



MEDICAL SERVICES REPORT

Time to optimise and adapt

Pressures and priorities for Australia's medical services are rapidly changing in 2024.



The future looks different

Multiple pressures on the healthcare system are driving the need to adapt business models.

Australia's healthcare system is among the best in the world, but pressure was mounting even before the COVID-19 pandemic put it to the test.

Population shifts and the ever-changing and increasing patient demand for healthcare are creating challenges, along with constrained government funding, increasing overheads and severe workforce shortages.

Viability in the balance

While many medical practices are rising to the challenge with innovative service models, Fiona Davies, CEO of [Australian Medical Association NSW](#), says others must consider the future viability of their business models.

"The capacity of governments to fund health is unlikely to match the inflationary costs of providing care," she says. "This means that if you're going to be a viable practice, you need to be thinking about how you can adapt to the change and how can you shift your model?"

"How can you adapt to the change and how can you shift your model?"

FIONA DAVIES, CEO OF AUSTRALIAN MEDICAL ASSOCIATION NSW

The adaptation imperative

Drawing on findings from proprietary data captured by Westpac, the [Australian Institute of Health and Welfare Insights](#) and Medicare, plus insights from healthcare leaders, this report casts light on some of the key changes in the sector and explores how medical practices are evolving.

"Practices need to understand that the future of healthcare is going to be very different," says Davies.

"It's already changing significantly, so it's time to think about how you are going to respond."



Australian healthcare at a glance



WORKFORCE

2.26 million

CURRENTLY PEOPLE EMPLOYED IN THE HEALTHCARE AND SOCIAL ASSISTANCE SECTOR¹

IN 2023, THERE WERE

34,934

REGISTERED GPs²

51,411

REGISTERED MEDICAL SPECIALISTS²

342,800

NURSES (EN, RN AND MIDWIVES)³

200,000

REGISTERED ALLIED HEALTH PROFESSIONALS⁴

Sources:

1. Jobs & Skills Australia
2. Medical Board of Australia
3. Jobs & Skills Australia
4. Department of Health & Aged Care



FUNDING

COMES FROM A RANGE OF SOURCES⁵

43.9%

FEDERAL GOVERNMENT

29.1%

STATE / TERRITORY GOVERNMENTS

13.9%

INDIVIDUALS

7.3%

HEALTH INSURANCE

5.9%

OTHER NON-GOVERNMENT

Source:

5. Australian Institute of Health & Welfare



GROWTH FACTORS

81.4%

OF AUSTRALIANS HAD AT LEAST ONE LONG-TERM HEALTH CONDITION IN 2022⁶

49.9%

OF AUSTRALIANS LIVE WITH AT LEAST ONE CHRONIC CONDITION⁶

4.2 million

PEOPLE AGED 65 YEARS AND OVER – MAKE UP MORE THAN 16% OF THE TOTAL POPULATION⁷

6x

EXPECTED INCREASE IN REAL TOTAL HEALTH SPEND FROM 2022/23 TO 2062/63 ON THOSE AGED 65+⁸

Sources:

6. Australian Bureau of Statistics
7. Australian Institute of Health & Welfare
8. Australian Government Intergenerational Report 2023



CHANGES IN PRACTICE

100 million+

TELEHEALTH SERVICES DELIVERED TO AROUND 17 MILLION AUSTRALIANS, MARCH 2020 TO MARCH 2022⁹

About 70%

OF AUSTRALIANS ARE WILLING TO USE VIRTUAL HEALTHCARE SERVICES¹⁰

↓ 4%

DROP IN BULK BILLING RATES FOR GPs YOY TO MARCH 2024¹⁰

↓ 1.6%

DROP IN BULK BILLING RATES FOR SPECIALISTS YOY TO MARCH 2024¹¹

76.7%

NATIONAL BULK BILLING RATE IN 2024 COMPARED TO 80.7% IN 2023¹¹

Sources:

9. Department of Health & Aged Care
10. Deloitte Australia's Health Reimagined 2022
11. Medicare



REVENUE AND EXPENSES

↑ 20%

INCREASE IN REVENUE FOR SPECIALISTS IN THE 12 MONTHS TO APRIL 2024. HOWEVER, GP REVENUE WAS FLAT¹²

COMMERCIAL HEALTHCARE BUSINESSES (\$5 MILLION+ TURNOVER) COMPARED TO PRE-PANDEMIC LEVELS, TO MARCH 2024

↑ 32%

REVENUE¹²

↑ 48%

EXPENSES¹²

Source:

12. Westpac Group Transactional Data

Patient needs are changing

The ageing population and shifting patient behaviours and expectations are testing the system.

Australia's healthcare landscape is shifting, along with the people that it serves. Overseas migration drove 83% of our annual population growth during the year ending 30 September 2023, when Australia welcomed 548,800 people.

Australians are also living longer, with an estimated 4.2 million people now aged 65 and over. This equates to more than 16% of the population, compared to 12% in 1995 and 8.3% in 1970. By 2066, it is projected that those aged 65 and over will make up more than 23% of the population and, by that year, 4.4% of the population will be older than 85.

Age-old challenge

From 2022-23 to 2062-63, real total health spending on those aged over 65 years is expected to increase around six-fold.

Dr Namrata Shetty, Director and Principal Psychiatrist at mental health specialist clinic Omega Healthcare in Sydney, says the ageing population is already placing pressure on the healthcare system.

“Working as a Visiting Medical Officer in the public sector as a Psychogeriatrician, clinically I have noted that cases are becoming increasingly complex, in part due to limitations placed on the private sector to manage these cases earlier in the piece,” she says.

Dr James Aniyi, GP and Director of Applecross Village Medical Centre in Western Australia, provides a range of healthcare services, including visiting patients in local residential aged care facilities. He describes these visits as important for patients, but “not financially rewarding” for GPs due to inadequate patient rebates.

By 2066, it is projected that those aged 65 and over will make up more than 23% of the population.

“To keep doing it, the motivation cannot be from a financial point of view,” he says. “You do it because you really want to. But as the population continues to age, the pressure will grow. Medical practices are very regulated, and you can't just put up your fees whenever you want.”



Growing complexities

While the population is ageing, health conditions are also becoming more complex. More than 80% of Australians had at least one long-term health condition in 2022, while half were living with at least one chronic condition. Mental health and behavioural conditions are now among the most common chronic conditions. More people are also experiencing multimorbidity, with an estimated 20% of the population living with two or more chronic conditions.

Dr Fred Betros, a general surgeon who practises from hospitals including Blacktown Hospital, Hawkesbury Hospital, Lakeview Private Hospital and Norwest in NSW, says multimorbidity is associated with complex clinical management, longer hospital stays and increased healthcare costs, which places pressure on the healthcare system.

“We have an ageing population with a disease profile that is significantly worse, age for age, compared to three or four decades ago,” he says. “We have a society that, in 2024, consumes many more calories than it used to back in 1984 and does less physical activity. We’ve got to save ourselves from ourselves. That’s the problem.”

“I think we need some really brave policymakers to change the medical landscape so that in 10- or 20-years’ our kids and our grandkids have good access to healthcare, and we’re not burning our resources with diseases that are preventable.”

The informed consumer

That said, Australians are more informed about with their health than ever before. Systems like My Health Record allow for easy access to information, while health apps and other digital tools enable people to monitor diet and physical activity.

“There’s a sense of patients becoming more like consumers of health services,” says Davies. “The key for doctors is to understand how people want to interact with their practice.”

Betros adds that as health literacy increases, it can support better health decisions. “But the wide availability of alternative health information can also be inhibitory. We’ve had patients delaying healthcare and then presenting with more advanced disease because of their pursuing an alternative, unverified treatment that they found online.”



Healthcare models on the move

From vertical integration to diversification and colocation, fresh approaches are transforming practices.

As patient needs change, medical practices are shifting their business models to meet demand and to deliver services more efficiently.

Vertical integration is helping to improve primary healthcare delivery, reduce the administrative burden and drive economies of scale by bringing various components of the healthcare system together.

Ramsay Health Care, for example, Australia's largest private hospital operator, also owns and operates its own pharmacies and imaging centres.

Meanwhile, for clinics like Omega Healthcare, Dr Shetty says, diversification of services is "the key to growth".

"That's where our next steps are. We are focusing on novel treatments that will make us stand out as a mental health hub. We're expanding into the primary healthcare sector. The goal is to be able to provide patient service where specialist general practice services and

psychiatric services can support each other and reduce accessibility issues while maintaining continued care."

One-stop health hubs

Kaizaad Mehta, National Head of Healthcare and Professional Services at Westpac Business Bank, says the health hub model is also on the rise.

"We're seeing a range of complementary healthcare services being co-located," he says. "It increases the size of the opportunity for providers and creates the potential for more cross-service referral.

"It allows businesses to invest in their level of technology, because they're able to drive greater revenue from being located with complementary services. It also allows diversification of income through rental streams.

"And, of course, it's good for patients, because it means that they can access a range of health services in one place."

Hubs bring cohesion and efficiency

CircleHealth in Melbourne's inner west serves as a one-stop shop for healthcare, with departments including general practice, pharmacy, dentistry, physiotherapy, podiatry, renal, and a respiratory clinic.

Dr Mukesh Haikerwal, General Practitioner and Director of CircleHealth, explains that the hub was formed in 2014 when seven GPs joined with two non-GP specialists to purchase the building in Altona North.

"A patient could potentially have their appointments all sorted in one visit."

DR MUKESH HAIKERWAL, GP AND DIRECTOR OF CIRCLEHEALTH

"We wanted to be masters of our own destiny by owning our own building and running our own practices," he says. "We have almost 1,000 square metres dedicated to general practice and the rest of the floor space of 2,500 square metres, we rent to other healthcare providers.

"A patient could potentially have their appointments all sorted in one visit, not five visits, and you could also syndicate the care so that each hand knows what the other hand's doing, rather than it becoming the usual disordered and disjointed free-for-all.

"For me, the biggest challenge is sorting out chronic disease, and this requires better interaction with the many non-medical and medical specialists we refer patients to," adds Dr Haikerwal. "That's why the health hub model is a great initiative."

Digital transformation delivers all-round benefits

From medical services to practice admin, digital tools are enhancing operations.

Digital health became business-as-usual during the COVID-19 pandemic with a meteoric uptake of telehealth services and the Federal Government making Medicare Benefits Schedule telehealth arrangements permanent.

Between 13 March 2020 and 16 March 2022, more than 100 million telehealth services were delivered to around 17 million Australians across the country.

Of these services, GPs have provided almost 83 million, specialists almost 11 million, and allied health professionals around 5 million services. About 70% of Australians are willing to use virtual healthcare services, and 80% are ready to share their health data in a digitally enabled health system.

“You can’t put the telehealth genie back in the bottle,” says Dr Haikerwal.

Finding the right applications

While telehealth is not suitable for all healthcare services, it enhances and improves others, says Dr Shetty. “Our patient cohort includes those with advanced dementia, and it can be

very traumatic to bring them into the clinic, often resulting in acute distress,” she says. “With telehealth, I can review these patients in the comfort of their surroundings and having more confidence in my assessment.”

Davies adds that digital services like telehealth can promote clinic profitability. “From a financial and viability standpoint, particularly for general practice, we need to encourage doctors to look at ways of investing in tools that make it easier for people to pay them but not visit them,” she says. “This is such a change to everything that we have advocated for in the past.”

Efficiency through automation

Automated booking processes and digital check-ins are also increasing efficiencies and helping to address the challenge of workforce shortages. “We’re looking at new technologies so that we require less admin staff,” says Dr Aniyi. “Patients can make appointments online. We have technology that lets them check themselves in and tells doctors when they’ve arrived. It is definitely solving problems around staffing.”



Inspiring innovations are pushing back boundaries

New advances in medicine and patient care demand controlled and data-driven evaluation.

Venturing into new frontiers is vital to ensuring the medical system can meet the needs of Australia's population today and in the future. A standout example is the University of Western Australia's [VascLab](#), where bioprinting facilities can now print 3D organs for cardiovascular implants.

Australia's first virtual hospital, RPA Virtual, is another groundbreaking example of innovative patient care. It offers telehealth and other digital-based care, such as digital remote monitoring to enable patients to be cared for at home.

Artificial intelligence is already impacting healthcare through [tools that can quickly detect suspicious skin lesions, or predict coronary artery disease from scans. Data-driven robots are also guiding minimally-invasive surgery, and generative AI technologies like ChatGPT are helping doctors streamline notes.](#)

Dr Betros believes we should use AI and embrace it, but apply the same rule to this as we do to all other advances in medicine. "We need to look at it in a controlled, data-driven way that

demonstrates this is an enhancement to our ability to care for patients. Until we prove that, we should not be applying it in an uncontrolled way."

Promoting lifestyle health

CircleHealth also has a health innovation hub, CIRQIT Health (it stands for Community, Innovation, Research, Quality and IT), which aims to reinforce the foundations of health. It has a fully equipped kitchen used for improved community food knowledge and cooking classes to promote good nutrition, as well as rooms for community meetings and classes on topics such as cybersecurity, mental health awareness and health seminars.

Dr Haikerwal says the CIRQIT model aims to demonstrate that shared care between health professionals, the community and technology, can improve a person's wellbeing, reduce hospital admissions and save money. "The challenge is that there's no (government) funding model for it," he says. "CIRQIT is dependent on things like research funding or innovative workforce models with universities."



Funding the transformation

Rising costs and hits to profitability have practices exploring new revenue streams. Here's why.

The healthcare sector is seeing rapid transformation, reveals Westpac transactional data. Increasing demands on the system require investment and smart business practices. Analysis shows that, while expense growth in healthcare has outpaced income growth since early 2021, both revenue and expenses have trended sideways since late 2022. "The government funding envelope is quite rigid in terms of its capacity to grow, and so healthcare operators are exploring new revenue streams and ways to deliver services more efficiently," says Westpac's Kai Mehta.

#1 Commercial practices vs SMEs

"Corporatisation is growing in regional areas. But there is also benefit to the health system in the vibrancy of smaller practices," says Davies.

However, revenue for commercial businesses (with a turnover of more than \$5 million) is only 32% above pre-pandemic levels (to March 2024), while expenses grew 48% in the same period. For SMEs revenue levels are up by just 1% while expenses have risen by 13%.

#2 Revenue not keeping pace

While combined revenue for specialists and GPs rose by 9.7% on average in the year to April 2024, expenses also rose by almost 10%. Revenue isn't keeping up with inflation says Dr Aniyi. "We're having to offer higher remuneration to attract staff, while the costs of running the practice have gone up, so you have to accept that you have less profit."

At the same time government payments, the second largest income source for both GPs and medical specialists, have been trending down in terms of absolute value since May 2021. Medical specialists and GPs reported a decrease of 36% and 35% respectively between May 2021 and April 2024.

#3 State of bulk billing

Escalating costs and expenses, combined with a reduction in government investment, are also contributing to a decline in bulk-billing rates. For the 12 months to March 2024, they declined by 4% to 76.7% for GPs and by 1.6% to 28.7% for specialists.

"We are seeing a dramatic increase, anecdotally, in practices moving away from bulk billing," says Davies.

"That's a course we've championed for decades. That shift is coming from the cost of staffing and infrastructure and the demand to provide care. From a viability standpoint, having revenue sources that don't rely solely on government-based funding streams and mechanisms will be increasingly important."

#4 Issues with insurance

APRA statistics indicate private health insurance uptake continues to grow, both in terms of policy count and the number of insured people. However, cost-of-living pressures look set to impact coverage, with a survey by Finder indicating that 16% of Australians plan to cancel health insurance policies in 2024. "There's huge concern about the viability of the private hospital market, the interface with insurance and the extent to which people can access specialist care may change as funding streams change," says Davies.

According to Westpac data healthcare professionals are also facing an increase in their own insurance, which grew 22.2% from May 2021 to May 2024. "Expenses like professional indemnity insurance are rising," says Mehta. "Westpac offers insurance premium finance[^] that helps smooth cash flow, as you can pay in monthly instalments rather than a lump sum."

#5 Industry support

As Australia's healthcare landscape continues to evolve, banks like Westpac are stepping up support. "We're seeing groups looking to grow and acquire sites, which provides that scale benefit, so acquisition funding is something that we look at quite often," says Mehta.

Dr Haikerwal believes it's vital to work with a bank that understands the healthcare sector. "Westpac was exemplary in providing us with seed funding to start our practice," he says. "They could understand our previous track record and potential future exertion. This was a big boost to our confidence."

[^]Conditions, credit criteria, fees and charges apply.

Powering optimal solutions for tomorrow's healthcare

Westpac and medical practitioners are doubling down to deliver better services.

Australia's world-leading health system is facing mounting challenges.

Rising costs are being driven by a growing and ageing population, the increasing incidence of chronic diseases and gaps in funding and the workforce. This means medical professionals are faced with delivering more complex care while optimising their businesses to remain viable.

"Westpac will continue to support the sector, because it's critical to the Australian economy and our society," says Mehta. "We have a dedicated specialist team located around the country that exists to help our customers thrive.

"And it's an area that we are really doubling down on - we're seeing ways that the sector can use technology and different forms of innovation to drive more cost-effective care that meets consumer needs and delivers strong care outcomes."

While healthcare is essential in nature, Davies says practices cannot afford to stand still.

"Quality in healthcare is, of course, important. But convenience is now starting to have an impact," she says.

"Westpac will continue to support the sector, because it's critical to the Australian economy and our society."

KAIZAAD MEHTA, NATIONAL HEAD OF HEALTHCARE AND PROFESSIONAL SERVICES, WESTPAC

"Where could you build out online consultations to be a much more usual part of your practice? How can you employ technology to improve efficiency?"

"This is a sector where so much of your income is determined by the limiting factor of the doctor's time, so the best way to make your practice more viable is to use your time better," adds Davies.

"That's what lots of GPs and specialists are looking at now. Parts of the industry have long been resistant to change, but now we're seeing a growing interest in delivering healthcare differently."





Need to know more?

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Kaizaad Mehta

National Head of Healthcare, Westpac Business Bank

M: + 61 479 185 246

E: kaizaad.mehta@westpac.com.au

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