

Health

Widely acknowledged as one of the world's leading healthcare centres of excellence, Australia's healthcare sector is predicted to more than double in coming decades as populations increase, populations continue to age, technologies improve, and lifestyle choices continue to change among consumers.



Section Cover (previous page): Pathology lab technician working with samples; Photo courtesy of Department of Health

Above: Aged care nurse and patient; Photo courtesy of Department of Health

Western Australia is at the forefront of this change, with Australia's fastest population growth and geographical proximity to emerging Asia's lucrative international health-tourism market. A wide range of investment, employment and knowledge-sharing opportunities prevail for the broader Commonwealth community throughout this rapidly shifting market place.

Overview

Healthcare in Western Australia is broadly defined by the Australian Bureau of Statistics (ABS) as 'The provision of healthcare and social assistance by practitioners with specific qualifications and expertise.' The industry has experienced pronounced growth over the

past 15 years at an average annual rate of 7.5 per cent, significantly higher than Western Australia's economy overall. The health sector's rate of growth appears to be increasing each year as Western Australia's demographics and population continue to evolve. Health sector employment grew by 12 per cent through 2008–09 to 122,000 employees.

The health sector is generally predicted by economists to be one of the world's leading drivers of economic growth throughout the 21st century. Western Australia is in a unique position as a developed market economy, in that the state faces the dual challenges of an ageing and increasing population, two of the key drivers behind the health sector's importance moving forward. It is expected that the Perth Metropolitan Area's population will grow

by 28 per cent to 1.87 million inhabitants by 2021, and that average life expectancy will grow from 85 to 94 years old by 2050. Although such figures may appear abstract, these trends are the fundamental drivers behind paradigm shifts in how healthcare is managed, administered and consumed in developed market economies such as Western Australia.

Bethesda Hospital CEO, Yazmin Naglazas, underlines this point: 'Australia currently spends around 9.1 per cent of GDP on health, which is around 1.4 billion dollars annually. Over the course of the next four decades, health care spending is set to double. Health will be one of the major drivers of the next phase of world economic development in years to come in Western Australia due to trends such as an ageing population and an increasing life expectancies.' As medical technology continues to advance, lifestyle trends and consumer choices are also evolving to place further demands upon the health sector as pointed out by Yazmin Naglazas: 'Longevity medicine is gaining momentum and within ten years people will routinely be living over 100 years old with new technologies such as nanotechnology, based medical therapies and DNA profiling.'

The combination of shifting consumer expectations, demands and ever increasing advances in medical technology are re-shaping the profile of private health provision in particular, creating a myriad of opportunities for investors and aspirational medical practitioners in Western Australia's rapidly growing health care sector.

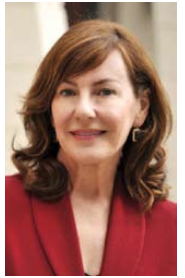
Public health policy in Australia is established at a federal government level, with state governments, such as Western Australia, managing hospitals' day-to-day operations and staffing. Primary healthcare (such as general practitioners) is regulated at a federal level, with minimal state government intervention in operations. All Australians are entitled to free universal access to public healthcare, funded at a federal level through programmes such as Medicare. From a hospital's perspective, Australia has two different systems: public and private. Private hospitals are

licensed at a state level and accredited at federal level through a quasi-governmental organisation, the Australian Council for Health Care Standards (ACHCS). Through the Rudd government's National Health and Hospitals Reform Commission (NHHRC) report, the status quo could be subject to change with such proposals as streamlining regulation and allowing a greater role for the private sector in public health, which are currently subjects of debate.

Describing the current system, Dr Kim Hames, Western Australian State Minister for Health, says, 'We have two types of health: public and private. Everyone has to pay a healthcare levy to Medicare; this is a percentage of their income – so if they don't work, they don't pay. Everyone is given universal access to free healthcare in government-run hospitals, as well as access to private hospitals up to a limited cost. This has traditionally been 85 per cent of the cost. If a patient decides to use a private doctor, the patient will pay the bill and then claim a percentage of the bill refund from Medicare via the Commonwealth government.'

Over the past 10 years, there have been significant moves by Australia's federal government to increase the proportion of citizens with private health insurance. These include premium subsidies for insurance cover and the Medicare levy surcharge alluded to above. This policy direction lays the foundation for greater involvement of the private sector in Australia's public health system, in line with potential outcomes of the NHHRC report.

The private healthcare sector in Western Australia is widely acknowledged, as per a recent Productivity Commission Report, as being 'less costly, more efficient and safer' when compared to public sector counterparts. The private healthcare sector is a major contributor to Western Australia's healthcare system in its capacity to raise significant capital, raise standards, drive innovation and increase capacity in Western Australia's overall portfolio of healthcare infrastructure. Outlining the private sector's contribution to Western Australia's infrastructure and healthcare capacity, Dr Shane Kelly, CEO



Western Australia also has a balance between private and public patients with increasing private public partnerships developing across the state of Western Australia.

*Yazmin Naglazas,
CEO of Bethesda
Hospital*



“Western Australia has the fastest population growth in Australia, as well as the strongest economy.”

*Justin Walter,
General Manager
of Mount Hospital*

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of St John of God Hospital, says, ‘We are the first and only hospital in Western Australia to introduce robotic surgery; our urological surgeons are able to perform “robotic prostatectomies” for prostate cancer which provides a number of advantages over other surgical treatment methods. This technology is only available in a handful of sites in Australia, albeit it is more widespread in the US and elsewhere.’

Western Australia has the second-largest proportion of privately insured citizens, at 50 per cent of the total, due to the region’s relatively high per-capita incomes in comparison to Australia as a whole. This translates into a significant role for the private sector in Western Australia’s world-class health sector.

A total of 23 private hospitals are located in Western Australia. Private healthcare is effectively broken down into two different systems at a hospital level. There is the ‘not for profit’ private or benevolent institution model, and the ‘for profit’ private model. Benevolent institutions such as St John of God and Bethesda Hospital take no profits and reinvest all revenues. ‘All of the surpluses from operations at St John of God are reinvested back into our health services and the community,’ says Dr Shane Kelly. On the other hand, the ‘for profit’ private sector is driven by generating shareholder value and takes a margin from healthcare revenues. Overall the sector is extraordinarily competitive and widely regarded as world class. Western Australia has a quality of care in tertiary hospitals equal to anywhere in the world,’ comments Minister Hames. ‘The statistics show that in areas such as medical procedure, survival rates and mortality rates, Western Australia is as good as anywhere. Western Australia has a number of famous doctors that have won Nobel Prizes for their endeavours in the medical sciences.’

The private health sector’s competitive environment in Western Australia is dominated by three key organisations: Health Scope and Ramsay Health Care are the two ‘for profit’ private sector players leading the industry in Western Australia; followed by St John of God, a ‘not for

profit’ private institution with over a century’s tradition of care in Western Australia. Smaller stand-alone private hospitals, such as Bethesda Hospital, make up the rest of Western Australia’s private healthcare portfolio.

Similar to much of Western Australia’s industry, the key point of competition amongst private sector hospitals is for skilled labour, surgeons and doctors in particular. Outlining the competitive advantage that the ‘not for profit’ sector has in the labour market, Justin Walter, State Manager of Health Scope’s Mount Hospital, says, ‘Benevolent institution status presents a number of benefits for the “not for profit” sector, such as not having to pay payroll taxes. This gives a significant competitive edge for such institutions in terms of the salaries they can offer. The market is skewed with an uneven playing field and the only way that this can change is if the government takes the lead.’

This cycle of competition for staff continues to drive further investment in technology and facilities in Western Australia’s hospitals, further increasing the region’s status as a centre for healthcare excellence. A number of opportunities are presented for aspirational Commonwealth doctors and surgeons to come into Western Australia in order to mitigate labour pressures. ‘St John of God is focused upon working with international doctors to help them along with their training,’ comments Dr Shane Kelly. ‘These doctors come from a variety of locations, such as Canada, India, Pakistan, South Africa and Malaysia. Labour shortages are a definite issue within the health sector; it is our number-one challenge. It takes up to 15 years to train medical students to become specialists.’

International Profile

Western Australia’s key strengths as a centre for healthcare relate to the extremely high standards in quality and safety, as well as a highly skilled and professional workforce. A continued focus upon innovation and close links with the university sector are fundamental drivers behind continuous improvements in Western Australian standards. Exceptional

medical institutions such as the University of Western Australia, Notre Dame, Murdoch University and Curtin all have close ties with the state’s health sector. ‘Our facilities are far more modern than most places around the world,’ explains Justin Walter. ‘We are also very well placed in terms of our geography and time zone. The workforce in Western Australia is very impressive, which is a significant strength for Western Australia’s health sector.’

Western Australia’s ideal placing in the Asia Pacific Region, within a time zone that occupies 60 per cent of the world’s population and 40 per cent of the world’s economic output places the state ideally in terms of developing as a hub for treating international patients. Reflecting on the constraint on health tourism posed by capacity, Justin Walter says, ‘We have our own strategy for expansion into the Pacific Rim and Asia. Our main challenge at Mount Hospital is that we are space-limited. I think more could be done to promote health tourism; we need to develop capacity for that before we do more.’

Minister Hames points out that treating international patients is a significant opportunity for Western Australia. ‘Western Australia has one of the best healthcare systems in the Asia Pacific region,’ he says. ‘The private sector in particular has an excellent opportunity to benefit from the growing trend in international health tourism.’

Undoubtedly Western Australia has an enormous service offering in health that is of significant value to not just the Asia Pacific region, but also to the broader Commonwealth community. Western Australia is a vast region, with a very low density population similar to that of many Commonwealth countries. Innovations such as the Royal Flying Doctors and Western Australia’s commitment to regional infrastructure development underscore the region’s leadership in resolving challenging issues associated with providing vital services throughout vast wilderness regions. Western Australia is home to Nobel Prize winners Dr Barry Marshall and Dr Robin Warren,

who were awarded the Nobel Prize for their groundbreaking work on the origins of stomach ulcers. Meanwhile, Western Australian medical practitioners Fiona Wood and Fiona Stanley have won the Australian of the Year Award for their discoveries in the fields of critical skin care and maternal health respectively.

Industry Outlook

Western Australia’s health sector is extremely well positioned in terms of increasing demands from a growing and ageing population and increasing international focus upon the sector. Innovation within the health sector leads on the global stage, boasting Nobel Prize winners and the most up-to-date technology, which is consistently implemented.

Significant investment opportunities present themselves within a sector averaging 7.5 per cent growth per annum, notably in international labour exchanges, regional infrastructure development and age care. ‘Age care presents massive opportunities,’ says Justin Walter. ‘Traditional operators have not been able to leverage very good returns from age care. We believe that we could work far more efficiently and do very well from this area within the overall health sector picture.’ As Western Australia’s state government continues to increase capacity with major infrastructure projects such as the AU\$1.7 billion Fiona Stanley Hospital, the health sector’s future in Western Australia seems to be extremely buoyant.

*Aerial view of the
Bethesda Hospital;
Photo Courtesy of
Bethesda Hospital*

