



Department of Health
Government of Western Australia

Your Ref: A91024

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OFFICE OF THE DIRECTOR GENERAL

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Dear Mr Scott

**PROPOSED REVOCATION AND SUBSTITUTION OF AUTHORISATION
A90795 - DRAFT DETERMINATION ROYAL AUSTRALIAN COLLEGE OF
GENERAL PRACTITIONERS (RACGP)**

I refer to your letter dated 20 December 2006 seeking the views of the Department of Health (DOH) on the proposed revocation of authorisation A90795 and its substitution by authorisation A91024. I apologise for the delay in providing my response.

The DOH considers that the inclusion of Other Medical Practitioners (OMPs) in the new authorisation is unlikely to have any significant effect.

The inclusion of authorisation of fee agreement by General Practitioners (GPs) who provide their services to public hospitals as Visiting Medical Officers (VMOs) may, however, be of more concern to the DOH.

A significant argument in the RACGP submission is that allowing individuals within a single practice to set common prices is to the benefit patients as it encourages a team approach by GPs and OMPs within the practice. When extended to the provision of VMO services to hospitals, the potential benefits to individual patients are less clear.

Our VMO arrangements allow for a contract with corporate medical practices (where registered as such by the Western Australian Medical Board) or individuals only.

Fees are usually set by the DOH (there is little variation from this), but there is flexibility in regard to after hours, service types etc. DOH health services, in negotiating with GPs, are aware of the Trade Practices implications of doctors agreeing to fix their fees or agreeing services to be offered as VMOs.

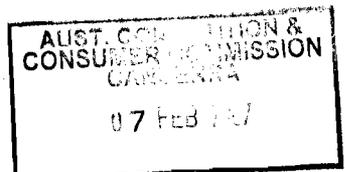
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GPs who enter into VMO negotiations and arrangements are also likely to take into account the relevant aspects of the Trade Practices Act in deciding to accept the terms offered to them without attempting to bargain as a block.

This may change if such conduct is authorised. Although, if the authorisation is confined to GPs within a single practice, the DOH considers that the detriment, if any, would be minor in the metropolitan and larger regional centres.

In regional and rural areas where all the GPs and OMPs who provide VMO services are more likely to be part of the same practice (often the only GP practice in the town), there is far greater potential for a single agreed price framework to be anti-competitive.

Price setting by all the GP/VMOs in a regional or rural area might be used to anti-competitively influence not only fees but also:

- after hours or week end hospital rosters; or
- the delivery of specific services such as anaesthesia, obstetrics or surgery at hospitals.

The DOH requests that the ACCC, in making its determination, take these concerns into account.

Thank you for the opportunity to comment on the revocation and substitution of the RACGP authorisation.

Yours sincerely



Dr Neale Fong
DIRECTOR GENERAL
February 2007