

## Medibank turns to doctors as it checks into new hospital

JARED LYNCH  
BEN WILMOT

Medibank has extended its foray into hospital ownership to Melbourne, signing a joint venture with 42 doctors to build a \$64m short-stay hospital in an apparent effort to rein in spiralling out-of-pocket medical costs.

The hospital, which will be built on the site of a former Healthscope facility — Cotham

Private — in Kew is expected to be completed in 2023 and will feature “no gap” fees — the bugbear of many Australians with private health insurance.

It comes after Medibank secured a 49 per cent stake in East Sydney Private Hospital at Woolloomooloo last August. Like East Sydney, Medibank will acquire a minority stake in the Melbourne hospital, with the group of 42 doctors, led by vascular surgeon Michael Grigg, controlling 51 per cent of the joint venture. Outgoing Medibank chief executive Craig Drummond signalled further hospital investments at the insurer's half-year earnings results last month. But he stipulated they would be led by doctors in an attempt to stave off criticism that Medibank is pursuing a US-style managed care model where insurers have a greater say on patient care, including which hospital they are treated at.

Medibank and the group of doctors will invest about \$22m initially to support start-up operations and equipment, with Medibank's contribution totalling about \$10.7m.

Listed real estate group Centuria will acquire the site, demolish the former Cotham Private buildings and develop the new hospital, with the venture committing to a long-term 15-year lease.

The 30-bed hospital is expected to offer four operating theatres and a procedure room, radiology,

and an infusion chemotherapy clinic.

It will also cater for specialities

including orthopaedics, ear, nose and throat, vascular, plastics, urology, general surgery, gastroenterology, anaesthetics and oncology.

Professor Grigg said the development had progressed quickly from an idea from a “small group of doctors”, initially suggested late last year as they were discussing the rising costs of renting rooms at

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## Medibank in second ‘no gap’ hospital

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private hospitals. “If you're a VMO (visiting medical officer) at a private hospital there are all kinds of pressures at work at the moment and affording consulting rooms, affording secretaries, affording insurance, affording other things that are rising faster than CPI has been one of the reasons why out-of-pocket costs have got completely out of hand,” he said.

“Even doctors who traditionally never charge an out-of-pocket cost have been forced into a fairly difficult economic situation, and not one that they particularly like and certainly the patients don't like. And so, this whole cost of being in practice, particularly if you're a young doctor starting off, is becoming extremely difficult.

“It's just sort of a symptom that the whole private health care industry is in a state of disharmony at the moment.”

Professor Grigg said that initially the doctors' plans for the new hospital were “pie in the sky”, and needed corporate support to be fully realised.

“We were all a bit dissatisfied with the way hospitals were going and the emphasis that hos-

pitals were placing; we didn't feel it was quite right. We felt that wouldn't it be good if we could make an institution that was patient-centric, no-gap — it was a bit of a pie in the sky type of thing.

“But we did recognise we wouldn't be able to achieve it without significant corporate assistance, so it was the doctors that approached Medibank and to Medibank's credit they responded very quickly.”

As for the insurer's involvement fuelling fears of Australia embarking on managed care, Professor Grigg said none of the doctors would have been involved if that was the case.

“We are focused entirely on this being patient-centric, and if the clinical decision would be in any way influenced by an insurance company then none of the doctors would have signed up.

“The doctors who are co-investing are committed to delivering short-stay models of care where clinically appropriate, across many surgery types, with reduced or no gaps for eligible patients.

“We are committed to this innovative new model of care that will reduce out-of-pocket costs for eligible patients and reduce unnecessary time spent in hospital.”

Medibank group executive, healthcare and strategy, Andrew Wilson said the investment demonstrated Medibank's commitment to putting patients at the centre of treatment, supporting healthcare providers to improve patient experience.

“We have long said that affordability in the private health system needs to be addressed. Out-of-pocket costs are a big part of that,” Dr Wilson said.

“Hospitals, doctors, health insurers and the government will need to collaborate more than ever in these changing times to ensure that the healthcare system continues to deliver the best possible experience for patients

at an affordable cost.”

Andrew Hemming, managing director of Centuria Healthcare, which has a property portfolio worth almost \$1bn across 52 assets, said the project was “transformative” and could “change the landscape of the healthcare sector” and pointed to further hospitals in future.