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The issue:

- *The risk of loss of PBI, DGR, TCC, HPC status –*

Why an issue:

- *Loss of eligibility for tax concessions/benefits impacting business and staff*

Consequence:

- *Business viability*



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How did problem arise:

- *ATO interpretation of CHS as arm of government*

Why?:

- *Controls expressed in Health Services Act*
- *Moves by Audit Victoria ('controlled entity')*



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ATO Position:

- *Revocation withdrawn pending satisfactory evidence of progress to change the relationship between DHS and CHS*

CHS Position:

- *Commitment sought from Health Minister through VHA to satisfy ATO requirement*



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What is not negotiable in resolving:

- *Maintenance of \$30k gross up cap*
- *Maintenance of tax concessions/exemptions in other categories*



Ministerial response:

- *Sponsor to review through Secretary of DHS to:*
 - i. Explore necessary legislative amendments
...consistent with....charitable status*
 - ii. Consider mechanismsto effectively manage risk*
 - iii. Identify strategies tomanage....assets & liabilities*
 - iv. Offer advice on theimplications of CHS's choosing
between options presented*



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Possible remedies:

- i. Remove controls from Health Services Act*
- ii. Apply S11 of Act (exempt class of agencies from control clauses)*
- iii. Change the way in which CHS are recognised by parliament*



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Remove Controls:

- *Controls apply to all RFA subject to the Act*
- *To remove impacts control of all*
- *No desire to remove controls from Hospitals and Rural Health Services*
- *Outcome – not seen to satisfy TOR1 or TOR2*



Apply S11 of Act:

- *S11 allows for class of agencies to be exempted from parts of the Act*
- *To apply as a permanent solution considered contradictory to expression of the parliament*
- *Not with scope of TOR (permanent resolution sought – legislative amendment)*
- *May be used as an interim position*



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Legislative Amendment (TOR1) and Risk Management (TOR2):

- *S45 – S51 of Health Services Act (not the control sections)*
- *New section recognising CHS as sector created through registration*
- *Registration likely to require Incorporation through the Corporations Act*
- *Relationship changes to contract provider*



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Association's Act vs Corporations Act

- *Currently, obligations of governance through combination of HSA and AIA*
- *Corporations Act – higher expression of fiduciary responsibility*
- *For some, scale is outside the intent of the AIA*



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Other Issues (TOR4 – ‘offer advice’):

- *Board appointment process*
- *Audit*
- *Options re capital and growth*
- *Political risk*
- *Other*



VHA Analysis:

- *Frustration at delays understood, but*
 - ✓ *Iterative process and issues are being heard (sector recognition, registration renewal, catchments, rationale, etc)*
- *Political dimension (TOR4)*
 - ✓ *Ministerial commitment – verbal and in writing*
 - ✓ *Traction of campaign – Labor State Conference*



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The review outcome:

- *Discussion document out next week*
- *DHS to meet with sector*

*Wednesday June 11 – 10:00 to
12:30 @ DHS, Lonsdale St.*