C2007/2293 – Application for authorisation lodged by Rural Doctors Association of Australia (RDAA)

Meeting with the Department of Human Services (Victoria) (DHS)

Attendees:

DHS
Dr Chris Brook, Executive Director, Rural & Regional Health and Aged Care Services Division
Dr Susan Sdrinis, Senior Medical Advisor, Rural and Regional Health Services Branch

ACCC
David Hatfield
Isabelle Arnaud
Sharon Clancy

11 April 2008, 12 noon

In the context of the RDAA's application for authorisation, Dr Books and Dr Sdrinis noted that:

- DHS has a planning and funding role in the health sector. Victorian hospitals are funded on the basis of outputs rather than inputs. Within this framework, service providers must operate within the law, services must be supplied in an acceptable and timely manner and hospitals must abide by relevant industrial arrangements. DHS sets targets for hospitals with respect to financial performance and service delivery. Hospitals must operate within their funding allocation.
- The governance arrangements for hospitals in Victoria are different to other Australian states. Victoria has had, and continues to have, boards of governance for all health services. Medical staff, including visiting medical officers (VMOs), are contracted or employed by the health services. A good relationship between hospital management and medical staff is important in the context of employment negotiations.
- The Victorian system reflects the belief that decisions are best made locally and delivery of health services should always occur as close to the decision point as possible.
- The RDAA's proposal only concerns a segment of the healthcare industry and will affects small to medium sized hospitals, representing around 7-8 % of the total healthcare budget in Victoria. The RDAA's proposal affects rural GPs only and does not affect specialists.
- In Victoria, until 1992, VMOs were remunerated under a fee-for-service award which was enforced by the Industrial Commission. The award comprised a fee schedule that was negotiated with the Australian Medical Association (AMA) and which was above the Medicare Benefits Schedule. The fee schedule applied to both general practitioners (GPs) and specialists and was consistent across the state. The schedule set a fee floor but not a fee ceiling.

Rural GPs currently operate in a sellers market. International medical graduates account for one third of the rural workforce in Victoria. The proportion of rural GPs who are international medical graduates is higher.

DHS considers that in the current labour market, which is generally tighter than it has been in the past, a state-wide arrangement will set a price floor and all remuneration arrangements will go up. DHS considers the RDAA's proposal creates risk for significant additional cost in Victoria.

Victorian health services are responsible for contract negotiations with their VMOs. In Victoria, any fee for service component may be only one part of a complete remuneration arrangement.

The issue of a state-wide arrangement has been previously raised with DHS by stakeholders. Some years ago a study examined the possibility of a state-wide arrangement in Victoria. It was decided that flexible arrangements with individual negotiations are better.

The three submissions from small Victorian hospitals (Benalla, Mansfield and Kilmore) which support the RDAA's application were discussed. It was noted that there are 55 medium and small hospitals in Victoria which contract or employ GP/VMOs. DHS noted that the vast majority of these hospitals had indicated that they are happy with the existing arrangements.

DHS understands that RDAV represents 550 rural GPs in Victoria. The RDAV currently approaches DHS on issues at regular meetings and DHS has regular correspondence with the RDAV. DHS communicates these issues to health services in a variety of ways.

DHS expects that the RDAV will be firm in its approach to price negotiations and its expectations.

DHS notes that there have been recent examples of GP practices withdrawing their VMO services. For example, just prior to Christmas in 2007 a GP practice at Wonthaggi ceased to provide VMO services. Similar situations have occurred, or may occur, in Portland, Seymour, Mansfield and Benalla.

When doctors withdraw, or threaten to withdraw their services from a rural hospital, this is an issue for DHS and the health service because services must continue to be provided.

In summary, DHS will be concerned about the implications for costs and for the relationship between health services and their VMOs if the ACCC is to authorise the RDAA's proposal. However, DHS will deal with any proposed changes as required.

Sharon Clancy
14 April 2008