

Private hospitals: issues and challenges



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Three-fold segmentation

1. Public hospitals
2. Private for-profit hospitals
3. Private not-for-profit hospitals

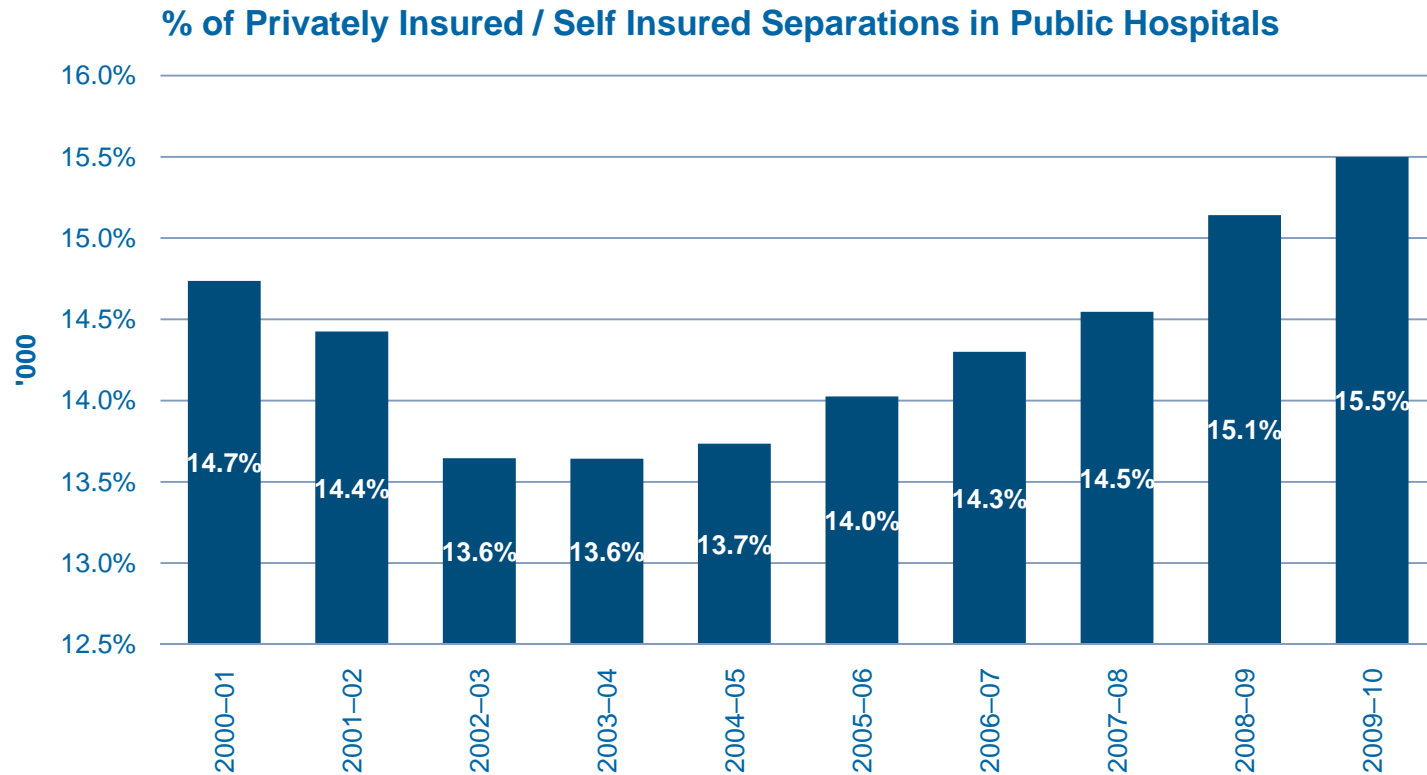
Traditional relationships in Australia

1. Public hospitals dealt with public patients and private hospitals dealt with private patients
2. Private hospitals did low-level procedures
3. Leading doctors did teaching and research in public hospitals
4. Came to private hospitals to see private patients

The relationships are changing

1. Public hospitals compete for private patients
2. Growth in range and number of procedures in private hospitals
3. Economies of scale and scope
4. Private hospitals required to train doctors, nurses and allied health professionals

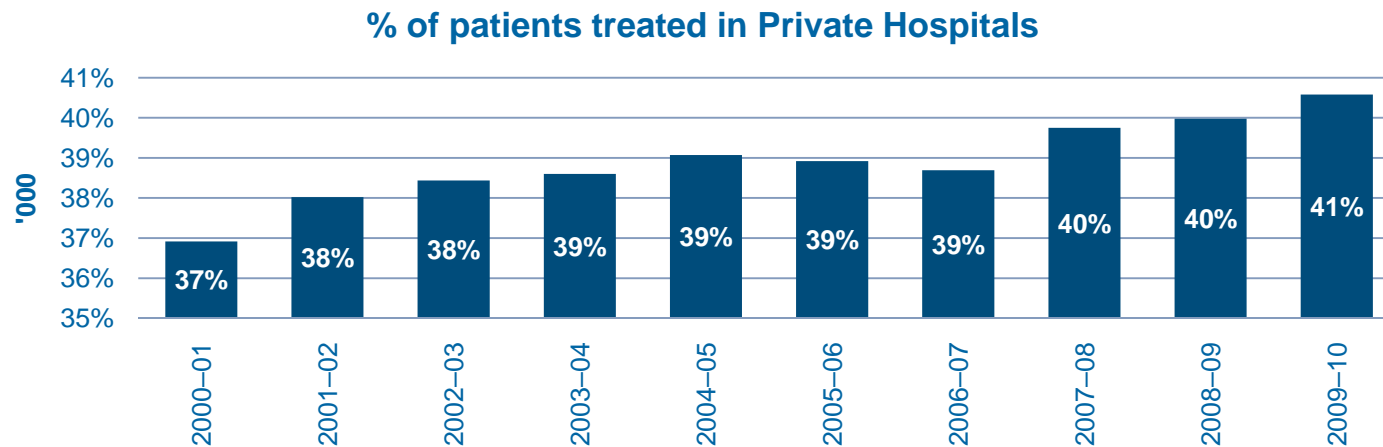
Public hospitals compete for private patients



Source: AIHW Australian hospital statistics 2009-10, 2004-05

Number of patients

1. 40% of all patients in Australia are treated in a private hospital
2. 65% of elective surgery is performed in private hospitals



Source: AIHW Australian hospital statistics 2009-10, 2004-05

Economies of scale and scope

1. Distinction between economies of scale and economies of scope
2. Economies of scale: Zhao, Foley and Eagar, Economic Papers, 2011
3. Economies of scope
4. Result?

	2009/10	1999/00	Movement
Hospitals			%
Public Hospitals	753	748	0.67%
Private Hospitals	280	302	-7.28%
Private Freestanding Day Hospitals	293	207	41.55%
Total	1,326	1,257	5.49%
Available Beds			%
Public Hospitals	56,900	52,947	7.47%
Private Hospitals	25,778	23,665	8.93%
Private Freestanding Day Hospitals	2,260	1,581	42.95%
Total	84,938	78,193	8.63%
Beds per Hospital			
Public Hospitals	76	71	6.75%
Private Hospitals	92	78	17.49%
Private Freestanding Day Hospitals	8	8	0.99%
Total	64	62	2.97%

Source: AIHW Australian hospital statistics 2009-10, 1999-00

Training of health professionals

1. Australia's private hospitals provided over 9 million hours of education and training of surgeons, doctors, nurses and other health care professionals in 2009 (APHA 2010)
2. At Epworth in 2010:
 1. 1170 students from 14 universities and colleges in 11 disciplines
 2. 43.5 FTE registrars

Challenges for private not-for profits

1. Access to funding
2. Developing models for teaching and research
3. Dealing with universities and colleges

Challenges for public hospitals

1. Facing competition for doctors
2. Facing competition for patients
3. Facing competition for grants and donations

Challenges for government

1. Federal Department has to deal with funding education in not-for-profits
2. State Departments have to deal with conflicts between roles as:
 - Policy adviser
 - Regulator
 - Provider