

Australian Health Service Alliance

Submission to the ACCC

Proposed merger of St Vincents and St Lukes Private hospitals Launceston Tasmania

Introduction

AHSA believes that the proposed merger of St Vincents Private Hospital and St Lukes Private Hospital in Launceston will effectively remove all competition in the provision of private health care services to this community.

AHSA is of the view that the merger will remove the current competitive environment that exists between two discreet providers.

AHSA is most concerned about the significant market power the merged entity will have in future negotiations for Hospital Purchaser Provider Agreements ('HPPAs') and the possible effect the merger will have on Gap Cover arrangements with individual practitioners.

Current arrangements

AHSA member funds currently have separate agreements with St Vincents and St Lukes. AHSA member funds also have agreements with the Eye Hospital and Phillip Oakden House, a palliative care facility - the other providers of private health services in Launceston.

The following table shows utilisation trends and benefit summaries for the period August 2003 to July 2004:-

	St Lukes	St Vincents
No. of Cases	511	403
Bed Days	1,074	910
Benefits paid	\$764,830	\$608,274

AHSA is of the view that both hospitals run at a low percentile of occupancy (around 60%) and that services are duplicated. High acuity cases travel to Hobart or Melbourne due to the fact that neither hospital has intensive care facilities. Consequently the long term viability of two facilities operating in Launceston must be questioned.

Impact on current arrangements

When Calvary HealthCare Tasmania (CHCT) purchased St Lukes hospital in 2004, they sought immediate parity of pricing rates with their Hobart facilities. Negotiations were difficult, but a compromise position was found. Extending the current HPPA to cover both facilities would lead to an increase in fees charged to health funds of between 5% and 11%. Consequently AHSA expects CHCT to have significant power with funds becoming "price takers" rather than having transparent negotiations.

AHSA has HPPA arrangements with all private facilities in Tasmania. It would not be our intention to try and gain "leverage" through arrangements with other facilities.

AHSA member funds do not contract with public facilities. Default rates are set by the Commonwealth. AHSA would not expect to see a significant diversion of membership into Launceston General Hospital.

Public Benefits

AHSA does not disagree with the submission made by LCMHC.

However, with a significant increase in day surgery procedures (over 61% of cases at both facilities), one must question the long term viability of two large overnight facilities in a market that has seen a reduction in utilisation of 8% at St Lukes with a corresponding increase of 8% at St Vincents. Change of ownership will not influence these figures.

Conclusion

With the introduction of Lifetime Healthcover and the 30% rebate, membership numbers did not increase as dramatically in Tasmania as it did in other states. Consequently the 'market' is static with utilisation trends going down.

AHSA concerns can be summarised as:

- The increase in negotiation power of one service provider in Launceston
- The actual need for two large overnight facilities
- The increase in costs of private hospital and medical services to patients and the reimbursement levels that must be paid by private health funds, thereby resulting in the increase premiums and the potential decrease in membership levels.