



**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**2012-13 BUDGET ESTIMATES QUESTIONNAIRE**

**DEPARTMENT OF HEALTH**

## 1. Strategic priorities

### Question 1.1

- (a) What are the Department's key strategic priorities underpinning its budget for 2012-13 and over the forward estimates to 2015-16?

The Department's key strategic priorities for the 2012-13 Budget and forward estimates are the reform priorities outlined in the *Victorian Health Priorities Framework 2012-2022*:

1. Developing a system that is responsive to people's needs
2. Improving every Victorian's health status and health experiences
3. Expanding service, workforce and system capacity
4. Increasing the system's financial sustainability and productivity
5. Implementing continuous improvements and innovation
6. Increasing accountability and transparency
7. Utilising e-health and communications technology

- (b) If applicable, how do these priorities differ from the previous year?

The Department's 2012-13 Budget priorities are aligned with those of the 2011-12 Budget, reflecting the Government's long-term plan to reform Victoria's healthcare system.

The 2012-13 Budget includes a new strategic priority, 'Increasing the system's financial sustainability and productivity'.

- (c) What are the impacts of any differences in the Department's strategic priorities between 2011-12 and 2012-13 on funding and resource allocation in the 2012-13 Budget?

To 'increase the system's financial sustainability and productivity' the Department is focussed on identifying productivity and administrative efficiencies in the health portfolio.

- (d) Please identify any programs or initiatives (asset or output) over \$2 million relevant to the Department that have been curtailed, deferred, discontinued or completed as a result of changes in strategic priorities between 2011-12 and 2012-13. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

The HealthSMART implementation program has ceased.

**Question 1.2**

Please identify any programs or initiatives that have lapsed in 2011-12 (i.e. will not be continued in 2012-13). For each program or initiative, please indicate the impact on the community of the lapsing. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

Health programs where funding was not available beyond 2011-12 are; NPA Improving Public Hospital – Commonwealth; Victorian Cancer Agency: Building on achievements; National E-Health Transition Authority Operations; Healthy Mothers, Healthy Babies; National Centre for Farmer Health.

This includes lapsing Commonwealth funding which has been a significant issue for the Department in trying to maintain and improve services in a constrained budget environment.

Where a program cannot be funded because of fiscal constraints such as lower receipts or non-renewal of National Partnership payments, the Department works with service delivery partners to ensure any impact of services delivered to the community are minimised.

**Question 1.3**

- (a) What are the key sectoral policies applicable to the Department upon which budget allocations to new initiatives are based?

Budget allocations are based on the Government's health, ageing and mental health policy priorities and objectives, as outlined in the Victorian Health Priorities Framework 2012-2022.

- (b) For the five largest initiatives released for your department in the 2012-13 Budget, please identify:
- (i) to which of the policies detailed above does each initiative relate; and
  - (ii) whether linkages are explicitly identifiable in the 2012-13 Budget Papers.

Please ensure that the initiatives are described using the same names as are used in the budget papers.

<b>Initiative</b>	<b>Related policies</b>	<b>Where links are identifiable in the budget papers</b>
<ul style="list-style-type: none"> <li>• Sustaining hospital performance patient demand growth</li> </ul>	<ul style="list-style-type: none"> <li>• Victorian Health Priorities Framework.</li> </ul>	<ul style="list-style-type: none"> <li>• 2012-13 Budget Paper 3</li> </ul>
<ul style="list-style-type: none"> <li>• Geelong Hospital - Major Upgrade</li> </ul>	<ul style="list-style-type: none"> <li>• Victorian Health Priorities Framework.</li> </ul>	<ul style="list-style-type: none"> <li>• 2012-13 Budget Paper 3</li> </ul>
<ul style="list-style-type: none"> <li>• Ballarat Hospital - additional beds, ambulatory care and helipad</li> </ul>	<ul style="list-style-type: none"> <li>• Victorian Health Priorities Framework.</li> </ul>	<ul style="list-style-type: none"> <li>• 2012-13 Budget Paper 3</li> </ul>
<ul style="list-style-type: none"> <li>• Frankston Hospital Emergency Department Redevelopment</li> </ul>	<ul style="list-style-type: none"> <li>• Victorian Health Priorities Framework.</li> </ul>	<ul style="list-style-type: none"> <li>• 2012-13 Budget Paper 3</li> </ul>

<ul style="list-style-type: none"> <li>• Securing our Health System - Medical Equipment Replacement Program</li> </ul>	<ul style="list-style-type: none"> <li>• Victorian Health Priorities Framework.</li> </ul>	<ul style="list-style-type: none"> <li>• 2012-13 Budget Paper 3</li> </ul>
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**Question 1.4 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please identify any government-wide programs or initiatives that have been curtailed, deferred, discontinued or completed as a result of changes in strategic priorities between 2011-12 and 2012-13. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

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**Question 1.5 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please identify any government-wide programs or initiatives that have lapsed in 2011-12 (i.e. will not be continued in 2012-13). For each program or initiative, please indicate the impact on the community of the lapsing. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

Program or initiative	Impact on the community

**Question 1.6 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please outline how the recommendations made by the Independent Review of State Finances in its April 2011 Interim Report and 2012 Final Report have been reflected in:

(c) strategic priority formulation;

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(d) budget strategies; and

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(e) the development of the 2012-13 Budget and forward estimates.

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**Question 1.7 (Department of Treasury and Finance only) – NOT APPLICABLE**

In the 2011-12 budget papers,<sup>1</sup> the Government drew attention to a VCEC inquiry to identify the main elements of a state-based reform agenda that would focus on promoting productivity, competitiveness and labour force participation.

Please outline how the recommendations emanating from the VCEC inquiry have been reflected in:

(f) strategic priority formulation;

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(g) budget strategies; and

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(h) the development of the 2012-13 Budget and forward estimates.

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## 2. Budget preparation

### Question 2.1

Please identify any reviews, inquiries, studies, audits or evaluations specifically requested by the new Government after the 2010 election relating to your department, indicating for each the impact that it has had on the formulation of the 2012-13 Budget for the Department.

Review, inquiry, study, audit or evaluation	Impact
Perrignon Review of Gamete storage	Nil
Review of the Health Services (Conciliation and Review ) Act	Nil

### Question 2.2

Please describe the five most significant projects or programs that the Department considers would have been worthwhile to undertake in 2012-13 but which cannot be undertaken due to resources being allocated elsewhere.

The Department works within Government budget and policy parameters and does not maintain a list of unfunded priority projects or programs.
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### Question 2.3 (Department of Treasury and Finance only) – NOT APPLICABLE

In the Committee's *Report on the 2011-12 Budget Estimates — Part Three* (Recommendation 12), the Committee recommended that the Department of Treasury and

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<sup>1</sup> Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.16

Finance ‘develop and implement processes for identifying the cost of producing the budget papers in future years’.

- (i) What progress has been made in collecting this information?

- (j) What is the cost of the development, preparation and publication of the 2012-13 Budget Papers? Please include details of the number of resources employed and hours or work entailed.

- (k) What is the Department of Treasury and Finance’s view on publishing in future, as part of the budget papers, the cost of developing, preparing and publishing this key accountability document for the State or the reasons for not doing so?

- (l) If cost information is not collected, how is the Department assured that the State Budget is prepared in an efficient manner?

**Question 2.4 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please detail the economic forecasts which had the most significant impact on framing the 2012-13 Budget, detailing for each the major items in the budget that have been affected.

Economic forecast	Affected items in the budget

**Question 2.5 (Department of Treasury and Finance only) – NOT APPLICABLE**

In relation to the aggregate level of the operating contingency provision as shown in the line item ‘Contingencies not allocated to departments’ in the notes to the estimated financial statements (estimated operating statement) for the general government sector, please explain the reasons for any movement of greater than \$500,000 between the years 2012-13 to 2015-16.

**Question 2.6 (Department of Treasury and Finance only) – NOT APPLICABLE**

In relation to the estimated financial statements for the general government sector (estimated operating statement and estimated balance sheet), please explain any variations of more than

10 per cent between the estimates for 2012-13 published in the 2011-12 budget papers, and the budget forecasts for 2012-13 shown in the 2012-13 budget papers.

Line item	Reason for variation

**Question 2.7 (Department of Treasury and Finance only) – NOT APPLICABLE**

(m) What new features have been incorporated in the budget papers for 2012-13 and why?

(n) What features have been omitted and why?

### 3. Spending

#### Question 3.1

For your department, please explain any variations of more than 10 per cent (or greater than \$100 million) between the revised estimate for 2011-12 and the target for 2012-13 for expenses from transactions (as presented in the Department's operating statement in the Statement of Finances budget paper) that relate to the following line items:

- (o) 'Employee benefits';
- (p) 'Grants and other transfers'; and
- (q) 'Other operating expenses'.

	<b>2011-12 (Revised estimate)</b>  <b>(\$ million)</b>	<b>2012-13 (Budget)</b>  <b>(\$ million)</b>	<b>Explanation for any variances greater than ±10% (or greater than \$100 million)</b>
Employee benefits	7,399.0	7,609.9	The increase represents the budgeted impact of the increases in salaries and salary on-costs by both the department, health services and other portfolio agencies. This increase is driven by the impact of salary award changes in accordance with Government wages policy, and the impact of 2012-13 Budget and prior year policy initiatives. The budget growth in salaries also reflects the impact on salaries from the employment of staff to deliver services funded from health services own revenue year-on-year.
Grants and other transfers	190.6	845.1	The increase is resulting from the expected introduction of the joint Commonwealth-State National Health Reform, effective 1 July 2012. The increase represents the change in accounting treatment for payments to denominational hospitals from <i>Other Operating expenses</i> to <i>Grants and other transfers</i> .

Other operating expenses	5,107.2	4,656.9	This decrease is the converse result to the transaction above - resulting from the expected introduction of the joint Commonwealth-State National Health Reform, effective 1 July 2012. The decrease represents the change in accounting treatment for payments to denominational hospitals from <i>Other Operating expenses</i> to <i>Grants and other transfers</i> . This decrease is partially offset by the budgeted increase in externally purchased services to funded non-Government organisations for a range of services.
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### Question 3.2

As the line item 'other operating expenses' in the Department's operating statement (as presented in the Statement of Finances budget paper) constitutes a large proportion of expenditure, please provide a break-down of the major components of this item, providing for each component:

- (r) the current estimate of expenditure for 2011-12;
- (s) the estimated expenditure for 2012-13; and
- (t) an explanation for any variations greater than  $\pm 10$  per cent (or greater than \$100 million) between the estimated expenditure for 2011-12 and the estimated expenditure for 2012-13.

	2011-12	2012-13	Explanation for any variances greater than $\pm 10\%$ (or greater than \$100 million)
	(\$ million)	(\$ million)	
Purchase of services – intra-government	236.9	297.5	The majority of this variance relates to estimated insurance premiums increases from the Victorian Managed Insurance Authority in 2012-13.
Operating supplies and consumables	2,293.0	2,312.3	Variance less than $\pm 10\%$ or \$100 million
Purchase of services – external suppliers other than the Commonwealth	2,360.1	1,823.3	This decrease is resulting from the expected introduction of the joint Commonwealth-State National Health Reform, effective 1 July 2012. The decrease represents the change in accounting treatment for payments to denominational hospitals from <i>Other Operating expenses</i> to <i>Grants and other transfers</i> . This decrease is partially offset by the budgeted increase in externally purchased services to funded NGOs for a range of services.

Maintenance	164.0	170.0	Variance less than +/-10% or \$100 million
Operating leases	45.0	45.0	Variance less than +/-10% or \$100 million
Benefits to households and persons in goods and services	8.2	8.8	Variance less than +/-10% or \$100 million
<b>Total <i>Other operating expenses</i></b>	<b>5,107.2</b>	<b>4,656.9</b>	

If the Department is unable to provide estimates for the expenditure on these components in 2012-13, please explain how the amount of 'other operating expenses' listed for 2012-13 in the budget papers was calculated.

Not required

**Question 3.3**

For each of the items listed in the table below, please provide details of:

- (u) the current estimate of expenditure for 2011-12;
- (v) the estimated expenditure for 2012-13; and
- (w) an explanation for any variations greater than  $\pm 10$  per cent (or greater than \$100 million) between the expected outcomes for 2011-12 and the estimated expenditure for 2012-13.

Please provide details on the same basis of consolidation as is used to create the departmental operating statement in the budget papers.

	<b>2011-12</b>	<b>2012-13</b>	<b>Explanation for any variances greater than <math>\pm 10\%</math> (or greater than \$100 million)</b>
	<b>(\$ million)</b>	<b>(\$ million)</b>	
Entertainment expenses	0.03	n/a	
Overseas travel	0.08	n/a	
Legal expenses	5.15	n/a	
Consultants*	2.94	n/a	
Contractors*	15.51	n/a	
Grants to non-government organisations	1,749.3	n/a	

\* *for the difference between consultants and contractors, please see FRD 22B – Standard Disclosures in the Report of Operations*

If the Department is unable to provide estimates for the expenditure on any of these items, please explain why.

Note: It is not possible to forecast accurately beyond 30 June 2012 until implementation strategies for existing and new efficiency measures have been finalised.

**Question 3.4**

If there are any output or asset initiatives released in the 2012-13 Budget for the Department where less than 20 per cent of the total funding is to be spent in 2012-13, please explain the reasons in each instance. In describing the initiatives, please use the same names as are used in the budget papers.

Initiative	Explanation
<ul style="list-style-type: none"> <li>• Ballarat Hospital - Additional Beds, Ambulatory Care and Helipad</li> <li>• Castlemaine Hospital Upgrade</li> <li>• Charlton Hospital Reconstruction</li> <li>• Frankston Hospital Emergency Department Redevelopment</li> <li>• Geelong Hospital - Major Upgrade</li> <li>• Kilmore and District Hospital Redevelopment</li> <li>• Radiotherapy Services for South West Victoria</li> <li>• Regional Mother-Baby Mental Health Services</li> <li>• Seymour Hospital - Chemotherapy Chairs</li> <li>• Swan Hill Hospital - Aged Care Redevelopment</li> </ul>	<p>Generally, asset initiative projects follow a standard pattern of expenditure over the life of a project. Typically, early stages of a project incur relatively low expenditure which reflects the type of activity occurring in early phases, i.e. design development and contract documentation, prior to tendering of construction works.</p>

**Question 3.5 (Department of Treasury and Finance only) – NOT APPLICABLE**

With respect to the line item 'Net cash flows from investments in financial assets for policy purposes' in the general government sector cash flow statement, please identify:

- (x) the main projects facilitated through this expenditure in 2012-13 and the forward estimates;
- (y) the amount of funding for each of those projects; and
- (z) what policy objectives underlie the choice of investments.

<b>Project</b>	<b>Value of funding (\$ million)</b>	<b>Policy objectives</b>

**Question 3.6 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please prepare an analysis of the expected growth in public expenditure for the general government sector in 2012-13 and over each of the out-years to 2015-16 compared to the assumed trend growth in Gross State Product (GSP) between each year. Include in your analysis an explanation for any year in which expenditure growth rate exceeds the assumed growth rate in the GSP. For both expenditure and GSP, please provide nominal amounts.

<b>Year</b>	<b>Estimated growth in expenditure (%)</b>	<b>Estimated growth in GSP (%)</b>	<b>Analysis</b>
2012-13			
2013-14			
2014-15			
2015-16			

## **4. Efficiencies and savings**

### ***Question 4.1***

Please outline how the concept of 'operational efficiency' has been addressed in formulating the Department's budget for 2012-13.

Additional efficiency measures in the Health portfolio will be achieved through improved efficiencies and cost containment across Health and Aged Care, including a focus on improved purchasing practices through enhanced contract management by Health Purchasing Victoria, improvements in patient flow, both within hospitals and community health services, benchmarking and reduction of administrative overhead costs.

**Question 4.2**

For each of the savings initiatives detailed in the table below, please detail (on the same basis of consolidation as the budget papers):

- (aa) what actions the Department will take in 2012-13 to meet the savings targets;
- (bb) any impact that these actions will have on the delivery of services; and
- (cc) please identify the savings target for 2012-13, with an explanation for any variances between the current target and what was originally published in the budget papers when the initiative was released.

<b>Initiative</b>	<b>Actions the Department will take in 2012-13</b>	<b>Impact of these actions on service delivery</b>	<b>Savings target for 2012-13 (\$ million) – incremental only</b>	<b>Explanation for variances to the original target</b>
General efficiencies (2009-10 Budget)	Actions taken for 2009-10 were implemented recurrently.		Nil	NA
Government election commitment savings (2011-12 Budget)	This saving will be achieved through targeted reduction in one-off and non-recurrent expenditure for programs ancillary to service delivery, including administrative overheads.	Savings will be targeted at overhead reduction and should not impact on services delivered to the community.	1.5	NA
Measures to offset the GST reduction (2011-12 Budget)	This saving will be achieved through targeted reduction in one-off and non-recurrent expenditure for programs ancillary to service delivery, including administrative overheads.	Savings will be targeted at overhead reduction and should not impact on services delivered to the community.	(9.1)	NA

<b>Initiative</b>	<b>Actions the Department will take in 2012-13</b>	<b>Impact of these actions on service delivery</b>	<b>Savings target for 2012-13 (\$ million) – incremental only</b>	<b>Explanation for variances to the original target</b>
Capping departmental expenditure growth (2011-12 Budget Update)	This saving will be achieved through targeted reduction in one-off and non-recurrent expenditure for programs ancillary to service delivery, including administrative overheads.	Savings will be targeted at overhead reduction and administrative efficiencies and should not impact on services delivered to the community.	13.9	NA
Maintain a sustainable public service (2011-12 Budget Update)	Reduction in non-front line public service staff.	Savings will be targeted at overhead reduction and administrative efficiencies and should not impact on services delivered to the community.	12.9	NA
Any savings or efficiency initiatives in the 2012-13 Budget	Implementation of new savings from the 2012-13 budget are yet to be determined.	To be determined following analysis of budget savings initiatives.	32.3	NA

**Question 4.3**

For each of the expenditure areas targeted for savings in the ‘Government election commitment savings’ initiative released in the 2011-12 Budget, please detail the actual expenditure for 2009-10 and 2010-11 and the estimated expenditure for each year of 2011-12 to 2014-15. Please provide figures on the same basis of consolidation as the budget papers. Please provide explanations for any category that does not decrease by the savings target over the five-year period.

Savings have been made from a broader range of activities than initially specified to meet the objective of targeting administrative and overhead costs and reduce waste and duplication and to mitigate impact on frontline service delivery obligations.

Details of actual expenditure for major expenditure categories are included in the Department's annual report.

For any categories for which information is not available, please explain:

(dd) why data are not available; and

(ee) how the Department will monitor whether or not it has achieved its savings target in that category.

<b>Category</b>	<b>Why data are not available</b>	<b>How the Department will monitor whether or not it has achieved its savings target in this category</b>

N.B. Refer to preceding response

## 5. Asset and output initiative funding

### Question 5.1

Please break down the Department's total output funding for 2012-13 (as provided in the Service Delivery budget paper) according to the amounts from:

- (ff) output initiatives in the 2012-13 Budget;
- (gg) non-ongoing initiatives released in previous budgets; and
- (hh) base funding/ongoing funding.

<b>Funding for initiatives released in the 2012-13 Budget</b>	<b>Funding for non-ongoing initiatives released in previous budgets</b>	<b>Base funding/ongoing funding</b>	<b>Total output cost (as in Service Delivery budget paper)</b>
<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>
319.8	127.1	13,236.7	13,683.6

### Question 5.2

If the Department's total output cost (as detailed in the Service Delivery budget paper) differs from the Department's total expenses from transactions (as detailed in the Statement of Finances budget paper), please explain the difference.

The Department's total output costs for 2012-13 does differ to the Departmental 2012-13 total expenses from transactions for the following reasons:

- Hospital/ health services commercial activities.  
There are a range of services delivered by DH portfolio health services that do not directly contribute to the delivery of outputs. These include services that create revenue for health services such as private practice arrangements, privatised clinical services and the delivery of car-parks and kiosks. The funding required to operate these services is provided from non-government/ non-appropriated sources.
- Funding for outputs delivered by other Victorian Government departments.  
The DH portfolio receives various funding from other Victorian Government departments, which will be reported in the output costs for these respective departments. This expenditure is therefore not included in DH's output costs, to ensure there is not a duplication of expenditure in the State Budget papers.

**Question 5.3**

The Department of Treasury and Finance has indicated to the Committee that *'the service benefits delivered through the asset investment are reflected in changes to the Budget Paper 3 Performance Measures'*.<sup>2</sup> Please list all performance measures that have been adjusted in 2012-13 as a result of recent asset investment by the Department.

Asset investment contributes to increased capacity within the health system, in the form of enhanced infrastructure including new and improved bed capacity. Department of Health's performance measures adjusted resulting from asset investment from prior years are:

Total separations - all hospitals

WIES funded separations - all hospitals except small rural health services

Clinical inpatient separations

**Question 5.4**

In relation to any unapplied output and asset funding carried forward to 2012-13, please provide:

- (ii) a break-down of the carried forward funding for both output and asset initiatives;
- (jj) the underlying reasons for the Department's funding carryover for each category; and
- (kk) the intended revised timing for use of the carried forward funds, including project-specific details for asset initiatives.

From the budget initiatives announced in the 2011-12 State Budget (election commitments, output initiatives, and asset initiatives), the following are the associated carryover initiatives.

<b>Category</b>	<b>Initiatives affected</b>	<b>Amount of carryover (\$m)</b>	<b>Underlying reasons</b>	<b>Intended revised timing for use of the carried forward funds</b>
Mental Health	MH Illness Research Fund	2.4	Governance and administrative model for delivery.	Quarter 1, 2012-13
	State Coordination of Inpatient Beds	0.1	Contractually committed.	2012-13
Public Health	Bowel Cancer Screening	0.5	Delayed by reforms in primary care/general practice sector. To commence in Dec 2012.	2012-13
	NPA on Preventative Health	9.0	Timing differences between revenue receipt under NPA and planned expenditure by DH.	2012-13

<sup>2</sup> Department of Treasury and Finance, response on the Committee's 2009-10 and 2010-11 financial and performance outcomes Questionnaire — Part Two, received 24 January 2012, p.9

	Life!	1.2	Project delays due to program uptake.	2012-13
	Gay, lesbian, bisexual, transgender and intersex (GLBTI) HIV research grant	0.1	Changes to contract cashflow.	2012-13 to 2013-14
Acute Health	Waiting list and emergency department reform	0.4	Delays related to recruitment.	2012-13
Asset funding	nil	nil	An assessment of Capital budget and funding for the 2011-12 financial year has adjusted cashflows with Treasurer's approval based on the anticipated expenditure of project milestones. This has updated the anticipated carryover for Asset funding to zero.	

## 6. Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures

### Question 6.1

In relation to 2012-13, please outline any new revenue-raising initiatives and/or major changes to existing revenue initiatives. For each initiative/change, please explain:

- (ll) the reasons for the initiative/change;
- (mm) the assumptions underlying the analysis;
- (nn) alternative scenarios considered;
- (oo) the impact of any changes on service delivery (i.e. please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives);
- (pp) any performance measures or targets altered as a result of the initiative/change; and
- (qq) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

Not Applicable

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone

**Question 6.2**

In relation to 2012-13, please outline any new tax expenditures or concession/subsidy initiatives and/or major changes to existing tax expenditures or concession/subsidy initiatives. For each initiative/change, please explain:

- (rr) the reasons for the initiative/change;
- (ss) the assumptions underlying the analysis;
- (tt) alternative scenarios considered;
- (uu) the impact of any initiatives/changes on service delivery (i.e. please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives);
- (vv) any performance measures or targets altered as a result of the initiative/change; and
- (ww) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

Not Applicable

<b>Initiative/ change</b>	<b>Reasons for the initiative/ change</b>	<b>Underlying assumptions</b>	<b>Alternative scenarios</b>	<b>Impact of changes on service delivery</b>	<b>Performance measures or targets altered</b>	<b>Anticipated total value of revenue gained/foregone</b>

**Question 6.3**

(xx) Please provide a list of any revenue measures (taxation, fees, fines etc.) or any concessions (or subsidies) where the rate has been changed for reasons other than keeping up with inflation.

(yy) Please provide an explanation for the changes.

There are no major revenue policy changes for the department in the 2012-13 Budget.

Revenue measure/ concession/subsidy	2011-12 rate	2012-13 rate	Explanation

**Question 6.4**

For the Department's income categories (as appear in the Department's operating statement in the Statement of Finances budget paper), please provide an explanation for any items that have a variance of greater than 10 per cent between the revised estimate for 2011-12 and the budget for 2012-13.

Income category	Explanation
Output appropriations	The 2012-13 budget reflects a change in funding arrangements due to the expected introduction of the joint Commonwealth State National Health Reform effective 1 July 2012. This arrangement will provide for Commonwealth funding under the National Healthcare Specific Purpose Payment to be paid into the Victorian Funding Pool (in the Department's Administered accounts). In 2011 12 and previous years, this funding has been provided to DH as Output Appropriation funding.
Grants	The increase in Grants income in the 2012-13 budget also primarily relates to the change in funding arrangements due to the expected introduction of the joint Commonwealth State National Health Reform effective 1 July 2012. The increase reflects a change in the accounting treatment of Commonwealth and State funding flows expected under the National Health Reform arrangements.
Fair value of assets and services received free of charge or for nominal consideration	The decrease relates to the one-off transfer in 2011-12 of medical indemnity liability to Victorian Managed Insurance Authority (VMIA).

## 7. Grants from the Commonwealth

### Question 7.1

(zz) What impact have developments at the Commonwealth level, including initiatives under the COAG Reform Agenda, had on the Department's component of the 2012-13 State Budget?

On 2 August 2011, COAG agreed to a revised health reform package and signed the National Health Reform Agreement (NHRA) that replaced the National Health and Hospitals Network Agreement. A revised National Partnership Agreement on Improving Public Hospital Services (NPA IPHS) was also signed by First Ministers.

The NHRA introduces a new approach to financing, where the Commonwealth will provide funding on an activity basis, with block funding provided where appropriate. An activity based funding system will be introduced from 1 July 2012 for admitted acute patient services. Payments for emergency department and outpatient services will be made on an activity 'proxy' basis also from 1 July 2012. This will be extended to mental health and subacute services paid on an activity 'proxy' basis from 1 July 2013.

Funding for small rural hospitals and some services will need to be maintained on a block funded basis. The Victorian Government is participating in a national process to determine which hospital services are to be block funded in Victoria.

The health reform package commits the Commonwealth to a guaranteed share of efficient growth funding for hospital services, which will be no less than \$16.4 billion nationally between 2014-15 and 2019-20.

In addition, the NPA IPHS will provide \$822.2 million in funding over 5 years to Victoria from 2009-10 to 2013-14. In the 2012-13 State budget \$143.3 million is allocated to Victoria for operating and capital funding. The Commonwealth will provide an additional \$21.6 million for reward funding if Victoria meets set targets under the NPA.

The implementation plan for 2011-12 and the progress report for the reporting period 1 July 2011 to 31 December 2011 was submitted to the Commonwealth on 20 April 2012.

The implementation plan and the progress report will need to be approved by the Commonwealth before Victoria receives 2011-12 funding allocation.

The Draft Pricing Framework released by the Independent Hospital Pricing Authority (IHPA) on 16 January 2012 included proposed criteria for assessing in-scope services. Victoria has provided preliminary advice to the IHPA on the scope criteria outlined within the draft pricing framework. The general list of in-scope services will be included in the draft National Efficient Price Determination, to be provided to Health Ministers on 30 March 2012. The IHPA is expected to release the national efficient price on 30 March 2012. All states will have 45 calendar days in which to comment and provide advice to the IHPA on the price.

#### Issues

There are a range of issues in regard to the establishment and implementation of the new national funding arrangements. These include:

The challenging timelines for establishment and implementation of the National Health Funding Body and Administrator;

The lack of expertise and preparedness within the Commonwealth and other jurisdictions in relation to design and operation of the system; and

The delay in agreeing the common provision for legislation.

The Acting Secretary of the Commonwealth Department of Health and Ageing wrote to the Qld Health CEO in January 2012 outlining the reasons for delays in the development of common legislative provisions to implement the National Health Funding Body and Administrator. The letter also indicated that Commonwealth Treasury is developing alternate arrangements if the 1 July 2012 legislation deadline is not met.

## **E-Health**

Development has begun on the Inter-Governmental Agreement (IGA) on e-Health (including schedules related to the services provided by the National e-Health Transition Authority (NEHTA) on behalf of all jurisdictions), which is due to replace the National Partnership Agreement (NPA) on E-Health, which expires on 30 June 2012. The focus of the IGA is on governance and funding processes. It is not a funding agreement per se. Consistent with the current NPA, Health Ministers agreed at the Standing Council on Health to seek ongoing funding for the National e-Health Transition Authority (NEHTA). Funding has been included in the 2012-13 State budget.

(aaa) In describing the impact of these developments for 2012-13, please outline the Department's progress to date in transitioning to the COAG Reform Council's new performance reporting framework.

Under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR), the COAG Reform Council (CRC) is tasked with independent assessment of whether predetermined performance benchmarks have been achieved before an incentive payment to reward nationally significant reforms under National Partnership Agreements (NPA) is made. The CRC's assessment role will continue with the revised National Partnership Agreement on Improving Public Hospital Services, which has committed \$99 million of reward funding for Victoria over the life of the agreement.

In addition to the CRC's continuing assessment role, the National Health Reform Agreement (NHRA) arrangements (agreed on 2 August 2011) make provision for the establishment of the National Health Performance Authority (NHPA). The NHPA will operate independently of the Commonwealth and state and territory governments. It will develop and produce quarterly reports on the performance of every Local Hospital Network and the hospitals within it, every private hospital and all Medicare Locals through their Hospital Performance Reports and Healthy Communities Reports.

These reports will be delivered in line with the Performance and Accountability Framework (PAF). The PAF contains measures of safety and quality, access and efficiency, and financial performance that will form the foundation of the Authority's workplan. The Victorian Premier agreed the revised Performance and Accountability Framework (PAF) in November 2011, on the basis that there will be separate agreement sought on the details of the hospital and community performance reports mentioned in the PAF.

Performance reporting is managed through the Inter-government Relations (IGR) Unit. IGR coordinates National Agreements, National Partnership Agreements, and reporting to the Commonwealth across the department. IGR also ensures that policy issues related to the CRC reporting framework are addressed.

This unit is providing a coordinated response to external reports pertaining to various NAs and NPAs, e.g. the CRC, and its draft report on the National Healthcare Agreement; and the Productivity Commission's preparatory work developing reports against performance indicators to be utilised in further CRC reporting.

IGR also provides information required for the Health Minister's COAG Health Implementation Reporting Framework (CHIRF) that is a compilation of Commonwealth, State and Territory information to inform Health Minister's regarding adherence and/or compliance with COAG obligations. This report is in the process of being reviewed at a national level.

It should be noted that a time-limited Working Group, Working Group for Rationalisation of Health Data Collection and Reporting, has been established under the auspices of National E-Health & Information Principal Committee (NEHIPC) at the request of Health Ministers, is reviewing opportunities for rationalising health data collection and reporting. Ernst & Young were engaged to consult with stakeholders and prepare a full inventory of existing and anticipated future data collection and reporting arrangements; this was finalised in January.

The Working Group identified preliminary key observations and recommendations presented in the Substantive Progress Report. NEHIPC considered these reports on 2 February 2012, and endorsed the Substantive Progress Report to be provided to AHMAC for the 28 February meeting,

and subsequently SCoH for the 27 April 2012 meeting.

**Question 7.2 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please explain how any major changes between financial agreements with the Commonwealth have impacted on the State's budget for 2012-13, e.g. new national health and hospitals reform.

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**Question 7.3 (Department of Treasury and Finance only) – NOT APPLICABLE**

What has been the impact of any changes to Victoria's share of the GST pool for 2012-13 and beyond?

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## 8. Net debt

**Question 8.1 (Department of Treasury and Finance only) – NOT APPLICABLE**

In relation to the net debt projections for the non-financial public sector for the 2012-13 budget year and over the forward estimates to 2015-16, please provide a break-down of the spread of net debt between the general government sector (GGS) and each of the main public non-financial corporations (PNFCs) concerned.

GGS/PNFC entity	Net debt, 30 June 2012	Net debt, 30 June 2013	Net debt, 30 June 2014	Net debt, 30 June 2015	Net debt, 30 June 2016

**Question 8.2 (Department of Treasury and Finance only) – NOT APPLICABLE**

(bbb) What plans are in place to reduce (in nominal dollar terms) the general government sector's net debt over time?

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(ccc) Does the Department have a target for the year in which the general government sector's net debt will start reducing (in nominal dollar terms)?

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(ddd) Does the Department have a target for the year in which there will be no debt for the general government sector?

**Question 8.3 (Department of Treasury and Finance only) – NOT APPLICABLE**

(ee) What plans are in place to reduce (in nominal dollar terms) the general government sector's total liabilities over time?

(fff) Does the Department have a target for the year in which the general government sector's total liabilities will start reducing (in nominal dollar terms)?

(ggg) Does the Department have a long-term target for a sustainable level of total liabilities?

## 9. Geographic considerations

### Question 9.1

Please complete the following table for up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria:

Project	Budget allocation for 2012-13 (\$ million)	New or existing project?	Purpose of the project	How is the funding to be spent?	What performance measures are in place?	Expected net benefits	Net present value (in 2012 dollars), where applicable
1. Geelong Hospital - Major Upgrade	\$3.81m (TEI - \$93.27m)	New	Funding is provided to deliver on the Government's election commitment for a major upgrade to the Geelong Hospital.	Building / Infrastructure	• N/A	Improve Health service efficiency  Faster treatment times for regional population  Better cancer and palliative care treatment	• N/A
2. Ballarat Hospital - additional beds, ambulatory care and helipad	\$5.5m (TEI - \$46.36m)	New	Funding provided to deliver on Government's election commitment for the redesign of existing building infrastructure at Ballarat Base Hospital.	Building / Infrastructure	• N/A	Improvements to capacity and productivity.  Improved ability to meet current and future forecast demand,  Reduced waiting times and greater access for patients.	• N/A

3. Charlton Hospital reconstruction	\$2.0m (TEI - \$22.7m)	New	This initiative will replace the Charlton Hospital which was extensively damaged in the January 2011 floods. The new purpose-built facility will include residential aged care and inpatient bed based services, urgent care, primary care and allied health services, including the co-location of General Practitioner (GP) services	Building / Infrastructure	• N/A	<p>Improve access to health services for the Charlton community.</p> <p>Improved operating efficiency so that it is compatible with service requirements.</p> <p>Improved quality of environment for patients, residents &amp; staff with all areas of the facility meeting infection control design standards.</p>	• N/A
4. Kilmore and District Hospital Redevelopment	\$2.0m (TEI - \$20m)	New	Funding will contribute to the redevelopment and expansion of the Kilmore and District Hospital through the addition of up to 30 acute beds together with supporting infrastructure. This project also includes provision of a dedicated outpatients service.	Building / Infrastructure	• N/A	<p>Meet existing and medium term acute demand from the local community.</p> <p>Provide support for the growing demand in the northern growth corridor;</p> <p>Expand the range of services along the continuum of care to support early discharge and reduce demand for future admission.</p>	• N/A

<p>5. Swan Hill Hospital - Aged Care Redevelopment</p>	<p>\$0.058m (TEI - \$18.0m)</p>	<p>New</p>	<p>This investment proposes the redevelopment of residential aged care facilities at Swan Hill District Health, providing 45 residential aged care beds, in a purpose built building. In addition, essential infrastructure and site services will be upgraded.</p>	<p>Building / Infrastructure</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<p>Significant improvements to delivery of care and greater financial and operational sustainability.</p> <p>Improve residential aged care facilities.</p> <p>Improved models of care.</p> <p>Improve essential systems and basic patient facilities.</p> <p>Refurbishment of aged care infrastructure – reducing emergency repairs and maintenance cost.</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
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**Question 9.2**

Please complete the following table for up to five of the Department's largest projects (in terms of expenditure) benefiting metropolitan Melbourne:

<b>Project</b>	<b>Budget allocation for 2012-13 (\$million)</b>	<b>New or existing project?</b>	<b>Purpose of the project</b>	<b>How is the funding to be spent?</b>	<b>What performance measures are in place?</b>	<b>Expected net benefits</b>	<b>Net present value (in 2012 dollars), where applicable</b>
1. Frankston Hospital Emergency Department Redevelopment	\$1.0m (TEI - \$40.0m)	New	To improve the hospital's capacity to meet current and forecast demand for emergency department care and service.	Building / Infrastructure	• N/A	Improved Access to Services; Better meet the expectations of community and government; Improved safety and efficiency of care.	• N/A
2. Securing our Health System - Medical Equipment Replacement Program	\$35.0m 75% Metropolitan Health Services	New	To replace medical equipment in the health system	Building / Infrastructure	• N/A	Improved Access to Services; Better meet the expectations of community and government; Improved safety and efficiency of care.	• N/A

3. Securing our Health System – Statewide Infrastructure Replacement Program	\$25.0m 75% Metropolitan Health Services	New	To replace ageing infrastructure in the health system	Building / Infrastructure	• N/A	Improved Access to Services; Better meet the expectations of community and government; Improved safety and efficiency of care.	• N/A
4 Sunshine Hospital - Critical Care Services	\$3.1m (TEI - \$15.1m)	New	To development Sunshine Hospital to deliver critical care services and expanded maternity services to meet the needs of people living in the western suburbs of Melbourne and accommodate forecast growth	Building / Infrastructure	• N/A	More timely patient access to critical care. Enhance current system efficiencies. Enhance hospital clinical capacity.	• N/A
5. Monash Children's Hospital – Planning and Development	\$3.0m (TEI - \$7.3m)	New	To enable continuation of planning and project development works. The Monash Children's Hospital will provide improved access to children's health services in south east Melbourne and the Mornington Peninsula.	Building / Infrastructure	• N/A	Improved access to tertiary paediatric services. Enhanced patient centred care. Recruitment/retention of a skilled workforce.	• N/A

<p>6. Royal Victorian Eye and Ear Hospital Redevelopment – planning and development</p>	<p>\$2.0m (TEI - \$2.0m)</p>	<p>New</p>	<p>To progress design development of the new and refurbished facilities. The redevelopment is designed to meet the expected increase in demand for age-related eye and ear conditions and associated research. Initial funding will provide for planning and project development.</p>	<p>Building / Infrastructure</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<p>Enable increased throughput within current resource levels.</p> <p>Improve patient outcomes through contemporary and innovative models of care.</p> <p>More efficient use of hospital floor area.</p> <p>Replacement of current aged care service infrastructure will significantly lower utility, maintenance and repair costs.</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
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## 10. Performance measures

### Question 10.1

For each initiative (asset or output) in the 2012-13 Budget with a total cost over the forward estimates greater than \$20 million (or a TEI over \$20 million), please list all new and existing performance measures in the budget papers related to the initiative. In describing initiatives, please use the same names as are used in the budget papers.

Initiative	Related performance measures
Sustaining hospital performance (\$880.7m)	Subacute bed days Total separations - all hospitals Weighted Inlier Equivalent Separations (WIES) - all hospitals except small rural health services WIES funded separations - all hospitals except small rural health services WIES funded emergency separations - all hospitals Emergency presentations Completed post acute episodes Patients treated in specialist outpatient clinics - unweighted Patients treated in specialist outpatient clinics - weighted Sub-acute ambulatory care occasions of service Clinical inpatient separations Community service hours Residential bed days
Victorian Innovation e-health & Communications Technology Fund (\$100m)	None
Home and Community Care (\$72.0m)	Clients receiving Home and Community Care Services Home and Community Care service delivery hours
Victorian Cancer Agency: Building on achievements (\$59.6m)	None
Geelong Hospital - Major Upgrade (\$93.3m)	. None
Ballarat Hospital - additional beds, ambulatory care and helipad (\$46.4m)	None

Frankston Hospital Emergency Department Redevelopment (\$40.0m)	None
Securing our Health System - Medical Equipment Replacement Program (\$35.0m)	None
Securing our Health System – Statewide Infrastructure Replacement Program (\$25.0m)	None

### Question 10.2

Please indicate any changes that the Department has made since the 2011-12 Budget to increase the number of its performance measures that are outcomes-based.

The Department of Health has made only minor changes to the performance measures in the interest of maintaining performance accountability and transparency across budgets. The department has not specifically identified outcome measures for the 2012-13 Budget.

New and revised output performance measures include;

- **Admitted Services:** new hand hygiene compliance measure
- **Aged Care Assessment:** amendment to percentage of priority 1, 2 and 3 clients seen within appropriate time for community and hospital based assessment measures
- **Aged Support Services:** new number of hours of respite and support services measure
- **Emergency Services:** review of patients seen within specified times (to align with National Reporting)
- **Health Advancement:** amendment to clients completing the *Life! Taking Action on Diabetes* course
- **Drug prevention and control:** new treatment permits issued to medical practitioners or nurse practitioners to prescribe Schedule 8 drugs, including pharmacotherapy measure; and amendment to licences and permits issued to health services or businesses for the manufacture, use or supply of drugs and poisons measure.

Discontinued output performance measures include;

- **Admitted Services:** emergency patients transferred to ward within 8 hours (to align with National Reporting).
- **Aged Care Assessment:** average wait between client registration and Aged Care Assessment Service (ACAS) assessment – community-based assessment; and, average wait between client registration and ACAS assessment – hospital-based assessment.
- **Emergency Services:** emergency Category 2 treated in 10 minutes; emergency Category 3 treated in 30 minutes replaced by emergency department patients treated within time; and non-admitted emergency patients with a length of stay of less than four hours, replaced by emergency patients with length of stay of less than 4 hours.
- **Public Health Development, Research and Support:** Department of Health funded public health training scholarships; and, Department of Health funded public health trainees achieving post-graduate qualifications.

**Question 10.3 (Department of Treasury and Finance only) – NOT APPLICABLE**

In preparing the budget papers, please outline the steps taken by the Department of Treasury and Finance to ensure that performance targets for all departments are appropriately challenging.

**Question 10.4 (Department of Treasury and Finance only) – NOT APPLICABLE**

Please detail the processes undertaken by the Department of Treasury and Finance to ensure that the '2011-12 expected outcome' for each performance measure published in the budget papers is a reasonable estimate.

**Question 10.5 (Department of Treasury and Finance only) – NOT APPLICABLE**

In considering targets for performance measures for all departments in the budget papers and assessing the expected outcomes for the previous year to be published in the budget papers:

(hhh) describe to what extent the Department considers historical trends of actual results for each performance measure; and

(iii) indicate how many years of data are considered.

## 11. Staffing matters

### Question 11.1

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2011 and estimates of FTE staff numbers (broken down by the categories listed below) at 30 June 2012 and 30 June 2013 for the Department. Please provide figures consolidated on the same basis as the expenditure for the department in the budget papers.

<b>Grade</b>	<b>30 June 2011 (FTE number)</b>	<b>30 June 2012 (FTE number)</b>	<b>30 June 2013 (FTE number)</b>
Secretary	1	1	
EO-1	1	2	
EO-2	15	14	
EO-3	26	28	
VPS Grade 7 (STS)	8	1,394	
VPS Grade 6	337		
VPS Grade 5	629		
VPS Grade 4	271		
VPS Grade 3	138		
VPS Grade 2	72		
VPS Grade 1	2		
Government Teaching Service			
Health services			
Police			
Allied health professionals			
Child protection			
Disability development and support			
Custodial officers			
Other	74	74	
<b>Total</b>	<b>1,572</b>	<b>1,513</b>	

Note: It is not possible to forecast accurately beyond 30 June 2012 until implementation strategies for existing and new efficiency measures have been finalised.

**Question 11.2**

Please break down the actual staff numbers in your department as at 30 June 2011 and the estimates as at 30 June 2012 and 2013 according to the number of staff that are ongoing, fixed-term or casual

	<b>30 June 2011</b> <b>(FTE number)</b>	<b>30 June 2012</b> <b>(FTE number)</b>	<b>30 June 2013</b> <b>(FTE number)</b>
Ongoing	1,289		
Fixed-term	283		
Casual	0		
<b>Total</b>	<b>1,572</b>	<b>1,513</b>	

Notes:

Note: It is not possible to forecast accurately beyond 30 June 2012 until implementation strategies for existing and new efficiency measures have been finalised.

**Question 11.3**

Given the Government's 'Maintain a sustainable public service' initiative, which is expected to reduce Victorian public service positions by around 3,600 between 2011-12 and 2014-15,<sup>3</sup> please indicate for each year:

- (jjj) the number of VPS positions (including VPS Grades 1-6, STS level, EO level and Secretary level) and non-VPS positions that the Department expects to have as at 30 June;

Reduction in VPS positions in the department to meet the Government's targets will vary over the forward estimates and will be reported to Parliament both in the Annual Report and the State of the Public Sector Report. It would be inaccurate to provide information at the level of changes in particular grades of FTE staff, as these will change according to the needs of the entity and progress with separations.

	<b>30 June 2011</b> <b>(FTE number)</b>	<b>30 June 2012</b> <b>(FTE number)</b>	<b>30 June 2013</b> <b>(FTE number)</b>	<b>30 June 2014</b> <b>(FTE number)</b>	<b>30 June 2015</b> <b>(FTE number)</b>
VPS positions	1,447	1,394			
Non-VPS positions	125	119			
<b>Total</b>	<b>1,572</b>	<b>1,513</b>			

Note: It is not possible to forecast accurately beyond 30 June 2012 until implementation strategies for existing and new efficiency measures have been finalised.

(kkk) any strategies other than reducing the number of VPS staff that the Department plans to implement in order to meet the savings target established by this initiative, and the amount of savings for each year anticipated to be achieved by these strategies.

Strategy	Description	Anticipated savings (\$ million)		
		2012-13	2013-14	2014-15

N.B. Refer to Question 11.2 above.

### **Question 11.4**

Please detail the actual amount that the Department spent on contractors and consultants in 2010-11 and the estimated expenditure in 2012-13 and each of the outyears (for a definition on the difference between consultants and contractors, see FRD 22B – Standard Disclosures in the Report of Operations). Please provide figures on the same basis of consolidation for the Department as used in the budget papers.

	2010-11 (\$ million)	2011-12 (\$ million)	2012-13* (\$ million)	2013-14* (\$ million)	2014-15* (\$ million)	2015-16* (\$ million)
Consultants**	2.35	2.94	n/a	n/a	n/a	n/a
Contractors	18.12	15.51	n/a	n/a	n/a	n/a

If the estimates for consultants provided above do not match the estimates provided in response to Question 4.3, please explain why.

Note: It is not possible to forecast accurately beyond 30 June 2012 until implementation strategies for existing and new efficiency measures have been finalised.

\*\*Expenditure in 2011-12 reflects actual payments in respect of Consultants commenced between 2009-10 and 2011-12 as reported in the Department's Annual Report for each year.

## **12. Other**

### **Question 12.1**

For any recommendation from the Committee's 2011-12 budget estimates reports where the response was that further action would be considered, investigated or reviewed, please provide an update of the results of the consideration, investigation or review.

The Government responses to recommendations from the Committee's 2011-12 Budget Estimates Reports 2 and 3 are yet to be tabled in Parliament. As such, it would be inappropriate to provide comment at this time.