, HIC's Charter of Care and HIC's external communication strategy.



## 2. Customer Service Performance Management

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*This chapter assesses HIC's management of its customer service performance to the Australian public under the Medicare program, including performance measurement, monitoring and evaluation.*

### Introduction

**2.1** HIC's Strategic Plan places considerable emphasis on customer service. For example, it states that the *driving force* of HIC's business is to 'continue our efforts to be a customer driven organisation in conjunction with strategic partners in the health portfolio'. It also states that HIC's top 'priority is meeting customer needs'. This customer focus is evidenced throughout HIC's corporate planning documents.

**2.2** HIC has recognised that effective performance management is critical for the achievement of its strategic goal of providing high quality customer service and its other business goals and objectives.<sup>5</sup> To this end, it has developed a performance management framework based on the 'balanced scorecard' approach.

**2.3** This chapter assesses HIC's performance management framework as it applies to the provision of customer service to the Australian public as customers of Medicare. It describes how the framework applies to Medicare customer service delivery, and discusses the appropriateness of the key performance indicators (KPIs) used by HIC given its customer service objectives. The chapter assesses the quality of performance data collected against these KPIs; discusses HIC's performance against its KPIs; and presents the ANAO's conclusions and recommendations.

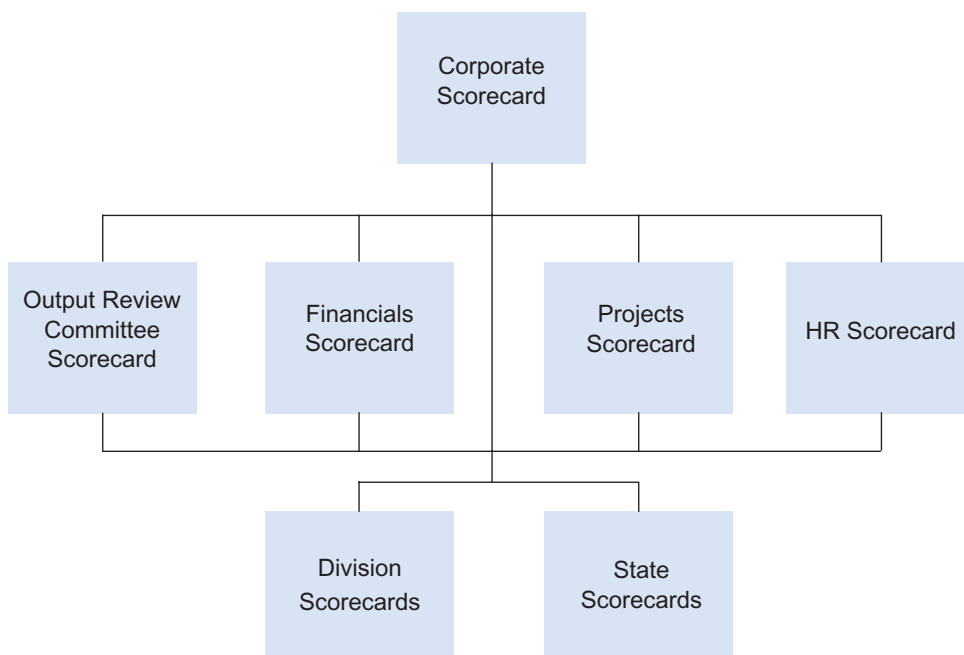
### HIC's Performance Management Framework

**2.4** HIC has adopted a multi-level, 'balanced scorecard' approach to managing its business performance. This involves formal processes for monitoring and evaluating performance using a range of scorecards (see Figure 2) that contain performance indicators and targets for different business areas. The Corporate, Output Review Committee (ORC), Division and State Scorecards are used to monitor and evaluate customer service performance to the Australian public under the Medicare program. These processes are discussed below.

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<sup>5</sup> Managing Director's Message, *HIC Corporate Business Plan 2001–02 to 2003–04*, p. 2.

**Figure 2**  
**HIC's Performance Scorecards**



Source: *HIC Corporate Business Plan 2001–02 to 2003–04*

**2.5** The primary mechanism within HIC for monitoring customer service delivery performance to the Australian public under the Medicare program is the Output Review Committee (ORC). The ORC is chaired by HIC's Deputy Managing Director and comprises all General Managers, all State Managers and a number of other senior managers from HIC's National Office.<sup>6</sup> The ORC Scorecard is used by the ORC to monitor, on a monthly basis, HIC's ongoing business performance against a set of KPIs that relate to the objectives outlined in the Corporate Business Plan. In relation to Medicare customer service to the Australian public, the relevant KPIs and 2001–02 targets were as follows:

- prompt processing of Medicare claims for payment (target: 90 per cent of all claims processed within Charter of Care<sup>7</sup> timeliness standards—there are 6 standards relating to different claim types);
- Medicare office counter response time (target: 100 per cent of patients served within 10 minutes of joining a queue);

<sup>6</sup> State Managers are responsible for the operations of HIC's six State Offices and report directly to the Deputy Managing Director. General Managers are responsible for the operations of HIC's National Office Divisions and report directly to either the Deputy Managing Director or to the Executive General Manager, Business Improvement (a position on the same level as Deputy Managing Director).

<sup>7</sup> HIC's Charter of Care is the organisation's customer service charter. It is discussed in Chapter 4.

- Call/contact centre response time—Medicare public (target: 90 per cent of calls answered within 30 seconds);
- response to written correspondence (standard: respond substantively to correspondence within 28 days of receipt, or, if correspondence cannot be resolved within this timeframe, send written acknowledgement within 14 days of receipt);
- overall consumer satisfaction with access to preferred channel of dealing with HIC (target: 80 per cent of members of the general public surveyed report overall satisfaction, with 80 per cent satisfaction targets for specific target groups: older people; rural and remote communities; people with disabilities; Aboriginal and Torres Strait Islanders; and people from non-English speaking backgrounds);
- community satisfaction with HIC's overall customer service (target: 90 per cent of members of the general public surveyed report overall satisfaction); and
- accuracy of processing—Medicare (target: 99 per cent of payment claims and enrolments processed correctly).

**2.6** The Corporate Scorecard contains high-level KPIs related to the eight business goals in HIC's Corporate Business Plan. In relation to Medicare customer service performance, it contains a subset of the KPIs in the ORC Scorecard. This Scorecard is used by HIC's Board and Executive<sup>8</sup> to monitor and evaluate overall business performance on a monthly basis.

**2.7** All six State Scorecards contain KPIs for HIC State Office Medicare customer service performance that mirror the ORC Scorecard KPIs listed above. States monitor and evaluate their performance against these KPIs and provide monthly performance reports that are considered by the ORC.

**2.8** The Division Scorecard of relevance to the audit is the Program Management Division Scorecard. It is used by Program Management Division to monitor its own performance. The only KPI in this scorecard directly relevant to Medicare customer service to the Australian public is a restatement of the community satisfaction KPI contained in the ORC Scorecard.

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<sup>8</sup> The HIC Executive comprises the agency's three most senior managers, the Managing Director, the Deputy Managing and the Executive General Manager, Business Improvement.

## Appropriateness of Medicare customer service KPIs

**2.9** HIC's Corporate Business Plan provides the following rationale for the objectives specified under the goal of improving the customer focus of HIC's business:

Understanding and meeting the needs of our customers is fundamental to the success of our business. By setting and maintaining high customer service standards, more effectively marketing our products and services, improving customer access, and improving awareness of HIC brands, we will build confidence in the HIC as a truly customer focussed organisation.<sup>9</sup>

**2.10** To effectively measure progress towards its corporate goal of better understanding and meeting the needs of customers, HIC requires a set of KPIs that provides it with balanced performance information on the quality of its customer service, having regard to customer needs and expectations.

### Customer needs and expectations

**2.11** The main forms of general community interaction with Medicare are as follows (the percentages in brackets indicate the estimated percentage of the Australian public involved in the activity in 2001):<sup>10</sup>

- visiting a doctor who bulk bills (64 per cent);
- making a claim for payment at a Medicare office (50 per cent);
- making a claim for payment via a channel other than visiting a Medicare office (21 per cent)—the three main channels in 2001 were via a doctor's surgery sending the claim to HIC on a patient's behalf, posting the claim to HIC oneself or putting the claim form in a drop box in a post office or council chambers;
- enrolment transactions, including enrolling in Medicare, updating personal details or obtaining a new Medicare card (12 per cent);
- seeking information from a Medicare office over-the-counter (12 per cent);
- registering for the Medicare Safety Net (10 per cent); and
- seeking information via telephone (4 per cent).

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<sup>9</sup> *HIC Corporate Business Plan 2001–02 to 2003–04*, p. 15

<sup>10</sup> *HIC's 2001 Annual Customer Study Report*, p. 32. HIC advised that the 2002 customer survey did not seek equivalent data.

<sup>11</sup> *HIC's 2001 Annual Customer Study Report*, pp. 34–35.

**2.12** HIC's customer research shows<sup>11</sup> that for each form of customer interaction with Medicare, there is a range of factors that customers take into account in evaluating the overall quality of HIC's service delivery performance. For example, in relation to the activity of obtaining information from HIC over the telephone, customers consider the following factors in judging HIC's performance:

- ease of finding the number to call;
- the hours I can call;
- the speed of answering the phone;
- having someone deal with me promptly;
- other than the next person, having the next person I speak to handle my query;
- friendliness of the person;
- the level of understanding by the person;
- ability of the person to answer my query;
- ability of the person to explain their answer;
- willingness of staff to offer/find out more information to help me; and
- consistency of information.

## **Balance of HIC's KPIs**

**2.13** HIC's KPIs, relevant to Medicare customer service delivery to the Australian public, cover the timeliness of various customer interactions with HIC, accuracy of processing, and ease of access. HIC also measures customers' overall satisfaction with Medicare services to a practicable level.

**2.14** HIC's KPIs span a range of service quality dimensions and provide the organisation with useful information on service quality. However, they do not measure all important dimensions of key interactions between HIC and its customers.

**2.15** As discussed in para. 2.12, customers' evaluations of service quality for each major area of service delivery interaction with HIC depend on a broad range of factors. HIC's KPIs at the service interaction level focus on timeliness, viz: prompt processing of Medicare claims for payment; Medicare office counter response time; and call/contact centre response time. KPIs also cover ease of access to service delivery channel and accuracy of claims and enrolment processing. These KPIs do not, however, address service quality dimensions that are important to customers and which HIC has identified through its customer research. Those not covered include staff level of understanding,

willingness to help and the consistency of information provided by staff. Information on HIC's performance on these dimensions is, to a limited extent, reflected in HIC's KPI on overall satisfaction with Medicare services. However, as discussed below, the aggregate nature of this KPI means that it may not pick up significant changes in service delivery performance at the individual customer service interaction level.

**2.16** HIC's customer research suggests that customers' ratings of their overall satisfaction with Medicare services reflect factors that are related to Medicare service delivery and factors external to Medicare service delivery (particularly the cost and quality of health care).<sup>12</sup> This means that overall satisfaction with Medicare can change for reasons unrelated to service delivery performance, and that significant changes in service delivery performance can be obscured by changes in external factors. In addition, as is clear from para. 2.11, there is significant variety in the services received by Medicare customers from HIC. While the underlying 'product' that is offered (the Medicare rebate for a specified range of medical services) is the same for all customers, the associated services that are used vary across customers. Customers' overall satisfaction ratings (insofar as they relate to service delivery issues) will be based on an assessment of the service interactions that they experience. With 'visiting a doctor who bulk bills' and 'making a claim at a Medicare office' being the dominant service interactions, the overall satisfaction measure will largely reflect customers' assessments of these activities. This is problematic because a high overall satisfaction result could mask significant customer dissatisfaction with the less common service interactions. While less common than bulk billing and Medicare office claims, these interactions are important as they involve a not insignificant number of people in the community (between 4 and 12 per cent of the Australian public).

**2.17** The ANAO notes that, in relation to call/contact centre performance, HIC is developing a Performance Measurement Framework, incorporating a range of service quality performance indicators.

**2.18** HIC advised the ANAO that it intended to review its KPIs in 2002 and that this review would, *inter alia*, seek to achieve a better balance between quantitative and qualitative performance measures.

## Quality of data collected against KPIs

**2.19** For the majority of HIC's existing KPIs, the data collection methodology for the production of performance information against the indicator is sound. Processing times for claims and response times for written correspondence are tracked through HIC's management information system. Call centre response

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<sup>12</sup> HIC's 2001 Annual Customer Study Report, pp. 20–21.

times are automatically logged in HIC's telephone system. Community satisfaction with HIC's overall customer service is measured through HIC's annual customer survey (discussed in Chapter 4). HIC is developing a methodology for measuring community satisfaction with its websites. It plans to use an online survey approach. However, as discussed below, there are a number of weaknesses in the data collection methodologies for ensuring accuracy of processing and Medicare office counter response time KPIs.

### *Processing accuracy KPI*

**2.20** Processing accuracy has been measured via the HIC's Quality Control System (QCS). Under the QCS, a sample of processing transactions is examined after completion and checked for processing error. The ANAO found that HIC had not adequately maintained the QCS to ensure that the system produced accurate estimates of processing error rates. In particular, HIC was unable to provide the ANAO with information about the suitability of the sampling methodology used within the QCS. A subsequent HIC internal review of the QCS drew the following conclusion on this issue:

There is no documentation available for the QCS legacy system, except for two high-level documents which do not contain enough detail to describe what is happening with the QC selection process.<sup>13</sup>

**2.21** In addition, the ANAO found that the QCS had a structural weakness in relation to the incentive environment surrounding quality checks. Quality control checks had been conducted by Medicare Office Branch Managers, State Office processing team leaders and their delegates. These individuals had appropriate skills and experience to conduct effective checks. However, the performance assessment of these individuals was tied, in part, to their team meeting QCS accuracy targets. This created a potential conflict of interest problem in that the quality assessors had an incentive to ensure that the quality checking process achieves better performance ratings. While there has been some informal quality assurance by HIC State Offices over the QCS checks, this has not been applied in a nationally consistent manner and has only covered a limited range of QCS checks. The ANAO considers that, to ensure the integrity of the QCS checking process, HIC should introduce a formal, comprehensive, nationally consistent and independent quality assurance system over QCS quality control (i.e. a 'check-the-checker' process).

**2.22** HIC conducts annual National Data Quality Days, during which 100 per cent error checking is conducted across all HIC offices for particular kinds of processing transactions. There have been significant differences between the

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<sup>13</sup> Interim report from HIC's QCS review presented to its Continuous Data Quality Improvement Committee in February 2002.

processing error rates reported by QCS and those estimated through HIC's National Data Quality Day process. For example, in March 2001, QCS reported a 2.3 per cent processing error rate for Medicare enrolments—this compared with a 7.4 per cent processing error rate estimated via 100 per cent quality testing of all Medicare enrolments processed on a particular day in March 2001 as part of the National Data Quality Day process. These differences indicate that the QCS has not been producing accurate processing error information.

### *Queue waiting time KPI*

**2.23** A structural weakness in relation to the incentive environment surrounding data collection also affects HIC's KPI relating to queue waiting times at Medicare Offices. Until March 2001, Medicare Branch Managers were responsible for collecting performance information on their Branch's queue response times. Revised procedures took effect from 1 March 2001, with Regional Managers taking measurements during their regular Branch inspections. However, these revised procedures do not solve the potential incentive problem, as Regional Managers' performance is judged in part on their Region's performance in terms of queue response times. A mitigating factor is that the current performance standard (100 per cent of people served within 10 minutes of joining a queue) appears to be generally easily achieved. Hence, there was currently little incentive in practice to manipulate the performance measurement process. Nevertheless, this could become an issue in the future if the standard becomes more challenging. This could occur, for example, if the standard were changed or if resource reductions made the existing standard more difficult to achieve.

**2.24** The ANAO suggests that HIC consider implementing an ongoing, independent validation process to assure itself of the validity of its queue time performance information. For example, this could take the form of annual 'mystery shopping' research, whereby a sample of Medicare Offices is visited anonymously and queue times are tested by researchers/auditors with no vested interest in the performance information results.

## **HIC's performance against its customer service KPIs**

**2.25** HIC did not collect data in 2001–02 in relation to its KPI on customer satisfaction with access to preferred channel of dealing with HIC. HIC has met its 2001–02 performance targets for all of the other KPIs relevant to customer service to the Australian public as customers of Medicare (subject to the measurement caveats discussed at paras. 2.20–2.24), with the exception of accuracy of processing. On the latter KPI, HIC has recorded accuracy of 98.1 per cent, against a target of 99 per cent.



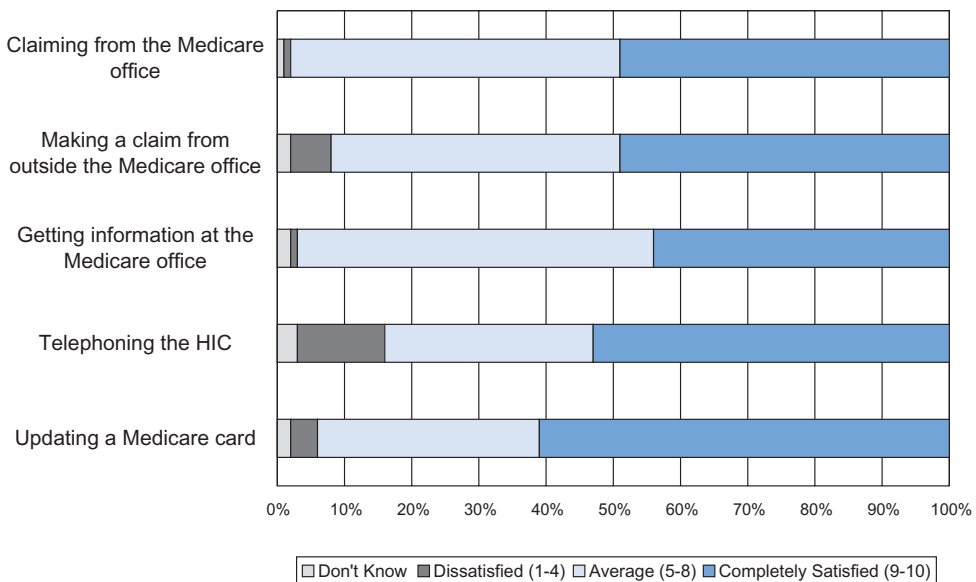
## Customer satisfaction with HIC's Medicare service delivery

**2.26** HIC's 2002 customer survey found that 90 per cent of community customers were, generally, satisfied with HIC's Medicare service delivery performance. This was significantly higher than the overall satisfaction rate among the other main Medicare customer group, medical practitioners, of 72 per cent. As discussed in para. 2.16, in relation to service delivery issues, this overall satisfaction measure largely reflects customers' assessments of the two most common customer interactions with Medicare: 'visiting a doctor who bulk bills'; and 'making a claim at a Medicare office'. To assess whether the overall satisfaction result masked underlying areas of customer dissatisfaction with particular HIC services, the ANAO examined HIC's customer research findings.

**2.27** Figure 3 presents the customer satisfaction findings in HIC's 2001 customer survey in relation to five key customer service interactions. Between 44 per cent and 61 per cent of customers were completely satisfied with the customer service they received in relation to these specific activities. Customer dissatisfaction varied from only 1 per cent in relation to claiming or getting information from the Medicare office to a maximum of 13 per cent of outcomes in relation to telephoning HIC.

**Figure 3**

**2001 Customer satisfaction with Medicare service delivery<sup>14</sup> (percentage of respondents)**



Source: HIC

<sup>14</sup> *Incorporating the voice of the customer—2001*, Overview prepared for HIC, Taylor Nelson Sofres. HIC advised that the 2002 customer survey did not seek equivalent data.

## Consistency of standard of customer service

**2.28** HIC's 2001 customer survey found no statistically significant differences across the States/Territories in terms of overall community satisfaction with the HIC's services. HIC's monthly ORC scorecard reports indicate, overall, a reasonably consistent performance across States/Territories against customer service KPIs relevant to the Australian public as customers of Medicare.

## Conclusions and Recommendations

**2.29** HIC has put in place a structured performance management framework that provides for the systematic monitoring and evaluation of customer service performance to the Australian public as customers of Medicare. As part of this framework, the agency has developed a set of KPIs and performance targets that are linked to the objectives outlined in its Corporate Business Plan.

**2.30** HIC's KPIs related to Medicare customer service delivery span a range of service quality dimensions and provide the organisation with useful information on service delivery performance. However, they do not measure all important dimensions of key interactions between HIC and its customers. These dimensions include staff level of understanding, willingness to help and the consistency of information provided by staff. This limits their effectiveness in measuring HIC's progress towards its goal of better meeting customers' needs and expectations. HIC has advised the ANAO that it intends to review its KPIs in 2002 and that this review will, *inter alia*, seek to achieve a better balance between quantitative and qualitative performance measures.

**2.31** The data collection methodologies for the majority of HIC's current KPIs are sound in that they provide a reliable basis for the production of accurate performance information. However, there are weaknesses in the data collection methodologies for HIC's accuracy of processing and Medicare office counter response time KPIs. Specifically, HIC can not be assured that the sampling methodology for its Quality Control System, the system used to measure accuracy of processing, is statistically sound. In addition, both the Quality Control System and HIC's system for measuring Medicare office counter response times have structural weaknesses in relation to the incentive environment surrounding data collection. The ANAO notes that HIC is currently undertaking a review of the data collection methodology for its accuracy of processing KPI.

**2.32** Subject to these uncertainties surrounding the accuracy of its performance information, HIC is performing effectively against its Medicare customer service KPIs. Moreover, notwithstanding the limitations in HIC's KPIs, the results of HIC's customer research indicate that customer satisfaction with key Medicare customer service interactions is at a high level.

## Recommendation No.1

**2.33** To improve the effectiveness of HIC's performance information on customer service delivery, the ANAO recommends that HIC further develop KPIs that endeavour to measure all important dimensions of key interactions between HIC and its customers as identified in customer research.

### *HIC's Response*

**2.34** Agreed. Proxy measures currently used, including overall levels of satisfaction (identified by the ANAO) and complaint data, combine to provide significant assurance to HIC of the quality of service delivery. HIC intends to review its KPIs, including the balance between qualitative and quantitative measures and the costs and benefits of compiling the information.

## Recommendation No.2

**2.35** To ensure that the performance information it collects in relation to the accuracy of processing of Medicare claims and enrolments is accurate, the ANAO recommends that HIC:

- ensure that the sampling methodology underlying its Quality Control System is statistically sound; and
- introduce a comprehensive, nationally consistent and independent quality assurance system over Quality Control System checks.

### *HIC's Response*

**2.36** Agreed. HIC has established a Continuous Data Quality Improvement (CDQI) Committee to focus on data quality imperatives across the organisation. The Committee has representatives from all HIC divisions and state offices.

**2.37** The Medicare sampling methodology has been documented and published on HIC's intranet. As part of the CDQI initiative, HIC will review the adequacy of the sample size to be used for Quality Control reviews.

**2.38** A report on quality control was presented to the CDQI Committee in August 2002 and the relevant HIC divisions are considering the issues raised in the report. One initiative adopted to emphasise data quality to all HIC staff is the National Data Quality Week—an activity designed to promote awareness and highlight the framework established for dealing with data quality issues, and includes launches of:

- the HIC Quality Control Procedures Manual;
- Data Quality workshops;

- Data Quality Intranet site;
- the Data Quality initiatives award; and
- promotional material.

# 3. People Management and Customer Service Delivery

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*This chapter assesses people management and customer service delivery, addressing recruitment and promotion to customer service positions, learning and development for staff with a customer service role, the performance assessment framework, the resources allocated to provide customer service, the supervision of customer service officers and staff commitment to the HIC's customer service objectives.*

## Introduction

**3.1** People management is an important factor influencing HIC's ability to deliver effective customer service to the Australian public as customers of Medicare. Staff with a customer service role require the support of the organisation to deliver quality customer service, thereby meeting HIC's priority of meeting customer needs.

**3.2** Elements of an effective people management system, operating within a customer-focused organisation, include<sup>15</sup>:

- the recruitment and promotion of customer service staff with appropriate customer service skills;
- providing staff who have a customer service role with adequate learning and development opportunities;
- a performance assessment system that incorporates appropriate performance indicators, feedback and rewards relating to customer service;
- providing customer service staff with adequate resources to provide good customer service;
- informing staff about the results of customer research, customer service performance, and improvement initiatives;
- providing customer service staff with clear directions that contribute to the achievement of HIC's key customer service objectives; and
- appropriate delegations empowering staff to make decisions that assist in the provision of timely customer service.

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<sup>15</sup> Based on: Management Advisory Board and Australian National Audit Office, 1997, *The Better Practice Guide to Quality in Customer Service*, Canberra.

## Recruitment and promotion to customer service positions

### Recruitment selection criteria and job descriptions

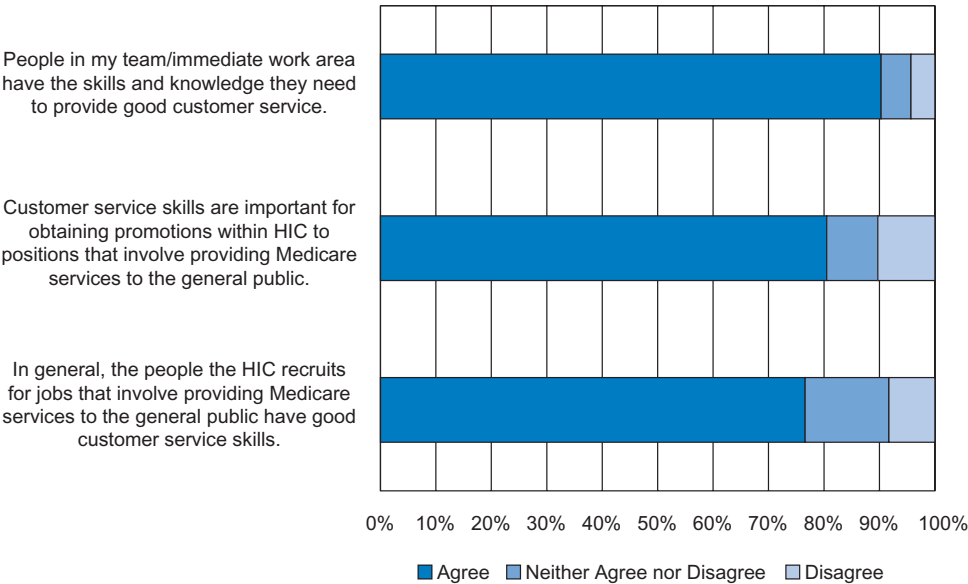
3.3 Recruitment selection criteria and job descriptions for staff with a customer service role are developed by HIC line areas, with assistance from State HR areas. On examining a sample of job descriptions for the Customer Service Officer (CSO), Branch Manager, Assistant Branch Manager, and Team Leader levels, the ANAO found they were broadly consistent across the States and that customer service skills were emphasised in the job descriptions.

3.4 HIC's Values, including a set of values related to customer service, are incorporated into the recruitment selection criteria for all levels, and HIC's Leadership Capability Framework is used as a basis of selection criteria for senior management positions.

### *Findings of ANAO survey of HIC staff*

3.5 The ANAO administered an on-line self-completion survey to all HIC staff. Of the respondents to the ANAO survey who provided, or directly supervised people who provided, Medicare program services to the Australian public, 77 per cent agreed that customer service staff recruited by HIC had good customer service skills. Most of these respondents (81 per cent) agreed that customer service skills were important for obtaining promotions within HIC to positions that involve providing Medicare services to the general public (see Figure 4).

**Figure 4**  
**ANAO survey of HIC staff—respondent ratings of HIC staff customer service skills and the emphasis placed on this in HIC’s recruitment and promotion practices (percentage of respondents)**



Note: Respondents who provide, or directly supervise people who provide, Medicare program services to the Australian public

**Learning and development for staff with a customer service role**

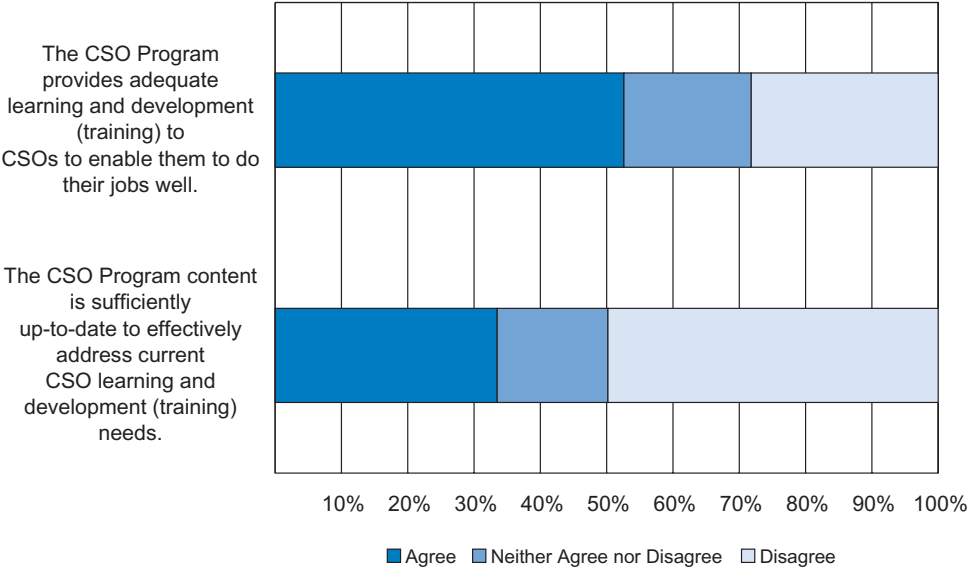
3.6 The ANAO survey of HIC staff found a very positive assessment by HIC customer service staff of their peers’ customer service skills and knowledge. A large majority (90 per cent) of respondents directly involved in the provision of Medicare services to the general public indicated that people in their team had the skills and knowledge to provide good customer service. Only 4 per cent of the respondents considered that this was not the case.

3.7 In the 2000 HIC Staff Survey the majority of staff rated HIC as performing adequately for the items: ‘Receiving relevant on-the-job training to do my job properly’; and ‘Being allowed the time to undertake relevant training.’ The issues were re-examined in the ANAO survey of HIC staff, which found performance ratings consistent with the 2000 HIC Staff Survey results.

3.8 Notwithstanding these positive results, the ANAO survey identified a significant degree of dissatisfaction among HIC staff with the Customer Service Officer Program (CSOP), HIC’s primary learning and development tool for CSOs.

Of the respondents to the ANAO survey who provided, or directly supervised people who provided, Medicare program services to the Australian public, 53 per cent agreed that the CSOP provides adequate learning and development to CSOs to enable them to do their jobs well, while 28 per cent disagreed with this assertion, (Figure 5).

**Figure 5**  
**ANAO survey of HIC staff—respondent ratings of the Customer Service Officer (CSO) Program (percentage of respondents)**



Note: Respondents who provide, or directly supervise people who provide, Medicare program services to the Australian public.

**3.9** The CSOP has not been fully reviewed since its commencement in 1995. As a result it retains irrelevant information such as Medibank Private and Child Care Cash Rebate related information, and does not include changes to HIC businesses since that time. Of the respondents to the ANAO survey directly involved in the provision of Medicare services to the Australian public, only 34 per cent agreed that the CSOP is sufficiently up-to-date to effectively address current CSO learning and development needs.

**3.10** The CSOP Procedures state that assessment should be quality controlled by an independent person, with a minimum sample of five per cent of assessment documentation checked. However, in the three States visited by ANAO (New South Wales, Victoria and Queensland) there was no systematic performance monitoring or quality control of assessors.



**3.11** The ANAO found that the CSOP was delivered at the State level with no central ownership at the national level. National Office received little information on the program.

**3.12** HIC engaged a consultant to carry out a Learning and Development Infrastructure Review to document the current structure and training delivery across HIC and make recommendations addressing emerging learning and development needs flowing from HIC's Business Improvement initiatives. The review, completed in April 2002, made two specific recommendations with respect to the CSOP, both of which were endorsed by HIC management:

- HIC conduct an evaluation of the current CSO Competency Framework with a view to make comprehensive changes to the competencies; and
- HIC undertake a detailed review of the CSO training package with a view to update that package and to include recent changes in process and structure.

## Performance assessment framework

**3.13** During the ANAO fieldwork, HIC was in the process of implementing a performance management initiative called Performance Plus. HIC's performance assessment system, the Performance Support Program (PSP) formed part of this initiative. HIC's goal was for 80 per cent of all staff to have a Performance Support Agreement (PSA) under the PSP in place by 30 June 2002. This goal was achieved, with 90.7 per cent of staff having an agreement in place as at 17 June 2002.

**3.14** The PSP is designed to support HIC's business planning process, with individual PSAs reflecting local, division, and State plans, the Corporate Business Plan and the Strategic Plan. To this end there are a number of mandatory performance goals included in an individual's PSA:

- |  |   |  |
|--|---|--|
| ■ all staff (pre-printed on the PSA)                 | ➡ | <i>Reflecting HIC's values in the way I undertake my work<sup>16</sup></i>   |
| ■ SES, PEOA/B Level Managers/ Team Leaders and above | ➡ | <i>Leadership Capabilities Framework<sup>17</sup></i>  |
| ■ CSOs participating in the CSOP                     | ➡ | <i>Participate in the CSO Program and demonstrate the competencies relevant to the performance of my duties<sup>18</sup></i> |

<sup>16</sup> HIC Performance Support Program Guide 2001–2002, p. 14.

<sup>17</sup> *ibid.*

<sup>18</sup> *ibid.*, p. 28.

## **Feedback**

**3.15** Lack of feedback was identified as a people management issue within HIC, with 21 per cent of staff rating HIC's performance in this area as low in HIC's 2001 Staff Survey. In interviews with the ANAO, the majority of CSOs stated that they received only limited feedback.

**3.16** HIC is addressing this issue via the PSP. A key element of the PSP is regular feedback sessions, quarterly and half yearly, and during the annual performance assessment session. Ongoing feedback is also encouraged as part of the PSP to ensure that there are no surprises during the performance assessment. HIC anticipates that the PSP will significantly increase the amount of formal feedback individuals receive about their contributions to organisational goals, including that of customer service.

**3.17** In addition to the PSP processes, CSOs receive feedback on their accuracy of processing, and CSOs participating in the CSOP receive feedback on performance when being assessed against the CSO competencies.

## **Rewards and recognition**

**3.18** Under the PSP, staff performance will be rated on a four point scale. The regular feedback mechanisms provide a platform for recognition of good work performance. HIC also has a number of staff recognition and reward schemes. For example, the National Awards in Excellence encourages the States to nominate candidates on a monthly basis to be entered into the annual awards. Other awards include State based awards, such as Thumbs Up and KYGO in Victoria.

## **Resourcing to provide customer service**

### **General adequacy of resources**

**3.19** In ANAO fieldwork interviews, most customer service staff stated that they were provided with the resources they require to deliver good customer service. This finding is consistent with the findings of the 2001 HIC Staff Survey.

**3.20** In interview, most staff stated that budgets were tight but manageable. The majority of CSOs and supervisors interviewed by the ANAO stated that, while they were constantly busy, workloads were not excessive and did not adversely affect customer service.

### **Information resources**

**3.21** The 2001 HIC Staff Survey report identified having accurate, timely and relevant information resources as an area with some scope for improvement.

However, staff generally did not consider this to be a significant problem, and around two-thirds of staff rated HIC as performing well on this item.

**3.22** In audit interviews, the ANAO found CSOs tended to adopt individual approaches to obtaining the information they needed to make processing decisions and provide advice to customers. The standard approach found by ANAO was for each individual to maintain his/her own personal library of information resources (generally collections of policy update emails and selected hard copy materials), and to ask peers for advice if they could not resolve an issue using these resources. If these steps did not resolve the issue, the person would approach their supervisor or call a State headquarters specialist area for advice.

**3.23** HIC had introduced an intranet-based tool, the Program Management Division (PMD) Reference Suite, with the aim of providing a single, nationally consistent information resource containing policy and technical information on Medicare. At interview, the ANAO found that this tool was not widely used because it was not kept up-to-date and was generally perceived as being difficult to use.

**3.24** On 15 March 2002, after the conclusion of the audit fieldwork, PMD advised that it would conduct a review of the PMD Reference Suite and that one objective of this review would be to develop processes to ensure that revisions to information occur in a consistent and timely manner. PMD also put in place an interim process designed to improve the timeliness of information updates, pending the outcomes of the review.

**3.25** HIC advised the ANAO that, in the short term, the PMD Reference Suite would continue to be the primary information resource to support CSOs in making processing decisions and providing advice to customers. HIC also advised that its national learning and development review (discussed above) would assess the need for the introduction of a new electronic information resource for all CSOs.

## Information technology

**3.26** The 2001 HIC Staff Survey report identified *Reliability of accessing the mainframe* and *Reliability of accessing the PC computer system* as items with scope for improvement in terms of increasing staff satisfaction. This follows a similar finding in the 2000 Staff Survey report where *Effectiveness of computer systems and processes in my work area* was highlighted as an area requiring attention. However, the 2001 survey results also indicate that 60 per cent of staff rated HIC as performing reasonably well in these areas.

**3.27** In general, staff interviewed by the ANAO stated that they were satisfied with the mainframe processing system. The mainframe was described as reliable, with only occasional incidents of downtime or slowtime. The PC based network system was generally rated as poor, particularly the email system used in the branches, which is different to that used in State and National Offices. The main complaints with the PC network were that access involved too many steps and passwords and was very slow.

**3.28** HIC has advised the ANAO that it has a number of initiatives underway directed at improving performance of the IT infrastructure. These initiatives, to be implemented within one year, include:

- upgrading of the wide area network to improve data communication performance and availability to all sites; and
- a new standard PC operating environment which will include improved email capability for users at branches.<sup>19</sup>

## Supervision of CSOs

**3.29** During ANAO interviews with CSOs, most indicated that they were usually allocated clear and specific goals by their supervisor and they understood what was expected of them in their role as customer service officers. They understood how their job contributed to the goals and objectives of their branch/work area, and more widely to the achievement of HIC's key customer service objectives. These findings are consistent with the findings of the 2001 HIC Staff Survey.

**3.30** The majority of CSOs interviewed by the ANAO felt they had enough autonomy to make quick decisions to help provide good customer service. Other CSOs stated that they had a level of autonomy appropriate to their grade and experience. These findings are consistent with the findings of the 2001 HIC Staff Survey.

## Staff commitment to HIC's customer service objectives

**3.31** Staff commitment to customer service is one of the most important factors underlying the delivery of high quality customer service. The ANAO assessed HIC staff commitment to customer service through reviewing HIC's staff survey results, audit fieldwork interviews with staff and conducting a staff survey focusing on customer service issues.

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<sup>19</sup> HIC letter to ANAO, 23 April 2002.

### *HIC's staff survey*

**3.32** In HIC's 2001 staff survey, 73 per cent of all respondents and 80 per cent of respondents from Medicare Branches indicated that, overall, they were satisfied with HIC. Organisational performance research suggests that high levels of staff satisfaction lead to high levels of commitment to the organisation and its objectives.<sup>20</sup>

**3.33** In the 2001 staff survey, staff were asked to rate the importance to them of each of 62 work related issues. Average importance ratings for items closely related to HIC's external customer service objectives were in the high importance range, indicating staff commitment to these objectives.

### *Staff interviews*

**3.34** ANAO interviews indicated that CSOs were committed to delivering high quality customer service and were committed to HIC's customer service objectives. Typical comments by CSOs interviewed by ANAO included the following:

- *If we don't deliver good customer service the HIC won't have any work.*
- *Customer service is fundamental to the organisation.*
- *People rely on accuracy, in Health areas it is so important to maintain standards.*
- *Nine out of 10 staff do their best to maintain top standards for HIC.*

### *ANAO survey of staff*

**3.35** In the ANAO's survey of all HIC staff, respondents were asked to rate the importance of HIC's key customer service objectives and values outlined in HIC's Strategic Plan and the Charter of Care. Over 90 per cent of respondents indicated that the following items were of a high importance to them:

*that HIC staff:*

- *meet the customer service standards set out in the Charter of Care;*
- *respect HIC's customers;*
- *provide high quality service to customers;*
- *are approachable by customers;*
- *are friendly towards customers;*
- *are courteous to customers;*

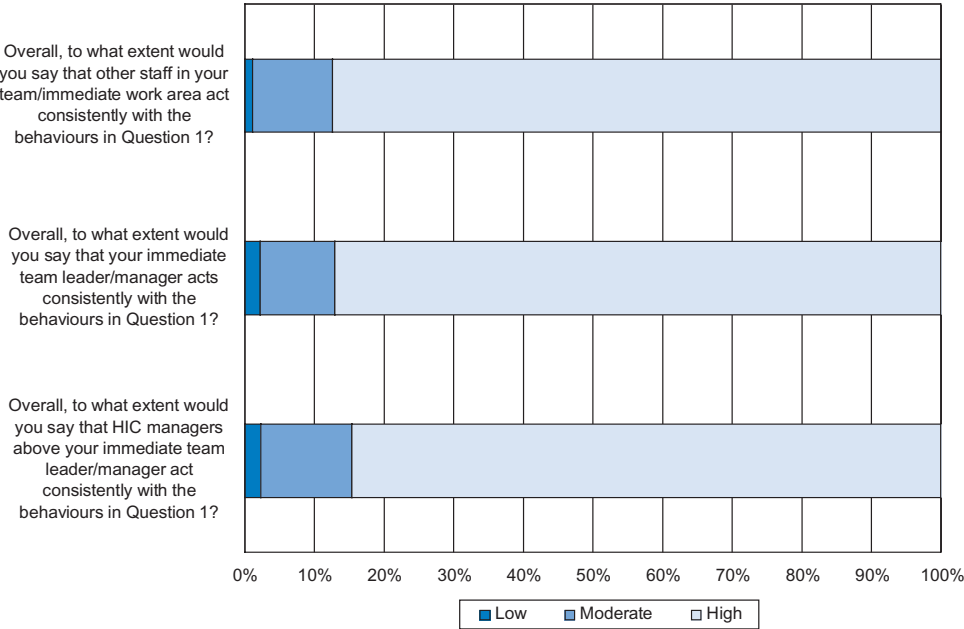
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<sup>20</sup> Locke, E.A. and Latham, G.P. (1990), *A Theory of Goal Setting and Task Performance*, pp. 265-67, Prentice Hall, Sydney.

- *understand the needs of customers;*
- *seek to resolve customers’ problems to get the best results;*
- *communicate with customers in a helpful and positive way;*
- *protect the privacy/confidentiality of customers’ personal information; and*
- *offer innovative solutions to address the needs of customers.*

3.36 Figure 6 shows that most respondents to the ANAO’s survey considered that their colleagues and managers acted consistently with the objectives and values listed above.

**Figure 6**  
**ANAO survey of HIC staff—respondent ratings of colleagues’ and managers’ alignment with HIC’s customer service objectives and values (percentage of respondents)**



### Conclusions

3.37 In general, HIC’s people management function effectively supports customer service delivery to the Australian public as customers of Medicare.

3.38 Customer service skills are emphasised in the recruitment and promotion of staff with a customer service role. This focus, together with HIC’s learning and development activities, has contributed to an effective job-skills match in Medicare customer service. This is evidenced by the large majority of HIC staff

directly involved in the provision of Medicare services to the general public who consider that people in their team have the skills and knowledge to provide good customer service.

**3.39** However, there is a significant degree of staff dissatisfaction with HIC's primary learning and development tool for its CSOs—the CSOP. This is associated with a widespread perception that the CSOP is not sufficiently up-to-date to effectively address current CSO learning and development needs. HIC management has endorsed two recommendations from HIC's internal learning and development review which called for HIC to update the CSOP.

**3.40** HIC's new performance assessment system for all staff will formalise goal setting and feedback in relation to individuals' customer service performance. It will also strengthen the linkage between individual goal setting and organisational customer service goals, objectives and strategies.

**3.41** In general, HIC's people management function effectively supports customer service delivery. HIC's customer service staff generally have the skills, knowledge and resources to perform effectively in their jobs and are committed to HIC's customer service objectives. HIC is addressing some areas requiring attention including learning and development, information technology and information resource support, for staff in customer service roles.<sup>21</sup>

**3.42** ANAO interviews and HIC staff survey results suggest that staff with a customer service role are generally allocated clear and specific goals by their supervisors and understand how their job contributes to the goals and objectives of their branch/work area, and more widely to the achievement of HIC's key customer service objectives. Customer service staff are empowered to make decisions, within appropriate delegations, to assist in the provision of timely customer service.

**3.43** ANAO and HIC survey findings indicate that most HIC staff are committed to the customer service objectives and values of the organisation.

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<sup>21</sup> *Health and Ageing Portfolio Budget Statements 2002–03, Budgeted Financial Statements*, p. 242.

## 4. Communication with Customers

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*This chapter examines the effectiveness of HIC's communication with its customers, focusing on customer research, HIC's customer feedback register, HIC's Charter of Care and HIC's external communication strategy.*

### Introduction

**4.1** The delivery of high quality customer service requires an organisation to communicate effectively with its customers, both in terms of receiving information from customers and providing information to them.<sup>22</sup>

**4.2** To measure the quality of its customer service performance and to identify opportunities for improvement, an organisation requires information from customers on their needs and expectations and their perceptions of the organisation's performance. Customer research and customer feedback systems are important mechanisms for obtaining such information. Chapter 2 described some HIC initiatives in this area, and it included a recommendation for improved mechanisms.

**4.3** A key element of high quality customer service delivery by an organisation is the provision to customers of accurate, accessible and useful information on its services. In addition, better practice literature suggests that, to minimise customer dissatisfaction, customer-focused organisations ensure that their customers are provided with information that helps shape realistic expectations of service delivery.<sup>23</sup>

### Customer research

**4.4** In December 2000, HIC completed a customer research project as part of the evaluation of its Charter of Care. The objectives of this research were to: measure customer awareness of the Charter of Care; determine changes required to existing Charter of Care information products to enhance their effectiveness; assess customer and provider understanding of the Charter of Care; refine the Charter of Care to better serve the target audience; evaluate the Charter of Care standards to ensure they meet the needs of customers, stakeholders and providers; and assess the performance of the HIC customer feedback management processes and identify specific improvements. The research methodology involved three telephone surveys and a series of six focus groups.

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<sup>22</sup> See Management Advisory Board and Australian National Audit Office, 1997, *The Better Practice Guide to Quality in Customer Service*, Canberra, pp. 13–16.

<sup>23</sup> *ibid*, p. 14.



**4.5** HIC conducts an annual customer survey of its three main customer groups: the Australian public; medical service providers; and pharmacists. The objectives of the survey are to obtain information on: HIC customers' priority service issues, gaps in HIC's service delivery, broad expectations of HIC as a service provider, positioning, awareness and satisfaction with HIC and its subprograms, service delivery channels and utilisation, stakeholder perceptions and issues related to HIC's strategic direction, and security, privacy and trust in HIC as an information manager. The research methodology for the 2001 survey included a qualitative component (61 in-depth interviews and 31 focus groups) and a quantitative component (telephone survey with around 1500 members of the Australian public and around 1000 providers and pharmacists).

**4.6** HIC also conducts customer research to inform: the development and evaluation of its communications strategies, information products, letters and forms, the development and implementation of its business improvement initiatives, and strategic reviews and corporate positioning. Since 1996, HIC has completed over 20 customer research projects in these categories relevant to the provision of Medicare services to the Australian public.

**4.7** The ANAO reviewed the research methodologies adopted in the above customer research projects and concluded that they were appropriate and effectively addressed HIC's research objectives.

**4.8** During interviews conducted as part of the ANAO audit fieldwork, a number of managers in State Offices indicated that, in addition to the above research (which was managed by HIC National Office Public Affairs), they carried out their own customer research to obtain even more detailed local data. This generally comprised small in-house over-the-counter surveys of customers at Medicare Offices.

## Customer Feedback Register

**4.9** The Commonwealth's Client Service Charter Principles, discussed below, require that agencies make available to customers an avenue to provide feedback and make complaints, and to have mechanisms to report on customer feedback data. Standards Australia AS 4269—1995 Complaint Handling is recommended to agencies in the Principles, as it specifies the essential elements of an effective feedback handling system.

**4.10** HIC has a Customer Feedback Register (CFR) to capture complaints, compliments and suggestions from customers. The current CFR, developed in-house and in accordance with AS 4269—1995, is a computer mainframe-based system accessible via the HIC intranet.

**4.11** Under the current CFR guidelines, all suggestions and compliments are to be recorded when received. Written correspondence is to be recorded only if complex and cannot be answered with a standard, straightforward reply. All written complaints are to be recorded in the register on receipt. Verbal complaints are to be recorded if they cannot be resolved at the third level, that is, if the verbal complaint cannot be resolved by the initial staff recipient or their team leader/supervisor.

**4.12** HIC recognises that there a number of problems with the current CFR, including:

- it does not provide workflow or task automation;
- it does not incorporate a reporting system, producing only basic analysis and reports; and
- there is no quality checking.

**4.13** ANAO fieldwork interviews indicated that usage of the CFR was uneven across HIC. In some work areas, all correspondence was entered on the register, while in others the CFR was not used at all. Lack of training in the use of the CFR was nominated by interviewed HIC staff as the major reason why comments were not entered on the register.

**4.14** The ANAO found HIC does not review comments contained in the register to identify themes common across HIC or those recurring in a particular area. Consequently, appropriate action is not taken.

## **A new feedback management system**

**4.15** In February 2001, HIC tendered for a contractor to supply a new feedback management system to address the issues discussed above. The objective of the project covered by the tender was to redevelop the feedback register to a system with better workflow and automation capabilities, a reporting facility and one that is more user-friendly than the current system. The new system was required to fit in with HIC's processes for handling feedback and correspondence, while allowing flexibility to adapt to future changes.

**4.16** The desired outcomes of the project included:

- improved management information, ie, to produce information which was more complete, accurate and of a higher quality than then possible;
- more efficiently identify and action areas for improvement; and
- enhanced capacity to identify issues important to our customers.<sup>24</sup>

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<sup>24</sup> HIC letter to ANAO, 23 April 2002.

**4.17** Originally, the new register was to be installed and fully operational by mid 2001, with staff fully trained on a train-the-trainer basis. However, after selecting a preferred vendor, HIC suspended purchase of the system due to requirement changes related to changes in the Business Improvement Program.

**4.18** HIC advised the ANAO in September 2002 that several technical issues were preventing HIC from proceeding with the purchase of the new system. HIC also advised that replacing the CFR remained a priority for HIC.

## Charter of Care

**4.19** HIC's customer service charter—the Charter of Care—is HIC's principal mechanism for communicating to customers the service standards that they can expect from the agency. The Charter of Care was launched in June 1999. HIC subsequently reviewed the charter at the end of 2000. HIC plans to review the Charter on a regular basis (at least every 2 years).

**4.20** HIC's Charter of Care won the Platinum Award for Excellence across all categories in the Commonwealth's *Service Charters—Awards for Excellence* scheme in 1999 and 2000. The Department of Finance and Administration partnered with the Australian Quality Council to deliver these awards. The Australian Quality Council developed the selection criteria and chaired the judging panel, which assessed written submissions provided by Commonwealth agencies with service charters in place.

## Assessment of the Charter of Care

**4.21** The ANAO assessed the Charter of Care against the Commonwealth's Client Service Charter Principles, produced by the Department of Finance and Administration.<sup>25</sup> The Client Service Charter Principles allow agencies a great deal of flexibility in tailoring their charter activities to their unique circumstances. Moreover, as stated within the Principles, 'the guidelines are to be applied at the discretion of the agency except where specifically noted as mandatory'<sup>26</sup>. There are four main principles, each of which contains a number of sub-principles. Within each sub-principle, there are guidelines which describe recommended inclusions, features, better practice suggestions and issues to consider.

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<sup>25</sup> Commonwealth Department of Finance and Administration, 2000, *Client Service Charter Principles*, Canberra.

<sup>26</sup> *ibid*, p. 4.

**4.22** Figures 7 and 8 following summarise the ANAO's findings. Where the guidelines are mandatory, the following figures indicate the ANAO's assessment of the degree of compliance. Where the guidelines are discretionary, the figures indicate the ANAO's assessment of the extent to which HIC has acted consistently with the better practice suggestions contained in the guidelines.

### *Principle 1—Key elements of the charter*

**4.23** HIC has fully complied with the two mandatory sub-principles under Principle 1, *Key elements of a charter*. The Charter of Care sets out HIC's customer service standards. The Charter of Care also sets out HIC's processes for handling customer feedback and complaints.

**4.24** In developing the Charter of Care, HIC has acted with a high degree of consistency with the three discretionary sub-principles under Principle 1. The Charter of Care clearly identifies the agency, and the agency's purpose, client base, and services. It also provides detailed information which facilitates communication between HIC and its customers. The Charter articulates HIC's customers' rights and responsibilities.

### *Principle 2—Developing a charter*

**4.25** All three sub-principles under Principle 2, *Developing a charter*, are discretionary. HIC has developed the Charter of Care in a manner consistent with the better practice suggestions presented under this principle. HIC consulted widely with customers, staff and other stakeholders in the development of the Charter. The Charter of Care contains many presentation features consistent with recommended Commonwealth standards, including a plain English style of presentation, a design that meets the needs of a wide client base and information on how to give feedback on the charter itself. HIC sought to generate public exposure for the launch of its service charter, with a high profile event attended by the responsible Minister, which was managed with a media campaign. The Charter was also widely disseminated to staff and customers. As part of this, HIC conducted a broad education campaign for all staff about the Charter.

**Figure 7****ANAO's assessment of HIC's compliance/consistency with Commonwealth's Client Service Charter Principles—Principles 1 and 2**

Principle/ Sub-Principle	Guideline	Mandatory	Level of Compliance/ Consistency
<b>Principle 1: Key elements of a charter</b>			
1.1 Informing clients about the agency	Specify key identification features, including agency's name and logo, what the agency does, who the clients or potential clients are, Agency Head statement, and relationship to portfolio department or parent organisation.	No	Full
1.2 Avenues of communication	A service charter is to contain statements on how clients and stakeholders can communicate with the agency.	No	Full
1.3 Client service standards	It is mandatory for the charter to include service standards. However, there is no minimum or maximum number of standards.	Yes	Full
1.4 Client rights and responsibilities	Set out the rights of clients and what they can expect from the agency. Set out the responsibilities of clients in their dealings with the agency.	No	Full
1.5 Client feedback and complaints	A service charter must contain information on feedback and complaints processes.	Yes	Full
<b>Principle 2: Developing a charter</b>			
2.1 Consultation in charter development	In preparing a service charter, the agency should consult with clients, staff and other key stakeholders.	No	Full
2.2 Charter format and style	Service charters across Commonwealth agencies should have a set of common features for ease of recognition and readability by clients.	No	Full
2.3 Service charter launch	Agencies should consider a strategy for launching their service charter to achieve maximum exposure.	No	Full

**Figure 8****ANAO's assessment of HIC's compliance/consistency with Commonwealth's Client Service Charter Principles—Principles 3 and 4**

Principle/ Sub-Principle	Guideline	Mandatory	Level of Compliance/ Consistency
<b>Principle 3: Maintaining and reviewing a charter</b>			
3.1 & 3.2 Purpose and frequency of review	Agencies should regularly review their charter to ensure its ongoing relevance and effectiveness.	No	Full
3.3 Consultation in review	Agencies should consult with clients and stakeholders during the review process.	No	Full
3.4 Ongoing promotion	Appropriate methods of promoting the updated charter to clients, stakeholders and staff should be considered.	No	Partial
<b>Principle 4: Monitoring and reporting</b>			
4.1 Monitoring performance against standards	Agencies should regularly monitor performance against the service standards and commitments published in their charter and the level of client awareness of the charter.	No	Full
4.2 Reporting performance against standards	Agencies must publish performance against charter commitments in their annual report each year and provide charter performance information annually to DOFA for the Whole-of-Government report on service charters.	Yes	Full
4.3 Reporting on client complaints and feedback	Agencies must publish a summary, with reference to complaints data, and the agency's general response to complaints, in the agency's annual report. Agencies must provide requested summary information annually to DOFA for the Whole-of-Government report on service charters.	Yes	Full

### *Principle 3—Maintaining and reviewing a charter*

**4.26** All four sub-principles under Principle 3, *Maintaining and reviewing a charter*, are discretionary. HIC has acted fully consistently with the better practice guidelines under the first three sub-principles, which relate to reviewing charters. It has acted partially consistently with the better practice suggestions in relation to the fourth sub-principle relating to the ongoing promotion of charters.

**4.27** HIC carried out a review of its Charter of Care in late 2000, around 18 months after the launch of the Charter. A key element of this review was a customer research project designed to obtain customer feedback on the Charter. Findings of this research included the following:

- the service standards set out in the Charter of Care matched or exceeded people's expectations of the level of service that should be provided by HIC; and
- the Charter of Care document was found to be highly informative, easy to read and easy to understand by members of the general public.

**4.28** The research consultants made a number of recommendations for enhancing the effectiveness of the Charter and these were taken into account by HIC in its review. As part of its review of the Charter, HIC identified problems with the Customer Feedback Register (the process through which customer feedback is gathered). It is now seeking to address these issues.

**4.29** In relation to the ongoing promotion of charters, as mentioned above, HIC initially had a communication strategy for the Charter of Care. Since 2001 HIC has not had a communication strategy, although it has continued to produce Charter of Care communication products and has made copies of the revised Charter available to all staff and Medicare Offices. In response to preliminary audit findings, HIC advised the ANAO that it intends to produce larger Charter of Care brochures for display in Medicare Offices as a means of raising customer awareness of the Charter.

### *Principle 4—Monitoring and reporting*

**4.30** HIC has fully complied with the two mandatory sub-principles under Principle 4, *Monitoring and reporting*. HIC publishes in its annual report information on its compliance with the Charter and the agency's customer service performance. It also publishes a summary of complaints data in the annual report. Charter performance information and requested summary complaints information is provided annually to the Department of Finance and Administration for the Whole-of-Government report on service charters.

**4.31** HIC has also acted fully consistently with the better practice guidelines under the discretionary sub-principle under Principle 4, which deals with monitoring performance against customer service standards. HIC monitors its performance against the service standards in the Charter of Care on a monthly basis (Chapter 2 discusses HIC's performance monitoring framework).

**4.32** HIC advised the ANAO that it will continue to conduct external customer research in order to gauge customers' awareness of the Charter and identify areas for improvement. HIC's plan for 2002 includes a survey using the Consumer Advisory Committee forum and the inclusion of Charter related questions in the annual client satisfaction survey. Research conducted by HIC in December 2000 as part of its review of the Charter of Care found that:

- 11 per cent of the general public/community were aware of the Charter of Care; and
- 16 per cent of community respondents who had visited a Medicare office or had called HIC were aware of the Charter of Care.

## External communication strategy

**4.33** HIC has an external communication strategy for the Medicare program, aimed at providing information on the program to external customers. The strategy is reviewed annually. The findings of HIC's customer research are taken into account in reviews of the strategy.

**4.34** HIC produces a range of printed information products (brochures, fact sheets and posters) as part of its Medicare external communication strategy. Printed information products are distributed via Medicare offices. A 'Welcome Kit' targeted at new migrants is also distributed via the Department of Immigration and Multicultural and Indigenous Affairs and Migrant Access Centres. HIC's website presents detailed information on the Medicare program.

**4.35** HIC's external communication strategy for Medicare also involves a range of other initiatives, including, *inter alia*:

- producing articles for commercial magazines, regional press and TV/radio health programs on claiming and payment methods;
- mailing articles and information products to representative organisations for the chronically ill and carer groups; and
- articles on Medicare in Centrelink's Pensioner News, Family Bizz and disability magazine.

**4.36** HIC has also developed a communication strategy for its Business Improvement Plan and a separate communication strategy for a key Medicare business improvement initiative—Medicare Easyclaim Practice Based Claiming.



**4.37** Notwithstanding HIC's strategic approach to communicating with the Australian public as customers of Medicare, the agency's market research indicates that there are significant awareness/knowledge gaps in relation to Medicare within this customer group. HIC's 2000 annual customer study<sup>27</sup> found that:

- only 5 per cent of community/general public respondents were aware that a person could get their own Medicare card at any stage of their life;
- 47 per cent of community respondents did not know that, if they did not get a referral from a GP for a specialist, their Medicare benefit could be reduced;
- many customers were unaware of the existence of the expiry date on their card or the potential consequences of not having a valid card (inability to participate in bulk billing or lodge rebate claims)<sup>28</sup>; and
- 63 per cent of community respondents were not aware of the existence of the Medicare Safety Net, and only 32 per cent had at least a basic understanding of the Safety Net.

**4.38** HIC's 2001–02 Medicare external communications strategy involves a range of measures designed to address the barriers and knowledge/awareness gaps identified in the research, including a shift in emphasis in the use of printed information products — from primary information source to targeted support resource for the primary information provider, Medicare counter and telephone advisory staff.

## Conclusions and Recommendation

**4.39** HIC conducts effective customer research that provides it with adequate information on the Australian public's needs, expectations and perceptions of HIC's service delivery in relation to Medicare program services.

**4.40** HIC has a computer mainframe-based Customer Feedback Register to capture compliments, complaints and suggestions from customers. However, there are a number of technical problems with the register, usage is uneven across the HIC, and comments are not effectively monitored or actioned. HIC acknowledges these issues and is seeking to replace the existing system.

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<sup>27</sup> Awareness issues were not covered in the 2001 HIC annual customer survey. The 2002 customer survey had not been conducted at the conclusion of the audit fieldwork.

<sup>28</sup> This issue was canvassed in exploratory qualitative research conducted as part of the 2000 customer study and not in the probability sampling based quantitative survey component of the study. The qualitative research was based on a small quota sample. Accordingly, it is not possible to make statistically valid estimates (on the basis of this research) of the percentage of the Australian community who were unaware of the existence/implications of the Medicare card expiry date.

4.41 HIC has a client service charter, the Charter of Care. HIC has fully complied with all mandatory guidelines in the Commonwealth's Client Service Charter Principles in developing and reviewing its Charter. HIC has also acted fully consistently with most of the discretionary better practice guidelines in the Principles. While the Charter represents better practice among Commonwealth agencies, Medicare customer awareness of the Charter is relatively low. In particular, in HIC's last survey on awareness in late 2000, only 16 per cent of community customers who had visited a Medicare office or had called HIC were aware of the Charter of Care. HIC does not have an ongoing communication strategy in relation to the Charter.

4.42 HIC provides information on the Medicare program to the Australian public through a range of printed information products, its website and targeted public relations activities. HIC has identified that there are a number of gaps in the public's understanding of Medicare, and is seeking to raise awareness through its external communications strategy.

### Recommendation No.3

4.43 The ANAO recommends that HIC develop and implement an ongoing communication strategy aimed at increasing community awareness of its customer service Charter of Care.

#### *HIC's Response*

4.44 Agreed. Recent figures indicate an increase in awareness of HIC's service Charter of Care. HIC will continue to conduct external customer research in order to gauge customers' awareness of the Charter and identify areas for improvement. Further development of HIC's communication strategy will target an increase in awareness of the Charter.

Canberra ACT  
3 October 2002



P. J. Barrett  
Auditor-General

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