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GP business model heading over a cliff, study finds



[Julie Lambert \(/author/julie-lambert\)](#) 20 November 2015



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THE traditional style of general practice will plunge over a cliff in a few years if the MBS rebate freeze and current care and payment models remain in place, a report predicts.

The discussion paper, by the Menzies Centre for Health Policy and the WentWest Primary Health Network, points to the futility of fiddling at the margins with the GP business model under pressure from a growing burden of chronic and complex disease.

"We've been playing around at the margins for years with changing MBS items to pay for longer-term care and it hasn't really worked. We need new thinking on that," Associate Professor James Gilliespie, the Menzies Institute's deputy director, tells MO.

"It doesn't mean abolishing the current GP model altogether – it means it is unsustainable as the core funding for the growing burdens of chronic illness."

The study, instigated by a group of GPs in western Sydney, suggests shifting chronic and complex care away from the MBS payment system with the creation of a "medical home" funded by block payments.

It looks at the impact of "business as usual", modelled on a notional practice with three full-time equivalent GPs contracted at an average rate of 70% of MBS billings, with one FTE practice manager and 1.5 FTE reception staff.

Factoring in overheads, a continued rebate freeze, and incentive payments, it projects a steady decline in profitability until operating costs overtake federal government funding in three years. The projection does not include the impact of a possible rise in co-payments as the freeze continues to bite.

The report says GPs have few choices to head off financial ruin under the current funding and care models.

"It is anticipated that market forces would respond to drive a correction towards break-even and a return to profit" by stepping up patient volume or reducing the number of practices," the report produced in collaboration with the consultancy Ernst & Young says.

A 20% increase in patient encounters would not be enough, allowing practices to remain profitable for just four years, the modelling suggests.

A 20% shift to consolidation, resulting in a rise to 3.8 FTE GPs, would be somewhat more effective, giving practices five years before slipping into the red.

However, adverse effects for patients would emerge under both scenarios.

“With market consolidation... comes the closure of specific general practices that may negatively impact the availability and access to care for patients,” the report says.

“This impact is likely to be more significant in rural areas or communities that do not have a strong connection with transport infrastructure.”

Similarly, increasing patient volume to drive profitability would shift focus from continuity of care to high throughput, with less focus on preventive care and consequently more pressure on specialists and tertiary health.

The study suggests it is unlikely the government will want to accept the risks of a significant consolidation of general practice or increased patient volume and MBS rebates.

Neither scenario would achieve a financially viable system that maintains a high-level care where the predominant funding mechanism was fee for service.

“Although there are practising GPs with good intentions to improve the long-term health of their patients, they are not supported by the FFS payment system,” it says.

The discussion paper, *A Model for Australian General Practice: The Australian Person-Centred Medical Home*, will be launched officially next week

By shifting funding for care of chronic and complex diseases away from the MBS system for patients enrolled in a ‘medical home’, the MBS funding and incentive payments could be cashed out and channelled through a PHN for distribution to general practices as patient complexity and performance-based payments, it says.

It proposes setting up PHN-led pilot schemes to test the concept in rural and urban settings.

The paper warns that stagnant GP incomes, the rising age of the GP workforce and uncertainty about the future of general practice will put further strain on the system without effective policy changes.

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Julie Lambert covers politics for Medical Observer, with special interests in public health, rural medicine, business, medico-legal matters and the environment. She was formerly chief sub-editor at Australian Associated Press and a business reporter and editor in Japan.

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