

Perspectives

A watchdog to bite the giants?

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Ray Moynihan explores the push for new powers and strong opposition to it

If there was ever a case of market forces running ahead of regulators, it is corporatised medicine in Australia. Driven by medical entrepreneurs and merchant banks, the creation of giant health care empires has taken place with little public debate or political interest. While a new private industry is now successfully profiting from publicly funded Medicare, health authorities have so far found no meaningful mechanism to police the sector.

“The business of medicine has been altered forever”, argues the former head of Medicare’s watchdog unit, “by the entry of corporatised medicine”.¹ Testifying to a recent senate inquiry, Tony Webber, former Director of the Professional Services Review (PSR), said he’d like to see a revamped PSR scheme within Medicare given the power to “investigate scams and unacceptable corporate behaviour, of which I have seen significant examples”. Asked if any executive had been prosecuted, Webber told senators: “Sadly, no, because the legislation makes it very difficult to do so”.¹ Responding to his concerns, the committee recommended strengthening the watchdog’s powers and government is currently considering its response.

Evidence of corporate “scams”, says Webber, remains largely anecdotal and based on tip-offs which, while appearing credible, are currently unable to be followed-up. According to Webber, the problem is while companies are geared to make money, Medicare was never designed to pay the doctor and a nice corporate dividend as well — a theme he expands on elsewhere.²

One of the industry's giants is Sonic Healthcare, owner of the Independent Practitioner Network with 140 medical centres and around 1000 GPs who produced "strong revenue growth" last year, contributing to Sonic's overall profit of \$295 million.³ The other giant is Primary Health Care Limited, running almost 90 centres, also contracting 1000 doctors, worth around \$1.5 billion, and with profits of \$80 million.⁴ Another player is Healthscope, bought recently by a consortium of global private equity firms. All three are "vertically integrated", with medical centres, pathology laboratories and imaging facilities. There is no suggestion that these, or other particular corporations, or people associated with them, engage in or encourage any form of inappropriate behaviour.

The man known for pioneering corporatisation of health care in Australia is Edmund Bateman, managing director of Primary Health Care Limited. The company describes itself as the "most profitable in this field" with a "formula" offering value to doctors and patients.⁴ In an extended interview with me recently, Bateman strongly rejected the need for enhanced watchdog powers, saying it was "based on the assumption that the corporation is responsible for the behaviour of the doctor", which was "out of touch" with the reality. He said there's also an assumption of "improper pressure" on doctors, but it doesn't exist. "I can't tell them what to do", he told me, "if there is any pressure, it's to practise better medicine". While stressing that doctors signing contracts with Primary Health Care Limited retained clinical autonomy, in general, they also "undertake to support our services, where clinically appropriate" he said, adding doctors "tend to support the pathology in the building, out of convenience".

The idea of forcing corporations to contribute to paying the fines of doctors found to have practised inappropriately is also opposed by Bateman: "it's human nature for people to try and blame other parties", he says, "professionals in particular are responsible for their own behaviour". Arguing it's not "proper process", he suggests that the entire PSR Scheme should be abandoned and any action against doctors happen via "normal legal process".

Asked about his own use of courts to take action against doctors contracted to his companies, and a newspaper report that there had been dozens of cases against practitioners in the past decade,⁵ Bateman declined to confirm a figure, saying that of the 1000 contracts with doctors only a “very small minority” ended in litigation, and that he is suing the newspaper involved. Questioned about suggestions that his centres had created and billed for “care plans” for patients who regularly saw doctors outside, he said that “sounds like sour grapes from someone who should have provided one before this”.

Other corporate chiefs contacted declined to comment.

In my view, one way to independently assess competing claims about corporate medicine might be to compare profiles of doctors working inside and outside corporate structures. While complex, with confounding factors, a sophisticated analysis could cast much-needed light here and build academic expertise in the field.

As to recommendations for new powers to “pursue abuse” of the system,¹ the government’s response is pending. Perhaps it may also be timely to reassess just how well the private-for-profit corporate structure sits with the spirit of a publicly funded universal health insurance scheme.

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