

Inquiry into the provision of general practitioner and related primary health services to outer metropolitan, rural, and regional Australians

Additional information to the information given by Ochre Health on Monday 24 January 2022 between 2.30pm - 3.15pm

1. The composition of overseas versus local graduates at Ochre Health.

The below information is for Ochre medical centres operating in rural towns (these are typically towns, with a population under 5000 people, in MMM5 – 7 locations).

We have checked our data base and the composition is:

Australian Graduates	58%
Overseas Graduates	42%

2. The business model of general practice

We have reviewed our medical centre data in rural locations (MMM 5-7) and express below the running expense as a percentage of income from patient billing (in MMM5 – 7 locations this almost exclusively comes from bulk billed Medicare fees). The indicative expenses are below:

Expense Item	Typical percentage of revenue (MMM5 – 7)
Practice wages (reception and nursing)	31%
Rent	8%
Overheads (IT, software, cleaning, medical consumables, PPE)	10%
Central Overheads (HR, accounting, payroll, insurance, IT, recruitment, clinical governance and supervision)	5%
Subtotal of expenses	54%
60% - 65% of income retained by the GP	60 - 65%
Total	114 - 119%

The above table shows the cost of running a small rural GP practice can be as high as 119% of revenue. This may help explain some of the testimony that the rural GP model is not viable.

This suggests that it is relatively easy for rural GP practices to become loss making. Please note that this difference in revenue and expense can in some cases be covered with Workforce Incentive Payment (WIP), Practice Incentive Payments (PIP) and charging subtenant rents.

3. The risk posed to general practice by the various Offices of State Revenue (OSR)

For several decades the business of general practice has been one of a contract medical practitioners and service providers. The service provider (Ochre) operates the medical centre and provides services (building/consult room/nurse/admin/IT/etc.) and collects the patient billing revenue on behalf of the medical practitioner, deducts the service fee of providing these services (typically c35%) and then distributes the remainder to the medical practitioner.

There are several ongoing attempts to challenge the established arrangement by the Offices of State Revenue and have medical practitioners who seek the services of the medical centre deemed to be liable for payroll tax (for example the NSW case of Thomas and Naaz P/L where the medical centre was found liable for payroll tax). If this case and cases like it become precedent, this may result in the OSR (Office of State Revenue) levying a payroll tax on the medical centre operator on the billings retained by the GPs (after the service provider fee has been deducted). We anticipate that a payroll tax of 6% will be large enough to force some practices into bankruptcy and over time when things normalise, we expect GP take home income will have to be reduced. We expect the negative impact will be felt more strongly in rural general practice with many closing and junior doctors choosing other medical specialities over general practice.

4. Clarification to the final question to Ochre by the senate on what might be done to create a significant change so that more people will want to pursue a career in rural medicine

The answer given was to increase the MBS remuneration for the standard GP consult items (3, 23, 36, 44) at rural locations (i.e. MMM5 – 7).

An important caveat is that we don't want to just attract GPs that are willing to work between 9 and 5 Monday to Friday. We want to incentivise doctors that are willing to cover the local hospital and have emergency skills, and/or other procedural skills as needed.

Therefore, the higher MBS rebates should be geographically restricted and only available to doctors with a recognised rural generalist skill set and are actively contributing to the local hospital roster. These doctors will need to register with Medicare for the higher rebates.