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25 July 2016

Professor Stephen King  
Commissioner  
Human Services Inquiry  
Productivity Commission  
Locked Bag 2, Collins Street East  
Melbourne Vic 8003

Dear Professor King,

### **Royal Flying Doctor Service submission to Human Services inquiry**

I write to you on behalf of the Royal Flying Doctor Service to provide a submission to the Productivity Commission's review looking at increased application of competition, contestability and informed user choice policy to human services, and specifically in relation to health services. The submission we make is informed by experience as an emergency and primary health care provider in parts of remote and rural Australia where the Flying Doctor is the sole provider of health care.

The general case for applying the principles of competition and contestability, including as outlined in the 2015 Competition Policy Review, cannot be denied where genuine markets exist. Where markets are thin or do not exist at all, pure application of these principles may, however, do harm. The Productivity Commission Issues Paper recognises the important role of government to ensure that all members of the community have access to a minimum level of fundamental human services, noting that "*in particular, people with low incomes, residents of rural and remote areas, Indigenous Australians and other culturally and linguistically diverse groups might miss out on high-quality human services if governments do not take an active role.*" The Flying Doctor's view is that a role for government in support of residents of remote and rural areas is to ensure competition policy is applied so as not to result in unintended consequences of service fragmentation. I below argue why.

As a general rule, Australians living in remote and rural parts of the country experience poorer health than Australians living in major cities. Health status declines with increasing remoteness. There are several factors that contribute to poor outcomes for remote and rural Australians, one is insufficient access to health services. Flying Doctor service data, compiled in a 2015 report by the Centre for International Economics, shows Australians living in the areas served by Flying Doctor medical services see doctors at half the average rate of those living in the city.



Governments have responded to lower average access to medical services by block funding organisations such as the Flying Doctors to deliver health care in underserved markets. Low populations mean that a private Medical Benefits Schedule billing General Practitioner would not be able to operate a viable business in many parts of remote and rural Australia. Governments have historically responded to this market failure by ensuring organisations such as ours are supported to serve underserved areas.

It is accordingly the submission of the Flying Doctor that health services in remote and rural Australia will not always be best served by pure application of the principles of competition. Where health service markets are thin or non-existent in remote areas, health service delivery will more likely be advantaged by better shared service planning to coordinate those government and non-government providers to meet common objectives. Increased competition risks disrupting shared service planning. It risks duplicated services funded by governments being established to compete against each other where population size questions if competition will return any benefit. Contestability risks regular churn in service providers, negating the benefit of established community links of long standing service providers. Instead, it is the Flying Doctor's submission that where health service markets in remote or rural areas are thin or non-existent, a higher threshold than in more active markets should be applied to determine the extent to which competition policy should be applied.

I would welcome the opportunity to discuss this submission in further detail. Please feel free to contact my office if a further discussion is warranted.

Yours sincerely

**Martin Laverty**  
Federation Chief Executive Officer