Department of Human Services

Secretary

50 Lonsdale Street
GPO Box 4057
Melbourne Victoria 3001
DX210081
www.dhs.vic.gov.au
Telephone: (03) 9096 8580
Facsimile: (03) 9096 9220

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Mr Scott Gregson
General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Gregson

Re: Royal Australian College of General Practitioners (RACGP) A91024 – Application for revocation and substitution.

Thank you for your correspondence regarding this application to you from the RACGP.

The Department of Human Services (DHS) Victoria has prepared a response to the submission focussing on the fourth component of the RACGP's submission. This submission is attached for the consideration of the ACCC.

Thank you for the opportunity to make comment on the RACGPs application, I look forward to seeing your determinations as they are produced. If you require any further information or details regarding this matter or the Departments submission, please contact Dr Chris Brook, Executive Director, Rural and Regional Health and Aged Care Services Division on 9096 1367.

Yours sincerely

P.M. Faulkner

P M Faulkner
Secretary

Encl

Victoria
The Place To Be

SUBMISSION TO ACCC

FROM THE DEPARTMENT OF HUMAN SERVICES VICTORIA

Re: APPLICATION BY THE RACGP FOR AUTHORISATION OF CERTAIN INTRA-PRACTICE PRICE SETTING ARRANGEMENTS *(Authorisation number: A91024 substituting A90795)*

1 Authorisation A90795 has been in place for some years. The Department is unaware of any specific concerns about its application. This submission is confined, therefore, to the third arm of the RACGP application - that is, the application for authority for GPs working in certain business structures to agree on fees that they will charge as VMOs to a hospital.

THE VICTORIAN SITUATION

2 Victoria's position is unique nationally in that its rural public hospitals negotiate directly with GPs.

- There are very few GPs engaged in metropolitan or large regional hospitals - GP/hospital arrangements generally are confined to rural hospitals.
- Victorian public hospitals are statutory corporations with their own boards of governance. For many years they have negotiated contracts of engagement with GP / VMOs at a local level, within the framework established by the *Trade Practices Act 1974* and the Competition Code.
- Any reduction in competition for public hospital medical services in rural areas will have a significant effect on the Victorian public health care system, which would not be experienced in other jurisdictions.

CURRENT SYSTEM WORKS WELL

3 There is no evidence that there would be a public benefit from authorisation of fee setting. The Department is unaware of any evidence that the current requirement for GPs to negotiate directly with hospitals has had any adverse effect on recruitment and retention of GPs in rural areas or impacts negatively on the relationship between rural hospitals and their GP VMOs.

4 On the contrary, local negotiations between hospitals and GPs have improved professional relationships in recent years. The Department has been advised repeatedly that relationships between rural public hospitals and GPs at a local level are generally sound.

5 The Department recognises that many GPs have shown restraint to date in their negotiations with rural public hospitals in circumstances where the hospitals have had reducing alternatives available for the supply of medical services. The Department considers, however, that such restraint is a direct consequence of the localised nature of negotiations and may not continue under increasingly difficult market circumstances or different negotiating structures.

CURRENT PRESSURES

6 The severe shortage of GPs nationally and the rapidly changing structure of general practice have placed hospitals in a particularly poor negotiating position for GP services. As a consequence, these factors have contributed to the increasing costs of hospital medical services, particularly in small rural public hospitals. The Department believes that further contraction of competition will lead to increased costs for medical services in rural public hospitals.

7 Labour hire / corporate organisations are now increasingly significant players in the medical workforce, especially in rural areas.

8 The Department is particularly concerned about a significantly increasing dependence of rural hospitals on a single corporate provider of GP services. We understand that approximately 15 Victorian rural public hospitals across the State now depend on a single corporate provider.

RISKS OF INTRODUCING CHANGE

9 There is no compelling argument for change, particularly in an environment where the competitive alternatives already are low and reducing.

10 It is clear that the market would contract further with authorisation, with likely consequences of cost increases to rural public hospitals. In addition there is no evidence to support the contention that this change in authorisation would increase the quality and availability of services to patients in rural public hospitals.

11 The most likely direct result of authorisation will be that there will be no competition at all in many markets in which rural public hospitals must negotiate for the provision of medical services.

12 The Department is concerned that if ACCC were to approve the submission, it could open the door to market domination by labour hire / corporate organisations which are now increasingly significant players in the medical workforce, especially in rural areas.

SUMMARY & RECCOMMENDATIONS

13 The Department acknowledges the advantages provided by a competitive market and seeks to maximise this wherever possible, but particularly in rural settings. The consideration of the RACGPs application in this light by the ACCC is encouraged.

14 In the context of the extreme shortage of medical professionals in rural Australia, the Department contends that the current negotiating framework has been successful.

15 Further, the Department submits that the negotiation of fair and equitable fees and other contractual conditions by rural public hospitals, with resulting public benefit, is assisted by a negotiating framework which maximises the number of competitive alternatives available in local areas.

16 The Department, therefore, supports the maintenance of the *status quo* with respect to the application of competition law to GP/hospital relationships; and that the application by the RACGP for authorisation of fee setting by GPs for VMO services to public hospitals should be rejected.