

AUSTRALIAN REGIONAL HEALTH GROUP LIMITED

A.B.N. 44 067 435 714

P.O. Box 3127
WHEELERS HILL
Victoria 3150

TEL: (03) 9545 0800
FAX: (03) 9545 0811

FILE No
DOC:
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10 January 2005

The General Manager
Mergers & Asset Sales Branch
Australian Competition & Consumer Commission
P.O. Box 1199,
DICKSON
A.C.T. 2602

Dear Sir / Madam,

Re: Application for Authorisation A90947 lodged by Little Company of Mary Health Care Limited

Thank you for your facsimiles dated 23rd & 24th December 2004 concerning the above matter.

The Australian Regional Health Group Limited is a not-for Profit unlisted Company, wholly owned by eight (8) registered regionally based Health Insurance Funds. The names of these Health Insurance Funds appear at the bottom of this letter.

The issues on which you have asked for comment have been reviewed and I now offer the following comment on behalf of our Group of Health Insurance Funds:

1. Self-paying patients

1.1 The same practitioners operate at both St. Lukes and St. Vincents and they also have visiting privileges at the Launceston General Hospital. If the merged hospitals raised their prices then this could influence practitioners to admit more patients to the public Hospital as the cost to the self-paying patient would be lower. The Eye Hospital & the Gynaecological Clinic offer limited and specific services and therefore would have little effect on self-paying patients decisions.

Tasmania is a very parochial State and most patients would prefer to use Hospitals in their local area. It is therefore unlikely that many self-paying patients would seek Hospitalization in Hobart, North Western Tasmania or Melbourne if the merged Hospitals raised its prices due to the inconvenience and the cost of commuting / traveling etc.

1.2 You would expect that more self-paying patients would seek admission as either a private patient or public patient at Launceston General Hospital.

2. Patients whose treatment is paid for (fully or substantially) by health funds, the Repatriation Commission or another entity.

2.1 From our perspective both Health Funds and Hospitals currently have equal bargaining power in Hospital Purchaser Provider Agreements (HPPA's).

1.

MEMBER FUNDS:

Cessnock District Health Benefits Fund	Federation Health	GMHBA	Latrobe Health Services	Mildura District Hospital Fund	St.Luke's Health	United Ancient Order of Druids Friendly Soc.	Westfund
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- 2.2 We acknowledge that merged Hospitals would obviously have increased power in negotiating HPPA's, especially given that there is only two overnight inpatient private Hospitals in Launceston. We have however been able to negotiate HPPA's to the satisfaction of both parties to-date and believe these negotiations will continue at the appropriate time with the same outcomes.
- 2.3 As stated in 1.1 above the Eye Hospital & the Gynaecological Clinic offer limited and specific services and as Tasmania is a very parochial State and most patients would prefer to use Hospitals in their local area it would not be in the interest of the Funds Members and the Health Funds to limit or reduce the availability / choice of the full range of services provided at both St. Lukes & St. Vincents by ceasing to have a HPPA with the merged Hospitals.
- 2.4 Rates payable for private patients in a public Hospital are set by the Commonwealth Department of Health and Ageing.

3. If authorization is not granted.

- 3.1 Both Hospitals offer similar services and the catchment area of Launceston is about 120,000 persons. It is our view that two private Hospitals in Launceston in their current state are not likely to be viable in the long term. We believe that St. Vincents is more likely to close if authorization is not granted as St. Lukes is a larger and more modern facility.
- 3.2 N/A given response in 3.1 above.

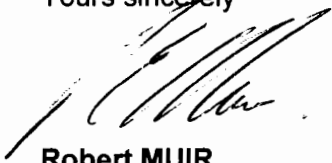
4. Public benefits

It is our view that the public benefits listed are likely to arise as a result of the authorized merger as this would be an expectation of such merger.

5. General

We believe that the acquisition by Calvary Health Care Tasmania of St. John's Hospital has delivered similar benefits to those expressed in the public benefits for this application and clearly both hospitals continue to be viable and have good levels of patient activity which supports the benefit and need to the communities they serve.

Yours sincerely



Robert MUIR
Chief Executive Officer