

Submission by a Dental Practice 25 June 2024

In relation to the St Lukes Health (StL) application for exemption in relation to its 'Gap Free Dental Network' pricing.

As dental providers we have seen this business model from the Private Health Insurers (PHI) roll out over the years under the guise of 'cheaper' oral health care when in-fact it is purely driven by profit. The PHI's role out these clinics and then over time manage the delta between the premium they charge their clients and the fee pricing at the dental clinic in order to increase the PHI profit margin. This is done by steadily increasing PHI premiums (at inflation or higher each year) while forcing down the fees charged at their clinics or 'approved provider network clinics'. Higher premiums vs lower value dental claims equates to more profit. Due to the costs associated with running a dental surgery being so high there are very few places where costs can be cut and as a result the sacrifice is on the patients end.

In our practice for example dentists are encouraged to form a relationship with the patient, do thorough assessments and diagnosis and treatment plan accordingly. All of this takes time and as a result our minimum treatment time is 30 minutes or 45 minutes for a new patient. It is common knowledge within the industry that this is not the business model that the PHI owned clinics run and they instead become a "sausage factory" churning patients through at 15-20 minutes per appointment. As a result patient care is sacrificed.

Closely related to this financial driver is another element- membership. As a result of StL size (23% Tasmanian market) and the size of their wallet, it would be very easy for StL to operate the StL owned 'Gap Free' clinic at a loss and as a loss leader in order to grow their membership base. I note that for years StL promoted their point of difference and selling feature was that they allowed the patient to choose their care provider. That has come to a very abrupt end and even on their website there has been very little to no sign of that sentiment anymore and beside being a not-for-profit clearly their intent is growth and membership growth. What would be easier than offering none StL patients 'Gap-Free' dentistry and enticing them to get onboard with StL and join as a member. In principle there is nothing wrong with this unless it is at the cost of small owner operated dental practices like ours that have for years supported and encouraged patients that were unhappy with their current PHI to consider moving to StL growing that very same membership base.

StL current reimbursement model is based on a 'max benefit' basis i.e. there is a maximum benefit attached to each treatment that is paid and this depends on the patients level of coverage or plan. This entitles the patient to 2 check-ups and cleans per year as well as sizeable support for general dental care as well as some major dental care. In most cases our StL patients have very low to no out-of-pocket cost for general dental however I again reiterate this is level of cover/ plan dependant. If this model is removed and in order to support their investment in the clinic and drive members to the new StL clinics, "Gap Free' is advertised and then

the benefits are artificially driven down for all current providers that treat their members this would be extremely negative to ours and many others dental practices given that StL members constitute such a large percentage of our patient base. No business can afford to lose such a significant percentage of their clients especially in these economic times.

This needs to be given consideration even from an unemployment perspective as well. There is a very real possibility that small private practices may close and this would increase unemployment within the industry. At best practices that are struggling would be forced to either freeze wages, reduce hours or retrench staff in order to survive, putting more pressure on these people in already tough economic times. This is not as simple as StL trying to avoid litigation for anti-competitive actions. These types of decisions can have dramatic impacts on small states like Tasmania that already suffers with higher than average unemployment and social welfare figures. The mere fact that StL feel they need to apply to the ACCC for this exemption should be a red flag for all concerned, decision makers, stakeholders and interested parties. This very application implies that they are about to do something that is anti-competitive.

My final comment relates to the AHPRA requirements for Medical Facility advertising. Within the medical/ dental industry there are strict policies on advertising, specifically around price, discount or benefit as a motivator. The very wording "Gap-Free" implies financial benefit over attending another practice. It is my belief that the only loophole that StL and other PHI's are exploiting is that since the PHI owned practices are not owned by dentists in their individual capacity and therefore do not fall under the AHPRA guidelines they are free to exploit this avenue of marketing and advertising. Thousands of dentists have honoured this principle over decades and restricted their branding and advertising accordingly. Link to AHPRA guideline (See Exec Summary)  
<https://www.dentalboard.gov.au/Codes-Guidelines/Advertising-a-regulated-health-service/Guidelines-for-advertising-regulated-health-services.aspx> .

How is it that STL is allowed to manoeuvre through such a grey loophole and be in breach of these code of ethics that governs the entire rest of the privately owned dental industry and as such have such significant competitive advantage over small businesses?