



**AUSTRALIAN MEDICAL ASSOCIATION  
(SOUTH AUSTRALIA) INC.**

**File no  
2066**

# **MEMORANDUM**

**To:**           **AMA State Presidents**  
                  **AMA Executive**  
                  **AMA Chief Executive Officers**  
                  **AMA Council of General Practice**  
                  **AMA(SA) Councillors**

**From:**       **Dr Peter Sharley President AMA(SA)**

**Date:**        **25 August 2011**

**Subject:**     **Exploration of state based not for profit GP companies with AMA national coordination controlled by General Practitioners. The purpose is to support GPs and General Practice in the emerging Commonwealth Government health reform environment.**

## **1. Introduction**

The Federal AMA Council at its meeting of 18<sup>th</sup> August 2011 supported AMA(SA) exploring means to provide a collective GP voice and protect the interests of General Practice during and beyond the Medicare Local reform process. General practitioners have independently raised with the AMA(SA) a number of concerns over their future including: professional autonomy; influence in the primary health sector; role substitution; bargaining power and economic viability; continuation of practice support and educational opportunities. The AMA(SA) in response has explored the option of establishing a 'safe harbour' joint venture arrangement with some GP Divisions who wish to enter into such an arrangement. The objectives are to preserve where possible the important functions of existing Divisions as well as improve their bargaining strength in any future contract negotiations in the Medicare Local environment.

The following provides a summary of this proposal which the AMA(SA) is happy to discuss in further detail.

## 2 Proposal

- To consider establishing state based companies controlled by General Practitioners to optimise professional and economic opportunities for General Practitioners in the emerging Commonwealth Government's current health reform.
- The Company would be 'not for profit' and be a wholly owned subsidiary of the AMA (state)
- The proposed Board to include an AMA Councillor, GP Division nominations, Non-Voting RACGP member but all of these positions are yet to be determined.

## 3 Background

The Commonwealth Government is currently implementing a health reform program based on the National Health and Hospitals Reform Commission Report.

The Government has indicated that these reforms have three primary objectives:-

- Reforming the fundamentals of the Australian health and hospital system, including funding and governance;
- Changing the way health services are delivered, through better access to high quality integrated care designed around the needs of patients and a greater focus on prevention early intervention and the provision of care outside of hospitals, and
- Providing improved care and access to services for patients through investment in hospitals, infrastructure and the health workforce.

Within this framework the Government has commenced from 1<sup>st</sup> July 2011 to establish a national network of new commonwealth funded agencies to be known as Medicare Locals (MLs).

The intended purpose of Medicare Locals is to improve access to services and achieve integration across general practice and primary care by coordinating services and working closely with Local Hospital Networks to identify and address local needs.

Medicare Locals will be required to reflect their local communities and health services in their governance, including consumers, doctors, nurses, allied health and State- funded community health providers.

General Practice provides the groundswell of health care in Australia, is cost effective and cost efficient, and is described in the reform process as pivotal to the problem of hospital based care burden, yet the voice of GPs will become less easily heard due to the reform process.

The AMA(SA) has been advised that with the establishment of Medicare Locals, Divisions of General Practice may have residual assets but even as preferred providers to MLs are unlikely to have longevity without mergers or acquisitions or other economies of scale strategies.

This situation resulted in the AMA (SA Branch) President and Chief Executive Officer having consultations with all the Divisions of General Practice Chairs, and Chair of RACGP SA & NT Faculty and other parties. The result is to consider a joint venture with the intent to raise profile of general practice in the community, provide political lobbying as appropriate and preserve aspects of divisions activities and resources under GP control.

From these initial discussions has emerged this proposal.

## **4 Discussion**

When distilled, the Commonwealth Government's primary health care reform can be viewed as based on the notion of Purchaser, Provider separation and managed competition. Medicare Locals will take on the role of primary health care planners and service purchasers for designated geographical communities. The primary health care workforce will take on the role as potential contracted Providers of services required from time to time by Medicare Locals.

General Practitioners will also only be one of the potential contractors in the Primary Health Care sector. This will precipitate stress to existing professional relationships as these commercial issues are presented in a competitive environment.

A purchaser/provider separation is designed to use contractual arrangements to introduce competitive elements into what remains essentially a publicly managed health system.

In this emerging environment without a counterbalancing and substantial General Practitioner co-operative response, these Government policy settings potentially will further diminish the professional satisfaction available to General Practitioners.

This will include further undervaluing, in economic terms, the service value and professional training of General Practitioners as Specialists in their own right, this will ultimately negatively impact on the quality of patient care.

In essence it is proposed that in association with the AMA (on a basis to be determined) a cooperative of state based companies of General Practitioners is formed. These entities would be formed to provide the collective voice and bargaining body of GP Service Providers to Government and other purchasers of health services. It is forecast that other potential contract purchasers will progressively emerge as the Australian demographic and morbidity profile continue to alter.

This proposal does not in any way alter the current Medicare arrangements with General Practitioners and their patients. The company would not directly employ doctors. It is put forward as an option for General Practitioners to join and participate to the extent an individual's professional interest and time permit. It does not require 100% support; however substantial support across the nation will ensure the power of collective bargaining for new service requests from Purchasers and mitigate against individual General Practitioners being "picked off" for the lowest value.

The model will also provide some deterrence to other health care providers advocating role substitution.

It is suggested that this proposal will make participating General Practitioners 'Price Makers' rather than "Price Takers".

## **5 Issues to be addressed**

- General Practitioner membership based organisation
- Market potential
- Mode of operation
- Relationship with Australian Medical Association
- Means of Capitalisation
- Relationship with Medicare Locals, State and Commonwealth governments

## **6 Conclusion**

The AMA(SA) believes this is a valuable opportunity for the AMA to re-engage with its GP member grass roots and provide support in this uncertain time of government policy directed at creating market competition, displacement of general practice as the centre of primary health care and further financial bureaucracy and possible control over private practice.

I invite you as Presidents to discuss this proposition with your Council and explore it further with your own Divisions of General Practice and GP members.

The AMA(SA) in collaboration with some current Division CEOs and Chairs are developing a business case to advance the proposition and provide funding, governance, activity and operational details.

We are considering inviting interested parties to a briefing where we can present these details and gauge the level of interest in advancing this proposal. If you or your Council is interested in having a discussion on any of the above please contact myself or Mr Joe Hooper, CEO, AMA(SA) on (08) 8361 0100.