

MJA Careers

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Private money

Private equity and venture capital have carved a small but significant niche in the finances of Australia's health care industry.

How are these private funders influencing practice?



Under their private equity owners, Healthscope says it has managed to push for higher payments from the private health insurers, improve management, and establish ongoing beneficial agreements with suppliers and purchasers.

On the balance sheet, the most recent results show an interim net profit of \$21 million for the 2013–14 financial year, up from a \$109 million loss the previous year.

Healthscope is the most prominent private equity health care investment in Australia right now, but it is only one of many and the latest in a history of headline-grabbing deals. Last year, the \$338.7 million initial public offering (IPO) of in-vitro fertilisation services provider Virtus Health by Quadrant Private Equity was the largest deal of its kind for 2013. The year before that, heads were turned by the acquisition of a controlling share of cancer, cardiology and sleep medicine services provider Genesis Care by large United States-based private equity group KKR.

Ageing profit

Australia's ageing population, the increasing amount of money spent on health and our proximity to Asia have made our health care industry an attractive target for local and international investors, private

equity groups with deep pockets and the ability to identify and amend operational inefficiencies and pursue opportunities for expansion.

Typically, private equity investors try to improve management or improve the operation of the business, potentially providing additional capital if it is required for innovation or expansion.

Dr Mark Humphery-Jenner, senior lecturer in finance at the Australian School of Business at the University of New South Wales, says the relatively recent establishment of larger non-government operators in the Australian health care sector — many created by medicos — makes it an ideal time for private equity to be involved.

“Essentially there is an inbuilt increase in the clientele in that the population overall is ageing. So there is an increase in the amount of revenue you can extract because the market is going to increase.

“Also, it is essentially an inelastic good in that all people are going to need aged care when they get older. They don't have much choice.”

“Thirdly, there is still scope to purchase an asset at a relatively low value, because it is poorly run, and then significantly improve it. The main reason for that is that in some countries such as Australia there has been a historic lack of business involvement in some of these sectors.”

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Social ups and downs

“Essentially there is an inbuilt increase in the clientele in that the population overall is ageing

”
Dr Mark Humphery-Jenner

The Australian financial press is agog. Healthscope, Australia's second largest private hospital operator, is being spruiked for a mid year sale or stock market listing by its co-owners, private equity investors The Carlyle Group and TPG Capital.¹

The figures are immense. The 44-hospital, 650-bed operator, with a large property portfolio and medical and veterinary pathology services, is being valued at between \$4 and \$5 billion. Such a sale price would be a 50% to 80% increase over the purchase price paid by Carlyle and TPG, who purchased the group for \$2.7 billion in 2010.

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Capital ventures

While they are often grouped together, private equity and venture capital operate at different ends of the business spectrum.

Private equity will take an established business and help to improve or restructure it in order to increase its value. Venture capital provides smaller investments for very early stage developments, start-ups and medical device or drug commercialisation.

Australia has long had a healthy medicine-oriented venture capital sector. It operates alongside government grants and on the fringes of university research groups, fostering innovation.

Some of Australia's greatest recent health innovation success stories, such as Cochlear and ResMed, had their start in this way.

GBS Venture Partners is one of the country's leading life sciences venture

capital groups and last year two of the drugs it supported in development were among just 20 innovative products (not variations on already existing drugs) given the stamp of approval by the notoriously difficult United States Food and Drug Administration (FDA).

"We were really excited about getting two produced within one year", says GBS Ventures managing director Brigitte Smith. The company's two FDA successes were Peplin's Picato for treating basal cell carcinoma and Chemgenex's Omapro for chronic myeloid leukaemia.

Ms Smith says that, in many cases, venture capital is one of the key factors in getting Australian innovations commercialised and to the market in order to treat patients and to help clinicians do their jobs.

The importance of this funding source for innovation by drug and device creators was recognised in last year's McKeon Review — the long-awaited strategic review of health and medical research. The panel, which included one of Australia's most celebrated private equity veterans, Bill Ferris AC, recommended the establishment of a \$250 million fund comprising money from both government and corporate investors that could be used to support new health care products through their early stages of development.

In theory, the returns from the investments would ensure that the fund could keep supporting new drug and device development indefinitely.

Ms Smith hopes that this will occur and will be watching Budget night closely.

However Dr Humphery-Jenner says that there is likely to always be a brake on investment due to the significant government intervention in the industry. The risk for investors remains that the fortunes of a company could be turned around overnight — Budget night in particular — by a shift in government policy and regulation.

Starch, discipline and results

American private equity giant KKR's involvement has brought more resources and a little more "starch" to the operations of Genesis Care since the original 2012 investment, says the company's medical director, cardiologist Dr Geoff Holt.

"KKR provide tremendous discipline to the way you do things and their processes cause you to question, 'Is there a better way to do what I've always done?'"

For example, KKR, which recently had as much as US\$9 billion invested in the health care sector, required the company's medical specialists to reconsider their approach to referrals.

"They looked at our referral management and asked why doctors referred to us, and what the turnover of those doctors was, what keeps them and what loses them", Dr Holt said.

"Doctors think they intuitively have the answers, but we don't really."

It has meant changes that bring more discipline to how referrals are

managed. And while the changes haven't been easy for everybody — "being asked to contemplate change is a challenge" — Dr Holt says he appreciates the extra scrutiny.

"We now run a pretty sophisticated organisation where we track things, and we have a Sydney office that provides human resources and payroll and legal, while the local practices do the local

management, the logistics of medicine.

"There's more rigour about understanding the business, with an acknowledgement that happy doctors who are practising high-quality care are going to remain engaged."

The recognition at Genesis of the link between happy doctors, good medicine and patient outcomes has seen clinical independence remain central to the group's ethos throughout its expansion and it has been written into the company's charter.

Nevertheless, Dr Holt is well aware that there is a lot of scepticism and suspicion regarding the mixing of medicine and profit. Competitive pressures have changed the medical landscape, he says, and looking ahead, those changes are going to continue putting pressure on small-scale private practice.

And against the background of the excitement surrounding the mooted Healthscope sale or IPO, Genesis is not ruling out having its own IPO sometime in the future.

"It would be an option we would look at," says Dr Holt. "Would we go to market? I have no idea. Those things can actually just happen."

1. Carter B. Lend Lease likely to play for Healthscope property portfolio. *The Australian* 2014; 20 Mar. <http://www.theaustralian.com.au/business/latest/lend-lease-likely-to-play-for-healthscope-property-portfolio/story-e6frg90f-1226859690486> (accessed Mar 2014).



Annabel McGilvray

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Social ups and downs

Twitter, Facebook, Tumblr, Pinterest, Google+, 4Square, LinkedIn, Reddit, blog, vlog, Vine and Web 2.0 — these are terms which roll off the tongues of geeks and nerds, but for many doctors they are a foreign language

In an increasingly digital world, more health professionals are dipping their toes into the murky waters of social media and, for the novice, there can be hidden dangers.

Social media applications like Twitter and Facebook are fast-moving, addictive and informative, but they can also be deceptive and overwhelming, particularly in the early stages.

Can they be useful for doctors? Dr Jill Tomlinson, a hand surgeon, certainly thinks so. She has been “online” since 2003, actively so since 2005.

“I think it is increasingly important for doctors to be aware of, if not active on, social media”, Dr Tomlinson tells the *MJA*.

“Patients — consumers — are increasingly savvy. They’re always searching for information on the internet, particularly if they don’t feel their local resources are giving them what they need to know.”

Dr Tomlinson has a blog through which she engages with current issues in her field of medicine, and is active on Twitter.

“Doctors can use social media to connect with patients in terms of feedback, or if they need specialist advice. And it’s a very good news source for doctors.”

Word travels quickly and far more widely that it at first appears, and that is where dangers lurk, particularly for health professionals.

In a 2009 *BMJ* feature, Mr Godwin Busuttill, a London barrister specialising in media law, was quoted as saying that “people feel disinhibited when they go online”.¹

“A doctor traditionally may have discussed things — such as the

subject of the blog — with other doctors in the hospital canteen or on the phone but would not have dreamt of putting them on a message board where everyone could read them”, Mr Busuttill said.

“If a doctor is talking to a colleague, it’s done in a collegial way, in the spirit of professional inquiry. No harm is likely to be done, and there may actually be a benefit to the patient. But doing it online gives rise to all sorts of concerns about patients’ privacy.”

The short answer is, don’t disclose online what you wouldn’t disclose in the “real” world, don’t breach confidentiality and don’t perform illegal acts.

The issue of the real world struggling to catch up with the digital came to the fore in Australia recently, via an updated set of advertising guidelines from the Australian Health Practitioner Regulation Agency (AHPRA), which sparked a long-running online debate and, in the end, successful intervention by media-savvy doctors.²

Section 6.2.3 stated that: “A practitioner must take reasonable steps to have any testimonials associated with their health service or business removed when they become aware of them, even if they appear on a website that is not directly associated and/or under the direct control or administration of that health practitioner and/or their business or service. This includes unsolicited testimonials.”

“That’s an impossible task”, says Dr Tomlinson, who led the campaign — AHPRA Action.

She organised an online petition which she posted on her website on

17 March, asking AHPRA to remove Section 6.2.3.³

Following the outcry, AHPRA conceded that the advertising guidelines were continuing to cause confusion. Finally, in a statement from the Medical Board of Australia released on 26 March, AHPRA backflipped on web reviews.

“The Board has decided that the guidelines need to change to make it clearer that practitioners are not responsible for removing (or trying to have removed) unsolicited testimonials published on a website or in social media over which they do not have control”, the statement read.⁴

Dr Tomlinson told the media that she was happy that “common sense” had prevailed in the end.

She has no doubts about the future of medicine online.

“Even if you’re not actively engaging, you can still see the conversations, and be kept aware of advocacy issues, new research and guidelines, clinical practice and patient feedback”, she tells the *MJA*.

“*it is increasingly important for doctors to be aware of, if not active on, social media*”

Dr Jill Tomlinson

1. McCartney M. How much of a social media profile can doctors have? *BMJ* 2012; 341: e440. <http://211.144.68.84:9998/91keshi/Public/File/38/344-7841/pdf/bmj.e440.full.pdf> (accessed Mar 2014).
2. Australian Health Practitioner Regulation Agency. Guidelines for advertising regulated health services. Canberra: AHPRA, 2014. <http://www.ahpra.gov.au/News/2014-02-13-revised-guidelines-code-and-policy.aspx> (accessed Mar 2014).
3. Petition to remove section 6.2.3 from the advertising guidelines. <http://www.change.org/en-AU/petitions/australian-health-practitioner-regulatory-agency-ahpra-remove-section-6-2-3-from-the-advertising-guidelines> (accessed Mar 2014).
4. Bracey A. Doctors win: AHPRA backflips on web reviews. *Medical Observer* 2014; 26 Mar. <http://www.medicalobserver.com.au/news/doctors-win-ahpra-backflips-on-web-reviews> (accessed Mar 2014).

Cate Swannell



醫院管理局
HOSPITAL
AUTHORITY

The Hospital Authority is a statutory body established and financed by the Hong Kong Government to operate and provide an efficient hospital system of the highest standards within the resources available.

Resident Trainees and Specialist Doctors (ref: HO1401002 for Resident Trainees)

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*Based on exchange rate: HK\$6.9 = AUD1 (subject to fluctuation).

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Requirements

1. Be eligible for full registration with the MCHK (<http://www.mchk.org.hk>) under the Medical Registration Ordinance, such as:-
 - Obtained a degree of medicine and surgery awarded by either i) The University of Hong Kong or ii) The Chinese University of Hong Kong; or
 - Passed the Licensing Examination of the MCHK.
2. Ability to effectively communicate with predominantly Cantonese-speaking local patients (except for Anaesthesia).
3. Fellow of the Hong Kong Academy of Medicine or equivalent and be registered in the Specialist Register in the relevant specialty of the MCHK (<http://www.mchk.org.hk>) (only applicable for Specialist positions).

Remarks

1. Salary to be offered will be commensurate with relevant experience and qualification, if any, of the selected candidate.
2. Salaries tax in Hong Kong is currently charged at progressive rates of up to 17%, or standard rate of 15%, whichever is lower.
3. For Resident Trainee positions:
 - (a) Appointment will be on contract terms for a maximum period of 9 years pursuant to achievement of the recognized professional examinations and satisfactory performance in the interim.
 - (b) Contract gratuity at up to 15% of total basic salary (after deducting the contribution of Mandatory Provident Fund by Hospital Authority) will be released every 3 years subject to satisfactory performance.
 - (c) Application should be submitted online via <http://www.ha.org.hk> (click Careers → Medical → Resident Trainees [Various Clusters]) **from 2 April 2014 (Wednesday) to 23 April 2014 (Wednesday)**.
 - (d) Short-listed applicants are expected to attend a selection interview and present the required qualifications for full registration with the MCHK **in early to mid May 2014 in Hong Kong**.
 - (e) Please visit the HA website at <http://www.ha.org.hk/ho/resident.htm> for details of the training program and available trainee posts.
4. For Specialist positions:
 - (a) Appointment will be on renewable contract terms from 1 to 3 years.
 - (b) Contract gratuity at up to 15% of total basic salary (after deducting the contribution of Mandatory Provident Fund by Hospital Authority) will be released upon completion of the contract with satisfactory performance.
 - (c) Recruitment of specialist doctors is conducted throughout the year (no application deadline). Specialist doctors who would like to obtain further information are welcomed to send email to hohrcrt@ha.org.hk.

Enquiries

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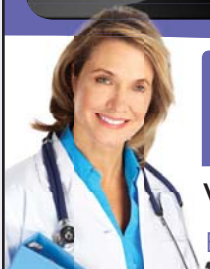
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