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Mr Darrell Channing
Director
Competition Exemptions Branch
Australian Competition and Consumer Commission
By email: exemptions@accc.gov.au

Dear Mr Channing

Re AA1000542 Honeysuckle Health and nib - submission

We refer to the above application for authorisation.

The AMA does not support the application, which is vague and could provide the proposed buying group with a disproportionate level of market power that would not only allow it to dictate terms and conditions to its providers but also potentially impact on the ability of patients to choose their hospital, their doctor and interfere in their clinical care pathway.

The material provided by the applicants does not provide definitive advice on the likely membership of the proposed buying group, which is critical to the consideration of their application. The application makes reference to a range of health care payers that could potentially participate in its proposed buying group and, while it makes some observations about who may or may not join, the analysis is relatively superficial. This makes it impossible to assess the potential size and composition of the buying group and its potential impact on competition.

Despite this lack of clarity, it is clear that a number of potential buying group participants nominated in the application already have significant market power, either nationally, within one or more jurisdictions or within a particular market. At the very least, this application brings the threat of substantially reduced competition while appearing to provide relatively limited public benefit, largely through claimed reductions in transaction costs.

The application, in seeking to rely on data from the United States to assert that better health outcomes will be delivered at a lower cost, fails to acknowledge differences between our two health systems. The high costs of the US health system are well known and Australia already delivers better outcomes at a much lower cost. Applying US data to the Australian context is a flawed and weak argument.

The applicants propose that the buying group will purchase services from hospitals, medical specialists, general practitioners, and allied health providers. This creates the very real possibility of the development of vertically integrated managed care arrangements where patient choice is reduced and participants have much greater influence over the clinical care of patients. This will not deliver better outcomes for patients and, as the US experience shows, will come at a much higher cost due to the inherent inefficiencies of the managed care model.

Specifically in relation to private health insurance, the AMA has expressed ongoing concerns about the current regulatory environment, particularly the lack of an independent regulator. Existing regulatory arrangements do not adequately protect consumers in their interactions with the private health system and the proposed buying group could easily exploit this to the detriment of patients.

Finally, we note that the applicants will implement the proposed conduct by relying initially on nib's existing contracts with providers. Nib has a very different membership mix to most other private health funds (skewed towards healthy young people) and much lower take up of its comprehensive private health insurance products. Its business model is different to other private health insurers and its contracts are tailored accordingly. The nib contract model does not have broad application and simply transplanting this would cause significant disruption and potentially result in higher out-of-pocket costs for patients.

Yours sincerely

Dr Omar Khorshid
President