



3 May 2012

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Attention: Ms Anna Giannakos, Contact Officer

By email: adjudication@accc.gov.au

Dear Dr Chadwick and Ms Giannakos,

Applications for Authorisation (A91295, A91296, A91297) ("Applications") – Lodged by St Vincent's Health Australia & Ors – interested party consultation – Submission

Thank you for your invitation to make a submission in relation to these Applications for Authorisation. Bupa Australia Pty Ltd ("**Bupa**") makes the following submission about the proposed arrangements.

In summary, Bupa does not support the Applications. Bupa queries the likely public benefits and continues to have the concerns set out in Bupa's previous submissions about the existing authorisations.

Background – Bupa Australia Pty Ltd

Following the acquisition of the MBF Australia group of companies by the Bupa Australia group of companies, the combined corporate group included three insurers, each operating a separate health fund, namely Bupa Australia Pty Ltd (previously known as MBF Australia Pty Limited); Bupa Australia Health Pty Ltd and MBF Alliances Pty Ltd. From 1 July 2010, the health funds operated by Bupa Australia Health and MBF Alliances were merged into Bupa Australia's health fund. Bupa Australia now operates the Bupa Australia Group's consolidated private health insurance business through a single health fund. Bupa provides health insurance to more than three million Australians under the brand Bupa, having previously operated under the brands MBF, HBA, and Mutual Community.

Objections to the Applications

Bupa queries the likely public benefits set out in the Applications and whether there is sufficient evidence which independently supports these benefits. Bupa also has serious concerns about allowing the five entities to engage in collective boycotts. This may well give rise to anti-competitive detriment.

Bupa refers to application A91099 of 2008 (referred to in the Applications as the **2009 Authorisation**) which Bupa Australia and MBF opposed, setting out objections to various aspects of that application in a submission dated 18 September 2008. Bupa also refers to MBF's submission about applications A30216 and A30219 (referred to in the Applications as the **2004 Authorisation**).

Bupa Australia and MBF submitted that much of the case to support the previous applications was based on the substantial public benefit to be derived through reducing negotiations and increasing administrative efficiencies, resulting in reduced operating costs. In the funds' experience, the authorised mechanisms historically were not utilised and agreements were negotiated along State lines. Further, the information

sharing authorisation allowed hospitals to selectively construct agreements from contracts to which each entity had been granted access.

Such a process results in increased costs to the fund and in increased premiums for Bupa's members, diminishing any public benefit from cost savings which may arise during negotiations. In practice, Bupa considers that it has worked with St Vincent's Health to facilitate negotiations on a group basis, which should deliver cost savings without the need for further authorisations.

Bupa acknowledges that cost savings are important public benefit. However, the Applications do not address the equally important public benefits of quality and value for the consumer, at an affordable price. Bupa's contracts are designed to ensure that members have access to quality services that are delivered in an efficient and cost effective manner. Bupa has serious concerns that it may be forced, by threat of collective boycott, to deal with a particular facility which does not meet the required quality standards, or at a price which does not reflect the current market. Engaging in collective boycotts may also result in significant disruption to the public and to Bupa's members.

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Thank you again for the opportunity to provide this submission. Bupa is happy to discuss in further detail any of the points set out above.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Karen Murphy', written in a cursive style.

Karen Murphy
Senior Legal Adviser – Healthcare Leadership
Bupa Australia