Private hospitals: issues and challenges
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

% of Privately Insured / Self Insured Separations in Public Hospitals

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

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