

29 August 2005

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To whom it concerns

Re: Submission regarding the Productivity Commission's Research Study into the Australian Health Workforce

This submission responds to the Productivity Commission's Research Study to examine the issues impacting on Australia's health workforce including the supply of, and demand for, health workforce professionals, and propose solutions to ensure the continued delivery of quality healthcare over the next ten years.

I am aware that the closing date for submissions was 31 July 2005. I apologise that this submission is late but I first learned about the Research Study in late August. In the interests of submitting to the Commission as soon as possible, this submission is short and lacks substantiating data regarding the issue. Vision Group will provide substantiating data in a further submission during the public consultation phase associated with the Productivity Commission's Draft Report. Thank you for your consideration.

This submission is relevant to the Study Terms of Reference 1 (a), (d) and (e); 2 (a) and (c) and 3 (a).

1. Summary of submission

Vision Group is a publicly listed company and is the largest dedicated provider of private ophthalmology services in Australia and currently operates only on the eastern seaboard. The company wishes to expand into rural regional centres and create multi-doctor sub-speciality clinics and day surgeries dedicated to ophthalmology.

Vision Group has pioneered a model of service delivery where numerous doctor-owned practices in the ophthalmic industry have been consolidated into one organisation. This results in several commercial and professional advantages. One of the important professional advantages is the ability to deploy sub-specialty skill-sets throughout the organisation to maximise the use of Vision Group's specialist skills across its geographic reach. This practice enables the filling of much needed clinical service gaps in locations which would otherwise have no sub-specialist ophthalmology service provided. The company operates on a best practice platform and invests in the latest diagnostic and therapeutic technologies which serve to create quality patient outcomes, enhance productivity and job satisfaction among its ophthalmologists, facilitate career path development and promote company loyalty.

Due to imbalances in the supply of sub-specialist doctors across Australia, Vision Group now seeks to employ appropriately skilled and recognised overseas trained ophthalmologists to fill service gaps.

A problem emerges where the District of Workforce Shortage provision in the *Health Insurance Act* acts to stifle the flexible operation of the Vision Group supply model and restrict consumer access to ophthalmic services provided by overseas trained specialists. The viability of employing overseas trained specialists who practice in non DWS locations is limited if access to Medicare Provider numbers is denied. It restricts Vision Group from fully deploying its specialist workforce across all its locations - both DWS and non DWS alike – to meet areas of clinical need. This also has a range of disadvantages for overseas trained ophthalmologists and the Government which are outlined in the body of this submission.

The Productivity Commission Research Study raises the possibility of introducing future policy measures to help to ensure “efficient and effective health service delivery in an environment of demographic change, technological advances, rising health costs ... and ... changing supply conditions”. Vision Group is keen to see a situation where there is scope to introduce flexibility to the legislation so that the DWS restriction on overseas trained specialists/ophthalmologists from attracting specialist Medicare rebates in non DSW locations is relaxed where supply occurs under certain supply conditions. Vision Group is not seeking to avoid the DWS restriction, rather to introduce some flexibility which would not detract from the Government’s workforce distribution goals but would better align incentives so that the benefits of Vision Group’s supply model – an operating model which is likely to increase in volume in the specialist marketplace over time - can be maximised in *both* DWS and non DWS locations.

2. Vision Group Holdings Limited (“Vision Group”)

Vision Group was established in 2001 and consolidated the Ophthalmic Industry. It achieved critical mass in 2004 and listed on the ASX in December 2004. It is the largest dedicated provider of private ophthalmology services on Australia’s eastern seaboard.

Vision Group’s practice model consists of a network of ophthalmic clinics serving a large demographic and geographic area. The network of clinics comprises 6 accredited ophthalmic day surgeries, four refractive laser clinics and 13 consulting clinics with sub-specialty services, committed to delivering the best clinical outcomes to patients and utilising state of the art facilities and technology. Our geographic area spans Townsville, Brisbane, the Gold Coast, Sydney and Melbourne.

Vision Group has pioneered a model of service delivery where numerous doctor-owned practices in the ophthalmic industry have been consolidated into one organisation. Over 70 ophthalmologists have a relationship with the company as equity partners, salaried associates or visiting surgeons. A further 300 staff members provide nursing, orthoptics, marketing, administration and finance services. The resulting company standardisation permits **commercial advantages** in operational areas such as risk management, purchasing, systems administration, accounting, and negotiation and quality activities.

It also permits, with a flexibility impossible in the ‘sole trader’ or small practice model of specialist service delivery, important **professional advantages** in areas such as career development, succession planning and professional and staff training. One of the most important of these professional advantages is the ability to deploy sub-specialty skill-sets throughout the organisation to make the most favourable use of Vision Group’s specialist skills across our geographic reach. In this common scenario, Vision Group’s specialist partners and salaried associates practice across several Vision Group clinics and day surgeries over several locations. For Vision Group’s patients this practice enables the filling of much needed clinical service gaps in locations which would otherwise have no ophthalmologist. (In Townsville, for instance, Vision Group provides the only retinal specialist north of the Sunshine Coast for the entire state of Queensland). It also serves to increase patient access to ophthalmic services – particularly highly skilled sub-specialty services – and thus optimise health outcomes across locations. For Vision

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Group practitioners this flexibility serves to enhance productivity and job satisfaction, advance career path development and promote company loyalty.

As opposed to other corporate medical models which have operated in recent years, each Vision Group clinic operates as an autonomous centre where the sovereignty of clinical decision-making remains supreme and doctor controlled. Each clinic's historical identity is maintained and its culture, billing type mix and local requirements specifically met.

Importantly, Vision Group's operating solution also enables the creation of long-term value in the clinical practice of ophthalmology where, as opposed to the 'sole trader' model of clinical practice where goodwill evaporates when the clinician retires, goodwill remains in the business as clinicians retire in favor of successors and guarantees long-term quality service commitment to the local population.

The Vision Group operating model is increasingly being embraced by ophthalmologists across Australia and has assisted to consolidate the ophthalmology industry. Over the next ten years it is likely that, as in primary health and allied health service delivery, this model will become an increasingly common method of clinical practice.

Vision Group also develops and enhances ophthalmology in conjunction with major teaching hospitals in Australia and has a fellowship training program in association with the Royal Australian and New Zealand College of Ophthalmologists (RANZCO). It is also a major sponsor of The Fred Hollows Foundation and Vision Group surgeons service Indigenous areas in far north Queensland. It also is partly funding a new Professorial Chair in Ophthalmology for Glaucoma at the Melbourne University Department of Ophthalmology headed by Professor Hugh Taylor.

3. Vision Group's use of overseas-trained ophthalmologists

As mentioned above, an important aspect of the Vision Group operating model is the ability to transfer sub-specialty skill-sets across the organisation and across geographic locations.

While Vision Group has a broad range of skill sets among its partner surgeons and associates - including cataract, refractive, paediatric, oculo-plastics and retinal – the company now looks to expand into regional areas. Whilst it understands that DWS will apply to overseas trained Ophthalmologists in regional centres, there would not be full utilisation of the doctor's time and therefore would be uneconomic for the company if the doctor could not provide Medicare rebated services in areas that were not classified as having a DWS as well. The company, for its development and expansion, now needs to source expertise in critical areas of clinical need from overseas-trained ophthalmic specialists to supplement the shortage of manpower in these areas among Australian trained ophthalmologists. As your Issues Paper acknowledges, this has not been uncommon practice over recent years.

4. The problem

The Productivity Commission would be aware that, once registered to practice as a specialist in Australia, overseas trained specialists can only attract Medicare rebates at the specialist rate within ten years from the date of being granted permanent residency if they satisfy certain conditions. One of these is that they practise in specified 'need' locations as defined by the 'District of Workforce Shortage' (DWS) provisions in the *Health Insurance Act 1973* (the Act).

Sections 19AA and 19AB of the Act regulates access to Medicare rebates at the specialist and consultant physician level and influences workforce distribution of

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specialists. The DWS provisions were first introduced into the Act in 1997. Vision Group understands there was little consultation with the Colleges prior to their introduction. Prior to that, medical specialists could practice anywhere in Australia and attract Medicare rebates at the specialist rate. The DWS provisions have the specific purpose of effecting more equitable distribution of the medical workforce, including specialists, in a context of limited resources across all locations and a relatively higher need in DWS locations. The legislation allows exemptions under S19AB (3) and appeal processes on an application-by-application basis.

Vision Group is aware that the issue of medical services to rural and regional areas is one the Coalition Government, in particular, places considerable importance upon and it remains a sensitive policy and political issue. Vision Group understands the reasons behind the DWS restriction, supports the rationale for the restriction and notes that since 1997 there have been improvements in medical service provision to DWS areas as a result of this restriction (2003 Biennial Review of the Operation of the Medicare Provider Number Legislation).

A problem emerges where the DWS provision acts to stifle the flexible operation of the Vision Group supply model. The DWS provision is predicated on the sole trader model of specialist service provision. It does not accommodate emerging models of collective supply and does not support the facilitation of the most effective use of overseas trained specialists supply within this supply arrangement.

For **consumers** serviced by this supply model, the DWS provision acts to restrict access to specialist ophthalmic services in both DWS *and* non DWS locations. Although the restriction supports supply by overseas trained specialists in DWS locations (Vision Group provides specialist ophthalmic services in several DWS locations where there is currently no specialist) it does not provide certainty for overseas trained ophthalmologists in non DWS locations. In many cases there is insufficient need to justify a full time specialist in DWS locations, insufficient opportunity for the specialist to derive a satisfactory income living there and thus reduced incentives to practice in these locations.

The most productive and satisfactory use of the overseas trained specialist in this situation is where s/he can be utilised across Vision Group clinics in both DWS and non DWS locations, supported by the incentives provided by that flexibility, to practice in DWS locations. By, in effect, reducing the remuneration of overseas trained specialists who practice in non DWS locations for ten years; this restriction impedes Vision Group from fully deploying its specialist workforce across all its locations - DWS and non DWS alike and increasing its potential manpower supply.

For **overseas trained ophthalmologists** practising according to this supply model, this provision:

- exacerbates the disincentives to practice in, and remain in, DWS locations; and
- constrains their scope to advance through the Vision Group career path.

For **the Government**, where this supply model is in place, this provision:

- impedes the efficiency, effectiveness, flexibility and capacity of the specialist ophthalmologist workforce to address current and emerging clinical needs;
- frustrates efforts for a more flexible health workforce to respond to emerging and future pressures and challenges, including those relating to the ageing population,; and thus
- detracts from, rather than promotes, good health outcomes.

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Vision Group's experience of this regulatory problem may appear to be unique. This would be because it has pioneered this particular model of supply in ophthalmology and seeks to supplement local expertise shortages in critical areas by employing overseas-trained ophthalmologists. Once these supply arrangements become more routinely used by medical specialties, and as demand increasingly out-strips supply across DWS and non DWS locations, this problem will become more apparent and will increase.

5. Proposed solution

Vision Group is aware of several recent and current policy measures and proposals which broadly relate to overseas trained specialists and their remuneration, for example:

- The current ACCC/AHWOC recommendations relating to the supply of overseas trained medical specialists;
- Measures introduced by the Government in 2004 through Medicare Plus to attract overseas trained doctors;
- The Biennial Review of Ss 19AA, 3GA and 3GC of the Act (the Medicare Provider Number Legislation) which, in its most recent report in 2003, made recommendations to better align the DWS and Area of Need (AoN) provisions and introduce preliminary assessments to improve the application of DWS.

While these all have encouraging implications, they do not deal with the specific problem posed by the DWS restriction under newly emerging models of supply. (In the case of the Biennial Review, it is not charged with reviewing the impact of S19AB of the Act, the DWS-specific provision).

What is encouraging about the Productivity Commission Research Study is that it raises the possibility of introducing future policy measures to help to ensure "efficient and effective health service delivery in an environment of demographic change, technological advances and rising health costs". In addition to employing "competition or market-style instruments", some of the aims suggested, which are relevant to Vision Group's objective, include:

- improving the alignment of incentives;
- encouraging more flexibility and responsiveness to better cope with changing needs and supply conditions;
- extending the use of 'market-friendly' mechanisms within the regulatory framework;
- introducing innovative ways to deliver better services to rural and remote areas, including:
 - relying more on incentives than compulsion to attract medical practitioners to locate outside the major population centres;
 - creating career pathways that avoid geographic 'lock-in'; and
 - introducing less onerous bonding arrangements.

Vision Group is keen to see a situation where:

- the recruitment of overseas trained specialists continues to supplement local health care resources but is not used solely to address short term gaps or directed solely to rural and remote areas;
- local sub-specialist supply in non DWS areas such as in the lower socio-economic suburbs in state capital cities, is improved thus alleviating pressures on the public system and public waiting lists;
- there is scope to introduce flexibility to the regulation so that the DWS restriction on overseas trained specialists/ophthalmologists from attracting specialist Medicare

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rebates in non DSW locations is relaxed where supply occurs under certain supply conditions. Vision Group is aware that it may be politically difficult to gain wide support for any proposal which may appear to impact service provision in rural and regional areas. Vision Group is not seeking to avoid the DWS restriction, rather to introduce some flexibility which would not detract from the Government's workforce distribution goals but would better align incentives so that the benefits of Vision Group's supply model – an operating model which is likely to increase in volume in the specialist marketplace over time - can be maximised in *both* DWS and non DWS locations.

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6. Topics for Consideration and Discussion

The Issues Paper possibilities mentioned above suggests there may be scope to, at the very least:

- Increase **the range of exemptions** to applying the DWS restriction so that, for instance, overseas trained specialists operating according to **certain supply conditions** can be exempt from the DWS restriction so long as they provide a minimum percentage of their services/time in DWS locations;
- Identify "**precincts**" in non DWS locations that have a **specific sub-specialty manpower shortage** (for example Retinal Surgeons to treat Diabetic eye disease and Macular Degeneration in the lower socio-economic major city suburbs) where DWS exemptions may apply to overseas trained specialists.

Vision Group wishes to work with the Government to create an attractive professional environment to encourage the best trained overseas specialists to come to Australia. Clearly, contact with professional peers, high quality equipment and facilities, association with major teaching hospitals and research is mandatory and this opportunity lies in non DWS locations. Other lifestyle and family education issues have also been factors that have historically limited interest in working purely in DWS locations by leading overseas specialists.

Utilising the proposed **mix of DWS and re-defined DWS precincts in non DWS areas**, Vision Group can guarantee employment and attract highly credentialed ophthalmic surgeons from the UK and the USA.

There may be other solutions discussed in our further submission in response to the Productivity Commission's Draft Report.

In the meantime, I would be very happy to discuss this matter with you.

Yours sincerely



Dr Harry Unger
Chief Executive Officer
Vision Group Holdings Limited