Australian Government

Department of Health and Ageing

DEPUTY SECRETARY

Mr Scott Gregson
General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Gregson

Collective bargaining notification CB00006 lodged by the Wangaratta Anaesthetic Group on 21 November 2007

I refer to Ms Arnaud's letter of 22 November 2006 concerning the subject notification. Thank you for the opportunity to comment.

The Department of Health and Ageing does not have a strong view about whether or not the Wangaratta Anaesthetic Group (WAG) notification should proceed. The following comments are offered to assist the ACCC in its deliberations.

Compared with other areas of medical practice, private anaesthetics services have a relatively high rate of being provided with no gap to patients (72 per cent). Where gaps are paid, the average gaps to patients tend to be low compared to other areas of medical practice, mostly falling in a range of up to $150.

Coverage of anaesthetics by health insurer gap schemes or agreements is largely in line with or slightly higher than other areas of medical practice, at eighty per cent of private anaesthetic services.

Medical services in general that are subject to no gap arrangements tend to be billed at less than 125 per cent of the Medicare Schedule fee. Agreed fees for anaesthetics, however, tend to be higher. The current Medicare schedule fee for one anaesthetic Unit is $17.90. Some national averages for anaesthetic no-gap Unit fees are as follows:

MBF	$28.10
HBF	$33.00
HCF	$30.60
NIB	$27.70
BUPA	$30.34

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The HBA (which is part of BUPA) rate for Victoria of $28.65 raised by WAG falls within this range, and is 160 per cent of the Medicare schedule fee. We understand that the BUPA rate for Victoria may now be $29.75, or 166 per cent of the schedule fee.

The main policy concern of the Department of Health and Ageing relevant to this matter is accessibility and affordability of health care. A major part of this is absence of gaps for patients. As you will be aware, the *Private Health Insurance Act 2007* includes in its provisions governing agreements between doctors and health insurers a note drawing attention to the possibilities for collective bargaining under the *Trade Practices Act 1974*.

Also important for maintaining accessibility and affordability of health care is avoidance of inflationary effects on the costs of medical services and, therefore, insurance premiums. Increases in benefits ultimately are reflected in premiums which fall on the insured and, through the private health insurance rebate, the taxpayer, and also affect decisions by the potentially insured.

The Department notes that WAG's arguments for public benefit are mainly to do with achieving an absence of gaps for patients. This is, as just discussed, an important policy objective; however, it is not always clear how compelling WAG's arguments are. Turning to the claims raised in section 6.(a) of WAG's notification, including points not to do with patient gaps:

- Transparency. This point is actually about dissatisfaction with the Unit value offered by HBA. As noted above, the HBA rebate is consistent with those of other insurers, and in practice the anaesthetic community accepts rebates at those levels as evidenced by the high rates of no-gap services to patients. In the absence of further information it is not clear, therefore, that the HBA rate is significantly non- "commercially sustainable". The evidence suggests that the rate is generally at a level set by the prevailing market around Australia.

- Transaction costs savings. A secondary issue being raised by WAG is a desire to obviate the operation of HBA's Ezyclaim system, regardless of whatever fee is arrived at. It is the Department's understanding that the Ezyclaim system reduces complexity for the public and reduces administrative costs for medical practices.

- Improvements in public information. The proposition that a patient has to pay a gap if a doctor does not accept the fee offered by a health insurer does not seem overly complex to grasp. WAG also claims that an agreement would enable patients not to have to worry about understanding gap fees. This is not a strictly correct portrayal of the situation in that patients would not have to be concerned about gap fees under any no-gap arrangement between their doctors and insurers: if there is no gap for the patient then they do not care under which particular mechanics under legislation that was achieved. This can be achieved under the mechanism currently offered by HBA in Victoria for anaesthetic fees.

  Facilitation of market dynamics. It is not clear how movement from one set of no gap arrangements to another set of no-gap arrangements at higher costs to the health system will benefit the public in Wangaratta. New agreements with HBA would most likely affect the market, but it is not clear in what sense it is "facilitation".

- Increase of equitable treatment and fairness. HBA not offering a 'known-gap' arrangement does not appear to be relevant, as all WAG's arguments, and their stated goals, are aimed at no-gap arrangements.

- Industrial harmony. Again it is difficult to see the relevance of a suggestion that agreements would not affect the harmonious industrial status quo.

In summary:

- Affordability of health care is an important objective for health care, and comprises both costs to patients and ongoing financial sustainability of the health system.

- Noting that this is a matter for the ACCC to resolve, the specific arguments advanced by WAG appear weak.

If you wish any further information on any of the above, please do not hesitate to contact Damian Coburn on (02) 6289 8330.

Yours sincerely

David Kalisch
Deputy Secretary

10 December 2007