



2 GORE STREET
SOUTH HOBART
TASMANIA
7004

TELEPHONE: (03) 6223 2047
FACSIMILE: (03) 6223 6469

THE TASMANIAN BRANCH
OF
THE AUSTRALIAN MEDICAL ASSOCIATION
A.C.N. 009 484 931



14 January 2005

Mr Paul Palisi
Director Mergers and Assets Sales Branch
Australian Consumers and Competition Commission
PO Box 1199
DIXON ACT 2602

Dear Mr Palisi

Thank you for your letter dated 23 December 2004 re the application for authorization A90947 lodged by Little Company of Mary Healthcare Limited. The Tasmanian Branch of the AMA has sought input from relevant members. Our response reflects the accumulation of comments and views on the competitive issues you requested us to consider.

Yours sincerely,

Michael Aizen
President

Attachment:

1. AMA Tasmania response to ACCC

AMA RESPONSE TO ACCC RE LITTLE COMPANY OF MARY HELATH CARE LTD

1. Self- paying Customers

1.1 Do you consider that a number of these self-funded private patients would choose to be treated in the following facilities if the merged hospital raised its prices

- *Launceston General Hospital as a private patient, the Eye Hospital, or the Gynaecological Clinic or*
- *In Hobart, North Western Tasmania, or Melbourne?*

Answer

AMA view is that a private self-funded patient will react to the price signals and select the hospital accordingly. It is felt that there are no particular services conducted in St Vincent of St Luke that cannot be conducted in or substituted by any of the Tasmanian Hospitals. Therefore self- funded private patients will need to consider the full costs, including transport and accommodation, if other than local hospitals are chosen. Melbourne could be a viable alternative if the facilities raised prices.

1.2 Do you consider that a significant number of these self-funded private patients would choose to be treated in Launceston General Hospital as a public patient if the merged hospital raised its prices?

Answer

Yes there would be some self-funded private patients that would chose to be treated in Launceston General Hospital as a public patient. Whether that number was significant would depend on the impact of these on the Launceston General Hospital's waiting lists. It is felt that longer waiting lists would act as a disincentive.

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

2.1 Currently who has the greater bargaining power and Hospital Purchaser Provider Agreement (HPPA) negotiations, the health funds and the Repatriation Commission, or St Vincent's and St Luke's?

Answer

The AMA feels that the health funds and the Repatriation Commission currently have greater bargaining power.

2.2 To what extent would this change if the proposed merger proceeded? Would St Luke's and St Vincent's be able to obtain significantly higher reimbursement from health funds? If so, why?

Answer

The AMA is not sure as to the extent of the change in bargaining power however it would be possible for the merged entity to obtain significantly higher reimbursement due to the lack of local alternate private facilities. The disincentive for private patients not to travel elsewhere to seek treatment may change the bargaining power.

2.3 Could health funds credibly threaten to enter into a HPPA with the Eye Hospital, the Gynaecological Clinic in Launceston, or private hospitals in Hobart, Melbourne or North Western Tasmania in place of a HPPA with the merged entity?

Answer

Possibly not with the as the Eye Hospital, the Gynaecological Clinic in Launceston as they provide limited services. It is possible with the others however there is a disincentive for private patients not to travel elsewhere to seek treatment.

2.4 Is it possible to enter into a HPPA with the Launceston General Hospital? If not, how are reimbursement rates determined for private patients treated at this hospital?

Answer

No

3. If authorization is not granted

3.1 Are two private hospitals sustainable in Launceston? If not and authorization is not granted, which hospital is more likely to close? Broadly when might this happen?

Answer

No. St Vincent's and St Luke's have been vigorous competitors for years. The net effect of this competition has been to reduce the financial ability of both to provide a more sustainable level of private care to Launceston. The AMA could not speculate on which one would close and when.

3.2 If two private hospitals are sustainable in Launceston, would any of the public benefits identified by the applicant would be likely to arise if both hospitals continued to exist as competitors? Alternately would the quality of service stay about the same or even fall with time?

N/A

4. Public Benefits

Do you think that the public benefits listed are likely to arise as a result of the authorized merger?

Answer

For years these two hospitals have competed and duplicated services to the detriment of the overall care of private patients in Launceston and the financial viability of both institutions. Competition in this small market has proven to be a bad thing. Competition has resulted in the inability of the private sector to provide intensive care/high dependency services, 24 hour on-site medical cover, ongoing access to private emergency medicine, vascular and coronary services, obstetric neonatal and paediatric facilities and psychiatric facilities. The reason for this is that the market is small and there is really only enough room in the town for one private operator. What has happened in the past is that every time one of the private hospitals has acquired a piece of equipment or started a new service at considerable expense, the other hospital has responded by making exactly the same purchase or duplicating the service. Unfortunately the size of the town is not enough to support 2 pieces of equipment or 2 new services and so neither gets enough work to be viable and money is wasted which could have been better spent on providing some of the other services that privately insured patients take for granted in other similarly sized cities. With the recent acquisition of St Luke's hospital by Calvary Health Care Tasmania, both private hospitals now share a common Catholic ethos and philosophy. We believe that this has altered the dynamics between the two hospitals to reduce the competition imperative in the absence of any collusion and a formal amalgamation of these two hospitals would simply formalise this and allow economies of scale, sharing of staff and reduction of wasteful duplication. It is our strong view that a merger of these two institutions would be in the very best interests of the citizens of Launceston.

5. General. Did a similar acquisition by Calvary Healthcare Tasmania, St John's Hospital generate benefits for the community?

Answer

The AMA believes that the acquisition by Calvary Healthcare Tasmania of St John's Hospital was different to the proposed acquisition therefore one cannot draw conclusions as to the community benefits. In the Hobart the entities were very different facilities while the proposed acquisition in Launceston is of two similar facilities.