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## **The role of corporate medical practices**

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**Primary Health Care Limited**

## Background on Primary Health Care

### Primary Health Care has three business divisions

#### Medical Centres

- #1 national provider of large-scale medical centres (58 sites)
- ~\$330m in revenue p/a
- ~8 million patient consults p/a
- ~1000 medical practitioners; ~1650 employees

#### Pathology

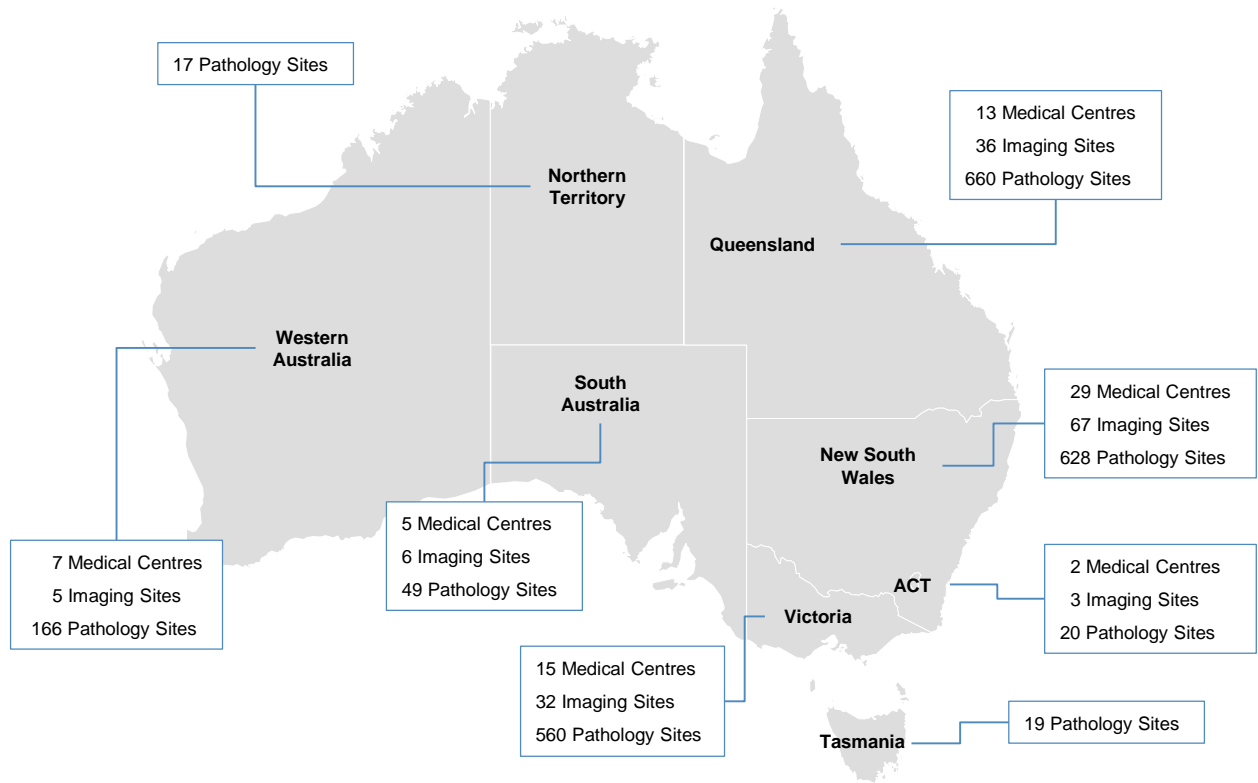
- #2 national pathology provider; market leader in Queensland, Victoria and WA
- ~\$940m revenue p/a
- ~15 million patient cases p/a
- ~200 pathologists; ~8000 employees

#### Imaging

- #3 national imaging provider (149 imaging sites; 25 MRI licences)
- ~\$340m in revenue p/a
- ~3 million examinations p/a
- ~180 specialist radiologists; ~1900 technical and administrative staff

# Primary Health Care: National Footprint

Primary has an Australia-wide network of providers and market-leading infrastructure



As at 12 April 2016

## Primary's Medical Centres

**Primary has 71 medical centres of which 58 are large-scale**

### Patient Benefits

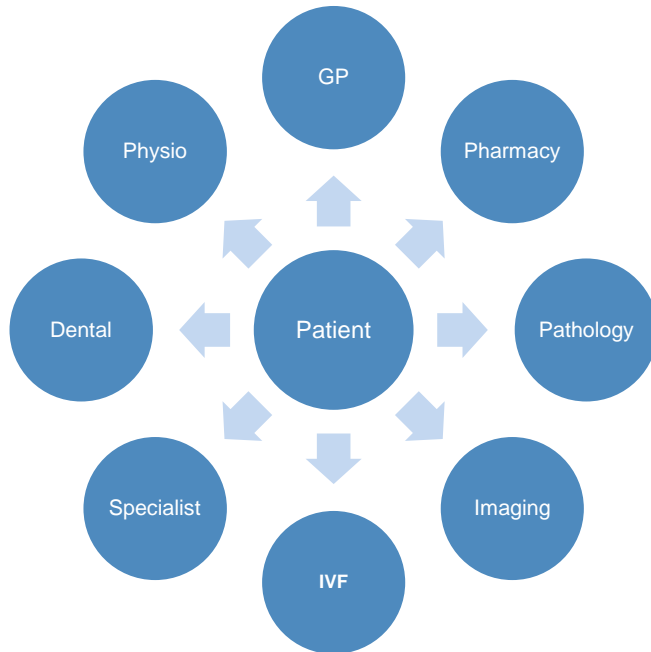
- Community-based location
- Attractive, well-equipped and purpose-built facilities
- Accessible
  - Provide 8% of GP care and 23% of after hours GP care nationally
  - Open 365 days/year, 7am to 10pm
  - No appointment required
- Affordable
  - Medicare services bulk-billed
  - Non-Medicare services competitively priced
- Full suite of services at one site (GPs, specialists, nurses, allied health, pathology and diagnostic imaging)

### Doctor Benefits

- Opportunity to earn materially higher incomes via facilities provided
- Service provision / centre model provides a strong flow and wide mix of patients
- Administration is handled by Primary
- Collegiate atmosphere
- Greater professional satisfaction and development
- Access to training / CPD services
- Broad range of equipment and facilities onsite
- Patient well-being maintained 365 days a year
- Ongoing refinement of model since 1985

## Primary's "Medical Home" Model

Primary's "Medical Home" provides multiple services under 'one roof'



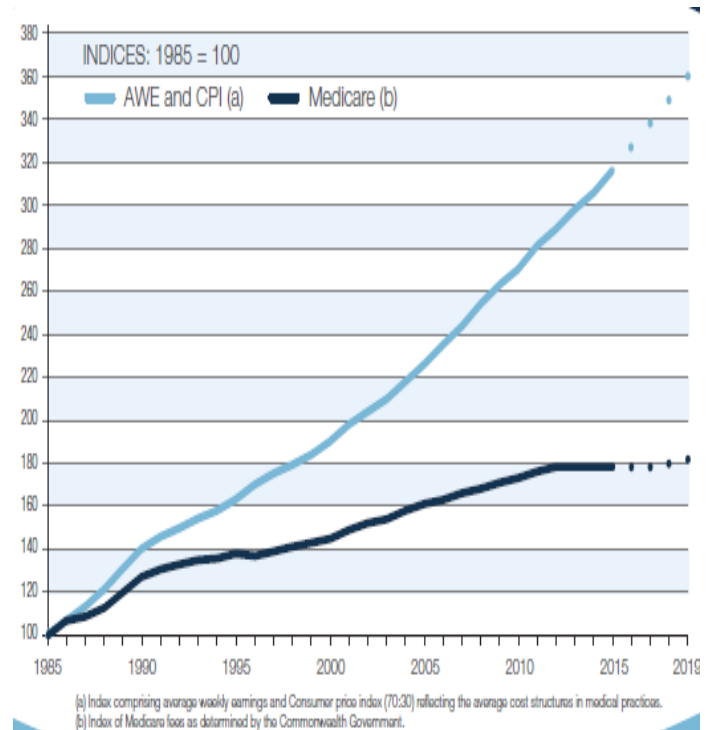
- Co-location of services under 'one roof' enables superior coordination and continuity of care. *Healthier Medicare* is moving care towards a 'medical home' model, albeit not under 'one roof'.
- We do not provide "6 minute medicine". The average time spent with patients is ~14 minutes exactly in line with the national average.
- Our doctors do earn above average income due to provision of more complex items and after hours care, plus strong patient demand.

## Medical Centres Market

### The trend to larger medical practices has been driven by funding pressures

#### Funding pressures

- Chart shows higher growth in CPI and AWE compared to growth in MBS fees since 1985.
- During the 1980s, MBS rebates paid to GPs were largely unchanged (<1% growth). This was insufficient for many doctors to cover their base costs.
- Continued MBS freezes and lack of indexation have compounded practice cost pressures.
- Administrative complexity is growing.

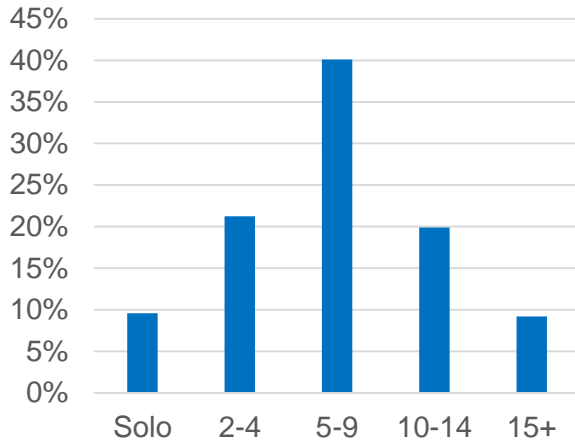


Source: AMA

## Medical Centres Market

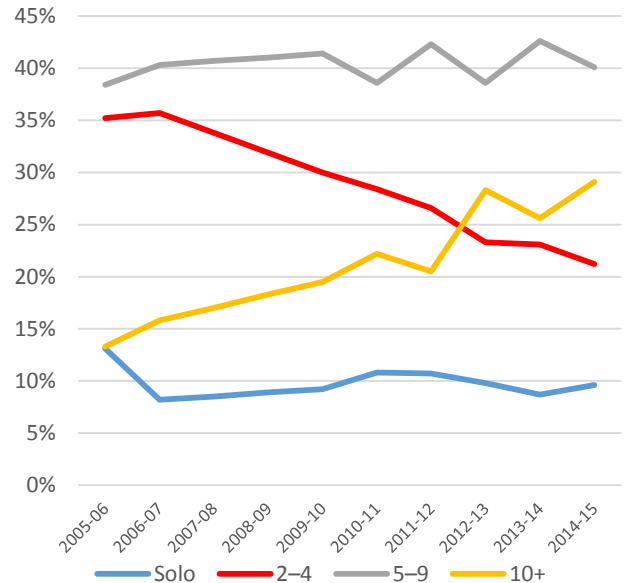
### The trend to larger medical practices and market consolidation

Size of practice – number of full-time equivalent GPs



Source: BEACH 2015

Change in size of practices



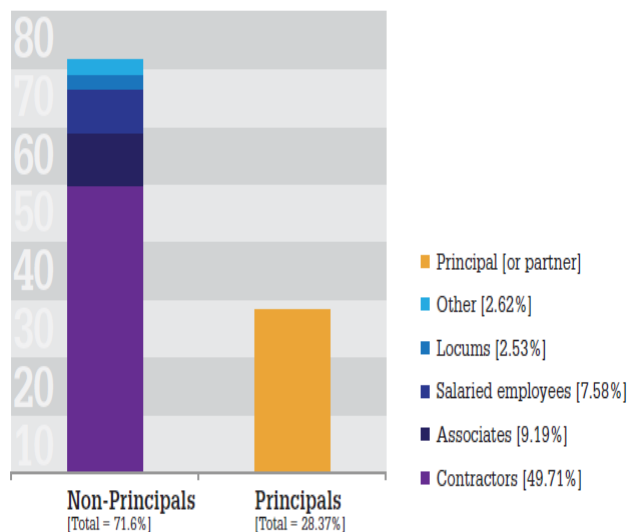
Source: BEACH 2015

## Medical Centres Market

### GP labor market preferences have facilitated trend to larger practices

- Large/corporate medical centre model meets needs of GPs who don't want to run their own medical practice. MABEL survey shows this is a large component of GP workforce.

THE Melbourne Institute of Applied Economic and Social Research was commissioned by *Australian Doctor* to analyse the Medicine in Australia: Balancing Employment and Life (MABEL) survey data on non-principals and principals. Here are the key findings:



	Non-principals	Principals
Satisfied with job	88.5%	82.0%
Satisfied with income	65.5%	56.3%
Satisfied with working hours	81.2%	60.6%
Would like to reduce working hours	38.9%	63.4%
Agree work-life balance is about right	60.5%	39.4%
Male	54.1%	81.5%
Female	49.0%	19.5%

Source: MABEL survey, 2010, (n = 3369 GPs)

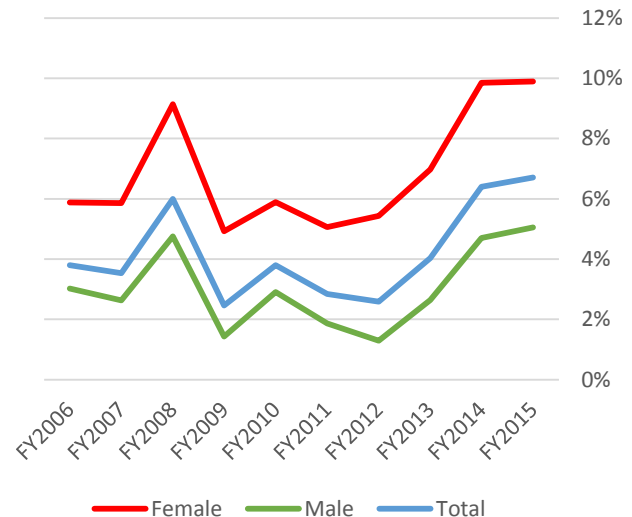


### Growing number of doctors entering the market with different working expectations

#### GP numbers are driving market growth

- Over the past decade the average annual growth in GP numbers has been faster than population growth (3.5% vs 1.5%).
- Growth in GP numbers expected to continue with increased funding for training places by 300 to 1,500 in FY15, and continued incentives for IMGs.
- The percentage of doctors that are female is increasing (35.2% today vs 27.3% 10 years ago).
- Evidence that new doctors have different working expectations – less interested in ownership, want more flexibility.

Growth in GP numbers (Full-time Service Equivalent)



Source: MBS, 2016

### Conclusion

- Role of corporate medical practices likely to continue to increase:
  1. Bring service innovation to the sector (“medical home”).
  2. Bring operating efficiencies through scale to offset funding pressures.
  3. Have access to capital to invest in innovation and scale.
  4. Meet needs of GPs with in-house clinical training and professional development.
  5. Can invest in IT systems to improve care coordination and patient outcomes.
  6. Can meet changing desires of doctors around working practices and ownership.
  7. Can drive health system savings through hospital avoidance initiatives.
- Not driven by “6 minute medicine” despite attempts to characterise as such.
- Aligned to Government & PHI desires to move care to a ‘medical home’ model for chronic care.

## Primary 'Super-Centre'



*Warringah Medical and Dental Centre, Brookvale NSW, opened in FY 2015*

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