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Health and Social Services
Smart Card Initiative
Volume 1: Business Case
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Inherent Limitations

This report has been prepared as outlined in Section 5 ‘Background to the preparation of the business case’ and constitutes neither an audit nor a comprehensive review of operations.

KPMG was required to obtain information and estimates from Government Agencies and external sources. Although KPMG attempted to validate reported statements and estimates made by agencies’ personnel during the exercise, no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by agency management and personnel consulted as part of the process. Nor was there scope to validate information sourced through the internet and other external reference sources. Cost benefit figures need to be treated with caution and KPMG has attempted to mitigate this risk by providing illustrative ranges when citing potential savings.

KPMG has indicated (where appropriate) within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form. The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in Section 1.2 of this report and for the Minister for Human Services’ information, and is not to be used for any other purpose or distributed to any other party without KPMG’s prior written consent.

This report has been prepared at the request of Minister for Human Services in accordance with the terms of KPMG’s engagement letter dated 10 November 2005. Other than our responsibility to Minister for Human Services, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party’s sole responsibility.

Part A – Executive Summary

1 Introduction – about our report

KPMG was asked to prepare a business case for the introduction of a Health and Social Services smart card initiative (the HSS initiative).

Given the scale and complexity of this task, our report is divided into two volumes.

- Volume 1 – Business case
- Volume 2 – Detailed costings (deleted for commercial reasons)

This business case provides a comprehensive description of the HSS initiative, including:
Part A - Executive Summary -- this covers:

- An outline of the HSS initiative
- Our findings, including the problems in the current system, stakeholder analysis, findings from overseas experiences, the value proposition for the initiative, the ‘cost and benefits’, the risks and an analysis of threshold issues including whether the card is mandatory, and issues surrounding photos and biometrics, and what alternatives are available other than the HSS initiative
- Our recommendations
- The brief we were given, our focus and methodology.

Part B – The HSS Initiative and how it will work in practice

- This provides a detailed description of the HSS initiative and the service system which will support it. This includes its application, features and design, its functions, uses and users and the business processes for consumers to register for the card with improved standards for Proof of Identity (POI).

Part C – The Benefits

- This section outlines the benefits of the HSS initiative for consumers, Department of Human Services (DHS) agencies, Department of Veterans Affairs (DVA) and their providers, government and the wider community.

Part D – Fraud and the HSS Initiative

Part deleted to protect government outlays

Part E – Costs and economic appraisal

Part deleted for commercial reasons

Part F – Implementation

This covers:

- A high level risk assessment and risk management plan
- Proposals for governance and program management
- Suggestions for stakeholder management and communications priorities should the Government proceed with the HSS initiative

Implementation plan chapter deleted for commercial reasons
2 Outline of the proposed HSS initiative

The HSS initiative is a package of changes to service access arrangements for health benefits and social services comprising four key elements:

- The introduction of a new chip based health and social services access and entitlement card to replace the Medicare card and numerous other DHS agency cards and vouchers
- The introduction of substantially improved proof of identity arrangements to obtain the card and improved proof of identity information on the card and in the chip in line with the Attorney General's Department strengthened proof of identity requirements
- The introduction of a comprehensive uniform registration program, for all consumers wishing to obtain the card which will involve up to 16 million Australians with the maximum number of eligible citizens registering over a 24 month period
- The introduction of a new supporting registration service and common basic customer record which can be accessed by all DHS agencies. This record is called the Secure Customer Registration Service (SCRS) for the purpose of this business case. This will mean consumers only need to register once for a DHS service and only notify DHS agencies once of changes in household circumstances such as change of address.

Part B of this business case outlines in detail how the initiative would operate in practice.

It is important to emphasise that the HSS initiative is not about the introduction of a new, more advanced piece of technology in the form of a smart card.

The primary intent of the initiative of which a new card is part, is to improve service delivery by improving upfront access to services and entitlements, making the system more efficient, easier to use and less vulnerable to fraud.

The proposal to raise the standard of proof of identity is intended to underpin that improved service access by ensuring that consumers are able to authenticate who they are and demonstrate their entitlement to services, thereby strengthening the integrity of program outlays.

The HSS initiative will not replace the specific agency eligibility and entitlement policies or specific agency databases. Nor will it replace the requirement for consumers to prove entitlement on an ongoing basis.

That is, while a person will need to only register once and prove their identity once, they will need to continually provide relevant asset, income and family composition information as per the existing policies of DHS agencies.

KPMG understand that there will be privacy concerns. Those concerns are legitimate and part of the implementation of the HSS initiative will be to deal with them and ensure that the benefits to citizens are delivered in a privacy enhancing manner.
3 Findings

3.1 Rationale for change

KPMG has examined the operation of the current service system to determine if there is a robust case for the introduction of the HSS initiative. KPMG considers that there are three key drivers for this initiative which are:

- The upfront access arrangements for health and social services are unnecessarily inefficient, complex, fragmented and inconvenient for consumers
- The service systems, and in particular, inconsistent POI arrangements, provide significant opportunities for fraud. Given the size of expenditure, this represents a present and ongoing risk and exposure to Government
- There are major changes in technology forecast over the next decade which will ultimately drive some rationalisation of the present system.

These are described below to provide a context for the introduction of the HSS initiative.

3.1.1 Problems with the current service system

Whilst there have been significant improvements to services, access arrangements for health and social services are still characterised by fragmentation, duplication and unnecessary inconvenience to consumers. Many of the recent reforms, whilst effective, have been focussed on agency specific systems or back office functions, or are voluntary and do not have uniform coverage. To illustrate:

- Consumers are confronted with an array of different service standards, different service access points and different standards of POI in each agency
- There are multiple registration points with some consumers having to repeat the same information to different agencies and often provide the same proof of identity (POI) information to the same agency if they want a different service
- There are 520 forms in Centrelink alone, all of which require the consumer to provide information on their identity. This makes the system onerous for customers and inherently prone to error
- There are multiple cards for different concessions and entitlements, many are paper based. As was well documented by DHS agencies, there are approximately 24 cards in use in the DHS services system. Implementation of the HSS initiative will see 17 cards eliminated

\[1\] Centrelink Production and Logistics team – form production statistics 2005 – Arok Zygmunt
immediately. It is important not to overstate the problems of multiple cards, some of them serve a very specific purpose. However, they are symptomatic of an unnecessarily complex system from a service access and entitlement perspective as follows:

- Whilst no one will have 24 cards, some people will certainly have more than one. Aged pensioners for example are highly likely to have three to four cards. There are 1.9 million aged pensioners in Australia.\(^2\)

Many of the cards perform the same function, 11 out of the 24 cards are forms of concession cards to obtain additional benefits under the Medicare system.\(^3\)

- Fundamentally all of the cards contain the same information, i.e. name, some form of registration identifier and a person’s entitlement to different services. Multiple cards and records to hold the same information make the system vulnerable to error.

- When a person changes these personal details they often need to be issued with a new card. A chip based technology would allow information to change without having to replace the card. A total of 1.3 million cards are replaced every year.\(^4\)

- DHS agencies are overly reliant on face-to-face interviews with 110 million face-to-face transactions each year.\(^5\)

- Centrelink estimates that, in the case of new registrations, each interaction with customers requires at least 3-4 minutes to prove identity. KPMG estimate that presentation of a smart card could reduce the POI element of 2.9 million new claims each year from 4 minutes to 30 seconds.\(^6\)

- Based on the some 46 million general face-to-face interactions at Centrelink each year, which also require a level of authentication of the person, KPMG estimate that the average time that it takes to perform the authentication function could be reduced from about one minute to some 30 seconds using a smart card for this purpose. Given the volume of interactions, this would have a material impact on workloads.

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\(^{2}\) Department of Family and Community Services, Annual Report 2003-04, page 225. The cards required by aged pensioners could all be replaced by the HSS card.

\(^{3}\) These cards are Medicare Reciprocal Health Care Agreement card, PBS safety net entitlement card, PBS concession card, Cleft Lip and Palate card, Centrelink Healthcare card, Centrelink Foster Child Care card, Centrelink Low Income Healthcare card, Centrelink Commonwealth Seniors Health card, DVA gold, white and orange cards.

\(^{4}\) Medicare Australia advised the number of Medicare cards that are lost, stolen, damaged or replaced in cycle each year is 1.4 million.

\(^{5}\) Department of Human Services, Service Delivery Baseline Final Report 26 July 2005, page 13

\(^{6}\) Based on data extracted from Centrelink funding model 2004/2005

\(^{7}\) Timing estimates are conservative and based on discussions with Department of Human Services and Centrelink.

\(^{8}\) Department of Human Services, Service Delivery Baseline Final Report – 26 July 2005, page 13
A recent Centrelink survey showed that 20% of customers did not have the correct forms to prove identity. Again, if this is extrapolated over the 2.9 million new claims each year, then 580,000 citizens every year are making a trip, joining a queue, only to find they must go home, find the right documents and start again.

There has been low and patchy take up of online services with only 2% of customers using online channels. There are inconsistent online access arrangements across DHS agencies. In particular, there are substantial limitations to using online access for services like online claiming. An obvious set of examples are applications that move the many 'PDF' forms issued by Centrelink to an online setting. In order for a form that has been filled out online to be 'legally binding' (in the way that a paper based form with handwritten signature is), there are two main items that need to be fulfilled – strong authentication as well as 'non-repudiation'. The current secret questions and answers (SQA) used by Centrelink do not provide this level (according to Australian Government Information Management Office's (AGIMO) Australian Government Authentication Framework (AGAF)) but a smart card will. The main reason for this is that SQA is still 'one-factor authentication' while smart cards provide 'two-factor' (something you have as well as something you know) and have the ability of carrying digital keys that allow the cardholder to 'digitally sign' data. Whilst this function will not universally be available in the first release of the smart card, it will enable this to occur as technology, such as card readers attached to PCs become more commonplace. In a sense, this introduction of a smart card would future ‘proof’ the health and social service system and allow for the take up of more high risk activities such as claiming in an online environment.

3.1.2 Opportunities for fraud and other leakage

KPMG was specifically asked to examine how the current service system provides opportunities for fraud and the extent to which the HSS initiative would assist in tackling and preventing fraud and leakage across DHS and DVA programs.

Part D of our business case outlines in plain English the opportunities for fraud and other leakage, the exposure to the Government and the community given the size of the program outlays involved, the evidence of the occurrence of fraud and other leakage and how the HSS initiative will help address these problems. (Part D deleted to protect Government outlays)

It is important to state from the outset that fraud has a number of dimensions. These include identity fraud, false claiming of entitlements, failure to notify changes in circumstances which affect entitlement, and leakage arising from mistakes due to incorrect and outdated data, as well as program design.

Set out below is a snapshot of our findings on fraud and other leakage. In short we found:

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9 Survey of customers undertaken by Centrelink on behalf of KPMG in January 2006. 98 customers were included in the survey, from 8 Centrelink offices.
Medicare and Centrelink have reported leakage losses of $252 million and $1.1 billion respectively in 2004-05.¹⁰ These amounts are based largely on known, detected leakage, including fraud, and it is likely that the underlying level of fraud is substantially higher.

A person can obtain a Medicare card, a PBS concession or a Centrelink entitlement and not be required to produce any photographic identification to obtain the card. This is in stark contrast to other systems such as passports and drivers licences.¹¹

A person can present a Medicare card or a health card and claim those benefits at a doctor’s surgery or pharmacist without authenticating who they are or that they are the cardholder.

The current cards carry little or no information, including photographic or other biometric data about the customer, that robustly demonstrates the relationship between the cardholder, the card and the benefits to which the cardholder is entitled.

There is no uniform system to check current concessional status, and PBS concessions in particular are open to significant abuse as a result. Also, paper based cards issued with a three month expiry date do not always reflect a person’s current concessions. An estimated 25% of concessional status were cancelled by Centrelink before the expiry date on the card.¹²

A recent ANAO report found that up to 30% of customers POI information recorded in Centrelink’s customer database is not sufficiently reliable to uniquely identify or substantiate the identity of customers, and that inaccurate customer information could inhibit fraud detection.¹³

The same report notes that Centrelink’s database contains records for almost 1.5 million customers, where those records contain a date of death. Assuming benefits are still being paid to 0.5% to 1% of these customers, Centrelink could be overpaying between $75 million to $150 million annually.

The present system is overly weighted to compliance and detection rather than prevention and deterrence.

The respective databases of the various DHS agencies are an aggregate of years of differing standards of POI, different rules which at the very least make the system prone to error. At worst, the present data on simple demographic information lacks the integrity necessary for effective fraud prevention and detection.

¹⁰ Based on information provided to KPMG from Centrelink and Medicare Australia
¹¹ In Australia, passports and drivers licences are both issued containing photographs
¹² Australian National Audit Office, Administration & Health Care Card, No 54 2004-05, page 18
¹³ Australian National Audit Office, Integrity of Electronic Customer Records – Centrelink, Audit Report No. 29, 2005/06
3.1.3 Technology drivers

KPMG has found substantial technology drivers for the introduction of the HSS initiative. The current service system is more at risk if changes are not made. Whilst the fundamental technological platform is sound, there are trends and opportunities which leave the current system at risk of becoming outdated.

These include:

- Smart card technology will be common place in the financial services sector. By the end of 2007 it is estimated that 75% of EFTPOS terminals will be chip card compatible.

- There is a move away from magnetic stripe cards in the financial services sector because of the high risk of fraud and failure.

- There is already wide acceptance of chip card technology in Australia, through the use of mobile phones, pay phone shared value cards, and in the transit area, eTags.

- There is widespread recognition of the need for greater security in public information and processing environments.

- A number of state agencies are considering smart cards for travel and drivers licences. It is important that there is not a myriad of different platforms, systems and standards. Such a scenario would add considerable cost and risk to any single initiative.

KPMG believes now is the right time to undertake this initiative on the back of technology developments in the financial services sector. We believe there is now sufficient stability in the technology to minimise risk. If this initiative had been undertaken 5-10 years earlier, its risk profile would have been higher.

3.2 Stakeholder support

KPMG consulted extensively in the preparation of this business case. We found widespread support for the introduction of smart card technology and the corresponding changes to registration and improved standards for POI.

Stakeholders advised us that while the system performs well, it is still overly complex and fragmented and there is an opportunity to take advantage of new technologies to cut red tape and improve service delivery. This was a theme that was raised by all stakeholders consulted.

\[\text{[11 During the preparation of the business case, KPMG held a meeting with a range of financial industry representatives, including major banks and credit card companies to discuss penetration of chip card technology.}\]
A summary of stakeholder positions is found at Attachment R (Attachment for commercial reasons). Stakeholders raised a number of issues which KPMG has attempted to address in the business case, including:

- The value proposition needs to be clear
- The focus must be on improving service delivery
- Better POI processes will underpin service improvements
- Any initiative of this kind needs to support existing activities and be consistent with other major government reform initiatives
- It is critical that the project is undertaken in a way that there can be trust in the system and its administration
- There should be minimal disruption to services with the introduction of any new system
- The technology platform must be sustainable
- Confidential personal information is protected

Sentence deleted for Cabinet in confidence reasons

- Assumptions about savings must be carefully interrogated.

It is important to highlight that many stakeholders regarded the uniform registration process and the strong POI as a fundamental platform for any future expansion of electronic service delivery.

3.3 Overseas experience

KPMG found that adoption of smart card technology is well advanced overseas. Some countries are now moving into their second generation use of smart cards, confident of the benefits they will derive.

Importantly Australia is well positioned to proceed, having the advantage of learning from experiences overseas. Unlike some smart card initiatives overseas which find themselves having to retrofit their systems or design separate systems to cater for health and social service purposes, Australia has the opportunity to make this design decision from the outset.

Similarly, this business case has had the benefit of investigating different design and implementation approaches and is confident that the model we are recommending, which includes substantial infrastructure provision is, in the longer term, more likely to deliver both the benefits and cost efficiencies we describe.
3.4 Value proposition

KPMG found that a sound value proposition exists for the introduction of the HSS initiative if it is a service access and entitlement card, if it is part of a service system reform, and if it is not an option for people wishing to claim Medicare rebates, concessions and Centrelink entitlements. We were conscious of the need for the business case to stack up on what the HSS initiative can deliver now, not promises for the future. Therefore this value proposition centres around five key themes:

3.4.1 Improved services to consumers

There will be immediate and substantial improvements to service delivery. We base this finding on the fact that from its introduction the HSS initiative and its supporting service systems will be able to deliver the following functions.

- Replace the Medicare card, health care cards, veteran’s cards, numerous concession cards and vouchers issued by DHS. We found that 17 cards (including the hearing voucher) can be eliminated immediately
- Enable ‘on-the-spot’ confirmation of current concession and PBS safety net status through the use of system flags
- Contain voluntary personal information such as emergency contact and health service provider details
- Have the capacity to hold other personal information provided on a voluntary basis such as allergies, drug alert, chronic diseases, organ donor status and immunisation details
- Enable once only registration with DHS agencies and DVA and once only updates of changes in circumstances such as change of address
- Be capable of being activated to enable eligible consumers to access specified funds, or potential once off entitlements such as relief or emergency payments through ATMs/EFTPOS at a bank or retail outlet
- Be accepted as a form of high quality photographic identification able to be used more broadly (e.g. POI to financial institutions) if cardholders so choose
- Enable enhanced online service delivery opportunities, including the introduction of a uniform DHS online authentication process and access to a proposed customer portal.

Our finding is that this initiative will underpin a more uniform and more predictable system for consumers where services are easier to access. These improvements will particularly assist the elderly and the very disadvantaged consumers who interact with multiple agencies who need a more seamless, more sympathetic service system.
The greatest immediate benefits will flow to those Australians that access multiple services. There are some 16 million Australians over the age of 15 and of these, around 22% have government payments (including pensions) as their principal source of income. A further 28% are recipients of other government social security payments. In other words, some 8 million Australians and their families (or a total of some 12 million Australians, including children) are likely to be receiving some form of Australian government social security payment in any given year. These 8 million Australians are likely to be accessing Medicare rebates.

For these 8 million adults, or approximately half of the adult population in Australia, possession of a new health and social services smart card will bring several attractive benefits.

However, the HSS initiative will benefit all Australians. They will only have to register for their health and social services once. They will be able to have vital personal information such as their emergency contact information in a safe accessible environment. If they choose, they will have a more valuable POI to gain access to other services. The card and the service system which supports it will enable citizens to interact more efficiently and confidently with a range of government services, even if they are infrequent users.

For those citizens who only access Medicare rebates, they will benefit from the HSS initiative, particularly as their circumstances change and they access more health services or receive additional family benefits from social services. For example, citizens over the age of 45, receive on average over 10 Medicare services and over 7 PBS scripts per year.15

Part C of our report outlines in detail the benefits that consumers will derive from the introduction of the HSS initiative.

### 3.4.2 More efficient services

The initiative will improve the efficiency of the DHS agencies and DVA and will reduce duplication of processes and information gathering across DHS agencies. The initiatives will underpin the objective of creating a more integrated service system. The registration process and common record of demographic information will provide agencies with better data to undertake analysis of both financial outlays and program outcomes. Sentence deleted for Cabinet in confidence reasons

### 3.4.3 Addressing fraud and other leakage

The HSS initiative probably represents the most significant platform that Medicare and Centrelink has ever had to combat leakage, including fraud, by re-focussing their efforts to combat leakage from the current approach, which relies heavily on detection and investigation activities, to one which includes substantial prevention and deterrence activities.

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15 Data extracted from Medicare Australia Annual Report 2004/05

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11
Identity and concession fraud opportunities will be substantially more difficult to perpetrate should the HSS initiative be implemented. This is based on a robust and uniform registration process, underpinned by strengthened POI requirements and the provision of a card which will properly authenticate the user. KPMG believes this package should result in an initial sharp reduction in fraud and other leakage when the new system is implemented.

The new system will not only help prevent fraud and leakage occurring at the outset – it will also provide Medicare and Centrelink with more reliable, accurate and timely customer and transactional information that will enhance their ability to detect fraud and leakage in a more timely and cost-effective manner.

- The biggest gains are likely to be in the following areas:
  - Substantial reduction in the opportunity to set up false identities
  - Preventing the use of someone else’s card to claim you are that person for obtaining an entitlement
  - Reductions of claims for MBS and PBS concessions and safety nets based on inaccurate concession information
  - An immediate reduction in the number of people claiming Centrelink benefits
  - Reduction of fraudulent claims for benefits from Centrelink through non-disclosure of changed personal circumstances.

3.4.4 Section deleted for Cabinet in confidence reasons

3.4.5 The right balance

The initiative can be introduced in a way that strikes the right balance between more efficient and timely services and a capacity to mitigate against fraud with the appropriate level of privacy protection. The initiative can be privacy enhancing. For the first time, consumers will have a secure single record that they can access and update for all the basic demographic information held about them by all DHS agencies.

3.5 Cost and benefits

Detailed costings have been removed for commercial reasons.

KPMG have provided ongoing advice to the Australian Government that fraud savings could range from at least $1.6 billion to $3 billion over a ten year period.
3.6 Risk analysis

KPMG has conducted high-level risk identification and assessment of the HSS initiative project as proposed in this business case. Based on our experience in assessing large-scale business and technology change programs we have identified mitigation measures that we have incorporated into the solution design and into the planning for the implementation program.

Our conclusion is that the overall level of residual risk is acceptable for a program of this nature. Importantly, we have assessed the risk of not proceeding with this initiative as being the highest risk facing government. This is because of our assessment of the cost and impact of seeking to maintain the status-quo. This assessment is provided at section 3.7.4 of this document.

Following Cabinet approval of the business case, it is strongly recommended that a detailed and full risk assessment be carried out as part of the project planning process and that the risk identification and assessment process be maintained throughout the life of the program.

The risk assessment we have conducted analyses the threats and weaknesses of implementing the HSS initiative.

A program of this scale will always have risks. These include:

- The possible introduction of implementation and governance arrangements which do not provide clear points of accountability nor allow for quick decision making
- The failure to adequately address at both the implementation stage and thereafter, the legitimate privacy concerns the community will have
- The risks of continual customisation of the card and the initiative or the implementation of a myriad of business rules to respond to every exception
- The difficulties of overstating the benefits of this initiative in addressing all of the issues confronting the service system, that is, existing reforms will need to continue
- The difficulties of adding new functions without a proper value proposition or cost benefit analysis having been undertaken
- The history of unrealised returns and benefits in many large scale projects of this kind.

KPMG have suggested a variety of mitigation strategies to address these weaknesses. KPMG have also worked closely with key agencies to respond to their concerns about potential weaknesses in the conceptual design. Both parties have used their best endeavours to put
forward a solution that can be implemented to improve service but minimise risks to current programs.

We have also suggested a governance arrangement which is intended to respond to many of these inherent weaknesses in a project of this scale.

3.7 Threshold issues

KPMG was asked to consider two specific threshold issues. Firstly, whether the HSS system, and particularly registration for the card, should be optional or mandatory. Secondly, we were asked to consider the role of a photo as POI and the role of other forms of POI, namely biometric information.

KPMG was also asked to undertake an analysis of whether there are practical and achievable alternatives to the smart card initiative which could be pursued by government at a lesser cost.

In respect of the photo, KPMG was asked to give advice on whether a photo should be mandatory and whether it should be on the face of the card, in the chip, or both.

The following section describes our findings in respect of these three issues. These findings underpin our recommendations and our proposals for the design and application of the HSS initiative.

3.7.1 Should registration for the card be required or optional?

KPMG proposes that when the HSS initiative is fully operational in 2010, people who wish to access a DHS or DVA entitlement (eg Medicare rebate, relevant concessions and safety nets, or a Centrelink entitlement) will be required to be registered and receive a smart card. Dependants will also need to be registered. Details of dependants will be stored on, or linked to, the smart chip of their parent or guardian’s card.

In summary, our advice is that if a person does not want to claim any of the above benefits, then they are not required to register for the HSS card. However, we advise that, given the considerable resources provided in Medicare rebates, Centrelink entitlements and in granting concessional status, (these program outlays exceed approximately $80 billion annually) it is not an unreasonable expectation to require a consumer to register for the initiative and as part of that process, prove their identity and validate their entitlement to benefits and concessions.

We also believe that an optional system would have significant problems as set out below:

- A voluntary system would mean legacy systems would need to remain in place at considerable cost to the government and the community. Effectively, government would be...
asked to keep all of the existing systems and multiple cards and then overlay a different service system associated with a new optional card

- As stated, one of the great benefits of a uniform registration system and uniform POI requirements will be greater levels of certainty for government (because there is greater confidence in who is accessing services) and for customers because these requirements will be consistent across DHS agencies.

- KPMG believes any assumption about fraud savings (short or medium term) would be negated if the system were voluntary. In simple terms, anyone who was fraudulently claiming an entitlement would be unlikely to register for the card if its presentation was not required in order to claim a rebate, a Centrelink benefit or a concessional status.

- Finally, KPMG has extensively reviewed overseas cases where similar initiatives have been undertaken. None of the systems in the major economies we studied had voluntary participation in their system.

KPMG recognises that there will always need to be exceptions to these arrangements. We believe whatever policies are presently in place when people need to access health services and do not have a Medicare card should remain. DHS will obviously need to develop a set of processes to deal with exceptions where people have either lost their card or have failed to register and are in need of urgent government assistance.

We expect most people will register in the 24 month period. However, if someone chooses not to, then there would be no sanction. Similarly, if after the registration period a person chooses to enter the system, they can register and that registration and POI will last them throughout the rest of their life.
3.7.2 The role of a photo and biometric information in the HSS initiative

Proposal

With limited exceptions, KPMG propose there will be a photograph of the cardholder on the face of the card, on the chip and in the proposed record which will be created to support the HSS initiative, called the Secure Customer Registration Service (SCRS). The photograph will be captured at the time of registration. Photographs will not be taken for dependants.

It is proposed that the photo be capable of digital matching to prevent duplicate issuance of cards. Therefore, digital facial matching software capable of one to many matching will be used after the capture of a photograph. This will be a back office function.

There will need to be some exceptions for the photograph for people such as those in aged care institutions and the very infirm. These exceptions are regarded as largely transitional.

Rationale

KPMG considered carefully the nature of identity required to be stored in the HSS card. Our proposal centres around a set of criteria which fit the purpose of a service access and entitlement card. That is, a person must authenticate themselves and prove they are entitled to the benefits they are seeking.

KPMG propose that a form of photo identity is essential for the HSS initiative. We note that photographic identification is now common place for many types of identification. For example, 70% of Australians have a photo drivers licence. 45% have a passport which requires a photo. State jurisdictions and DFAT are moving to digital photographs.\(^\text{16}\) Photographic identification is common place in many work places, clubs and associations.

We propose a comprehensive storage of the photo (to repeat, in the chip, in the record system and on the face of the card). This is because we believe the HSS system must be easy to use and that services must be accessible at all outlets. We are concerned that if there are a variety of choices and exceptions to where the photo is located, those variations will drive new business rules for service access, which will limit one of the central advantages of the HSS initiative, a predictable, simple, uniform service system.

Our detailed rationale and the options concerning the storage and use of photographic identification which are available to the government are set out below.

\(^\text{16}\) For example, Queensland and New South Wales are using digital photographs on their drivers licences and passport office (DFAT) is digitising photographs for storage and printing.
Photo held in the central recording system – the SCRS

We propose the photo is held in the new SCRS. If the photo is not stored in the SCRS it will mean that every time a person loses their card they will need to re-register and have their photo taken again. Storing the photo in the SCRS which allows digital facial matching which is critical in preventing fraud and identity theft.

In the chip

It is proposed that the photo is also on the smart card chip to enable validation of the image where the face on the card might have become worn/damaged or where there might be suspicion that the card had been tampered with in some way. Agencies or service providers that have readers with a suitable display device (integrated or connected) can display the photo to confirm the cardholder identity.

On the face of the card

The rationale for having the photo on the face of the card is fundamentally about a person being able to simply and quickly prove who they are in a number of service outlets. One of the platforms of the entire HSS initiative is a strengthened POI and a capacity to authenticate a user, identify their entitlements (such as concessional status) and ensure they have access to the right services and benefits.

The capacity to authenticate a user must be applied across the entire DHS, DVA service system including providers such as allied health workers, GPs, pharmacists and ambulances who, for the first time, will have access to volunteered information about a person’s emergency contact details. Being able to simply and quickly identify the cardholder is paramount in these circumstances.

KPMG has attempted to design a system on a card reader platform that will facilitate uniform access by the full range of DHS and DVA providers. Therefore, whilst pharmacists and GPs might have card reading technology capable of photographic identification, (see section 6.1.3) not all providers in the service system will. If DHS design a system of access and entitlements based on who has a card reader capable of photo identification and who does not, the service system will be forced to slip back into different standards and different business rules. The system again becomes unpredictable and confusing for consumers.

Also, whilst the card won’t be required by people outside the DHS service system as POI, a consumer may choose to use it to prove their identity in other environments such as accessing a transport concession, joining a registered club, applying for a passport, or obtaining airline tickets.
Finally, KPMG considers that greater trust in the overall system will be strengthened by consumers being confident that their card cannot be used by someone else. Having a photograph on the card and all the other securities in place, in our view, is likely to strengthen that confidence.

Options for the storage and display of the photograph

KPMG was asked to consider options about the photo and where it is stored and displayed.

- KPMG has noted and considered the comments made by privacy advocates during consultations around options for the inclusion of the photograph on the face of the card.

- It is recognised that the requirement for the photo to be on the face of the card will be contentious, although we note it does not seem to be contentious for the provision of drivers licences and passports.

There are a number of options available.

Option 1 – concessional holders only

A first option would be that the requirement for the photo on the face of the card be made optional for all citizens other than those claiming Centrelink entitlements and concessional status.

There are two difficulties here:

- Firstly, it has the potential to create two classes of citizens and stigmatise the users of Centrelink services and concession card holders.

- Secondly, some people move in and out of the Centrelink system, mostly as they gain access to jobs. If the photo was optional for non-Centrelink consumers, it is conceivable people may choose to change their card multiple times which would add to cost and complexity.

Option 2 – no photo required on the chip or the face of the card but the consumer being asked to present other photo identification

KPMG understands that one option suggested by privacy advocates during consultations would be not to require consumers to have the photo on the face of the card but to require them to present a form of photographic identification such as a drivers licence or passport when they present for a service at a DHS agency.

KPMG sees two problems with this option. The most fundamental of these is that it does not meet a common sense test. If it is acceptable to bring in some other form of photographic identification, why is it not acceptable to have the photo on the card itself?
Another problem is that it will drive inconvenience and more confusion. Some people such as very elderly people, do not have a drivers licence or a passport. These consumers will then be confronted with potentially a low standard of POI and the potential for different business rules to be applied for service access, depending on what level of photographic identification they can produce.

KPMG recognises the importance of choice. However, choice must be real and consumers must be made aware of the problems of appearing to create choice and when consumers present for a service, they are actually confronted with confusion.

Option 3 - photo on the chip only

Another option is to have the photo in the chip only and, as part of the rollout of infrastructure, purchase card readers capable of reading photographic images.

KPMG considers this is unsatisfactory because:

- As stated, card readers capable of reading a photographic image will not be uniform in the HSS service system. The cost of providing readers capable of displaying photographic images for all providers in the DHS service system would be high. As stated, different access points and different business rules would creep back into the system

- If the photo was in the chip only, it would need to be in the ‘public zone’\(^{17}\) to enable access without a Personal Identification Number (PIN). Anything stored in the ‘public zone’ is potentially vulnerable to being captured electronically without the permission of cardholders

- If it is in the ‘closed zone’, consumers would need to access it with a PIN

- Given that people will not use this card as frequently as they use banking cards, people will forget their PIN and cause delays at the chemist or at the doctors and will be forced to get a new PIN from a call centre. It is simply not a practical solution.

Option 4 – Photo on the face but not on the chip

A further option put forward is that the photo is on the face of the card but not on the chip. KPMG believe this option could work providing that:

- People were given a choice to put it on the chip

- It must be stored in the SCRS

- There are few exceptions to having the photo on the face of the card.

\(^{17}\) Descriptions of the public zone and close zone are in D.1.3
However this option introduces two risks:

- The card face may be damaged or defaced and the photo not visually recognisable. Without the photo on the chip, agencies cannot quickly verify the identity of the cardholder.

- The face of the card is the most vulnerable for interference, e.g. changing the photo on the face of the card.

We advise that from an enhanced POI and fraud prevention perspective, not having a photograph on the face of the card, on the chip and stored in the SCRS is a sub-optimal outcome and would dramatically undermine key elements of this business case.

We advise that having a system designed around different business rules, depending on whether a card reader is capable of reading a photograph image or whether consumers can produce other forms of photographic evidence, is not practical and will result in continued or more complexity.

3.7.3 Biometric identification

3.7.3.1 Introduction

KPMG was asked to consider different forms of biometric identification and to recommend a form of identification most suited to the HSS initiative and in particular, to a key objective of being able to authenticate a user and confirm their entitlements.

As with photographic identification, we gave particular consideration to the types of service settings where people would access services. We were conscious that people would be accessing many services through a pharmacist, at a medical practitioner’s surgery and at a DHS office. KPMG was concerned that whatever form of identification chosen, it must be easily and uniformly used in all those service settings, and wherever possible, should not presuppose a high level of training or a capacity to access a wide variety of technology.

KPMG was also very conscious of the obvious privacy considerations of any biometric information. That is, the level of intrusion and how information would be used, stored and collected.

This section deleted for Cabinet in confidence reasons.

We conclude that the level of identification proposed for the HSS initiative is firstly a significant improvement on current arrangements and secondly that it is fit for the purpose of accessing health and social services entitlements. We argue that the proposed identification can be easily and reliably used in the service settings proposed in this business case. The majority of service settings will be face-to-face and in these circumstances the most practical, acceptable and reliable form of authentication is the service provider accessing a photograph on the face of
the card or on the chip and confirming the identity of the person they are assisting. In the remote service settings included in this business case, authentication is achieved through the use of Secret Questions and Answers. Furthermore, we have provided for the introduction of a PIN and digital certificates to allow digital signing of transactions and forms.

Any expansion beyond this to include use of biometric identification at the point of service provision is not regarded as necessary for the types of services to be accessed. It will add to the cost of the HSS initiative, it will inconvenience customers and service providers and it will be highly contentious from a privacy perspective.

Finally, we argue that if it is accepted that it is not practical or desirable for other types of biometric analysis (e.g. an iris scan or fingerprint) to be used in a medical practice or a pharmacy, then it is not appropriate to collect that information at the point of registration. If biometric information is collected at registration but not used in the majority of service settings, there are legitimate and compelling privacy issues about collecting it.

3.7.3.2 The proposed form of identification

To recap, KPMG recommends capture of a high-quality photograph of the primary cardholder for storage on the SCRS, on the chip and as a printed image on the face of the card. We also recommend capture of the primary cardholder’s signature for storage on the SCRS and on the face of the card. While these are not machine-readable biometric identifiers, they do allow a service provider or agency staff to verify the identity of the cardholder in face-to-face service settings.

When the DHS wish to introduce a more uniform and wide set of on-line services in the future, the smart card already has a PIN capability loaded.

In each case, whether on-line or face-to-face, the service provider or agency can have confidence in the identity of the cardholder. This confidence comes not just from the fact that the photograph matches the cardholder or that the card and PIN combination is valid, but from the registration process itself: the photograph is taken by the registering agency and is linked to additional forms of identity documentation required for registration. Additionally, the PIN is generated, encrypted and stored in the chip in a highly secure environment.

KPMG does recommend use of a facial biometric template in order to identify duplicate registrants prior to issuing a card. This template is generated from the cardholder’s photograph and is stored within the SCRS. Separate to the HSS initiative, we also note that Centrelink is piloting natural language speech recognition (NLSR) which has clear benefits for telephone-based services.
3.7.3.3 **Overview of use of biometric identifiers**

KPMG reviewed a number of different forms of biometric pattern recognition including: face, fingerprints, hand-geometry, iris and voice. In each case a number of reference images or recordings are captured at the time of registration for the card. Software converts these images to an average mathematical representation called a biometric template.

When a customer requires identification at a pharmacy, medical practice, or agency service counter, an image of his or her face, hand-geometry, fingerprints, iris or a voice sample is recorded again. This would require provision of the scanning or recording device at or near the service counter so the customer can provide a scan. The biometric template values of this record would be processed and compared to the template stored in the SCRS at the time of registration. The SCRS would then send back a message to indicate either acceptance, rejection or a request for some further action on the part of the service provider.

A simple ‘Accept’ or ‘Reject’ decision will not be possible in all cases as some biometrics, eg., fingerprints or hand, generate some level of false rejection and false acceptance. This differs markedly based on:

- The biometric identifier used
- The different underlying technologies, methods and algorithms employed (e.g. use of eigenfaces versus Local Feature Analysis and Skin Texture Analysis when processing face templates)
- The environmental conditions under which the biometric record was taken (e.g. processing volumes, light conditions, cleanliness of fingers, etc).

In these circumstances, business rules would need to be established within the SCRS to determine how to manage cases where a unique high-probability match could not be achieved. These rules might vary depending on the risk and value of the service or entitlement being sought. Rules might include requesting another, better quality scan from the customer, requesting an alternative biometric or other form of proof of identity, or simply accepting a lower level of certainty regarding identity.

3.7.3.4 **Section deleted for commercial reasons**
Conclusion

In order to provide strong authentication that is fit for purpose in a health and social services delivery environment, the customer should be identified using a combination of identity information – biometric as well as non-biometric. Currently, authentication relies on the customer providing non-biometric identifiers such as name, date of birth and residential address. By adding a machine-readable digital photograph, DHS can achieve a robust POI that is fit for purpose that can be achieved with minimal change to the processes followed at service delivery locations.

The photograph is a biometric identifier that is easy to carry on the face of the card, thus providing an unobtrusive, human verifiable POI. It is easily converted to a facial biometric template for use in identification of duplicates during registration.

The use of other biometric identifiers is not recommended. They are not fit for the purpose of providing acceptable, unobtrusive yet strong authentication in a health and social services delivery environment:

- Voice recognition (Natural language speech recognition): We note that Centrelink is piloting NLSR which has clear service access benefits in a call centre/ telephony environment but based on the usages identified as part of this business case voice recognition is not required for the HSS initiative;
- Iris scan: While this technology is the most accurate form or biometric, it is also the most expensive to implement and operate. Iris readers are expensive and cumbersome to install and maintain. Iris scans are generally used as a physical access control mechanism to highly secure physical facilities, not in pharmacies; and
- Fingerprint scans: The Australian community will perceive the collection and use of multiple fingerprints when transacting with doctors and pharmacists as obtrusive, invasive and unfamiliar. As a biometric identifier used in a high volume environment, fingerprints are known to have a higher false rejection rate due to the need for the scanning equipment to be kept clean.

3.7.4 Alternatives to the HSS initiative

KPMG was asked to consider whether there were other approaches which could achieve similar outcomes and benefits as the HSS initiative. We have considered those alternatives recognising the system needs to be improved and against the objectives of improving service delivery, addressing fraud and improving the efficiency of DHS agencies.

We believe there would be a number of alternatives to the HSS initiative which include:

- Maintain the existing system and continue to implement the various individual agency service improvements and reforms already underway
- Replace the Medicare card with more advanced smart card technology and leave the other agency cards and systems as they are
• Improve the POI and registration processes in DHS agencies, particularly Centrelink and Medicare but retain the existing cards

• Introduce an identity card which amongst other things would be required to access health benefits and social services. (Not in scope for this business case)

• Move to a fully electronic service system which does not require any cards or vouchers (Not in scope for this business case)

We have set out the issues associated with each of these options and our own assessment below:

Option 1 – Retain existing arrangements – status quo

It is certainly an option to continue to concentrate expenditure and effort on the existing programs and there is no doubt many of these are extremely effective. It is fair to assert however, that they serve a different purpose as agency specific initiatives rather than trying to improve access to health and social services more generally, or in a coordinated fashion.

Not surprisingly, these initiatives tend to be shorter-term in focus and do not address whole-of-government opportunities, unless it is from the perspective of the individual agency concerned.

The option to retain the status quo presents a number of additional challenges.

The first of these is that in all probability the existing Medicare card will need complete replacement in the next decade. This will be driven by the lack of security and reliability of the magnetic stripe and the move away from this technology by the financial services sector.

Unless this is addressed it will leave the Medicare card vulnerable to criticism that it is a weak link in terms of electronic health record interactions and out-of-date with contemporary reader and network infrastructure being adopted by service providers and the financial services sector. This is likely to be a particular difficulty if the government wants to drive further efficiencies in Medicare claiming and electronic funds transfer.

If one accepts that the current Medicare card needs to be replaced the status quo option is not a no cost option. Any replacement of the card will come at a higher cost because the chip based card is more expensive. Assuming current rates of replacement of 1.4 million per year and estimated costs of this type of technology of $7.50 per card then the additional cost to the system is $73.5 million over the card’s seven year life for the Medicare card alone.

Option 2 – Replace the Medicare card

If there is agreement that the Medicare card needs replacement with a better card, then the government would need to deal with a number additional of issues.

Firstly, if a more advanced card is simply mailed out to existing cardholders with no uniform registration process and no strengthened POI, then the problems which exist with the present...
Medicare card (i.e. it is very difficult to authenticate its user) remain and will be entrenched for the next technology cycle.

Secondly, if in addition to a new card, a strengthened registration and POI process is introduced, but only undertaken as cards expire, then dual systems would operate. That is, new customers will have strengthened POI but most will not. This could generate different business rules and standards of service amongst agencies.

Thirdly, if there was agreement that the card needed to be replaced and that this needed to be underpinned by strengthened POI, then government would need to design a uniform registration process and, a means of collecting, storing and accessing information collected during the registration process.

If this course was followed, the question would need to be asked about why the opportunity would not be taken to rationalise some of the other cards in the health and social services system. This is especially the case for those cards that perform a related function to the Medicare card of granting some form of further health concession (a total of 11 cards).

If a decision was taken not to simultaneously rationalise the number of similar cards then the opportunity to take advantage of more advanced technology and substantially improved storage capacity would be lost. The Medicare system would be characterised by a more advanced chip based technology leaving the social services system dominated by multiple paper based and plastic cards.

Option 3 – Improve the POI and registration processes in existing agencies

A further option for consideration would be to continue with the current card arrangements and require agencies to strengthen registration and POI requirements. This could take place when existing consumers access services at Centrelink, present at an office for Medicare claims, or when Medicare cards expire.

It is important to acknowledge that Centrelink have already made substantial progress since 1998 in registering new customers with strengthened POI. 19

The issues which arise from this option, however, include:

- With the exception of Centrelink, which has more regular contact with consumers, this could be a slow process
- Dual systems would operate both within agencies and between agencies and potentially different business rules for services access being adopted depending on the levels of confidence with POI
- From a fraud perspective unless there was some time period by which both consumers of Medicare and Centrelink services are required to register, those who are defrauding the system could in some cases simply avoid re-registration

19 Centrelink requires a commencement of identity document and 100 points to register a new customer. As an additional measure, Centrelink has been retaining copies of these documents since 1998.
Also from a fraud perspective if re-registration with strengthened POI was done in an ad hoc or incremental way, the opportunity which the HSS initiative presents of uniform registration over a 24 month period and the capacity to achieve a clean slate in the basic information held about consumers, would be missed.

If on the other hand, a decision was taken to require a uniform registration process and strengthened POI for say Medicare and Centrelink consumers then many of the same challenges which the HSS initiative presents would remain. These include:

- The question as to why agencies such as Department of Veterans’ Affairs and other DHS agencies who have clients in common with Centrelink would not be included in this initiative.

- If one registration process was necessary it would be essential to:
  - Decide what agency would lead the registration process
  - Agree the standards for proof of identity and how basic information would be recorded and then accessed by other agencies
  - Make a decision as to whether as a result of re-registration new cards will need to be issued (which will be inevitable in some cases given changes in circumstances) and then what form these cards should take and whether smart chip technology would be deployed.

**Options 4 and 5 — Introduce an ID card or move to a fully electronic cardless system**

KPMG was not asked to look at the introduction of an ID card or to propose an electronic system that removed the need for any cards. However a common feature of both these approaches is a much greater level of systems and business process reform across all of government and, in all probability, a greater emphasis on biometrics. Both approaches would be inherently more costly and more contentious.

While there would undoubtedly be potential benefits to the delivery of health and social services benefits, KPMG does not consider that the cost and contention of such approaches would be warranted for a health and social services initiative such as that proposed.

In summary, KPMG believes there is some inevitability to substantial change to access arrangements which could lead to a somewhat fragmented process which would take longer, require dual systems to be maintained for a longer period but end up not far from our recommended HSS initiative.

That is, a potential rationalisation of the number of cards across DHS agencies, a higher standard of POI under a uniform registration system and a process for collecting, storing and access the registration data. Therefore we believe the additional benefits gained under the shorter term and integrated HSS initiative present the best opportunity to improve service access and address fraud and respond proactively to the inevitable technology changes which will occur.
3.8 Conclusion

When the Prime Minister announced the creation of the Department of Human Services (DHS), he made service delivery a policy priority. He stated that the rationale for its creation was to have a focus on service delivery. Specifically he said “You might call it a department of service delivery - one of the things we lack in the public service both at a Commonwealth and a State level is a consolidated focus on the efficient, timely and sympathetic delivery of service”.

Our conclusion is that if changes are not made, the present arrangements will not meet the Prime Minister’s objectives and there will be limited opportunities to maximise the intended advantages of a Department of Human Services (DHS).

More importantly, it is the most disadvantaged Australians, who are the most confronted by the complex system.

As outlined, KPMG carefully considered whether these problems could be addressed by the current initiatives underway or those currently under consideration in DHS.

Our advice is that without the HSS initiative, change and improvements to services will be slow, incremental, potentially inconsistent and will continue to build from the existing databases of inconsistent standards for POI. Similarly, technology changes will drive the replacement of these cards in any event. This presents risks to programs of add ons or technological band-aids rather than a comprehensive reform of the present system.

Our advice is that the proposed HSS initiative we now describe is the best choice to fast track much needed service delivery improvements and to build a platform for service integration and transformational change which could also be leveraged for other future government service initiatives.

Therefore, based on our findings that:

- there is a need to improve the current system
- there is stakeholder support for positive improvements to service delivery
- there is a genuine value proposition
- the HSS initiative will return a positive cash flow in years 5-10 and therefore presents no long term demand on the Budget, and
- our analysis of key threshold issues about the nature of the HSS initiative and the extent to which there are other practical alternatives available,

We submit the following recommendations for the government’s consideration.
4 KPMG recommendations

4.1 Government should implement the IISS initiative

There is a business case for the introduction of the HSS smart card initiative. The smart card, the corresponding registration system, strengthened POI and the functionality we propose should proceed to implementation. This recommendation is based on:

- A clear value proposition for the introduction of the initiative as a service access and entitlement card
- Upfront and operating costs can be justified, particularly if this initiative is seen as an infrastructure investment, not a one off IT project
- The introduction of this initiative can occur with minimal disruption to agencies and service delivery
- The initiative can build on and strengthen the program of substantial improvements to service delivery and back office capacity building underway in DHS agencies and DVA
- The HSS initiative is probably the best platform that Medicare and Centrelink has had to address fraud and other leakage
- The HSS initiative described in this business case represents an acceptable level of risk for a project of this size
- The HSS initiative provides an opportunity to introduce a range of privacy enhancing features for individuals accessing health and social service benefits.
- Whilst KPMG understands there are privacy issues which need to be managed, we believe the HSS initiative provides an opportunity to introduce a range of privacy enhancing features for individuals accessing health and social services benefits.

4.2 Implementation timeline

KPMG recommends a three and a half year timeframe which includes 18 months of planning, design and build of the HSS smart card solution and a 24 month registration period. KPMG proposes a start date for registration in 2008. We make this recommendation on the basis that there are potential risks if the timeframe is protracted. There will need to be additional resources targeted to registration and these costs will potentially blow out over a longer timeframe. Similarly, during the rollout period, DHS will be required to run dual systems. This will be very costly if the timeframe is unnecessarily long. Finally, the longer the registration period takes, the longer the community has to wait for the benefits to service delivery we have identified.
KPMG has taken a bottom-up approach to planning the implementation program by identifying tasks and key dependencies and estimating the duration of key phases of implementation. It is important to recognise that many elements of implementation will need to proceed in parallel. We sought comparable overseas examples to validate our implementation timeframe but found no uniform models for implementation. The most comparable programs are the health benefit card schemes of other OECD countries. In these initiatives, existing health cards are replaced over a much longer timeframe as the cards expire. Importantly, these schemes typically rely on existing national POI schemes and do not require the registration infrastructure and processes that allows the HSS initiative to establish a robust POI.

Detailed milestones deleted for commercial reasons.

4.3 The HSS Initiative should be required to access benefits and claim Medicare rebates

Registration for the card should be required to access a Centrelink entitlement, obtain concessional benefits, receive a Medicare rebate, PBS benefit or PBS safety net. We consider that the value proposition for the introduction of the HSS initiative will be severely diminished if the card is made optional. We advise that making the card optional would deliver only marginal improvements on current arrangements and a business case does not exist for the HSS initiative if there are dual systems operating in perpetuity.

Citizens who elect to pay full fees for Medicare services and do not wish to claim a concessional benefit, Centrelink entitlement, or PBS safety net access, will not need to register for the card.

Following the rollout of the card, Centrelink customers who fail to register (after appropriate follow up) would have their benefits suspended until such time as they register.

We recommend that DHS and Centrelink in particular will need to identify categories of citizens for whom this would not apply. For example, it should not apply to citizens such as the very elderly and infirm and people with severe and permanent disabilities. That is, those categories of customers who already have established a permanent and continuous entitlement to benefits must be treated sympathetically in the rollout phase.

Similarly, people wishing to claim a Medicare rebate, who have not registered initially, would need to do so before claiming the rebate.

KPMG recommend that DHS establish protocols for assisting people who need an urgent health service who do not register for the HSS card.

4.4 Registration for the HSS system

A uniform registration system should be established as part of this initiative and, as stated, the initial registration be conducted over a 24 month period.

For costing purposes, KPMG assumed the registration process would be carried out in Medicare offices (9.5 million expected) in Centrelink offices (6.5 million expected) with other outlets
providing additional services where required. The registration facility within each office should be branded separately from the DHS agencies.

4.5 Strengthened POI

Robust POI should be required in order for a consumer to register for the HSS initiative. The following three requirements have been prepared in consultation with the Attorney General's Department:

- A new minimum POI standard which, amongst other strengthened requirements, will include a requirement that consumers provide substantial documentation, that they register and have their photo taken and that these photos would be matched with their scanned documentation.

- The implementation of a known customer policy. This recognises that some citizens already have substantial POI and established relationships with agencies. It is intended to make the registration system more convenient without compromising the integrity of the enhanced POI requirements. The known customer policy relates only to the level of documentation required. Consumers registering for the card will still need to present for an interview and photo. KPMG have assumed full registration of all registrants in the HSS system in costing estimates. Should the known customer policy be adopted, the cost of the registration process would be reduced.

- A tailored POI standard and registration system that caters for the needs of key groups and those people in the community who are simply unable to meet the POI standards such as the homeless.

Our proposals recognise that many citizens have varying levels of POI documentation. In light of our proposal, and as this is a material driver of cost, DHS working with Attorney General's should immediately finalise the known customer policy and the relevant data analysis required to identify the number of citizens in this category.

4.6 Cardholder photograph and use of other biometric identifiers

A photograph of the cardholder should be stored in the chip, in the proposed client record held on a back-office system which will support the HSS initiative, and on the face of the card.

Other forms of biometric identification, such as fingerprints or iris scans are not necessary to support the introduction of this card which is a service access and entitlement card.

4.7 Governance and program implementation

KPMG advise that governance arrangements should recognise that this is a whole of government initiative. It is also a program of change, not an IT project.

It is recommended that the following governance and project implementation arrangements be put in place:
A single implementation unit be established which, for the purpose of this business case, is called the HSS Smart Card Management Authority (CMA). It would have a board made up of the Secretary of Department of Human Services, the CEOs of Medicare and Centrelink and the Secretaries of agencies including Prime Minister and Cabinet, Finance and Administration, Health and Ageing, Attorney General’s, Department of Family, Community Services and Indigenous Affairs and the Federal Privacy Commissioner. The management authority would be made up of staff from DHS agencies and other relevant government agencies. Its role would be to drive detailed implementation and drive the whole of government rollout of the initiative. It is assumed that it would be located in DHS but this is ultimately a matter for the Minister and Government. It would need to have an upfront and ongoing role and should be resourced accordingly. It should be noted this is not intended to be a separate statutory agency but a separate agency within the DHS Finance portfolio.

KPMG recommend that an external firm with relevant program management capability be engaged to support the implementation of the project. This role would be located in the new authority. KPMG advises that this role should be sourced from the private sector to ensure a strong commercial discipline is in place in the implementation. It should be stressed this is not about contracting out a function – it is about a strategic alliance to bring an independent and experienced focus to the task.

The establishment of a stakeholder advisory body reporting direct to the Minister and chaired independently.

Its role is to:

- Provide a single point of coordinated stakeholder advice to the Minister
- Provide a stakeholder oversight of implementation and coordination across the various sectors that have an interest in the HSS initiative
- Provide advice to government to ensure business rules and detailed design reflect consideration of the privacy issues raised
- Advise on the communication, education and training arrangements
- Provide the Minister with advice and make recommendations on any proposed expansion to functionality and scope.

KPMG noted in consultations that other parties had recommended a form of advisory or oversight body be set up to support implementation.

Finally, KPMG recommend that the Minister for Human Services must remain the single point of accountability for the HSS initiative. That is, decisions about timeframes and decisions about changes to scope must reside with Government. It is critical that the right balance be struck between stakeholder engagement, community consultation and ensuring that the initiative is implemented efficiently so that consumers can realise the improvements to service delivery.
4.8 Communications strategy

KPMG recommends that the communications component of implementing this initiative must be substantial. KPMG has prepared a broad communications strategy as part of the business case. The communication plan for the proposed HSS initiative should include:

- An overarching whole-of-community communications program that provides factual information about the new registration system and smart card, including its functionality, the timetable for implementation and reassurance about the privacy integrity of both the card technology, DHS databases and the registration process.

- Targeted communications to key stakeholders and their constituents informing them of the functionality offered by the access smart card.

- Involving DHS agency staff to support and assist with the implementation of communication activities.

- A call-to-action communication program in the lead up to and throughout the implementation/registration phase, targeted to whole-of-community and specific audiences.

4.9 Additional functionality

KPMG recommends that any proposals for expansion of functionality in the short or medium term will need to be accompanied by a cost benefit analysis, a conceptual design and consideration of privacy and legal matters.
5 Background to the preparation of the business case

5.1 Government decision
In October 2005 the Government asked the Minister for Human Services to submit a detailed business case for the introduction of a health and services smart card that would:

- Replace the current Medicare Card, veterans' health cards, and various Centrelink cards and vouchers
- Have the primary purpose of accessing health and social services benefits delivered by the Department of Human Services (DHS)
- Involve smart cards being rolled out progressively over a period of approximately five years, commencing as early as possible in 2007

5.2 KPMG focus
KPMG was engaged in November 2005 to prepare the business case.

As part of our formal brief, KPMG was asked by the government to:

- Rigorously test whether a value proposition exists for the introduction of the HSS initiative
- Prepare a robust and detailed costing in close consultation with the Department of Finance and Administration
- Prepare a plain English explanation of the opportunities for fraud in the current system and the extent to which the HSS initiative would address fraudulent activity and other leakage
- Provide a conceptual design, IT design, detailed scope and functionality
- Design a common registration process with enhanced POI in consultation with the Attorney General's Department.

KPMG was specifically asked to examine two issues.

Firstly, whether the card and corresponding service system should be mandatory or optional.

Secondly, whether a photo should be mandatory and whether a photo should be displayed on the face of the card or only in the chip.
5.3 Methodology

Given the time available, KPMG focussed its methodology in the following three key areas:

5.3.1 Stakeholder analysis

KPMG sought to test assumptions with key stakeholders, identify short term and potential uses and users, and identify implementation issues and risks.

KPMG worked extensively with the DHS agencies of Centrelink, Medicare and the DVA, given this initiative will mostly impact on these agencies.

5.3.2 Systems and process design

KPMG concentrated significant effort on the conceptual design of the HSS initiative. This was necessary in order to validate the technical feasibility of the solution, identify the benefits, support the privacy impact analysis and generate robust assumptions to drive the costing and economic analysis.

KPMG has also focussed considerable effort on the registration process and increased POI requirements as these are significant cost drivers as well as forming the basis for a high integrity form of POI which drives many of the benefits in the HSS initiative.

5.3.3 Costing model

KPMG has built a detailed costing model, which is not available for commercial reasons.
5.4 Key considerations in developing the business case

In response to stakeholder feedback, KPMG set a number of parameters in the design of the HSS initiative. These were as follows:

- To design a system which does not require a complete re-working of the existing systems of DHS agencies and DVA; which does not require major policy and entitlement changes and which does not require an integration of the full data sets of DHS agencies and DVA

- To design a system which provides immediate improvements to service delivery

- To restrict functionality in the first instance to those service improvements that are practical, achievable, of value to the community, but which represent lower implementation risks

- To build a platform for more comprehensive service delivery improvements in the future

- To develop a conceptual design and economic analysis that enables government to test that functionality can be delivered and the key costs, benefits and cost drivers are transparent. This will provide government with choices in the implementation of the initiative.

KPMG considers this business case should be viewed as an infrastructure platform which can provide the basis for sustainable and ongoing improvement in service delivery.

KPMG considered many possible expanded uses for this card. Our advice is that the priority is to achieve more conservative but useful functionality over a shorter period of time rather than incorporate all the potential uses up front.

As stated in our recommendations, decisions to further expand services and functions must be accompanied by a separate cost-benefit analysis, a new value proposition and where appropriate, a separate privacy impact statement.
Part B – Description of the HSS initiative

6 Summary of the HSS initiative

This section outlines how the entire HSS initiative will work in practice. To recap, the HSS initiative is made up of the following elements:

- The introduction of a new chip based health and social services access and entitlement card to replace the Medicare card and numerous other DHS agency cards and vouchers

- The introduction of substantially improved POI arrangements to obtain the card and improved POI information on the card and in the chip in line with the Attorney General’s Department strengthened POI requirements

- The introduction of a comprehensive uniform registration program, for all consumers wishing to obtain the card which will involve, over time up to 16 million Australians

- The introduction of a new supporting registration service and common basic customer record which can be accessed by all DHS agencies. This will mean consumers only need to register once for a DHS service and only notify DHS agencies once of changes in household circumstances such as change of address.

In this section we take each of these elements and describe how the system would work in practice and particularly how consumers and providers would interact under the new arrangements.

6.1 The key features of the HSS initiative

In describing the HSS initiative, it is important to begin by describing the key features of the HSS initiative, including the card, and supporting technology infrastructure, the information that will be held in the system and how it will work in practice.

The features proposed direct how the system can and will be used. The proposed features also drive the security access and control points and provide the platform for immediate and medium term improvements to service delivery.

6.1.1 The card

The card will be a chip based card capable of storing information in three areas:

- On a magnetic strip which will contain the card number and cardholder name (this is a temporary measure to allow a transition to an environment where smart card readers are common place)

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20 While it is not expected that initial rollout of the smart card will be as high as 16 million, over time and particularly as the population ages and more people take up the opportunity of having a new card, the number of cards issued is likely to be in this ballpark
Note: The viability of the magnetic stripe must be tested as part of detailed design to ensure that
the access card aligns with the financial services sector and, if it is possible, to avoid
using a magnetic stripe so as not to entrench suboptimal technology.

- **On the face of the card** which will contain the card number, cardholder name, photograph,
signature, permanent concession data and the card expiry date

- **In the chip** which will store information in a number of zones with different levels of access
and security to ensure protection of information
  - The chip will contain cardholder name, photograph, address details, date of birth,
dependant data (identifiers, names and dates of birth), concession and safety net status
  flags and expiry dates, optional carer / legal custody status, optional organ donor status,
optional emergency contact data, optional personal health details (allergies, drug alert
notifications and chronic diseases) and the card expiry date.

The basic structure of the card and the information to be held in each zone and security
arrangements is set out at Attachment D (Attachment deleted for commercial reasons). The
card will have 64kb of memory, subject to detailed design confirmation.\textsuperscript{21}

6.1.2 **A new secure customer registration service**

It is proposed that the card will be supported by a new secure customer registration service
(SCRS). This will create a basic client record which effectively sits as a gateway between the
card and the specific agency data sets. The SCRS will be administered by the proposed HSS
card management authority.

\textsuperscript{21} This size was selected based on the initial functionality requirements. KPMG estimates that space of 22-23kb is
necessary for the photo and initial functionality. This could be scaled up to a 128kb chip if desired and subject to
pricing at the time of going to market.
Overview of interactions with the SCRS

Diagram deleted for commercial reasons and will be subject to detailed design.
One of KPMG’s design parameters was to avoid the need to integrate the data of all DHS agencies and to avoid relying on integration of the card with systems such as PBS online or HIC online which are currently not widely available and are voluntary.

The SCRS will contain all of the information on the chip, the magnetic strip and what is on the face of the card. It will contain a high quality digital photograph capable of biometric analysis. This is important to address identity fraud and prevent duplicate registrations.

It will contain a copy of the relevant documents provided for POI.

It will not contain any sensitive personal information.

It will not contain data which is agency specific, e.g. employment history, payments history, health service information or any agency specific identifiers.

The SCRS will perform the following functions:

- Be a single source of basic registration data, including demographic and household information for all DHS agencies and DVA

- Enable a once only registration and update for all DHS agencies and services and DVA, underpinned by uniform business rules about data, such as name and address format

- The SCRS will also back-up information that is on the card and if a consumer loses their card or it is stolen, they will not have to repeat full registration and POI process to obtain a new card

- When a consumer changes information such as address or household composition in one agency, it will be automatically conveyed to other DHS agencies or DVA. As per Information Privacy Principle (IPP) number 2, consumers will be advised that this information will be automatically conveyed to other DHS agencies and that where it may impact on entitlement and eligibility, they may be contacted by another DHS agency

- It will facilitate a new function which will allow access to an entitlement such as a voucher, (e.g. a hearing service voucher) or an entitlement can be triggered for emergency or one off payments which can then be obtained as cash

- The SCRS can be viewed in full by a consumer and for the first time a consumer can have access to the record of their basic demographic information held in one place - this supports IPP 6 (access to records containing personal information)

- Consumers will have an ability to update and change information such as change of address and voluntary personal information online or at a kiosk (i.e. a PC in a DHS agency). Where personal information is updated, this will also be updated on the HSS card. This also supports IPP 7 (alterations to records containing personal information).

KPMG advises that this basic registration database be subject to the highest standards of security and privacy control. DHS will need to develop business rules for the use and access to data in accordance with privacy principles and in consultation with the Privacy Commissioner and it would be appropriate if the SCRS received a high security classification by the Defence Signals Directorate.
KPMG believes the SCRS will underpin many of the service improvements we propose and that it can be managed in a secure, privacy enhancing manner.

6.1.3 Technology platform – smart card readers

It is important to outline the proposed technology platform for the introduction of the HSS initiative. Firstly, it is an important driver of cost. Secondly, and depending on the choices which are made, it is an important element to deliver the functionality which is required and the subsequent consumer benefits expected.

KPMG has made some assumptions in considering technology options including:

- An important part of the functionality of the initiative is to be able to access on the spot confirmation of concessional status by DHS agencies, DVA, pharmacists and GPs
- The focus of any provision of technology infrastructure must be on the DHS agencies, DVA and their service providers. No assumptions have been made about providing infrastructure to state based agencies or other private providers
- The rollout of the HSS initiative should not be dependent on integration with systems such as HIC online, PBS online or individual pharmacy or doctor’s practice management systems
- Service providers, doctors and pharmacists should not be expected to have multiple card readers at the counter
- Technology must be industry compatible and government should have choices about whether it or some third-party such as a private sector provider, owns the technology platform.

Against those assumptions, KPMG proposes three types of card readers.

DHS, DVA agencies

The business case provides for (part of sentence deleted for commercial reasons) readers to be located in DHS agencies. These would have full read and update functionality. Online access, picture display and transaction security would be provided by existing agency systems and infrastructure.

These have been factored into the costs for DHS agencies and DVA.

Allied health workers and ambulances

Arrangements will need to be made for allied health workers and ambulances to obtain access to inexpensive card readers.
Pharmacies and medical practices

A capacity to access real time concessional status and PBS safety net information is vital for medical practitioners and pharmacists. Sentence deleted for commercial reasons. The business case provides for the provision of networked readers capable of accessing real time concessional status and allows for associated transaction costs.

In deciding the appropriate type of readers for pharmacies and medical practices, KPMG considered the costs and benefits of a number of options outlined in Attachment E (Attachment deleted for commercial reasons).

Ownership of the network

KPMG believe it is essential to provide card reader infrastructure to pharmacists and GPs which is of a very high standard. We advise however that it is not necessary for the government to own and manage the infrastructure network.

This is particularly the case if the government wants to pursue electronic patient claiming in Medicare where EFTPOS compatibility will be essential and it may be more appropriate to have this network owned and managed by the financial services sector. KPMG's overall project costings would not be materially affected by the complete outsourcing of readers and associated transaction costs.

6.1.4 Information to be stored on the card or in the chip and on the SCRS

It is important to understand the type of information which is to be stored and accessed as part of the HSS initiative. This information will provide the foundation for many improvements to service delivery and will provide a capacity to better authenticate the user and more accurately check their entitlement.

6.1.5 Demographic and personal details

As stated, the card, the chip and the SCRS will contain basic demographic information about the citizen such as name, address and date of birth but will not contain any sensitive personal information.

6.1.6 Medicare number

The card will contain the citizen's current Medicare number, reformatted, where necessary to ensure that it is unique. This will be displayed on the face of the card and will be used as the cardholder identification. Additional digits will be added to the Medicare number to bring the format of the number in line with international standards – this will also enable the cards to be used in the EFTPOS network.

Dependants Medicare numbers will be listed on the chip but not on the face of the card due to the physical space limitations.

The Medicare number will not replace any existing agency identifiers.
6.1.7 Signature

It is proposed that there is a signature on a panel on the face of the card. The cardholder's signature will be collected and scanned at the time of registration. The signature will also be held on the SCRS to enable lost cards to be replaced.

6.1.8 Voluntary personal information

The chip will also contain voluntary information recorded at the option of the cardholder. This could include emergency contact details and medical provider contact details. This can also provide the citizen with an opportunity to enter personal health information such as allergies, drug alert, chronic diseases and organ donor status, in the same way that people currently carry health alert cards and medallions.

This data will be clearly labelled as personal information volunteered by the card holder, and in no way constitutes a clinical record.

This information will also be held on the SCRS to enable lost cards to be replaced.

6.1.9 On the spot checking of concession and safety net information

The smart card and the SCRS will support the on the spot validation of concession status at agencies and service providers. The concessions included within scope are:

- Permanent concessions such as DVA, age pensioners and seniors. Permanent concession status information will be printed on the face of the card and can be visually validated on the spot at agencies and service providers

- For temporary concessions for MBS, PBS and RPBS and safety net eligibility status for PBS and RPBS, concession status will be verified online whenever the card is docked in a card reader at a pharmacy of GP's practice

- Once the PBS or RPBS safety net is reached, the next time the card is docked, the chip will be updated to reflect this status. For subsequent visits to the pharmacy that year, the card does not need to be validated against the SCRS.

Medicare safety net checking has been excluded from the scope of this business case on Medicare Australia advice that its inclusion may create opportunities for over-servicing. The chip will contain a field for Medicare safety net checking which will allow easy inclusion of MBS should such an extension of use of the card be supported by a future business case.

While the HSS initiative will allow replacement of the PBS safety net entitlement card and PBS concession card, it will not track on a transactional basis, the progressive total for PBS safety net purposes. This is feasible but would need to be the subject of a separate business case.

6.1.9.1 How on the spot checking will work

For both concession checking and safety net checking, flags will be stored on the SCRS and on the card (in the chip) for each consumer. These flags will indicate for each concession type or safety net, whether the cardholder is entitled to receive a benefit or not. Each flag stored on the chip will also have an expiry date to limit the length of time a concession remains valid in circumstances where the flags have not been updated. The PBS safety net flag will expire on 31 December each year, in line with current policy.
The concession flags held by the SCRS are updated by Medicare and Centrelink systems; when a concession status is added, changed or deleted or a safety net limit is reached, these systems will pass an update message to the SCRS. Similarly, whenever the card is docked in a card reader at a pharmacy or at a GP’s practice, the SCRS will check the currency of the flag held on the chip and update it if required.

The HSS solution overcomes a number of issues which have prevented successful on the spot checking in the past. The system provides for a common, rigorous process of registration and maintenance of personal details across agencies. Currently, details of the same person are captured in different ways with varying degrees of rigour. This makes matching a person who presents at a pharmacy to his or her details on one or more systems very difficult.

The other key issue addressed by this business case is the provision of smart card readers and network communications links from pharmacies and GP practices to the SCRS which holds the concession data. The cost of providing the card readers capable of displaying and accepting keyed data along with the network communications access, is included within the business case.

These two front-end features of the system support the improvements planned by Centrelink and Medicare to provide timely concession checking. In particular, a real-time link is being developed between Medicare and Centrelink systems, planned for completion in June 2006. This will replace the current overnight batch update and will allow faster flag updates in the SCRS.

6.1.9.2 Section deleted for commercial reasons

6.2 How the HSS initiative will work in practice

6.2.1 Application – who does it apply to – what cards does it replace

- It is proposed that the HSS card replaces the Medicare card, health care cards, Veterans cards and various other DHS agency issued concession cards and vouchers. As stated, KPMG has identified that a total of 17 cards (including the hearing voucher) can be immediately eliminated with the introduction of the HSS card. The cards to be replaced or not by the smart card are listed at Attachment F (Attachment deleted for commercial reasons)

- The presentation of the card would be accepted as proof of registration and POI in all DHS agencies, DVA and their providers

- It is proposed that the customers of the DVA be included in the HSS initiative but that cards be personalised to reflect gold card, orange or white card status

- Further personalisation of the card may be necessary to reflect seniors card status to ensure these consumers can access their concessional status at any service outlet in any state without the need for multiple cards as is presently the case

- Access to the card will be the same as for the Medicare card, that is, available to persons who reside in Australia and are Australian citizens, holders of permanent resident status,

Sentence deleted for commercial reasons
some applicants for permanent resident status and specific categories of temporary visa holders who are covered under a Ministerial order. Consideration could be given to some personalisation of the card to reflect immigration status

- The card should be issued as a family or individual card. Each registered adult would normally be expected to have their own card and dependants can be listed on either or both parents cards

- From the age of 18 there will be a general requirement that registered dependants would obtain a separate card. This can occur at an earlier age if benefits are accessed in their own right prior to the age of 18 or on request from 14 years and 9 months (being the legal working age), and in other special circumstances, i.e. foster children

- The card would have an average life span of 7 years.

6.2.2 Core services

All DHS agencies, DVA and their service providers will recognise the card for identity purposes. This will require all agencies to agree to accept the card as POI and not require any additional documentation, other than to determine eligibility for specific entitlements or rebates.

Registration of the card will be required to obtain concessions, social services entitlements or Medicare rebates.

Once the roll out period is completed, consumers who fail to register (after appropriate follow up) will have any benefit they are currently receiving suspended and they will not be able to claim any HSS rebates or entitlements rebate until they register.

In respect of mail based claims which represent 3% of all Medicare claiming, a customer would be required to provide their Medicare number as per the current arrangements. The registration process and the capacity for the medical practitioner to authenticate the user will strengthen confidence in the number but this will not totally eliminate opportunities for fraud in the current mail based system, while ever it is maintained.

KPMG is conscious that if electronic patient claiming from medical practices is introduced, mail claiming is likely to be largely redundant.

6.2.2.1 Medical practitioners and pharmacists

Medical practitioners and pharmacists will be able to:

- Confirm the identity of a person where this is required

- Check concessional status and PBS safety net status

- Access emergency or health information volunteered by the cardholder.

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6.2.2.2 **Hospitals**

Hospitals will use the card in the following ways:

- Confirm a person’s identity where this is required
- Access personal information, such as emergency contact information, allergies, drug alert, organ donor status and chronic disease information

6.2.2.3 **Ambulance and allied health professionals**

Ambulance and allied health professionals will be able to:

- Confirm the identity of the person in an emergency
- Access personal health information, such as emergency and doctor contact details, allergy, drug alert, organ donor status and chronic disease information.

The card will be designed so that certain information, which has been specified by the consumer, can be accessed by anybody with a smart card reader if the information is stored in a public zone. If the consumer elects to have this information stored in the closed zone, the PIN will also be required to access the information.

6.2.2.4 *Section deleted for commercial reasons*

6.2.3 **Other Commonwealth agencies could utilise the infrastructure**

Whilst the initial scope of this business case is confined to DHS and DVA, there is no reason why the card could not be used by a consumer as for POI purposes to access services from other Commonwealth agencies in the initial roll out of the card. This would need to be, however, at the discretion of the cardholder.

6.2.3.1 **State agencies**

The card could be used by state agencies to establish POI and concession status. Responsibility for smart card readers will rest with State Government agencies if required and have not been costed in this business case.

6.3 **New services to be provided to consumers**

6.3.1 **Smart benefit – one off emergency or relief funds**

It is proposed to introduce a new service capability called ‘Smart benefits’. Smart benefits can be used to provide an electronic funds transfer with the card to individuals or groups of individuals for say, one off disaster relief or another specified benefit via ATMs/EFTPOS
terminals at banks and retail outlets. For people who are not currently Centrelink clients, this service will remove the need for them to provide bank account details for a one-off transaction.

For geographically linked disasters, e.g. a flood or fire, the SCRS could be used to identify people in the eligible region and could go as far as identifying the numbers of adults and children registered as living at a given address. In such instances, people would automatically receive the funds they are entitled to and they would not have to go through a separate application process, including proving who they are and where they live. Additionally they could have the flexibility to access their funds from a bank or retail outlet and avoid having to go to a Centrelink office or any other DHS office.

6.3.2 Smart benefit – elimination of hearing vouchers

The new HSS initiative and process is proposed to provide a capacity to replace paper based vouchers. Initially this is proposed to be limited to replacing the hearing vouchers used by Australian Hearing and other providers and issued by the Office of Hearing Services. However, the capacity will be put in place to issue additional vouchers if desired.

At present, holders of a pensioner concession card, DVA gold or white card and recipients of a sickness allowance can get access to a paper voucher from the Office of Hearing Services. This allows them to have a hearing test and where necessary, obtain a hearing aid. At present the voucher can take 4 to 6 weeks and on average is issued in 2.2 weeks. The HSS initiative will remove the need for the paper voucher as the entitlement information will be stored on the chip. Some 192,000 vouchers are currently issued each year. It is recognised that collaboration with the Office of Hearing Services will be necessary to achieve this change in business practice.

6.3.3 Additional online and self service capability

The HSS initiative will improve the security and availability of moderate risk self-service facilities using the internet (e.g. via an agency website or, in the future, via a common portal) and agency kiosks (personal computers in DHS agencies connected to the SCRS). Kiosk facilities will provide self-service facilities to consumers who do not have access to internet facilities. The kiosks will be able to pre-populate forms (currently there are 520 forms for Centrelink alone) with identity information upon card insertion into a smart card reader and could be used to reduce the number of forms required, save time and reduce effort. Consumers will be offered a choice of communication channels to provide notification of a change in demographic details. Higher risk transactions, such as address changes, will require a PIN.

Unlike current processes the new process will enable change of details to be made once – the SCRS will then notify each DHS agency and DVA of the change in consumer details, thereby maintaining consistency of consumer information. Given that Centrelink alone deals with 60,000 changes of address per week, this is considered to be an important service to be provided in the first stage rollout.

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24 This functionality will be developed in consultation with the Department of Health & Ageing and an officer of Hearing Services.
In addition, the HSS initiative will provide the capacity to fill out forms and make claims online. This will require a minimum of two factor authentication and the potential use of digital signatures.

Therefore substantial efficiencies which are currently limited by an inability to move to technologies that provide strong authentication and non-repudiation in an online environment, will be able to be realised. A smart card enables the use of cryptographic techniques which will provide higher order form of authentication by providing a second factor (something you have).
Proof of identity

7.1 Introduction

The HSS initiative must be underpinned by a more stringent, more rigorous and more uniform requirement for POI.

KPMG was conscious in preparing the business case that the Attorney General's Department has yet to complete detailed work on the known customer model as part of the broader framework for a national identity policy.

It has therefore not been possible to prepare detailed design specifications for POI. Instead we have set down some principles and standards which government will need to consider in the detailed design and business rules to be adopted by DHS and Attorney General's.

We advise that the POI requirements for the HSS initiative must be fit for the purpose of accessing health benefits and social services. While this proposal is not for an identity card, it is necessary to ensure that the registration and POI processes are appropriately rigorous to ensure that this registration can subsequently be relied upon by all DHS agencies.

Any inadequacies in that registration process and the initial POI requirements will be entrenched in the system. This has the potential to undermine the capacity to address fraud if not handled properly.

Conversely, a strengthened set of POI requirements in the context of a services access and entitlement card, must recognise that a proper balance needs to be struck between POI integrity and an unacceptable level of inconvenience experienced by consumers in having to locate a wide range of documentation and the obvious privacy considerations involved in this type of registration process.

Finally, both the standard of POI and the process of registration must be sympathetic to those people in the community who are unable to attend an office for an interview, or simply cannot provide an adequate level of documentation due to age, homelessness, illness or other exceptional circumstances.

Against these considerations we have put forward the following:

- A suggested minimum set of standards which should apply
- A discussion of some issues which need further consideration around the known customer model
- A suggested approach to dealing with special categories of citizens who are simply unable to satisfy POI requirements.
7.2 Minimum standards

7.2.1 Overall system

KPMG advise that the POI system for registration for the HSS initiative should be based on the following:

- Visiting a Centrelink, Medicare (or possibly other outlets) to register

- Having a photo taken at registration, not present a photograph taken in another location for another purpose, e.g. passport photo

- Presenting a minimum level of documentation (this will vary depending on the application of the known customer model), however we have suggested some minimum requirements for consideration

- The agreed documentation required to be retained as per Attorney General's guidelines being scanned and held in the secure customer registration service

- The agreed documentation being verified with the Document Verification Service (again, the extent to which the DVS is required will depend on the prior application of the DVS in any known customer model) – refer 7.2.4

- The photo, the agreed documentation and the information which is collected at the time of registration being collated and stored together to create a more robust record of the registrant. This will be stored on the SCRS

- The photo being subject to digital matching with all photos held in the SCRS to confirm that the same individual has not created multiple identities

- Finally, some data entered into the SCRS at the time of registration would be immediately validated, particularly the address information, which should be checked against a Government National Address file to confirm that the address provided is a valid residential address.

7.2.2 Uniform standards of classification

KPMG advise that an initial and urgent task for DHS agencies will be to agree some uniform standards for collating information at the point of registration. At present there are different standards for recording a name, e.g. John Andrew Smith may be John Smith in one agency, John A Smith in another, and so on.

KPMG is cognisant that there are some policy and legislative requirements to differing classifications of dependants, but it will be essential that the opportunity to create different agency specific records alongside the SCRS be avoided.
7.2.3 The minimum standard of documentation

There are currently different standards in agencies for the type of documentation required. Since 1998, Centrelink have substantially improved their requirements. New registrants must provide a Commencement of Identity (COI) document and 100 points. In addition, Centrelink now copies and stores this documentation albeit in paper form.

Whilst this is a matter for Government, KPMG advise that the most robust approach to support the overall model is to require consumers to present a COI document and other documentation totalling 100 points. Set out at Attachment G (Attachment deleted for commercial reasons) is a description of the types of documentation necessary to achieve this criteria.

The HSS registration process should however set the highest requirement for any system at present by both requiring this level of documentation, by the matching of documents with photos, by the role of the DVS (set out below) and by the collation of all this material in the SCRS.

7.2.4 The document verification system (DVS)

A DVS prototype has been developed and is the subject of separate consideration by Government. It is assumed that the DVS prototype application (or similar functionality) will be available to interface with SCRS. The DVS can verify that the document presented was issued by the originating agency to the specified name. The purpose of the DVS check is to validate the authenticity of primary POI documents.

7.3 Issues to consider

7.3.1 Known customer approach

Attorney General’s are developing an approach to identity matching that could be used to establish known customers which includes relevant privacy considerations. This approach would look for consistency of information stored across a range of agency registers.

The basic premise is that if a name, address and date of birth (DOB) were consistent across several agency registers, (including the name and DOB from the Births, Deaths and Marriages register), then a very high level of confidence could be placed on this identity. In situations where name and DOB were consistent but address varied between different agency registers then a slightly lower level of confidence would be placed on the identity. In situations where there were inconsistencies in terms of DOB, addresses and/or surname changes then a low level of confidence would be placed on the identity.

To use the identity matching approach, rules would need to be established on the minimum level of identity for a person to be classified as a known customer.

At this stage, the business case has not used the Attorney General’s identity matching approach to establish known customers.

KPMG advise that careful consideration be given to the known customer approach which should only relate to the standard of documentation to be presented by a consumer at the interview.
We suggest that any policy must consider the trade-off between inconvenience and problems associated with fraud.

7.3.1.1 **Building on existing approaches**

KPMG noted the existing arrangements in place for both Veterans and Centrelink. These should be factored into the finalisation of any known customer policy.

**Veterans**

KPMG recognise that some consumers such as Veterans have a high level of confidence of POI. Existing DVA cardholders will be classified as known customers. Current processes at DVA require a rigorous assessment of war service and war-related injuries prior to issuance of a DVA card. Registration for the smart card could be achieved through presentation of the DVA card and photographic evidence or other COI document.

**Centrelink**

An option would be to build on the existing Attorney General’s arrangements which have been applied in Centrelink since 1998.

To recap, Centrelink requires the provision of a COI document and 100 points. Copies of these documents are kept in Centrelink records.

If this model were accepted then a known customer model could be quickly implemented with a more streamlined approach based on the two categories of known customers which are outlined below. We must emphasise again that a known customer is about the extent of documentation required. It does not remove the requirement to attend an interview, have a photo taken and have both documentation and photo scanned in the SCRS.

Implementation of Centrelink categories as per agreement with Attorney General’s would be as follows:

- **Tier 3 known customers** - COI documentation previously provided was typically a birth certificate or passport and 100 points of COI or Use of Identity (UOI) documentation. To register for the new HSS initiative, this group will only need to provide photographic identification or other COI documents

- **Tier 2 known customers** - COI documentation previously provided was typically a birth certificate or passport and 50 points of COI or UOI documentation. To register for the new HSS initiative, this group will need to provide photographic evidence of their identity or other COI document together with UOI documents that total 50 points.

Notwithstanding the considerable work done by Centrelink, it may be more appropriate to adopt a risk based approach rather than rely solely on whatever form of documentation exists in an agency system at present. Prior to the implementation of any known customer policy, proposals should be checked against the analysis of opportunities for fraud and the potential for that fraud to be entrenched in the system.
Medicare only clients

A suggestion put forward in consultations is that the standard of POI might be different for citizens wishing to access medical rebates only (not bulk billing or concessions). This would attempt to recognise that this group may not achieve the same level of benefits of the HSS initiative compared with those who are consumers of Medicare, Centrelink and Veterans.

KPMG would still consider this a sub-optimal outcome.

There are many Australians who move in and out of the health and social services systems. This is not always a predictable occurrence. Similarly, when government decides to provide citizens with one off or additional benefits particularly to those who are not Centrelink customers, they will need to update their registration and provide additional POI. This removes one of the key benefits of the HSS initiative which is a seamless and efficient system for government to provide services.

The implementation of this option could result in considerable duplication of activity and confusion amongst customers.

Finally, KPMG would strongly advise that any variation of POI for Medicare customers only be confined to that documentation required to register for the card. It should not extend to variations to the requirement for a photo to be on the face of the card. As we have previously outlined this would potentially add considerable cost and complexity to the system. Citizens would also need to be made aware that their card would not have the same utility if they don't go through full registration.

7.3.2 POI standards for exceptional circumstances

7.3.2.1 Australians living overseas

Arrangements would be made for consulates overseas to register the Australian nationals living overseas. This group of registrants would be subject to the requirements of a full POI process unless they fell into one of the other categories described previously.

7.3.2.2 POI model for infirm, non-English speaking, disabled and disadvantaged citizens

Infirm, non-English speaking, disabled and disadvantaged citizens are likely to require assistance to obtain a smart card. The business case includes the provision of mobile registration facilities to visit people who are immobile, interpreters to assist non-English speaking registrants and assistance to help homeless people and those that have very little (if any) identification documents. It is envisaged that procedures, broadly aligned to existing arrangements, would be applied in these circumstances.

However, in situations where a person is unable to meet the minimum level it would be necessary to provide the person with a smart card that holds a low POI confidence flag on the chip. Consideration should be given to providing this section of the community with assistance to increase their POI confidence level.
Where a citizen has a flag for lower confidence POI, then DHS will need to agree the process by which that POI confidence can be established.

For young people accessing benefits in their own right for the first time and who cannot establish full POI, they will over time increase that confidence as a person obtains identity information such as a driver's licence.
8 Registering for a card

8.1 Registration process
The registration function will meet the initial and on-going requirement to authenticate the identity of consumers prior to issuing them with a smart card. The main processes are:

- Design and build the invitation process
- Invitation to a registration interview
- Preparation for registration interview
- Registration interview
- Issue of smart card
- Activation of smart card.

8.1.1 Design and build the invitation process
The HSS Card management Authority (CMA) will be responsible for the invitation process that includes:

- Pre-populate the SCRS with identity data extracted from DHS agency consumer records.
- A high level cleansing exercise to remove duplicate records
- Identification of known customers who may be subject to an abridged form of registration, particularly documentation requirements
- Targeting and scheduling of registrants based upon the frequency of use of services
- The design of the invitation letter
- The implementation of a registration booking system.

8.1.2 Invitation to register for a smart card
The SCRS will be used to generate letters to customers inviting them to register themselves and any dependant children. The SCRS record of an individual will be tagged to reflect the invitation/registration status to prevent other agencies from sending out a duplicate invitation.

The SCRS will also be used to pre-populate registration forms with identity data extracted from HSS agency client records. Note this will require further development during the detailed design phase to ensure privacy compliance.
Centrelink will invite 6.5 million customers and Medicare will invite 9.5 million customers by letter. Whilst DHS agencies and DVA will invite their respective customers to register, the customer will be able to book a date and time at whatever location they choose.

The invitation letter will be customised to suit the circumstances of the individual. It will also ask whether the customer will require any assistance in the registration process such as interpreter services.

Call centres will be established to support the booking process in terms of answering customer queries relating to the booking process and confirming bookings. In addition to the call centre, customers can confirm bookings by posting a tear-off section of the invitation letter or on-line.

8.1.3 Preparation for registration interview and booking confirmation

The invitation letter will explain the requirements of the registration interview in terms of the processes and POI documentation that will need to be provided by the registrant. A brochure containing frequently asked questions and answers would accompany the letter.

A person will have a number of choices at that point:

- Phone the call centre to ask any questions, confirm what POI documentation is required and make a booking for an interview
- Call into a Centrelink or Medicare office and if they have sufficient POI, register on the spot. If they do not have the right documentation, the customer service officer will explain what is required and make a booking for an interview
- Go online where there will be an option for people to enter reference numbers of commencement of identity and use of identity documents. This will allow their documents to be verified in advance to shorten the interview time. It will also be possible to book an interview online.

If a person is unable to meet the minimum POI score, they will be invited to contact the call centre. For some disadvantaged groups assistance may be provided in terms of helping the person obtain relevant documentation.

If a person has not made contact within two months of the invitation letter contact will be made with the person to determine if they had received the invitation and to describe the customer benefits that citizens will derive from being registered in the system.

8.1.4 Registration interview

While citizens will be encouraged to make a booking for the interview, customers who enter a registration facility without a booking will still be served, however, may be subject to queues.

The registrant will be asked to provide their registration invitation letter, containing a barcode to enable the client record to be retrieved from the SCRS. This will display any information about the validity of documents advised on-line prior to the interview.
During the registration interview the POI source documents will be scanned and stored electronically with a digital photograph of the registrant. This will replace paper copies of that material currently collected by Centrelink. Optional information for the card will also be collected at this time. Key aspects of the interview process will include:

- Explanation of the registration process, including the need to obtain customer consent to retain electronic copies of POI documentation provided by the customer.

- Scan POI documents.

- Take the high integrity photograph.

- Capture the digital image of the customer’s signature.

- Record mandatory identity information, and validate (eg addresses against the Government National Address File (GNAF)).

- Provide any COI documents (such as a birth certificate) for any dependents. The child is not required to present at the interview and no photograph is required.

- Record optional information, and advise implications of storing this in the public or closed zones.

- Customers will be informed of the role of Secret Questions and Answers (SQA) for online services and record information if required.

- Provide assistance for exception cases (estranged families, POI failure) to answer any outstanding questions (possibly dealt with by a queue manager). Specialist staff will need to support registrants who can only provide minimal POI documentation.

In the event of failure to complete a registration then the incomplete client record will be retained in SCRS with the digital photograph for when the process is continued.

8.1.5 Registration interview

On average, registration interviews will take less than 15 minutes. To derive this estimate, KPMG identified 11 steps to be followed in the interview process: explanation of registration; search in the SCRS for the individual; consent form signed and scanned; photograph taken; mandatory information provided by the customer; optional information provided by the customer; POI document scanning; print out for the customer; customer confirmation; description of next steps and provision of frequently asked questions brochure.

Centrelink and Medicare Australia assisted KPMG in estimating the time required for each step. KPMG separated the population into four broad registrant categories - best, average, exception and extreme. This will be subject to detailed design.
Table: Average Registration Times – Table removed for commercial reasons.

8.1.6 Issue of smart card

Following the interview, information from the registrant will be validated and documents will be verified if this was not already done in the pre-registration phase. If documents fail to be verified, they will need to be investigated and the issuance of the card may be delayed. The photograph will be scanned against other photographs stored in the SCRS.

Once all information is verified, the client record is complete with a valid and verified set of information including a photograph. The smart card will then be produced, customised and a PIN allocated.

The smart card and PIN will be mailed separately to the cardholder within ten days of the successful completion of the registration interview.

8.1.7 Activation of smart card

The smart card will be issued with an inactive flag set against the client record in the SCRS. The customer can activate the card by visiting a Centrelink or Medicare office and using a kiosk or by presenting it to a customer service officer. The card can also be activated over the phone.

Customers can retain an inactive smart card until the first time they use it to access a service. However, they will need to ensure that the first instance of use is in an ‘online’ environment. This can be at a DHS agency office or at a service provider such as a pharmacy or GP where there is a networked reader.

8.1.8 Re-issue of smart card

It is proposed the smart card will have a life of 7 years, however they may need to be renewed prior to this for frequent users. For initial cards, however, the replacement period will be staggered.

The SCRS data will be used to notify customers of pending renewal by mail and what is required. Customers will be required to provide their old card or some other document to confirm their identity, and a new photograph will be taken.

Where the original smart card has been lost or damaged, the person will have to provide some form of confirmation of identity, and a new photograph may need to be taken depending on the length of time since the one stored on the SCRS.

8.1.9 Mobile teams

KPMG propose the use of mobile teams in the registration process to reach citizens who will have difficulty going to registration offices. These will build off the Medicare and Centrelink teams which operate at present. Their purpose is to assist people in institutional settings and remote communities with the registration process. Use of mobile teams will also require consideration of the security of the documentation.
8.1.10 POI Audit

To ensure data integrity, the photograph taken during the registration interview will be held in the SCRS and used to carry out an on-going POI audit. In line with a similar process that is currently used by the Department of Foreign Affairs and Trade (DFAT), a one-to-many search on a registrant’s photograph in the SCRS will be conducted. The photograph will be used to construct a facial recognition template, which will also be stored on the SCRS. The matching process is undertaken using these templates. A report will be compiled consisting of between the top 10 and 25 photographs that are closest matches.

Each photograph in the report will include the degree to which it matches the subject (as assessed by the facial recognition engine). The SCRS operator will view the potential matches in the report and decide whether a match exists or not. Similar reports will be created for operators from many-to-many searches that will run during low usage times. These many-to-many searches will be designed to ‘search for duplicate photographs’ within the database that may have gone undetected through the matching processes at registration or pre-registration.

The POI audit processes will be contingent on the quality of photographs as well as inherent limitations of facial recognition algorithms. System selection and detailed design of the solution will need to address known issues with facial recognition software and develop exception workflows to cope for certain situations that may require manual intervention.

8.1.11 Call centre support service

The HSS CMA will be responsible for providing a support function to consumers, the HSS staff engaged directly in registration activities and HSS staff in general. There will be call centres established to provide telephone support to consumers raising enquiries regarding registration bookings and general registration enquiries. The call centres will also support consumers who subsequently enquire about stolen or lost cards, faulty cards and forgotten PINs.

For forgotten PINs, a new PIN will be set. There is no requirement to reissue the HSS card at this point.

8.2 Staff recruitment and training function

The HSS initiative will place significant and additional workload onto Centrelink, Medicare and possibly other outlets to establish the technical infrastructure, administer the registration of the Australian population and then provide on-going support to consumers, service providers and HSS agency staff. Major drivers for staff recruitment and training will be the need for additional staff to conduct registration interviews and fill call centres positions.

The number of registration staff that will be needed is dependant upon the timescales within which Centrelink and Medicare agree to conduct all registrations. In order for Centrelink to process 6.5 million registrations in 1 year, 1200 new staff would be required. If Medicare processes 9.5 million registrations they will require either 900 or 600 additional staff based upon a 1 or 2 year period. The need for a total of between 1800 and 2100 new (temporary) staff for registrations and call centre manpower will certainly place a significant training and induction burden onto both organisations.
The level of training required, particularly for the staff recruited to conduct registration interviews, will be important since the accuracy and completeness of the registration process is essential to maintain the integrity of the identity data that will be entered into the SCRS.

A vetting process may need to be established to support the recruitment process.

In addition to the staff required to support the registration process and call centres the CMA will require dedicated staff. It is anticipated that staff to perform the following roles would be drawn from the existing smart card task force, HSS agency staff and external consulting staff with specialist skills:

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process modelling design</td>
<td>Detailed design of the HSS solution enabled business processes and the documentation of detailed functional requirements.</td>
</tr>
<tr>
<td>Change management</td>
<td>Supporting agencies in their effort to derive maximum benefit from redesigned processes and new technology. The team will focus on supporting HSS agency staff to adapting behaviour.</td>
</tr>
<tr>
<td>Communications</td>
<td>Communications with all stakeholders including the wider population.</td>
</tr>
<tr>
<td>Performance management</td>
<td>Benefits realisation tracking</td>
</tr>
<tr>
<td>Technical standards</td>
<td>Ensuring that the technical solutions are in accordance with standards (developed and emerging)</td>
</tr>
<tr>
<td>Technical design &amp; interoperability</td>
<td>Detailed design of the technology solution with a critical role of liaison with agency IT staff to ensure systems interoperability</td>
</tr>
<tr>
<td>Budgeting</td>
<td>Managing the program budget</td>
</tr>
<tr>
<td>Tender documentation and evaluation</td>
<td>Production of tendering documents (if required) and subsequent evaluation of responses from technology and service providers. This team will draw upon expertise from each of the other teams.</td>
</tr>
<tr>
<td>Human resources</td>
<td>All aspects of the staff recruitment, induction training and vetting (if required).</td>
</tr>
<tr>
<td>Business rules and privacy</td>
<td>Development of business rules to support the efficient exchange of consumer information between agencies via the SCRS. This team will review the iterative designs of the business process model to ensure that business rules are not contrary to privacy legislation.</td>
</tr>
</tbody>
</table>

8.3 Registration facilities

In the detailed design stage the number and location of potential Centrelink, Medicare and other option facilities regarded as suitable for conducting registration interviews will need to be
analysed and documented. The analysis will need to consider a lack of space at some offices and a lack of offices in some geographical locations. A preliminary geospatial analysis has been carried out as part of the development of this business case to identify that 88% of the Australian population live within 20 kms of a Centrelink office. Mobile registration facilities will be required (and have been costed) to support registrants that would otherwise be required to travel excessive distances and for those infirm/immobile consumers.

A standard registration booth has been considered and will allow all aspects of the registration to be completed by a Customer Service Officer (CSO) and their consumer in a ‘one stage’ process. Each booth will need to be equipped with necessary equipment such as camera, backdrop and scanner. An alternative ‘two-stage’ registration process was considered wherein POI documents are collated in one booth and then data entry, scanning and photography occurs in another. This option maximised the utilisation of equipment and would allow staff to focus on specific parts of the process. However, it suffers from the real danger that source documents could become disconnected from the biometrics (photograph) and therefore is not recommended. The business case includes costs for the procurement of the required furniture, fittings and equipment.

Registration booths (number deleted for commercial reasons) will be needed. The standard design of the registration booth is 2m x 2.5m.
Part C – Current and future benefits of the HSS initiative

9  The benefits of the HSS initiative

Introduction

The HSS initiative will provide a range of benefits to consumers, DHS and DVA agencies and their service providers, the government and the wider community. The initiative will reduce the complexity of the current system and make it easier to access services, it will cut red tape and provide a vastly improved platform to tackle fraud.

The HSS initiative is about providing better access to health and social services. For citizens that are regular users of the health and social services system, one only registration for life will reduce the amount of paperwork required and mean they will no longer have to reproduce original POI documents whenever they apply for a new service.

Customers of Centrelink and Medicare Australia

The greatest immediate benefits will flow to those Australians that access multiple services. There are some 16 million Australians over the age of 15 and of these around 22% have government payments (including pensions) as their principal source of income. A further 28% are recipients of other government social security payments. In other words, some 8 million Australians and their families (or a total of some 12 million Australians, including children) are likely to be receiving some form of Australian government social security payment in any given year. These 8 million Australians are also likely to be accessing Medicare rebates.

For these 8 million adults, or approximately half of the adult population in Australia, possession of a new health and social services smart card will bring several attractive benefits:

- Once only registration for health and social services, once only POI
- Easier, on the spot access to concessions and entitlements
- No need to produce identity documentation or answer POI questions when visiting Centrelink or Medicare offices (meaning that customer service offices can devote more time to providing assistance)
- One card that helps them obtain most of their health and social services that is portable and that won’t need to change even when their circumstances do
- The capacity to access more services online or from terminals in DHS agencies
- Carry voluntary emergency contact, organ donor and immunisation status data for cardholders and dependants
- Enable cardholders to receive smart benefits such as one-off emergency relief payments from EFTPOS machines.
Centrelink provides entitlements to a wide range of people, much broader than recipients of welfare payments. For example, the maternity payment is non-means tested, and therefore many of the recipients of this payment are people who are not existing Centrelink clients. The smart card will mean they have already registered and would simply need to provide proof of eligibility for this payment.

Two of the largest programs within Centrelink are the age pension and Family Tax Benefit recipients, 2.9 million and 2.1 million respectively. These groups of people, the elderly and families with children are among the more frequent users of the health system, and thus regular Medicare clients. Children under 4 receive over 6 PBS scripts per year, and people over 75 receive over 19 PBS scripts per year.

**Medicare clients**

The adults that receive no form of social security payments from the Australian Government tend to be either employed adults in their mid 20’s to early 30’s (i.e. post full-time education and pre children) or employed adults in their mid 40’s to mid 50’s (i.e. empty nesters who have not yet retired). These two groups total some 5.5m adults.

While this group of people will still potentially benefit from a number of the new health and social services smart card functions (including emergency contacts, drug alerts, etc), some may see less value in registering, and claim that the card has little appeal for them.

This situation will change with the passage of a few years; many of the 25-35 year olds will have children (entitled to maternity payment and possibly the Family Tax Benefit), and the 45-55 year olds will cease work (entitled to a seniors card or eligible for the age pension). As these changes take place most will decide to register for the relevant social services income support entitlements and or concessional benefits that accompany those life changes. It should be noted however that the average Australian receives 11 Medicare services, and again, it is essential that they and the community are confident in the integrity of identification and entitlement.

For those Australians who only access Medicare the benefits of the smart card are not as immediate. For this group, as it is not mandatory to get a smart card, may elect not to register initially. However, if they do register, the benefit will be that they are already in the system when life events change and they require health or social services, for example having a family, retiring, an accident or an illness.

**Australians not currently Centrelink or Medicare clients**

While Medicare is a universal system for Australians, there were 3.5 million people who did not access any Medicare services in the past twelve months. It is however, highly likely most people in this group had a current Medicare card.

If this proportion of the population continue not to access Medicare services, it will not be the same 3.5 million people each year. Over the two year registration period, it is likely that the number of people not accessing any Medicare services will be substantially less than 3.5 million.

Similar to the Medicare only clients, this group may elect not to get a smart card until such time as they want to start accessing health and social services benefits. There will be no penalty if people take this option.
Section deleted for cabinet in confidence reasons.
The following table describes the key benefits for consumers, comparing current arrangements with benefits resulting from the new system:

<table>
<thead>
<tr>
<th>Category of service</th>
<th>How the current system works</th>
<th>How the new HSS initiative will work</th>
<th>How many people will benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration</td>
<td>Every DHS agency has different rules and processes. People often need to register several times, either with different agencies or with the same agency if they want a new service.</td>
<td>A person will only need to register for health and social services once. They can choose to register whenever they want. If someone chooses to register after the initial rollout period, this will be the only time they need to do it.</td>
<td>All Australians who want to access and use HSS benefits.</td>
</tr>
</tbody>
</table>

**Note:**
Registration is about the creation of a basic record to begin service provision with a consumer. It does not relate to eligibility which will still need to be demonstrated.

| Proof of identity | There are different standards and rules in different agencies. People need to present the same information over and over again, often to the same agency. | A person will only need to provide POI information once – when they register. From then on they would simply produce the card which is accepted as POI in all DHS agencies. They will save time when they visit DHS agencies and providers by not having to produce documentation to prove their identity. If they want to, a person can use their card to prove their identity to get another service, such as joining a club or obtaining a state-based transport concession. | All Australians who want to register. In particular, some 8 million adults utilise Centrelink benefits ranging from age pensions through to Newstart, child care and maternity bonuses. It is estimated that some 3 minutes will be saved from each of the 2.9 million interviews undertaken each year in Centrelink when people register for a new service. |

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26 Data extracted from Centrelink Funding Model 2004/05
<table>
<thead>
<tr>
<th>Category of service</th>
<th>How the current system works</th>
<th>How the new HSS initiative will work</th>
<th>How many people will benefit</th>
</tr>
</thead>
</table>
| Cards               | - 24 cards are in use in the DHS system  
                     - Many cards achieve the same purpose or function, e.g. 11 cards for concessional status for health services  
                     - A person’s concession can be out-of-date even though they have a valid card. When people go to a pharmacist using PBS online, this can be very embarrassing when the pharmacist challenges them about the concessional status  
                     - Some people will have multiple cards – 1.9 million age pensioners will have 3-4 cards | - One card to access most health and social services  
                     - When a person’s circumstances change they won’t need a new card  
                     - Aged pensioners will have their card personalised to show their concessional status – they can use that anywhere in Australia  
                     - Veterans will keep their gold card status  
                     - 17 cards eliminated immediately | - All Australians who register for the HSS initiative |
| Notification of change in circumstances | - People need to advise different agencies when their circumstances change  
                     - At least 8 million Australians would need to inform both Medicare and Centrelink of such changes  
                     - Centrelink process 3.1 million changes of address each year  
                     - System is prone to error because separate records on basic information are kept by separate agencies  
                     - System relies on complex data matching between agencies to deal with changes in information | - A person need only notify change of circumstances once  
                     - DHS agencies will be advised of relevant change of circumstance details  
                     - A person can now update their information, such as their address, at a PC in a DHS office  
                     - This will save time and be more convenient for people  
                     - The quality of basic information such as change of address will be improved across all DHS agencies | - All Australians who register for the HSS initiative |

27 These cards are Medicare Redeployment Health Care Agreement card, PBS safety net entitlement card, PBS concession card, Child and Parent card, Centrelink Healthcare card, Centrelink Foster Child Care card, Centrelink Low Income Healthcare card, Centrelink Commonwealth Seniors Health card, DVA gold, white and orange cards  
24 Department of Family and Community Services, Annual Report, 2004/05, page 225  
25 Data extracted from Centrelink Funding Model 2004/05

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<table>
<thead>
<tr>
<th>Category of service</th>
<th>How the current system works</th>
<th>How the new HSS initiative will work</th>
<th>How many people will benefit</th>
</tr>
</thead>
</table>
| Personal and emergency contact details  
- next of kin  
- who to contact  
- name of doctor | - Presently no single, easily accessible system for this information  
- This type of information is difficult to retrieve quickly — e.g., it is held in different places such as your licence details held by the state, or your doctor  
- Because it is held in different places, people don’t always remember to update it in all the places it could be stored | - One single point of access  
- A person can update this themselves at a PC at a DHS office  
- It can be accessed in an ambulance, a doctors surgery, a hospital  
- Providers and the community will begin to value the card as a quick, reliable way of accessing emergency contact information | - All Australians who register for the HSS initiative |
| Personal health information  
- allergies  
- immunisation information  
- drug alerts  
- organ donor status | - No single accessible record of information a person considers important for health practitioners  
- If people are mobile, things like immunisation information might be held in a variety of places | - People will be able to put this information on the chip  
- They can choose to put it in the open or closed area  
- They can update it themselves whenever they want — it is their record and they can manage it  
- It may have limited clinical use, however it  
  - provides some guidance to clinicians, or allied health workers, particularly allergy and drug alert information in a crisis  
  - allows a person to actively manage things like immunisation records for themselves and their children | - All Australians registering for the card |
<table>
<thead>
<tr>
<th>Category of service</th>
<th>How the current system works</th>
<th>How the new HSS initiative will work</th>
<th>How many people will benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession and safety net checking - PBS and MBS concessions will be checked - Card will only show the PBS safety net and only after a person has exceeded the net</td>
<td>• Multiple cards to obtain concessions, many paper based • Expiry date can be different to that shown on the card causing embarrassment for person and provider</td>
<td>• On the spot checking of concession status by pharmacist and GPs • When a person exceeds the PBS safety net a flag will appear on their card. They can take that card to any chemist in Australia</td>
<td>• 5.2 million pensioner concession cardholders, 1.2 million health care cardholders 30 • All Australians will benefit. 80% of PBS outlays goes to concession and safety net claimants. • All Australians benefit from this going to the right people and information being up-to-date</td>
</tr>
<tr>
<td>Smart benefits</td>
<td>• If government wants to give people a one off payment, e.g. emergency drought assistance, they normally have to go to a Centrelink office and fill in a form, prove their identity etc.</td>
<td>• Payment would go direct to their smart card • They can access it at any EFTPOS terminal in a bank or retail outlet • Opens the way for government to provide a range of one off benefits more easily • People won’t have to come into a Centrelink office • Special payments will be clearly marked as one off benefits provided by the Australian Government</td>
<td>• All Australians – examples: - Centrelink processed 85,000 calls on behalf of DFAT after the Tsunami - 25,000 Australians received one off cash assistance during the drought - Centrelink processed 2,987 phone calls resulting in 396 ex gratia payments during the 2005 Eyre Peninsula bush fires</td>
</tr>
<tr>
<td>Hearing vouchers This is a potential use subject to further work with DOHA</td>
<td>• Paper based • Easily lost • Takes 2-3 weeks to get one • If they are lost, a person must fill in a statutory declaration to get a new one • Vouchers have a life of 3 years</td>
<td>• Immediately stored on the smart card • Provides the capacity to provide other types of vouchers in the future, e.g. rent assistance</td>
<td>• 192,000 hearing vouchers issued each year 31</td>
</tr>
</tbody>
</table>

30 Department of Family and Community Services, Annual Report, 2004/05, pages 163 and 225
### Category of service
- **Self service and online service delivery**

<table>
<thead>
<tr>
<th>How the current system works</th>
<th>How the new HSS initiative will work</th>
<th>How many people will benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Patchy take up</td>
<td>- Standardised authentication mechanism across DHS agencies</td>
<td>- All Australians wishing to register</td>
</tr>
<tr>
<td>- Different access and online authentication arrangements</td>
<td>- Immediate capacity across all agencies to change address at a PC in a DHS agency office</td>
<td>- Can assist with Centrelink changes of address if these can be done by the consumer</td>
</tr>
<tr>
<td>- Limited ability to do online claiming</td>
<td>- Uniform access arrangements will allow an effective marketing strategy to be undertaken</td>
<td>- More than 500 PDF forms in Centrelink could in future be done online</td>
</tr>
</tbody>
</table>

### 9.1 Benefits to DHS Agencies and DVA

All of the DHS agencies and DVA will benefit from the introduction of the smart card. However, Centrelink, due to the sheer volume of transactions and customer interaction experience and Medicare due to the large customer base will derive the largest benefits.

As Centrelink provides services on behalf of a large number of other Government departments, significant efficiencies in processes in Centrelink will translate to savings across Government.

DVA relies on the processing of Medicare Australia and Centrelink for delivering benefits and entitlements to veterans and hence will also benefit significantly from the new arrangements.

Key benefits to DHS agencies and DVA include:

- Improved integrity of data and program outlays achieved through stronger uniform registration and POI processes and photographic identification to claim rebates and entitlements
  - Standardisation of registration data across agencies, including data collected and form, such as standardised address data capture facilitates the ability to share updates with other agencies
- Less red tape
  - Reduce the time required for each routine customer interaction allowing customer service officers to spend more time with complex cases, providing higher levels of service to those customers in most need
- Data from the smart card can be used to immediately retrieve records as opposed to keying in and re-keying information

- More effective and better data, and more accurate payments

- Less overpayments and leakage will better control program outlays and reduce the pressure on debt collection infrastructure. This will also improve the reputation of major Government agencies such as Centrelink, and help build trust in citizen/government relationships

- Up to date concessional status and safety net status will prevent people receiving these benefits when they are no longer entitled. An estimated 25% of concession cards are cancelled before their expiry date.\(^{32}\)

- Access to high quality aggregate service utilisation data

- It is not unusual for people moving house not to advise Medicare until they need a rebate making it difficult to undertake accurate research and analysis of health outlays.\(^{33}\) The geospatial and demographic data contained within the SCRS can be used to map and analyse usage of health and social services across Australian communities. This can identify potential areas where health and social services are under resourced, under utilised or over serviced

- Better use of technology and less risk of obsolescence

- With information stored on the smart card chip, greater accuracy of entitlement provision in an off-line environment, provided service is consistent with business rules

- Alignment with security standards in other sectors, such as the financial services industry

- Opportunity to phase out embossing and magnetic stripes, and the infrastructure to support these

- Enable government to be more responsive when providing financial assistance to those eligible for specified funds or one-off relief payments

- Reduction in agency paperwork and processing time assists in the Government’s goal to get emergency funds quickly to those in need

- Ability to get more people self servicing, including using kiosks and the internet

- The smart card will provide greater authentication of an individual’s identity to facilitate on-line servicing, although until readers are ubiquitous, there will be a reliance on SQA

\(^{32}\) Australian National Audit Office, Administration and Health Care Cards, No 54, 2004/05, page 18

\(^{33}\) If someone is only a Medicare client and is not currently accessing other DHS agency services and entitlements, it is possible that person will still not update address details until the next time a Medicare rebate is claimed.
- Centrelink has an annual requirement to produce 30 million forms. Self service and kiosks would allow some customers to conduct electronic data entry themselves and provide structured data rather than having to use forms to provide information that is subsequently re-keyed in back office systems by agency staff.

- If a person uses a kiosk in the DHS office and still requires an interaction with a customer service officer, they could swipe their card in the kiosk prior to being served, allowing the customer service officer to have their information on the screen and hence able to provide more personalised service as they present at the counter.

- Ability to replace paper vouchers – initially hearing vouchers from the Office of Hearing Services

- This will simplify the current paper based system, reduce administration time and cut down on unauthorised use of vouchers.

9.2 Benefits to Service Providers

There are a range of service providers that support DHS and DVA in the provision of health and social services. These include medical practitioners, pharmacists, hospitals, ambulance and allied health providers. It is proposed that these service providers receive smart card readers. This will enable them to participate and receive the benefits of the introduction of smart card technology. Benefits to these groups include:

- Reduction in the complexity of the system
  - Service providers currently have to accommodate multiple concession and entitlement cards

- Assurance of the identity of the person for the purpose of delivering specified entitlements
  - The photograph on the card will provide assurance to service providers that the person seeking the service is the same person whose card is being presented, and therefore entitled to that benefit/payment

  - Note if the service is for a child, the child’s photograph is not on the face of the card

- Accurate and current information on concessional entitlements and safety net status for service providers
  - This will reduce the need for corrections and repayments to be made by the service providers for processing benefits when information was out of date

- Ability to access personal information in an emergency situation
  - The optional personal emergency information will be of benefit to ambulance and other medical professionals in a medical emergency. This information, for example drug alerts and chronic diseases, could potentially save lives
Emergency contact numbers could also be useful in hospital emergency departments for example, for when elderly or mental health patients arrive in a distressed state.

Section deleted for commercial reasons.
10 Part deleted for Cabinet in confidence reasons
Part D – How the HSS initiative will help fraud and leakage exposures

11 Deleted as this represents a risk to government outlays
Part E – Costs and benefits

12 Part deleted for commercial reasons
Part F – Implementation and governance

13 Risk assessment and risk management

KPMG has conducted high-level risk identification and assessment of the HSS smart card initiative project as proposed in this business case. Based on our experience in assessing large-scale business and technology change programs we have identified mitigation measures that we have incorporated into the solution design and into the planning for the implementation program. These risks and mitigations are summarised in the Risk Assessment Table below. This table also shows our assessment of the residual risk after taking into account the proposed mitigation actions.

Our conclusion is that the overall level of residual risk is acceptable for a program of this nature. Importantly, we have assessed the risk of not proceeding with this initiative as being the highest risk facing government. This is because of our assessment of the cost and impact of seeking to maintain the status quo. This assessment is provided at section 3.7.4 of this document.

Following Cabinet approval of the business case, it is strongly recommended that a detailed and full risk assessment be carried out as part of the project planning process (including project risk and privacy review points) and that the risk identification and assessment process be maintained throughout the life of the program.

13.1 Risk identification assessment methodology

This risk assessment has been prepared using a methodology that is consistent with the Australian Standard for risk management AS/N2S 4360: 2004.

Risk is defined in this context as anything that could impact on the ability to achieve the project objectives on time and to budget.

For the purposes of rating the risks identified we have assessed the potential impact of the risk occurring and the likelihood that it will occur. In making these ratings we have utilised a consequence table and a likelihood table designed for the project. The Risk Assessment Table shows the combination of consequences and likelihoods provides an overall residual risk rating for each risk.
### Consequence table

<table>
<thead>
<tr>
<th></th>
<th>Negligible</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project cost overruns</strong></td>
<td>&lt;1% of total project cost</td>
<td>1-5% of total project cost</td>
<td>5-10% of total project cost</td>
<td>10-20% of total project cost</td>
<td>&gt;20% of total project cost</td>
</tr>
<tr>
<td><strong>Project objectives</strong></td>
<td>&lt;10% of objectives not achieved</td>
<td>10-20% of objectives not achieved</td>
<td>20-30% of objectives not achieved</td>
<td>50-75% of objectives not achieved</td>
<td>100% of objectives not achieved. Project fails totally</td>
</tr>
<tr>
<td><strong>Project delays</strong></td>
<td>&lt;1 month over project plan</td>
<td>1-3 months over project plan</td>
<td>3-6 months over project plan</td>
<td>6-12 months over project plan</td>
<td>&gt;12 months over project plan</td>
</tr>
<tr>
<td><strong>Reputation, Stakeholders, Community impact and Privacy</strong></td>
<td>Adverse community discussion</td>
<td>Isolated adverse regional media references and community discussion/debate</td>
<td>Repeated adverse media coverage or community/discussion/debate</td>
<td>Sustained adverse, regional to national media reference. Sustained community discussion/debate</td>
<td>Extended national adverse media coverage. National community demonstrations.</td>
</tr>
<tr>
<td><strong>Management Effort</strong></td>
<td>An event, the impact of which can be absorbed through normal activity</td>
<td>An event, the consequences of which can be absorbed but management effort is required to minimise the impact.</td>
<td>A significant event which can be managed at the Department level</td>
<td>A critical event, which requires management at the Ministerial level to be endured</td>
<td>A disaster with potential to lead to the failure of the project. Requires Cabinet level attention</td>
</tr>
</tbody>
</table>
# Likelihood Table

<table>
<thead>
<tr>
<th>Likelihood Rating</th>
<th>Description</th>
<th>Probability Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost Certain</td>
<td>The event is expected to occur in most circumstances. Almost expect it to happen</td>
<td>80% - 100% chance of occurring</td>
</tr>
<tr>
<td>Likely</td>
<td>The event will probably occur in most circumstances</td>
<td>50% - 80% chance of occurring</td>
</tr>
<tr>
<td>Possible</td>
<td>The event might occur at some time. Would not be surprised either way whether it happens or not</td>
<td>40% - 60% chance of occurring</td>
</tr>
<tr>
<td>Unlikely</td>
<td>The event could occur at some time. Surprised if it happens</td>
<td>20% - 40% chance of occurring</td>
</tr>
<tr>
<td>Rare</td>
<td>The event may occur only in exceptional circumstances. May happen, but it would be a shock</td>
<td>&lt; 20% chance of occurring during implementation or in the first 12 months following introduction.</td>
</tr>
</tbody>
</table>

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Overall risk rating table

A matrix format has been used to combine the consequence and likelihood ratings into an overall rating in order to be able to efficiently prioritise risks. This is based on the Australian Risk Management Standard AS/NZ 4360:2004.

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost Certain</td>
<td>Negligible</td>
</tr>
<tr>
<td>Likely</td>
<td>Medium</td>
</tr>
<tr>
<td>Possible</td>
<td>Low</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Low</td>
</tr>
<tr>
<td>Rare</td>
<td>Low</td>
</tr>
</tbody>
</table>
Classification of risk

We have classified key risks using a framework that looks at the external environment, the immediate context of the project and within the project as follows:

- **Strategic** – relating to or generated by the broader environmental context of the project
- **Implementation/Integration** – relating to or generated by the immediate context of the project, including relationships with involved agencies
- **Project** – risks that are generated inside the project operations.

### 13.2 Summary of risks

Whilst any major undertaking will have many risks, we have described here only those that we consider to be the most significant (i.e. those that rated as Medium or above on the risk-rating table).

<table>
<thead>
<tr>
<th>#</th>
<th>Description of risk</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Decision made not to proceed with the project</td>
<td>Strategic</td>
</tr>
<tr>
<td>2</td>
<td>Failure to execute the project</td>
<td>Project, Implementation/Integration</td>
</tr>
<tr>
<td>3</td>
<td>Lack of community support/ acceptance of project</td>
<td>Strategic</td>
</tr>
<tr>
<td>4</td>
<td>Self-interest of stakeholder agencies influences outcome.</td>
<td>Stakeholder</td>
</tr>
<tr>
<td>5</td>
<td>Loss of focus on key objectives.</td>
<td>Project</td>
</tr>
<tr>
<td>6</td>
<td>Extensive customisation beyond approved business case</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>7</td>
<td>Poor response times/ inability to scale to handle production volumes.</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>8</td>
<td>Poor integrity of data</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>9</td>
<td>Change in stakeholder attitudes or requirements</td>
<td>Strategic</td>
</tr>
<tr>
<td>10</td>
<td>Failure to integrate initiative with broader government and industry smart card and identity management initiatives</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>11</td>
<td>Failure to integrate supporting IT systems with the other initiatives</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>12</td>
<td>Security or privacy breach</td>
<td>Implementation/Integration</td>
</tr>
<tr>
<td>13</td>
<td>Use of unproven technology</td>
<td>Implementation/Integration</td>
</tr>
</tbody>
</table>
Risk distribution
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
</table>
| 1  | Decision made not to proceed with the project | Strategic | • DoFa rules for NPV calculation and the need to agree costs and benefits with agencies has tended to understake the NPV of the initiative  
• Poor recent record of benefits realisation from major IT and other large projects | • Refer to section 3.7.4 for a summary of the likely consequences of maintaining the status quo - “Do-nothing” is unlikely to be an option  
• Existing levels of fraud, duplication of consumer records, poor levels of authentication of consumers, service and access levels will be maintained for another political and technological cycle  
• Government will be forced to implement changes to the Medicare card in an ad hoc or incremental fashion | • This business case highlights KPMG’s view of fraud and administrative cost benefits in excess of those incorporated in the NPV calculation | • The design of the HSS smart card initiative includes a number of key features which help to avoid poor benefit realisation or catastrophic failure of the implementation:  
  - As a required card the period of transition and operation of dual systems is minimised  
  - Much of the fraud saving is based on the registration process and the deterrent effect of improved P01 - there are no complex process or program changes required to realise these benefits.  
  - The proposed rollout of cards across the population over two years represents a responsible rollout of registration | Consequence: Extreme  
Likelihood: Possible  
HIGH |
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
</table>
| 2 | Failure to execute the project | Project, Implementation / Integration | • Poor project governance  
• Resistance from agencies  
• Poor program management  
• Loss of focus  
• Poor design  
• Conflict in agency priorities and resource allocation may affect timely delivery of agency projects within the program | • Benefits not met  
• Negative impact on Department/ Government reputation  
• Negative financial impact | • The ISS smart card solution design reduces technical complexity by:  
  - Avoiding complex integrations or large-scale changes to existing agency or private sector systems  
  - Re-using existing financial services communications and terminal infrastructure  
  - Adopting mainstream standards for smart card infrastructure and for POI  
• Agencies have been engaged throughout the development of this business case both with the design of the ISS initiative and the estimation of costs and benefits | It is strongly recommended that:  
• The program be viewed from a whole of government perspective and a delivery and management structure should be established outside of existing agencies  
• Establish a clear point of accountability for delivery of the program and realisation of benefits  
• Benefits and benefit owners should be clearly defined within detailed design.  
• A Program Office, responsible for coordinating and overseeing the build and implementation of the solution be established  
• DHS should engage private sector experience and capability to manage, develop and deliver the solution  
• Substantive changes to scope and functionality should be the subject to a separate business case | Consequence: Extreme  
Likelihood: Unlikely  
HIGH |
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
<th>Consequence:</th>
<th>Likelihood:</th>
</tr>
</thead>
</table>
| 3  | Lack of community support/acceptance of project               | Strategic     | • Confusion in the community about the nature and purpose of this initiative  
• Doubts in the community about privacy, convenience and consumer benefits. | • Modification of the proposed solution and dilution of benefits.  
• Increased management time and effort to manage the issue  
• Stakeholder groups such as the Pharmacy Guild and the Royal Australian College of General Practitioners have been consulted in the design of the HSS initiative  
• POI requirements have been restricted to what is required for a service and access card — calls for use of other forms of biometric identifier have been resisted | • It is strongly recommended that:  
• An Advisory Board representing stakeholder and community interests be established to advise the Minister on issues relating to the implementation of the HSS smart card initiative  
• The implementation program should incorporate a substantial education and communication campaign to educate agency staff and the community around the nature and use of the new system, including the use of the smart card, consumer benefits and the safeguards incorporated in the design. | | Consequence: Moderate  
Likelihood: Possible |
| 4  | Self-interest of stakeholder agencies influences outcome      | Stakeholder    | Agencies might seek to influence the design and operation of the SCRS at the expense of broader government objectives | Expected benefits compromised  
Agencies have been engaged throughout the development of this business case both with the design of the HSS initiative and the estimation of costs and benefits | | | Consequence: Moderate  
Likelihood: Possible |
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
</table>
| 5 | Loss of focus on key objectives | Project | • Too much focus on secondary or 'afterthought' benefits that could override or distract from the key objectives  
• Compromises / carve outs forced through the consultation process change the business case.  
• Lack of change management protocols | • Expected benefits not realised | • Clear 'user cases' have been developed that are consistent with the principal objectives. These have been analysed and where appropriate, costed  
• Clear definition of scope is provided in the business case | • It is strongly recommended that:  
• If this business case is approved, any additional functionality or application needs to be made subject to a separate business case  
• The HSS Smart card Management organisation should have within its charter the role to oversee and assess proposed functional or technical changes  
• DHS develop thorough change management procedures and protocols.  
• DHS contracts a prime contractor to provide commercial discipline and focus and strong project management competence. | Consequence: Moderate  
Likelihood: Possible  
HIGH |
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category /integration</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Extensive customisation beyond approved business case</td>
<td>Implementation</td>
<td>• Attempt to include/accommodate too many stakeholder claims</td>
<td>• Time delays</td>
<td>• DHS develop thorough change management procedures and protocols.</td>
<td>• DHS contracts a prime contractor to provide commercial discipline and focus and strong project management competence.</td>
<td>Moderate</td>
</tr>
<tr>
<td>7</td>
<td>Poor response times/inability to scale to handle production volumes</td>
<td>Implementation</td>
<td>• Incorrect sizing of system and network requirements</td>
<td>• Non-acceptance by customers and stakeholders</td>
<td>• Agency data on program and channel volumes permits reasonably accurate sizing</td>
<td>• An extended period of system and stress testing is strongly recommended prior to commencement of registration.</td>
<td>Medium</td>
</tr>
<tr>
<td>8</td>
<td>Poor integrity of data</td>
<td>Implementation</td>
<td>Upstream data quality issues generate unanticipated exception volumes</td>
<td>Poor benefits realisation and costly manual workarounds</td>
<td>Generation of a new high-quality data set is at the heart of the focus on pre-registration and registration processes included in the design of the HSS initiative</td>
<td>A key deliverable of the detailed design phase will be a data dictionary for consumer personal details and notable events amongst the SCRS and agencies</td>
<td>Medium</td>
</tr>
<tr>
<td>#</td>
<td>Risk title and definition</td>
<td>Risk category</td>
<td>Causes</td>
<td>Consequences</td>
<td>Mitigation measures currently in place</td>
<td>Recommended future mitigation actions</td>
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</tr>
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<td>----------------------------------------------------------------------</td>
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<td>--------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>5</td>
<td>Change in stakeholder attitudes or requirements</td>
<td>Strategic</td>
<td>• Changes in world environment&lt;br&gt;• Change of government or change to key policies / legislation&lt;br&gt;• Changes in community values&lt;br&gt;• Project duration</td>
<td>• Lack of community acceptance&lt;br&gt;• Compromises achievement of objectives and delivery of functionality</td>
<td>While maintaining a focus on delivering is critical to success, major review points should be incorporated into the program, where issues arising from the Advisory Board or from additional privacy impacts assessments might be considered</td>
<td>Consequence: Major&lt;br&gt;Likelihood: Rare</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>10</td>
<td>Failure to integrate initiative with broader government and industry smart card and identity management initiatives</td>
<td>Implementation /integration</td>
<td>Failure to adopt accepted industry and government standards for:&lt;br&gt;• PCI&lt;br&gt;• Smart card specifications&lt;br&gt;• Identity management and authentication</td>
<td>• Inability to leverage resources and lessons learned&lt;br&gt;• Inability to share risk and cost&lt;br&gt;• &quot;Rail gauge&quot; issue(^1)&lt;br&gt;• Duplication of infrastructure&lt;br&gt;• Practical interoperability</td>
<td>Proposed design makes use of industry accepted standards for technical infrastructure, authentication, communications and card based applications</td>
<td>KPMG recommends that the Attorney General's department completes development of a standard for POI that can be applied within the registration process for the card</td>
<td>Consequence: Moderate&lt;br&gt;Likelihood: Unlikely</td>
</tr>
</tbody>
</table>

\(^1\) That is, different standards between different areas in Australia
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
</table>
| 11 | Failure to integrate supporting IT systems with other initiatives | Implementation /integration | - Poor program management  
- Lack of clarity and adherence to enterprise architectures | - Duplicate or non-integrated solutions results in competing solutions and rework  
- Failure to deliver support capabilities to/from other projects impacts delivery | - This business case recognises other major government reforms and programs. In some cases such as HIC Online and PBS Online, mutual program benefits have been identified  
- With the exception of the real-time interface between Medicare and Centrelink for concession checking, this initiative has no direct dependencies or linkages to other key Government programs  
- There is a clear and mutually agreed demarcation between this program and the eHealth record | Program planning should include a detailed understanding of program scope, dependencies and timelines with other programs within the participating agencies | Consequence: Moderate  
Likelihood: Unlikely  
MEDIUM |
<table>
<thead>
<tr>
<th>#</th>
<th>Risk title and definition</th>
<th>Risk category /integration</th>
<th>Causes</th>
<th>Consequences</th>
<th>Mitigation measures currently in place</th>
<th>Recommended future mitigation actions</th>
<th>Residual risk rating</th>
</tr>
</thead>
</table>
| 12 | Security or privacy breach | Implementation            | The SCRS will be a likely target for attacks designed to penetrate data access controls | • Loss of service  
• Loss of community confidence  
• Breach of privacy legislation | • The design of the SCRS is highly physically and logically secured.  
• All sensitive data is strongly encrypted in the chip and the SCRS | It is strongly recommended that:  
• the SCRS should be classified as Critical National Infrastructure as defined by the Attorney General's Department and subject to the protective measures prescribed.  
• The HSS smart card Management organisation should operate a continuing security evaluation and testing program covering systems, infrastructure, and business processes and personnel awareness | Consequence:  
Moderate  
Likelihood:  
Rare  
MEDIUM |
| 13 | Use of unproven technology | Implementation            | • New technologies and services will evolve during the life of the project and could be appealing.  
• Ineffective controls around design changes | • Unforeseen performance and integration issues emerge in testing and live operation  
• Cost overruns | The design of the HSS smart card solution uses only tried and proven technologies | | Consequence:  
Moderate  
Likelihood:  
Rare  
MEDIUM |
KPMG advise that a comprehensive governance and program management arrangement will be essential to ensure an initiative of this scale and importance is effectively implemented and can be sustained following completion of the implementation program. It is also essential that the governance arrangements must reflect that this is a whole of government initiative.

Any new governance arrangements must have clear points of accountability and ownership for the implementation program and the on-going operation of the HSS Smart Card. It is critical that the right balance be struck between stakeholder engagement and advice and the need to ensure efficient implementation.

The proposed governance arrangements are intended to give a clear point of accountability. They recognise that it is the Minister who is the most appropriate decision making body to authorise changes to scope and functionality.

KPMG proposes that the governance arrangements have the following features:

- The establishment of a new HSS smart card management authority which comprises a board and a project management team which is made up of an externally contracted project manager and project teams

- An independent advisory board.

The roles and functions of these bodies are described in detail as follows and relationship and reporting lines are depicted in the following diagram.
14.1 Overview of proposed structure and functions

Diagram 1 - key structures and relationships:

- Minister for Human Services
- Advisory Board
- HSS Smart Card Management Authority Board (CMA Board)
- Program Sponsor
- CMA Head/ Program Director
- Externally sourced Project Manager
- HSS Smart Card Management Authority (CMA)
- Program Office and Project Team seconded from DHS

14.2 Minister for Human Services

The Minister for Human Services has the authority as the public accountable body to make decisions on functionality, timetable and future scope.

14.3 HSS Smart Card Management Authority

The Authority would be made up of the following:

- A program office to carry out day to day implementation
- An externally sourced project manager to improve the commercial focus of implementation
- A Deputy Secretary would be needed to oversee the Authority's day to day operations
The program management office and Deputy Secretary will report to a Board made up of relevant Departmental Secretaries and DHS CEOs.

Set out below is a high level overview of the composition and role of these various components of the Authority.

<table>
<thead>
<tr>
<th>Function</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational</td>
<td>• Coordination of cross agency issues</td>
</tr>
<tr>
<td></td>
<td>• Business process design, including back office interface</td>
</tr>
<tr>
<td></td>
<td>• Business rules to support operation of the HSS initiative</td>
</tr>
<tr>
<td></td>
<td>• Change management</td>
</tr>
<tr>
<td></td>
<td>• Tendering and management of external service providers</td>
</tr>
<tr>
<td></td>
<td>• Communication with stakeholders</td>
</tr>
<tr>
<td></td>
<td>• Performance and evaluation</td>
</tr>
<tr>
<td></td>
<td>• Issue management, risk management and quality assurance</td>
</tr>
<tr>
<td>Technical</td>
<td>• Technology functional requirements</td>
</tr>
<tr>
<td></td>
<td>• Development and maintenance of SCRS</td>
</tr>
<tr>
<td></td>
<td>• Development of technology standards</td>
</tr>
<tr>
<td></td>
<td>• Interoperability with complementary technology initiatives</td>
</tr>
<tr>
<td>Financial</td>
<td>• Budgetary control</td>
</tr>
<tr>
<td></td>
<td>• Financial planning</td>
</tr>
<tr>
<td>Security</td>
<td>• Control of SCRS information</td>
</tr>
<tr>
<td></td>
<td>• Privacy and legislative compliance</td>
</tr>
</tbody>
</table>

14.3.1 HSS Smart Card Management Authority Board (CMA Board)

A CMA Board, reporting to the Minister and comprising the secretaries of key government agencies, e.g. Human Services, Prime Minister and Cabinet, Finance and Administration, Department of Family and Community Services, Health and Ageing etc and the Federal Privacy Commissioner. It is also proposed that the CEOs of Medicare and Centrelink be on the Board given the scale and complexity of the implementation task. It may be appropriate to have this body chaired by the Secretary, Prime Minister and Cabinet to reinforce the whole of government importance of the initiative. This Board has the following roles:

- Drive a whole of government implementation and oversee the overall direction, functionality and focus on the initiative
- Ensure that the HSS initiative is aligned to other government initiatives
- Govern the development and operation of the authority
- Liaise with the independent advisory board
- Monitor budget expenditure and the effective rollout of the HSS initiative
- Oversee business rules and, in particular, the business rules applying to DHS agencies
- Provide advice on future functionality and scope.

This is not intended to be a new statutory agency but a separate agency within the DHS/Finance portfolio.

14.3.2 Program sponsor

The Secretary, Department of Human Services is Sponsor of the Implementation Program with the authority to drive timely and efficient rollout. The sponsor owns the project business case and represents the interests of DHS. The DHS Secretary will fill this role since their responsibility is to ensure that key programs in DHS are appropriately scoped, budgeted, executed within time and budget and, most crucially, ensure that the stated goals and benefits of the program are achieved.

14.3.3 Program Management Office (PMO)

The role of the PMO is to carry out the day-to-day administration of the initiative, in consultation with an external commercially focussed project manager. It should be made up of staff seconded from DHS agencies and other specialist agencies in Government.

It should be resourced in a way that reflects it will need to have up-front and on-going responsibility.

An external specialist program and project manager should take responsibility for the detailed design and detailed IT specifications and then the full oversight of the program implementation. KPMG advises that this role should be sourced from the private sector to ensure a strong commercial discipline is put in place in the implementation rollout. It should be stressed this is not about contracting out a function – it is a strategic alliance to bring an independent and experienced focus to meet the needs of the task.

The Program Managers direct reports are:

- Project Managers of individual projects within the program, including those related projects which are owned by the DHS agencies
- Other third party IT service, equipment and software providers
- Specialist competency teams which are required in common across the program – these typically include but are not limited to a technical design authority, legal, and communications.
14.4 Advisory Board

An Advisory Board reporting to the Minister should be established at the start of the detailed design phase of the implementation program. This should have a sunset life of five years and be made up of relevant stakeholders. If Government chooses to significantly change functionality and/or scope of the initiative, the Minister could convene an appropriate advisory structure. The Board should report to the Minister.

The role of the Advisory Board will be to:

- Provide a single point of coordinated stakeholder advice to the Minister
- Advise on issues management and coordination across the various sectors who have an interest in the HSS initiative
- Advise on communication, education and training arrangements
- Provide Government with advice and make recommendations on any proposed expansion to functionality and scope. This has also been recommended in the privacy impact statement and legal review.
15 Communication strategy and stakeholder management

KPMG has been asked to provide some of the elements of a stakeholder management and communications plan that will be necessary to ensure the effective implementation of the HSS initiative.

Before a detailed communications plan is finalised, key decisions relevant to the adoption of this proposal are required by government. The purpose of this section therefore, is to broadly outline some of the key communication and stakeholder considerations KPMG believe are necessary to support the announcement and implementation of the HSS initiative.

KPMG strongly believe that communication, education and effective stakeholder management are also essential to help mitigate key risks identified as part of KPMG’s risk assessment.

For example, a significant risk is that there is confusion in the community about the intent of this initiative – i.e. that the health and social services smart card is confused with an identity card.

There is also a risk that people see the proposed new system as inconvenient and unnecessarily burdensome because they are now required to collect and present POI documents to receive specific DHS agency entitlements.

There is also the risk that staff in DHS offices are not ready or have different information which will also create confusion and lack of trust in the system.

We propose the following elements in any future communications, education and stakeholder management strategy. A more detailed version of the strategy and a list of key stakeholders is provided at Attachment I (Attachment deleted for commercial reasons).

15.1 Stakeholder engagement

KPMG consulted widely in the preparation of the business base. We found that whilst there were issues which needed to be managed, there was widespread support for the initiative.

Any stakeholder management strategy should effectively have three elements.

Firstly, a consultative and advisory body as suggested in Section 14 on Governance to oversee implementation and provide advice on proposed increases to scope and function.

Secondly, many of the professional bodies, such as the Division of General Practice, the Pharmacy Guild and other professional associations for allied health workers and nurses etc, are best placed to provide information by way of training and education to those providers.

Thirdly, some targeted and detailed consultation is required with key groups such as those listed at Attachment I (Attachment deleted for commercial reasons). This would follow any Cabinet
decision and would involve presenting the detail of how the initiative would impact specifically on them and their constituents and how it would operate more generally.

15.2 Communication / education for the wider community
This will need to take the following elements:

- Upfront education and awareness
- Extensive communication and education in the registration period as set out below.

15.3 Upfront education and awareness
It will be important to ensure that there is a comprehensive program of education and training to providers undertaken. This should include:

- The establishment, after the public announcement of the HSS initiative, of a telephone hotline as there are many people who will think they need to have their Medicare card replaced immediately and will need to be able to contact someone. Others may simply have questions they want answered about how they will be impacted by the new arrangements

- A broad based communication and education strategy which could be delivered through a number of channels such as direct mail, paid advertising, free or paid advertising in ethnic media, 'smart card' road shows, DHS information kiosks and booths, and question and answer fact sheets that can be handed out at DHS offices when consumers are in a DHS office and ask questions about the card.

The time lag between when the registration is underway and the government announcement of the initiative will be a high risk stage and needs to be managed effectively.

15.4 Communication during the registration period
The registration period will be a critical stage in the communications strategy. It will require the following elements:

- A fully operational call centre

- High quality direct mail invitations to register, accompanied by fact sheets which make it clear what is required, i.e. what to collect for your POI, who to contact and where to get help

- Office areas which are high profile and professionally fitted out

- The operation of mobile teams who can assist people in nursing homes or remote communities to register
• Information road shows which can provide comprehensive information to participating communities and face-to-face opportunities for questions and answers.

In both stages the messages will be critical. They will need to cover two elements.

Firstly, messages will need to be clear about the basic operation of the system (i.e. the nature of the card, who needs to have one, what the card will be needed for and what will happen if a consumer does not register). Whilst promoting the advantages of the card is critical, so too is ensuring that the community has accurate and factual information on how they go about getting the card.

Secondly, the messages must accurately promote the advantages of the new system. This should focus on messages like:

• You will only need to register for your health and social service once in your life
• You will only have to update your information once to DHS agencies
• The system will be a lot easier to use
• You will have all the information about your voluntary personal information, such as allergies, emergency contacts, in an accessible, convenient place and this can be accessed by an ambulance officer or a hospital emergency department
• You can choose to use your card to prove your identity to get access to other services.

15.5 Well trained professional staff

One of the risks in a project like this is that too much emphasis is put on ‘marketing’ etc and insufficient time and focus is placed on preparing staff, who will be the first point of contact for most consumers.

Our costing model has put forward some assumptions about training of staff. These assume training in the registration process (i.e. those specialist new staff employed to carry out the registration.) We advise considerable effort should also be made to ensure staff at Medicare, Centrelink and DVA are well briefed and well equipped to answer questions. This would be in addition to the training of registration staff and should be one of the priorities for funds allocated to the communications strategy.
15.6 Effective media management and third party support

Once the announcement is made, the community acceptance or otherwise will be somewhat dependent on initial media coverage and third party support or criticism.

KPMG identified a number of stakeholders during the consultation who would be strong supporters of the initiative. It is critical that key third party supporters such as GPs are given comprehensive briefings to respond to any media enquiries as many of them are likely to be powerful advocates for the initiative.

Similarly, there should be a detailed briefing of media outlets once the announcement is made. This would obviously involve the preparation of kits and audiovisual material that can be used by media outlets to explain the advantages of the system.

15.7 Costings of communications strategy

Section deleted for commercial reasons.
16 Implementation program

Chapter deleted for commercial reasons and will be subject to detailed design.
Addenum – Extract of attachment F - Cards replaced by the HSS initiative

The HSS smart card will replace the Medicare card, health care cards, Veterans cards and various other DHS agency-issued concession cards and vouchers. The business case has identified a total of 17 cards which can be eliminated through the introduction of the smart card.

<table>
<thead>
<tr>
<th>Cards that will be eliminated</th>
<th>Issuing agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Medicare card</td>
<td>Medicare</td>
</tr>
<tr>
<td>2 Medicare Australia Organ Donor Registration card</td>
<td>Medicare</td>
</tr>
<tr>
<td>3 Medicare Reciprocal health care agreement card</td>
<td>Medicare</td>
</tr>
<tr>
<td>4 PBS Safety Net Entitlement card</td>
<td>Medicare</td>
</tr>
<tr>
<td>5 PBS Concession Card</td>
<td>Medicare</td>
</tr>
<tr>
<td>6 Cleft Lip and palate card</td>
<td>Medicare</td>
</tr>
<tr>
<td>7 Centrelink Pensioner Concession card</td>
<td>Centrelink</td>
</tr>
<tr>
<td>8 Centrelink Healthcare card</td>
<td>Centrelink</td>
</tr>
<tr>
<td>9 Centrelink Foster Child Care card</td>
<td>Centrelink</td>
</tr>
<tr>
<td>10 Centrelink Low Income Healthcare card</td>
<td>Centrelink</td>
</tr>
<tr>
<td>11 Centrelink Commonwealth Seniors card</td>
<td>Centrelink</td>
</tr>
<tr>
<td>12 Electronic Benefit Transfer (EBT)</td>
<td>Centrelink</td>
</tr>
<tr>
<td>13 DVA Gold Repatriation Health card</td>
<td>Medicare (for DVA)</td>
</tr>
<tr>
<td>14 DVA White Repatriation health card</td>
<td>Medicare (for DVA)</td>
</tr>
<tr>
<td>15 DVA Repatriation Pharmaceutical Benefits card</td>
<td>Medicare (for DVA)</td>
</tr>
<tr>
<td>16 War widow / Widow’s transport Concession card</td>
<td>Medicare (for DVA)</td>
</tr>
<tr>
<td>17 Office of Hearing Services voucher</td>
<td>OHS</td>
</tr>
</tbody>
</table>
Attachments deleted for commercial reasons

These matters will be covered in the detailed design processes