

NAB/MEDFIN HEALTH PRACTITIONERS' SENTIMENT SURVEY

AUGUST 2016



CONTENTS

• Key points	page 3
• Business conditions and confidence	page 5
• Key Drivers of business conditions and confidence	page 6
Sales revenue	
Profitability	
Staffing levels	
• Cash flow	page 9
• Capital expenditure	page 10
• Costs	page 11
Changes in total labour costs	
Changes in purchase costs	
Changes in overhead costs	
• Changes in prices of services provided	page 14
• Capacity utilisation	page 15
• Ease of borrowing	page 16
• Growth constraints	page 17
• Growth drivers	page 18
• Impact on business of selected issues	page 19
• Bulk billing	page 20
• Practice managements systems (PMS)	page 21
• About the survey - demographics	page 23



KEY POINTS



- Health practitioners reported positive business conditions (+38) in the last 6 months, led by strong sales and profits. The impact on staffing levels from very strong trading conditions was also positive. Overall, business conditions for health practitioners were stronger than the broader economy based on the Q2 NAB Quarterly Business Survey (+9).
- Business confidence is very strong (+54). The spread between the best and worst is very narrow - except in rural areas and the smallest practices, where confidence is notably lower. Overall, confidence among health practitioners is also significantly higher than the broader economy (+1).
- Large practices and “other” practitioners are out-performing in terms of sales and profitability, but dental practitioners and smaller firms are the most confident in relation to staffing.
- Cash flow positions are positive across the board and capital expenditure is expected to continue growing in all regions, states, practitioner types and practice sizes (except the very smallest) over the next 6 months.
- Costs are increasing and expected to continue rising - a net 38% of health practitioners expect labour costs to rise in the next 6 months, 33% anticipate higher purchase costs and 44% higher overheads.
- Around 37% (net) of all health practitioners expect to increase their services charges in the next 6 months. With costs rising faster, this could be a sign that profit margins may erode.

	Last 6 months		Next 6 months
Business Conditions	38	Business Confidence	54
- Sales	56	- Sales	72
- Profitability	43	- Profitability	64
- Cash flow	44	- Cash flow	57
- Staffing levels	17	- Staffing levels	26
- Capital expenditure	18	- Capital expenditure	24

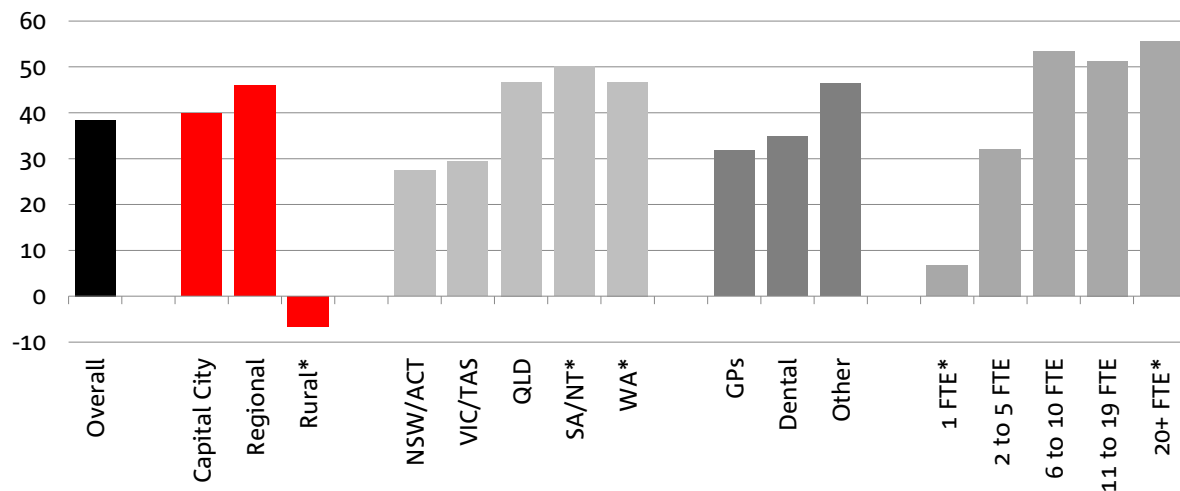


KEY POINTS

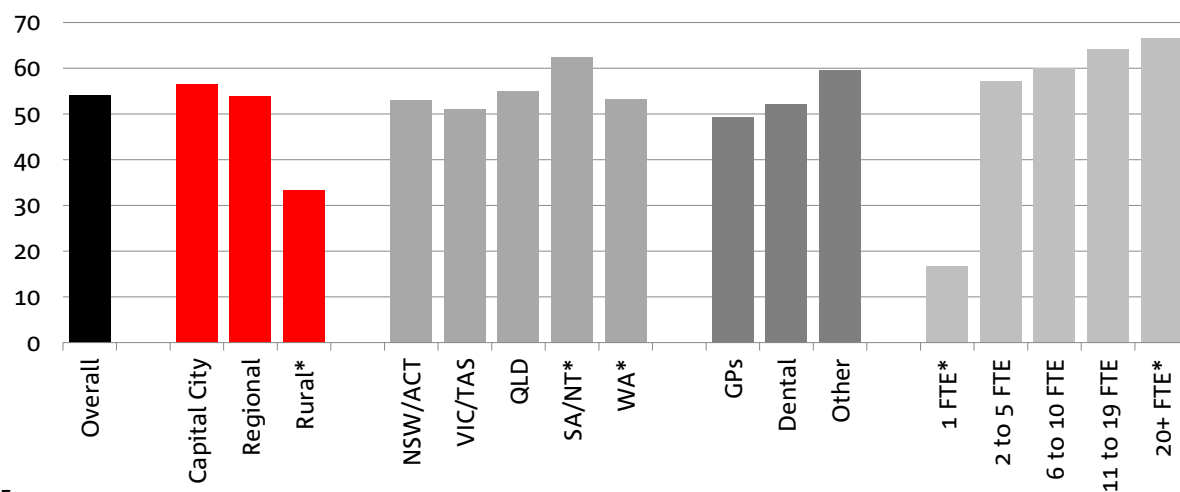
- Although capital expenditure measures within the survey are very positive, health practitioners are currently operating at just 76% capacity - below 82.1% recorded in Recreation & Personal Services (including Health) reported in the latest Quarterly Business Survey. Capacity utilisation is highest for dental practitioners (80%) and lowest for GPs (70%).
- Overall, health practitioners considered the ease of obtaining borrowing for their businesses over the last 6 months to be “neutral”, but it is expected to be more difficult in the next 6 months. Just over 1 in 10 practitioners also indicated they have no borrowing requirements in the next 6 months.
- Government policy is the biggest impediment for health practitioners to growing their business - but rated only a “minor” constraint. But for GPs, it is “significant”.
- A lot more GPs also cite cost increases, finance and digitisation as impediments to growing their business. Dental practitioners see foreign competition as a bigger constraint, while “other” practitioners are more concerned about the availability of suitable staff and capacity constraints.
- Health practitioners believe patient recommendations are the most “significant” growth drivers for their business, followed by increased demand driven by growing local population and online marketing. Bulk billing is a far bigger growth driver for GPs than any other practitioner group.
- Overall, more health practitioners view overall digitisation and payment digitisation positively in relation to their business, but more view the 6th Pharmacy Agreement, Medicare pathology payment changes and Medicare rebate indexation negatively, particularly GPs.
- Fewer practitioners in regional areas, VIC/TAS, GPs and practices employing more than 20 people would continue to bulk bill for their services as a result of proposed changes to Medicare.
- In contrast, more health practitioners in rural areas, capital cities, NSW/ACT, QLD dental and “other” practitioners and those employing 1 person and between 6-10 people would continue to do so.
- The vast majority of health practitioners believe the patient management systems (PMS) they currently use are “moderately” effective, but most would not considering changing PMS in the next 12 months - bar WA where the effectiveness of their current PMS was also rated lowest.

BUSINESS CONDITIONS & CONFIDENCE

BUSINESS CONDITIONS
(net balance, last 6 months)



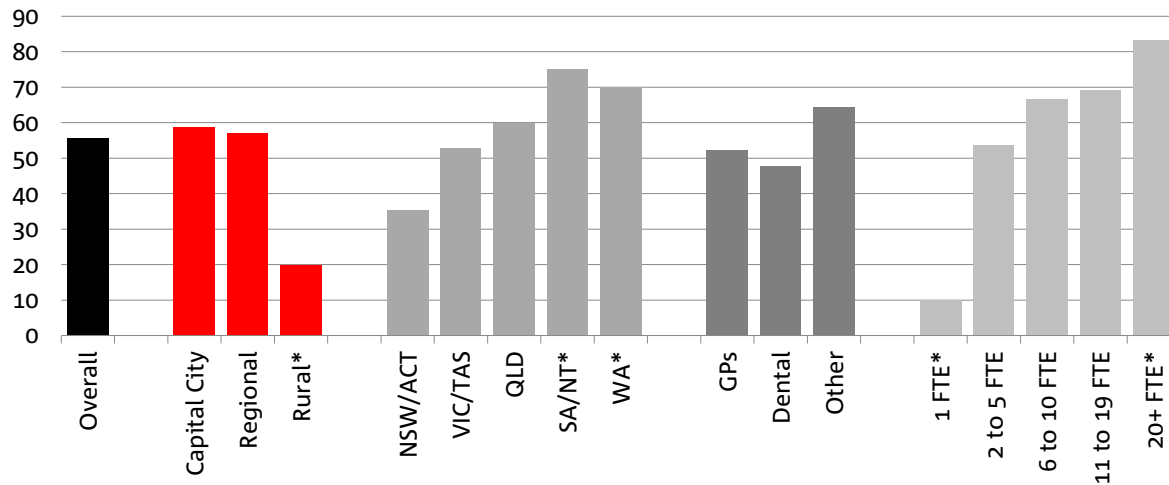
BUSINESS CONFIDENCE
(net balance, next 6 months)



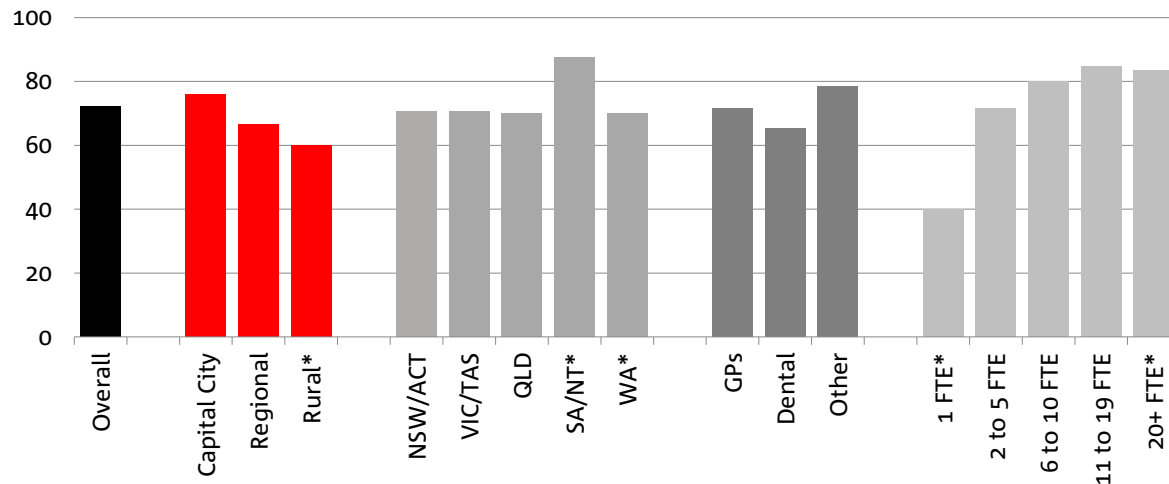
- Business conditions for health practitioners were positive (+38) in the last 6 months based on their sales, profitability and staffing levels.
- But conditions varied by location, practitioner type and by the size of their practice (measured by number of employees).
- Conditions were strongest in regional areas (+46), SA/NT - from a smaller sample size (+50), “other” practitioners - e.g. hospitals, pathology, optometry, physios. (+46) and in practices employing 20+ people (+56).
- Conditions were weakest in rural areas (-7), NSW/ACT (+27), for GPs (+32) and in practices employing 1 person (+7).
- Business confidence was also positive (+54).
- Confidence was highest in capital cities (+57), SA/NT (+63), for “other” practitioners (+60) and in practices employing 20+ people (+67).
- Conditions and confidence for health practitioners is much stronger than in the broad economy (measured by NAB’s Quarterly Business Survey (+38 versus +9 for conditions and +54 versus +1 for confidence in Q2).
- Asterisk (*) symbol on all charts represents smaller sample size and all data is non-seasonally adjusted.

KEY DRIVERS - SALES REVENUE

SALES REVENUE
(last 6 months, net balance)



SALES REVENUE
(next 6 months, net balance)

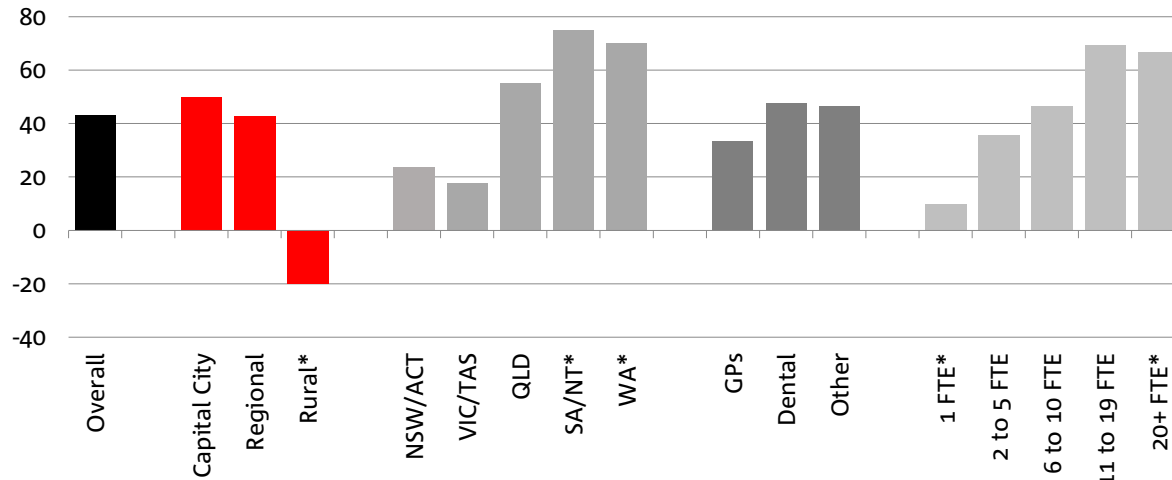


- The index for sales performance over the last 6 months was positive (+56) and it contributed the most to overall business conditions.
- Again, however, conditions varied by location practitioner type and by the size of their practice.
- Sales were strongest in capital cities (+59) but only marginally ahead of regional areas (+57), in SA/NT (+70), “other” practitioners (+64) and in practices employing 20+ people (+83).
- Sales were positive but notably weaker in rural areas (+20), NSW/ACT (+35), for dental practitioners (+48) and practices employing 1 person (+10).
- Expectations for sales over the next 6 months are buoyant (+72) in all areas, by all practitioner types and all practice sizes.
- Sales are expected to recover notably in rural areas (+60), in NSW/ACT (+71) and VIC (+71) and in small practices (+40).

KEY DRIVERS - PROFITABILITY

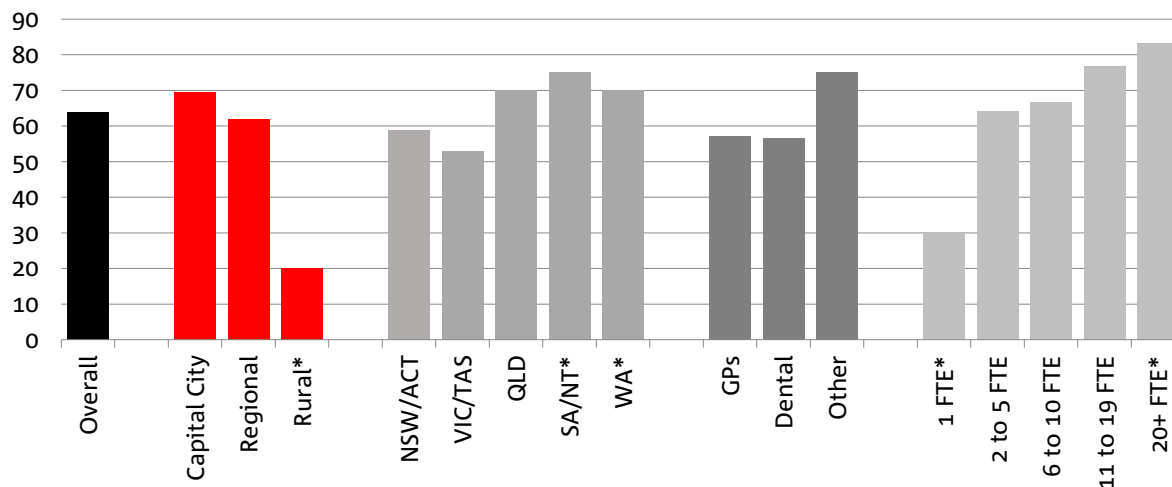
PROFITABILITY

(last 6 months, net balance)



PROFITABILITY

(next 6 months, net balance)

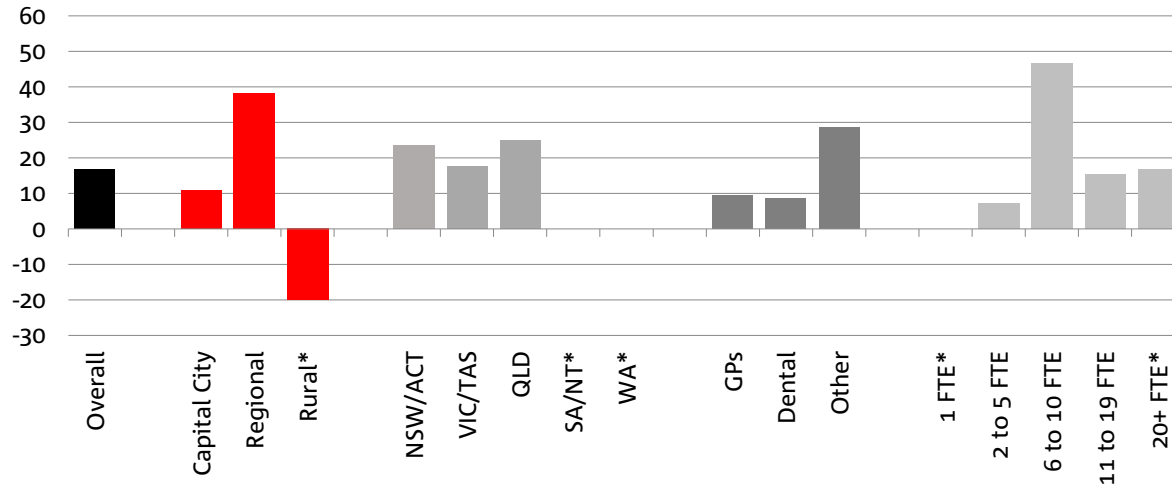


- The index for profitability over the last 6 months was positive (+43) and was the second biggest contributor to overall business conditions.
- Profitability was strongest in capital cities (+50), SA/NT (+75) and WA (+70), for dental practitioners (+64) despite having the lowest sales, and in practices employing 11-19 people (+69) and 20+ people (+67).
- Profitability was negative in rural areas (-20), a least positive in VIC/TAS (+18) and NSW (+24), for GPs (+33) and in practices employing 1 person (+10).
- Profit expectations for the next 6 months are strong (+64) in all areas, by all practitioner types and all practice sizes.
- Profitability is expected to improve most in rural areas (+20), in NSW/ACT (+59) and VIC (+53), for “other” practitioners (+75) and in smaller practices employing 1-10 people.

KEY DRIVERS - STAFFING LEVELS

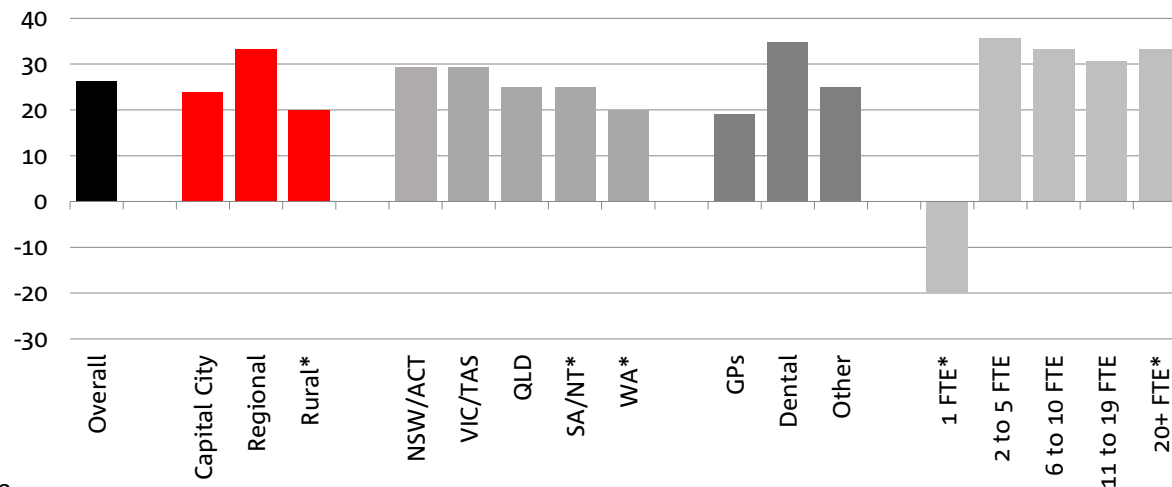
STAFFING LEVELS

(last 6 months, net balance)



STAFFING LEVELS

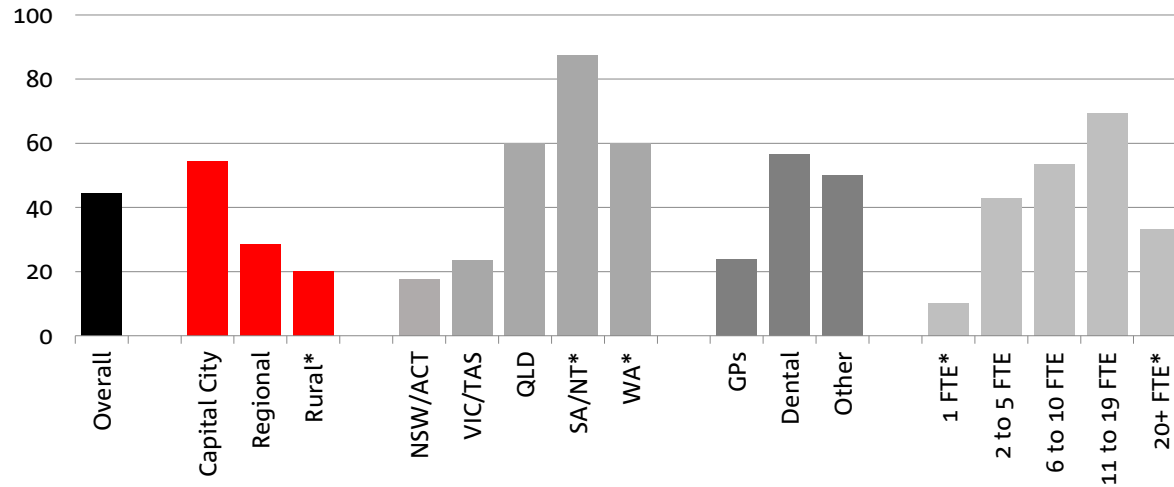
(next 6 months, net balance)



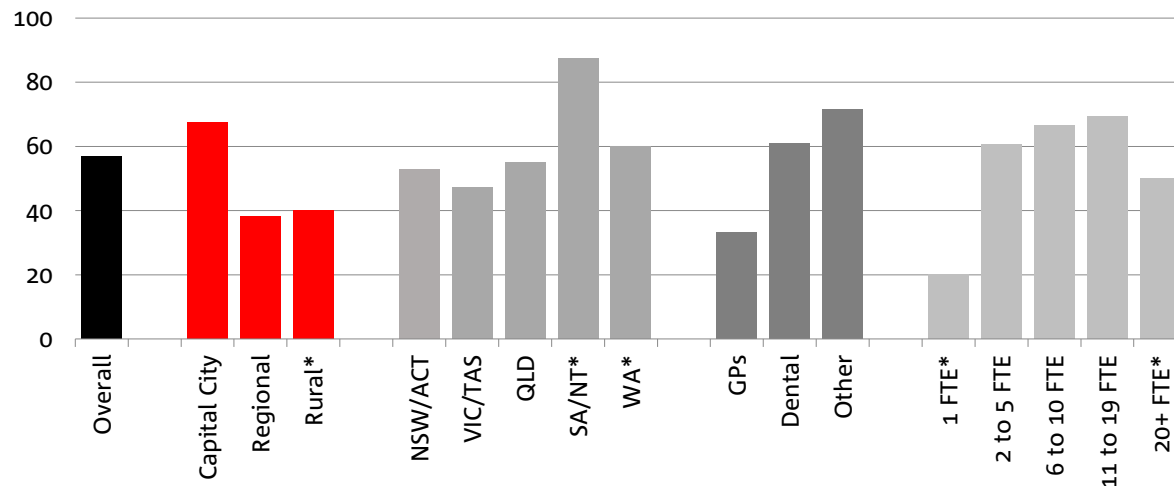
- On balance, health practitioners have employed more staff in the last 6 months (+17).
- Staffing levels were strongest for firms employing 6-10 people (+47) and in regional areas (+38).
- Staffing levels were positive in all Eastern seaboard states, led by QLD (+25) and NSW/ACT (+24) and “neutral” in SA/NT and WA.
- “Other” health practitioners (+29) were most active in employing staff, but staffing levels were cut back in rural areas (-20).
- Further employment gains are predicted in the next 6 months (+26).
- Health practitioners employing 2-5 people (+36), dental practitioners (+35), regional operators (+33) and those located in NSW/ACT (+29), VIC/TAS (+29) are the most optimistic for employment/staffing in the next 6 months.

CASH FLOW

CASH FLOW
(last 6 months, net balance)



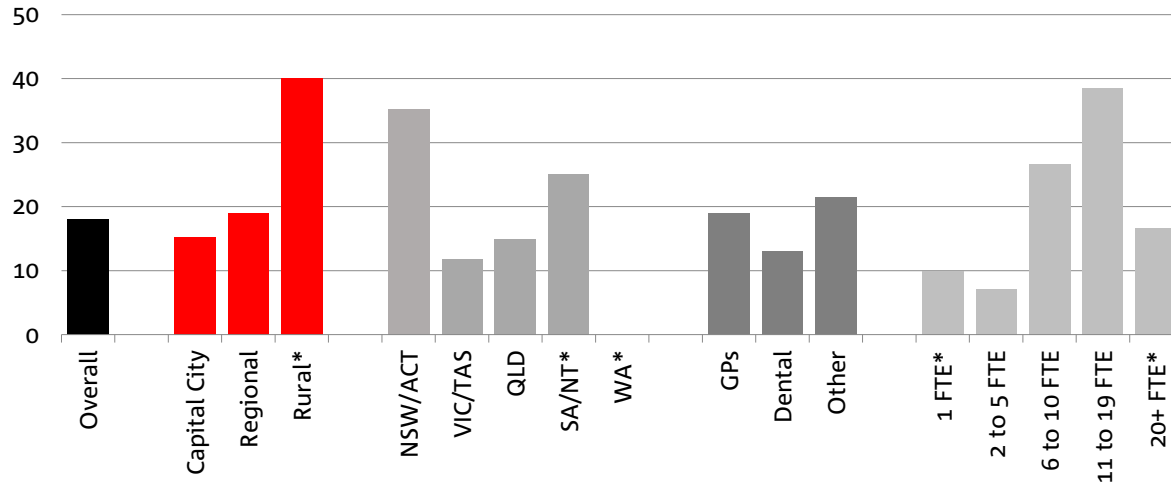
CASH FLOW
(next 6 months, net balance)



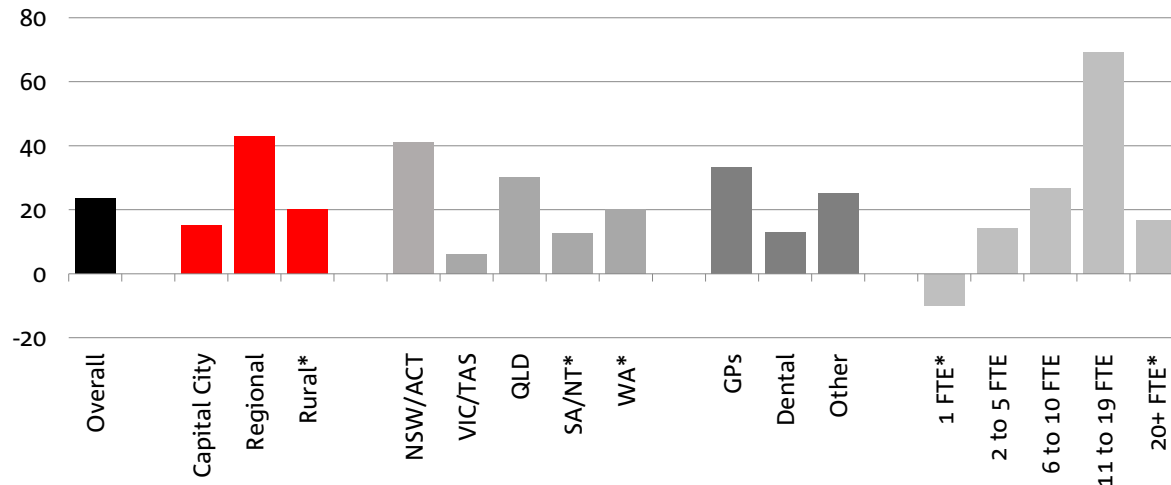
- Overall, cash flow positions over the past 6 months were positive (+44).
- Cash flow positions were strongest in capital cities (+54), SA/NT (+88), for dental practitioners (+57) and for practitioners employing 11-19 people (+69).
- They were least positive in rural areas (+20), NSW/ACT (+18) and VIC/TAS (+24), for GPs (+24) and in the smallest practices (+10).
- Cash flow positions are expected to improve across the board (+57) over the next 6 months.
- They are expected to improve most in NSW/ACT (+53), VIC/TAS (+47), in rural areas (+40) and for “other” health practitioners (+71).

CAPITAL EXPENDITURE

CAPITAL EXPENDITURE
(last 6 months, net balance)



CAPITAL EXPENDITURE
(next 6 months, net balance)

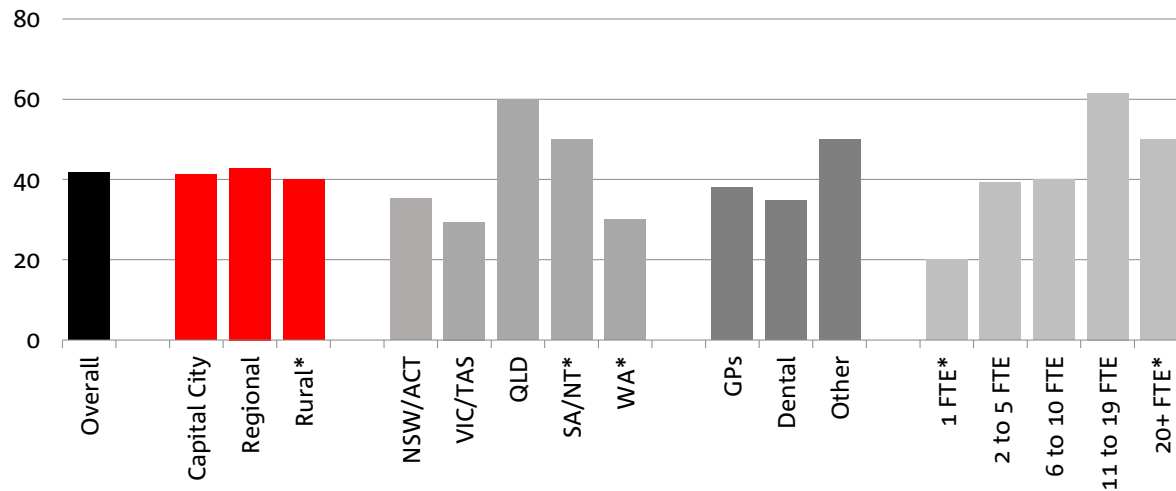


- Overall, capital expenditure increased mildly over the past 6 months (+18).
- Capital expenditure increased most in rural areas (+40), in NSW/ACT (+35), for “other” practitioners (+21) and in practices with 11-19 employees (+38).
- Smaller increases were reported in capital cities (+15), VIC/TAS (+12), by dental practitioners (+13) and in practices with 2-5 employees (+7).
- Overall, capital expenditure is expected to increase somewhat more in the next 6 months (+24), relative to the last 6 months.
- Positive outcomes are also expected across the board, bar practices employing 1 person (-10).
- Expectations for capital expenditure were also been pared back in rural areas (+20), VIC/TAS (+6) and SA/NT (+13).
- The biggest increases are expected in practices employing 11-19 people (+69), regional areas (+43), QLD (+30) and GPs (+33).

COSTS - CHANGES IN LABOUR COSTS

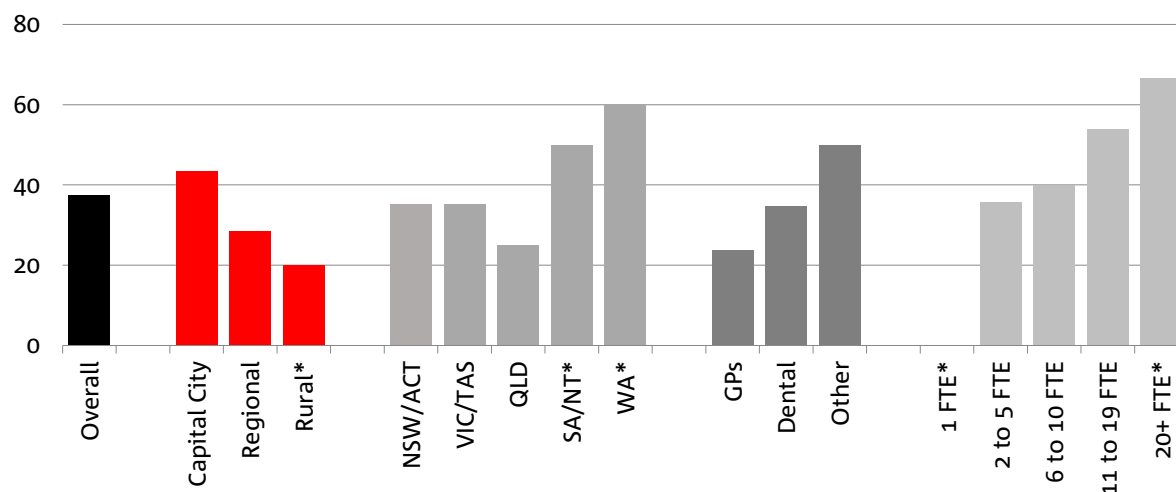
CHANGES IN LABOUR COSTS

(last 6 months, net balance)



CHANGES IN LABOUR COSTS

(next 6 months, net balance)

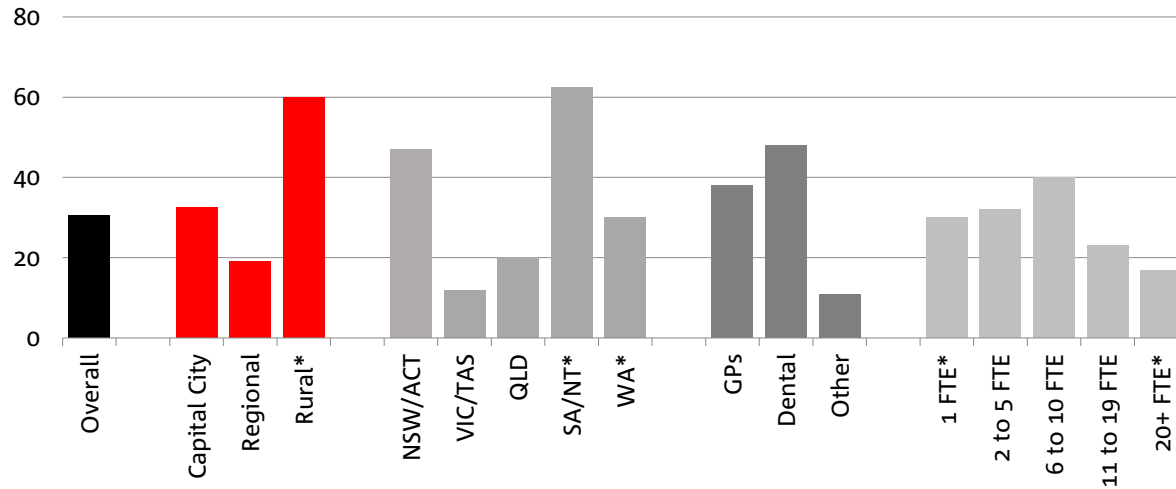


- In net terms, labour costs rose for 42% of health practitioners over the last 6 months.
- Higher labour costs were reported by similar numbers of health practitioners in all regions.
- But labour costs rose for more practitioners in QLD (+60), for “other” health practitioners (+50) and for those employing 11-29 employees (+62).
- Labour cost pressures were lowest in VIC/TAS (+29), for dental practitioners (+35) and in practices employing 1 person (+20).
- In net terms, only 38% of firms are anticipating higher labour costs in the next 6 months.
- Fewer practitioners in regional (+29) and rural areas (+20), QLD (+25), GPs (+24) and practices employing 1 person (0), those employing 2-5 (+36) and 11-19 people (+54) expect labour costs to rise, relative to the last 6 months.
- In contrast, significantly more firms in WA (+60) and those employing 20+ workers (+67) are expecting their labour costs to increase.

COSTS - CHANGES IN PURCHASE COSTS

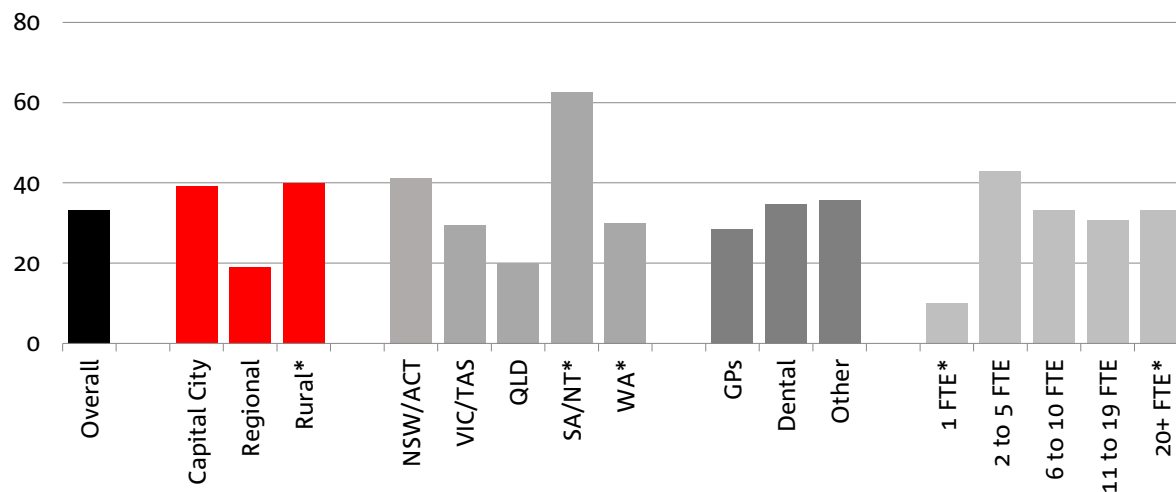
CHANGES IN PURCHASE COSTS

(last 6 months, net balance)



CHANGES IN PURCHASE COSTS

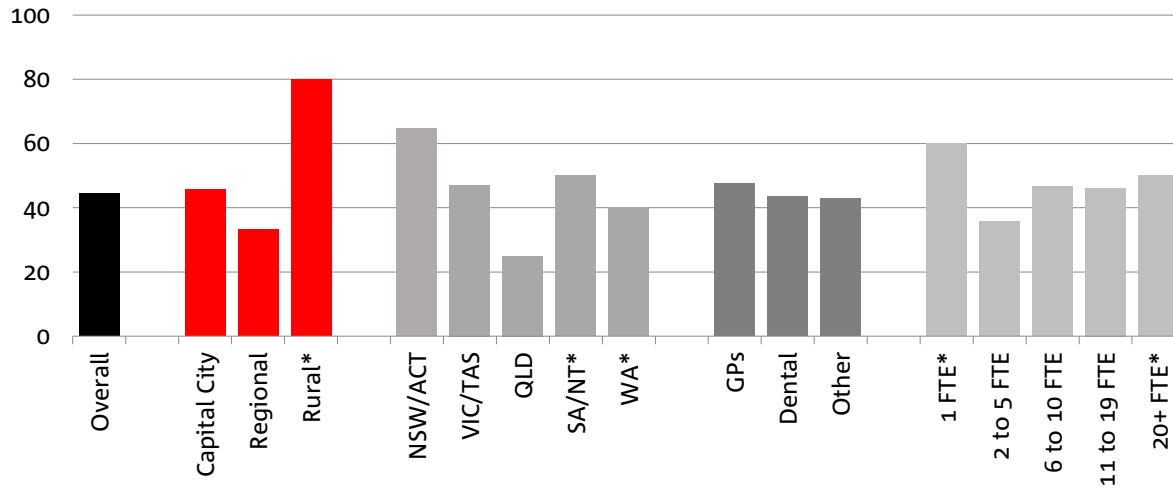
(next 6 months, net balance)



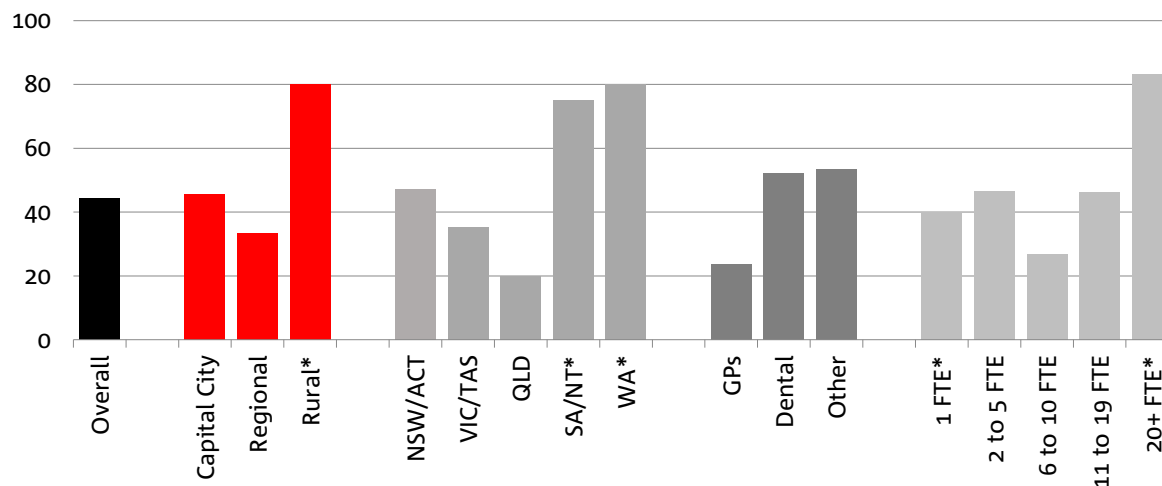
- In net terms, purchase costs rose for 31% of health practitioners over the last 6 months.
- Purchase costs increased most in rural areas (+60), SA/NT (+63), for dental practitioners (+48) and for those employing 6-10 people (+40).
- They rose by less in regional areas (+19), VIC/TAS (+12), for “other” practitioners (+11) and for those employing 20+ people (+17).
- Overall, more firms expect their purchase costs to increase in the next 6 months (33%).
- Notably more practitioners in VIC/TAS (+29), “other” practitioners (+36) and those employing 20+ people (+33) expect their costs to increase relative to the last 6 months.
- In contrast, fewer anticipate higher purchase costs in rural areas (+40), NSW/ACT (+41), GPs (+29), dental practitioners (+35) and those employing 1 person (+10).

COSTS - CHANGES IN OVERHEADS

CHANGES IN OVERHEAD COSTS
(last 6 months, net balance)



CHANGES IN OVERHEAD COSTS
(next 6 months, net balance)

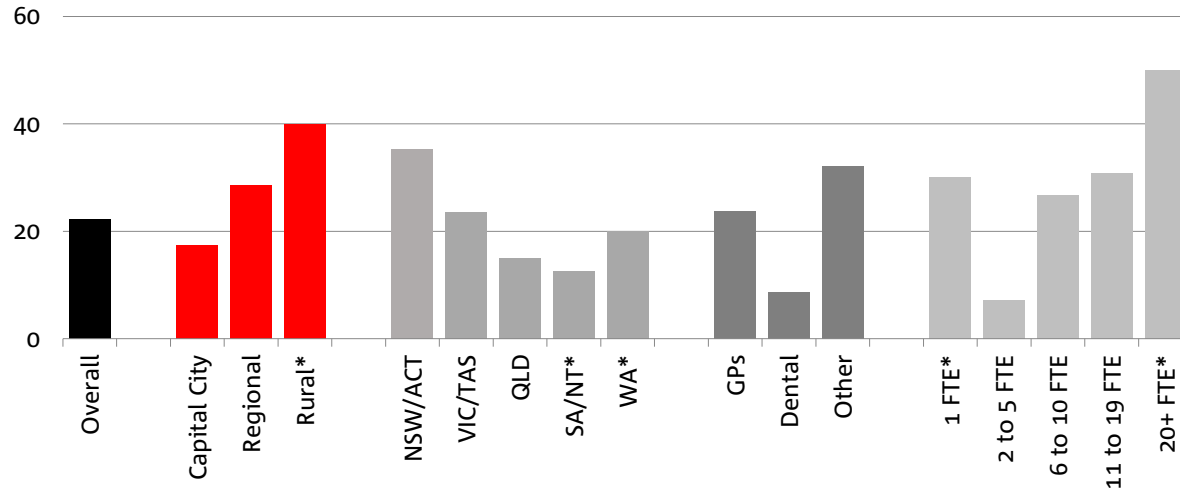


- In net terms, overhead costs rose for 44% of health practitioners over the last 6 months.
- Overall, they increased most in rural areas (+80), NSW/ACT (+65), for GPs (+48) and in practices employing 1 person (+60).
- Rising overhead costs were less prevalent in regional areas (+33), QLD (+25), for dental and “other” practitioners (+43) and in practices employing 2-5 people (+36).
- Overall, 44% of health practitioners expect their overhead costs to increase in the next 6 months.
- Overheads are expected to rise notably in WA (+40) and SA/NT (+25) relative to the last six months, and in the largest practices (+83).
- In contrast, fewer firms in NSW/ACT (+47), VIC/TAS (+35), GPs (+24) and in practices employing 1 person (+40) and 6-10 people (+27) expect their overheads to rise.

CHANGES IN PRICES OF SERVICES PROVIDED

CHANGES IN PRICES OF SERVICES PROVIDED

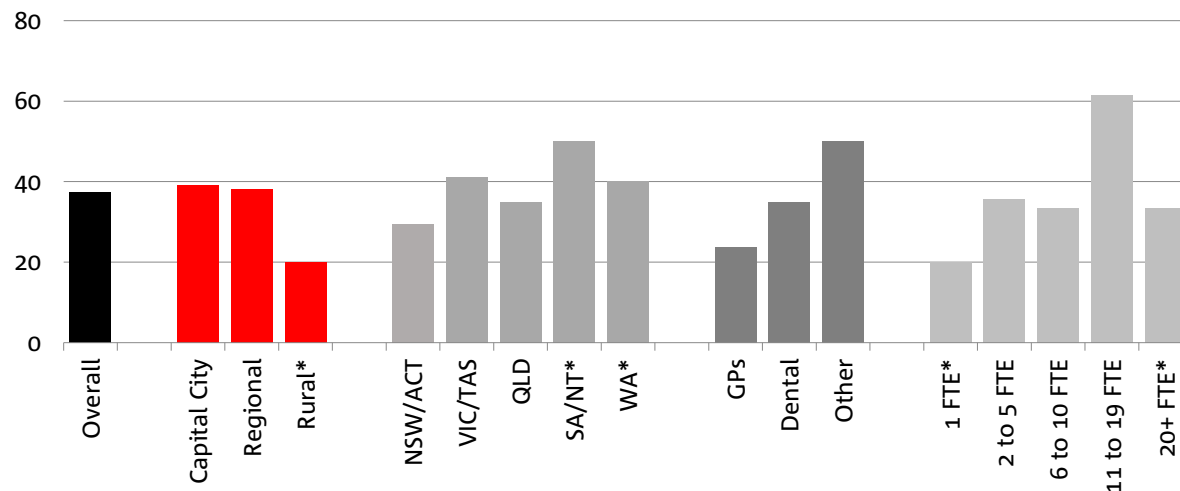
(last 6 months, net balance)



- In net terms, 22% of all health practitioners increased the price of the services they provided over the last 6 months.
- However, this varied widely between rural areas (+40) and capital cities (+24), between NSW/ACT (+35) to SA/NT (+13) across states, by “other” (+32) to dental (+9) by practitioner type and from practices employing 20+ people (+50) to those employing 2-5 people (+7) by business size.

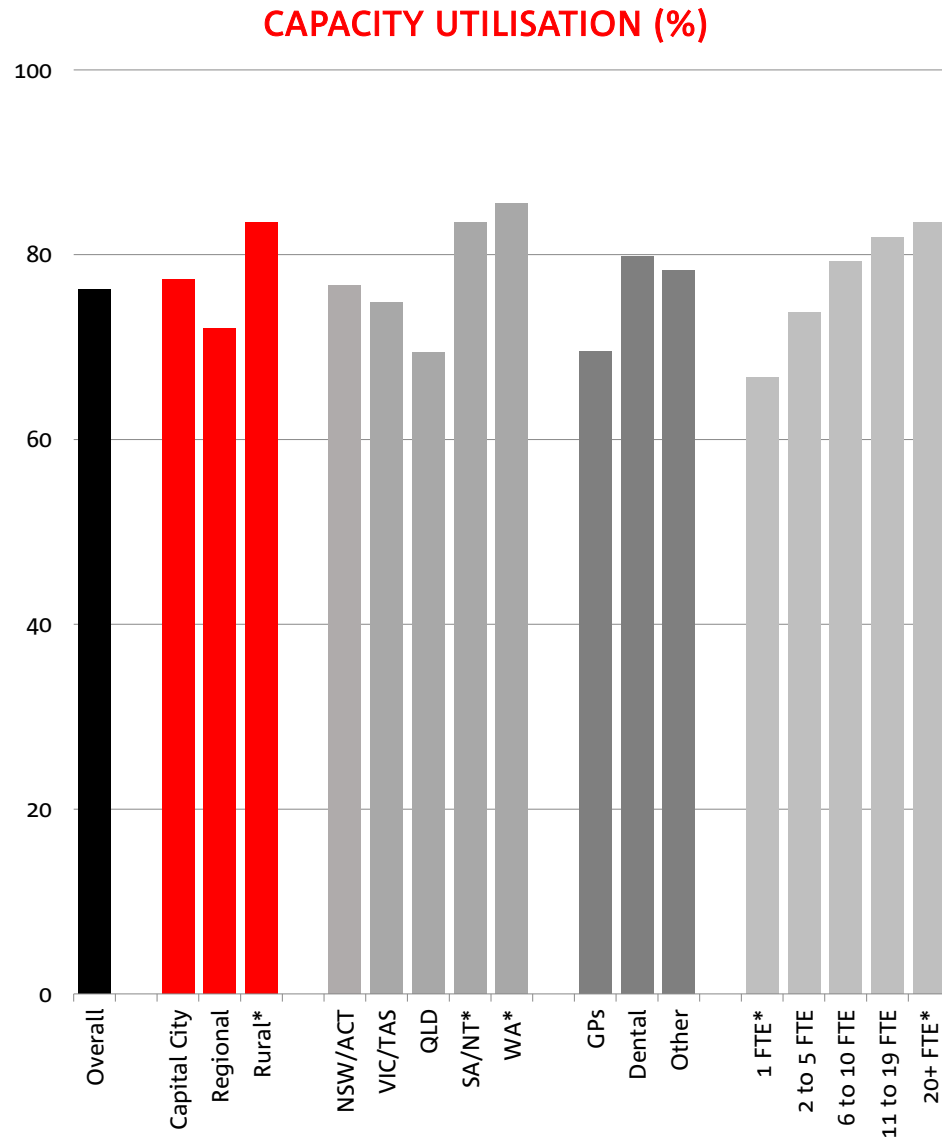
CHANGES IN PRICES OF SERVICES PROVIDED

(next 6 months, net balance)



- Around 37% of health practitioners (net) expect to increase the price they charge for their services in the next 6 months.
- Given a net 38% are also anticipating higher labour costs, 44% higher overheads and 33% higher purchasing costs, this may be pointing to lower profit margins in the next 6 months.

CAPACITY UTILISATION

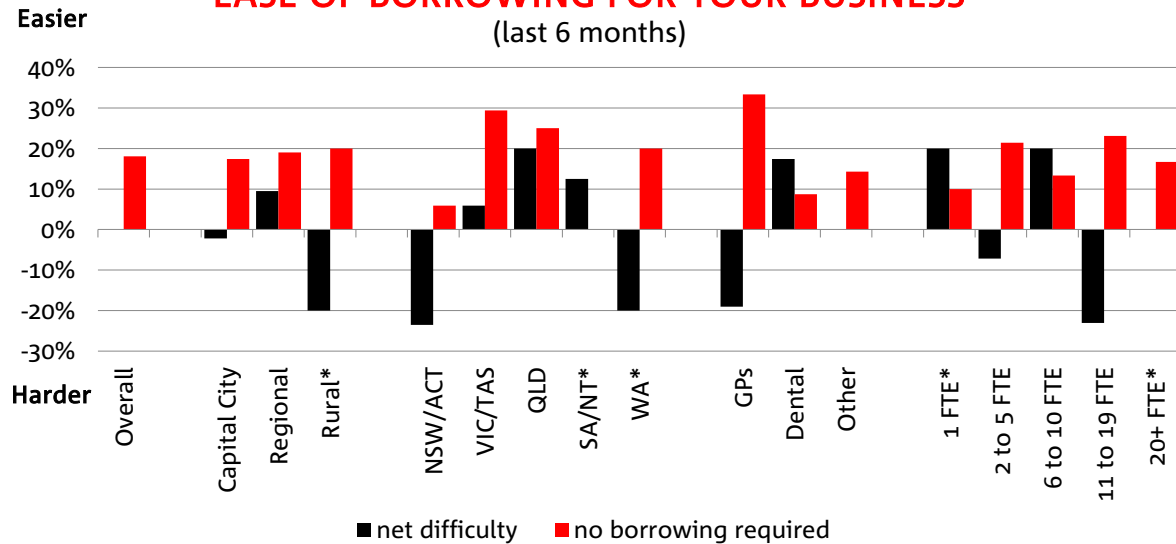


- Health practitioners are currently operating at 76% capacity.
- When compared NAB's Quarterly Business Survey (QBS), this may indicate spare capacity in this sector.
- Capacity utilisation in Recreation & Personal Services (including Health) was recorded at 82.1% in the Q2 2016 QBS - above its long-term average (80.3%).
- Capacity utilisation levels among health practitioners does however vary by location, practitioner type and by the size of their practice.
- Capacity utilisation was highest in rural areas (83%) and lowest in regional areas (72%).
- By state, it was highest in WA (86%) and lowest in QLD (69%).
- By practitioner type, it was highest for dental practitioners (80%) and lowest for GPs (70%).
- By business size, it was highest for practitioners employing more than 20 people (83%) and lowest for those employing 1 person (67%).

EASE OF BORROWING

EASE OF BORROWING FOR YOUR BUSINESS

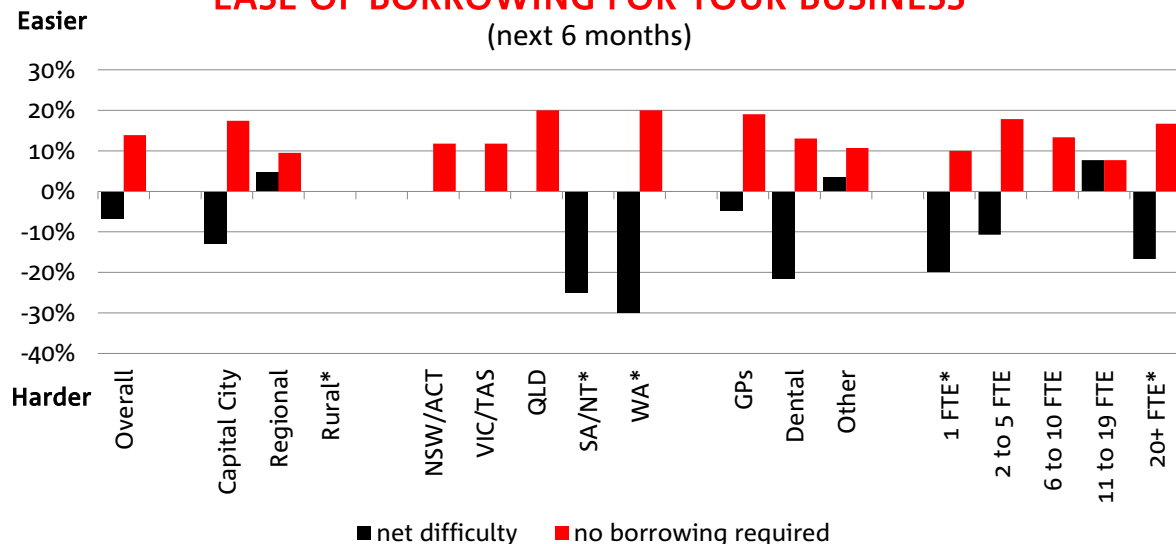
(last 6 months)



- Overall, health practitioners considered the ease of obtaining borrowing for their businesses over the last 6 months to be “neutral”.
- But borrowing conditions were notably harder in rural locations (-20), NSW/ACT (-24), WA (-20), for GPs (-19) and firms employing 11-19 people (-23).
- Borrowing was easiest in QLD (+20) and SA/NT (+13), for dental practitioners (+17) and firms with 6-10 employees (+20).
- The majority of firms in most groups had no borrowing requirements, with the notable exceptions of dental practitioners and firms employing 1 person.
- Overall, borrowing is expected to become more difficult in the next 6 months (-7), particularly in WA (-30) and SA/NT (-25).
- While just over 1 in 10 firms overall have no borrowing requirements in the next 6 months, 1 in 5 firms in QLD, WA and 1 in 5 GPs do not require any borrowing.

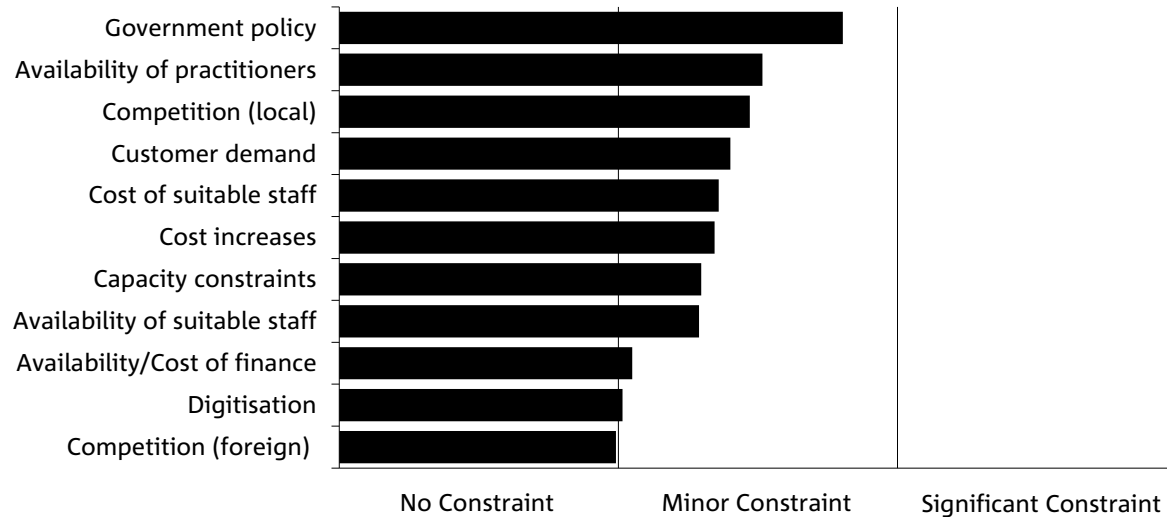
EASE OF BORROWING FOR YOUR BUSINESS

(next 6 months)

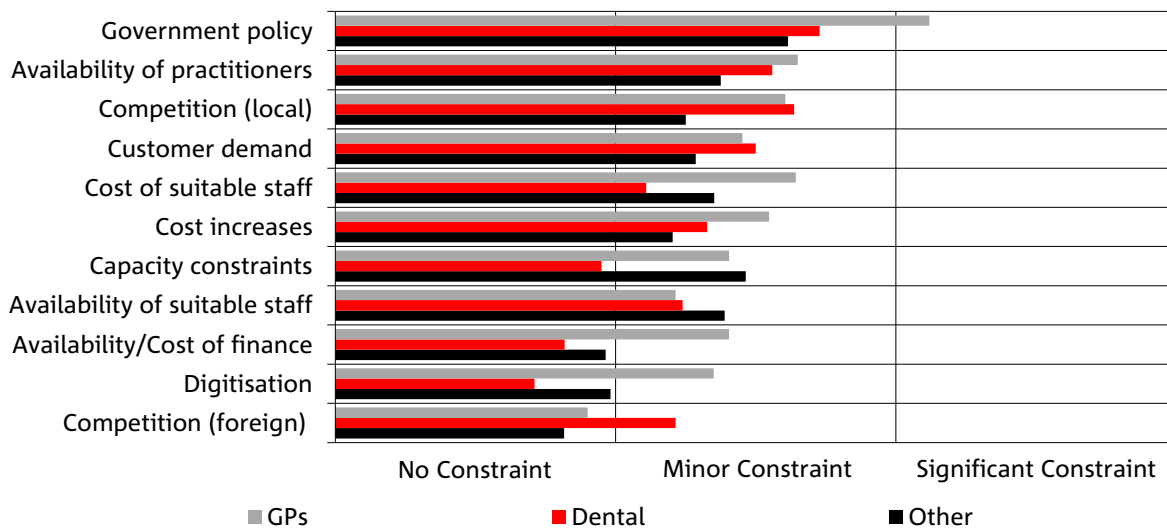


GROWTH CONSTRAINTS

GROWTH CONSTRAINTS (OVERALL)



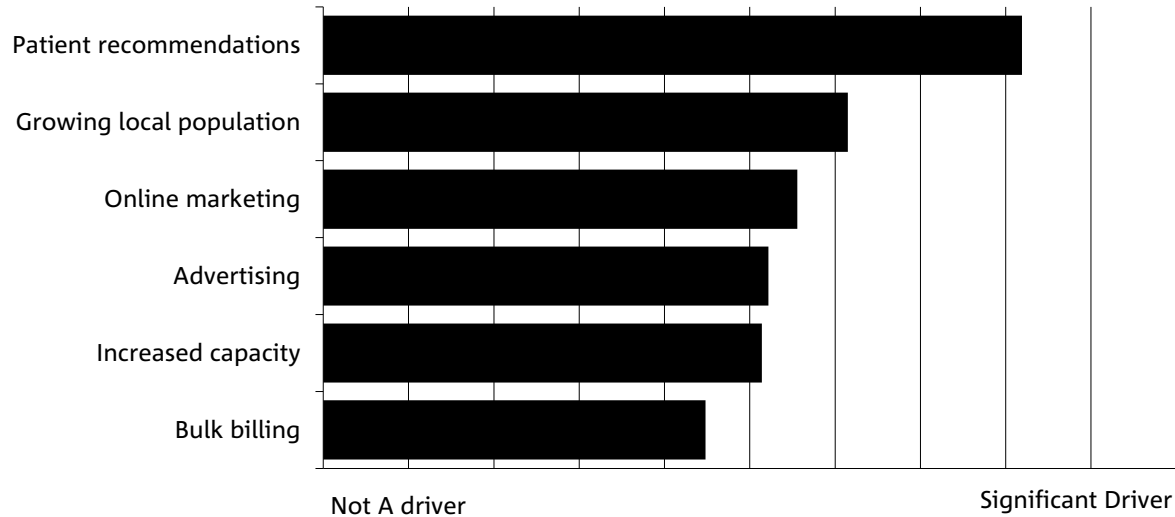
GROWTH CONSTRAINTS (BY PRACTITIONER TYPE)



- Health practitioners overall do not believe there are “significant” impediments to growing their business.
- Overall, they identified government policy as the biggest impediment - but only a “minor” constraint.
- The availability of medical practitioners, local competition and customer demand were seen as the next biggest constraints, but again only “minor”.
- A different picture emerges by practitioner type.
- All practitioners rated government policy as the biggest constraint, but only GPs viewed this as “significant”.
- GPs were also notably more concerned about cost increases, finance and digitisation.
- Dental practitioners saw foreign competition as a much bigger constraint than did GPs and “other” practitioners.
- But “other” practitioners were most concerned about the availability of suitable staff and capacity constraints.

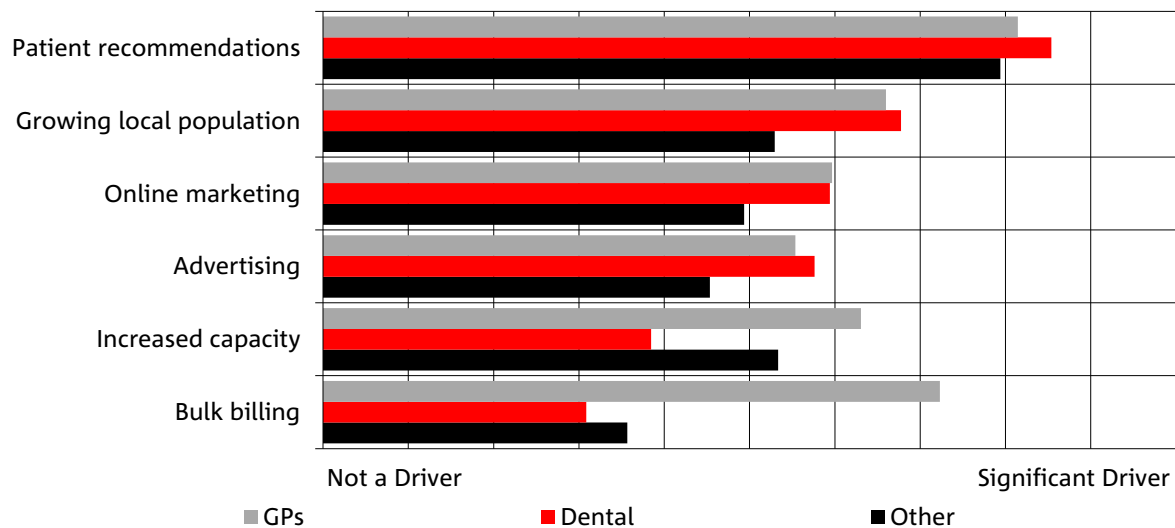
GROWTH DRIVERS

GROWTH DRIVERS (OVERALL)



- Health practitioners believe patient recommendations are the most “significant” growth drivers for their business.
- Growing local population driving increased demand and online marketing are the next biggest drivers.
- Bulk billing contributed the least to the growth of their businesses, according to all health practitioners.
- Again however there are significant differences by practitioner type.
- While patient recommendations are the most important growth driver for all health practitioners, bulk billing and increased capacity (e.g. rooms, facilities, staff) are much more important growth drivers for GPs.
- For dental practitioners, population and advertising are more important, while increased capacity is also a much bigger growth driver for “other” practitioners.

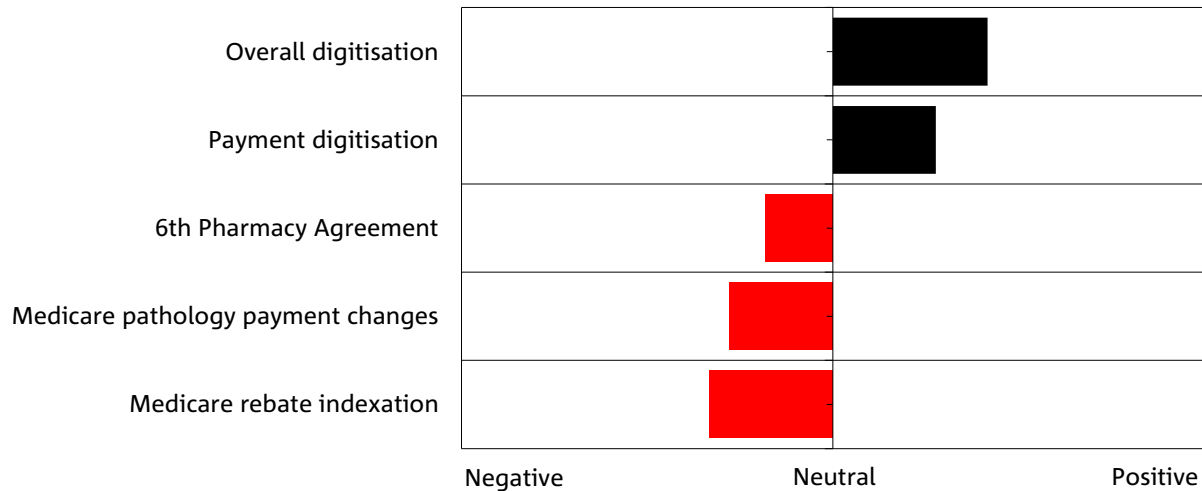
GROWTH DRIVERS (BY PRACTITIONER TYPE)



IMPACT ON BUSINESS OF SELECTED ISSUES

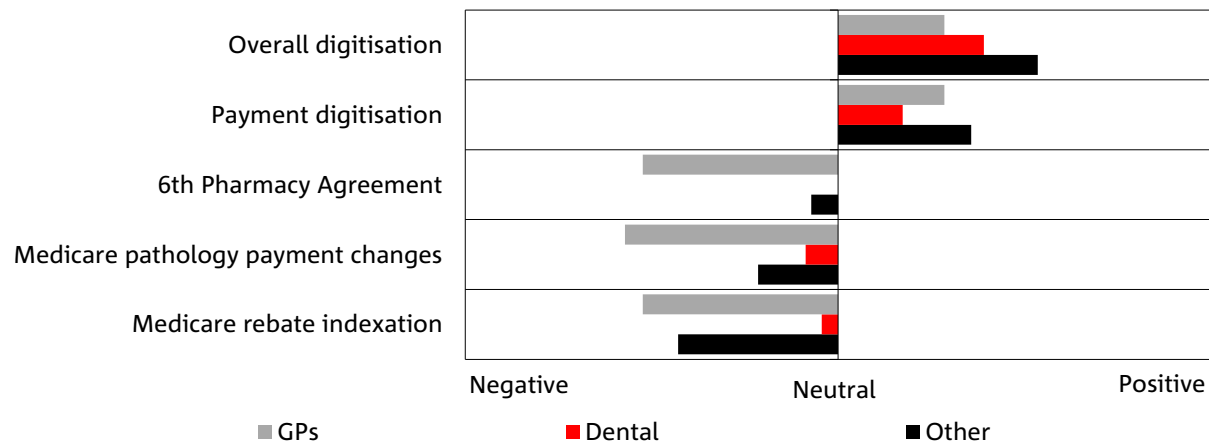
BUSINESS IMPACTS OF SELECTED ISSUES (OVERALL)

(net balance)



BUSINESS IMPACTS OF SELECTED ISSUES (BY PRACTITIONER TYPE)

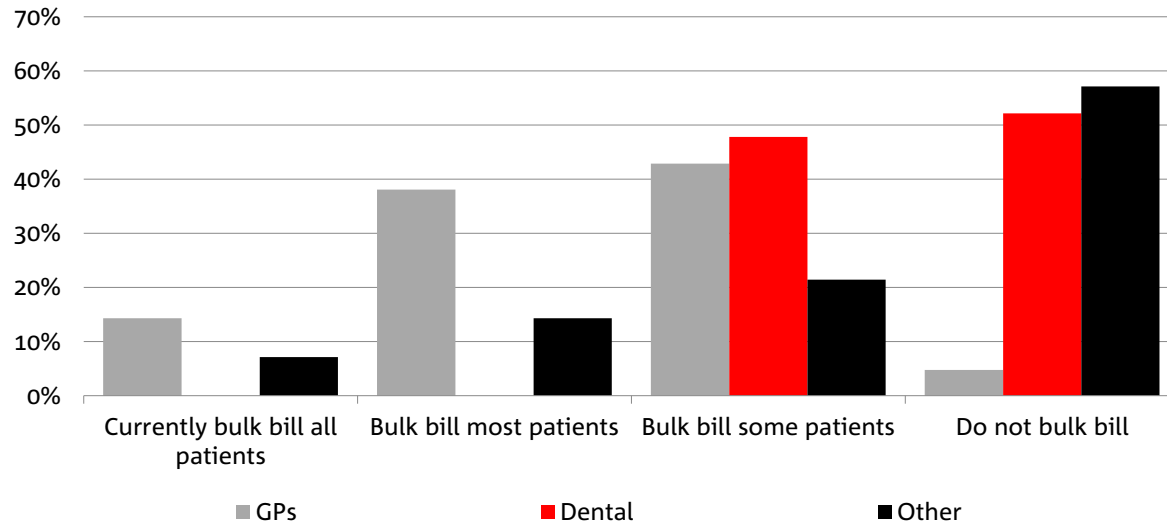
(net balance)



- Health practitioners were asked to rate the impact on their business of 5 selected issues.
- In net terms, overall digitisation and payment digitisation were viewed positively by health practitioners.
- In contrast, the 6th Pharmacy Agreement, Medicare pathology payment changes and Medicare rebate indexation were viewed negatively.
- By practitioner type, overall digitisation and payment digitisation was viewed positively by all practitioners, especially GPs.
- Dental practitioners were broadly “neutral” when it came to the impact on their business from all other issues.
- Medicare pathology payment changes and rebate indexation were viewed negatively by “other” practitioners.
- GPs were notably more negative than all other groups when it came the 6th Pharmacy Agreement, Medicare pathology changes and Medicare rebate indexation.

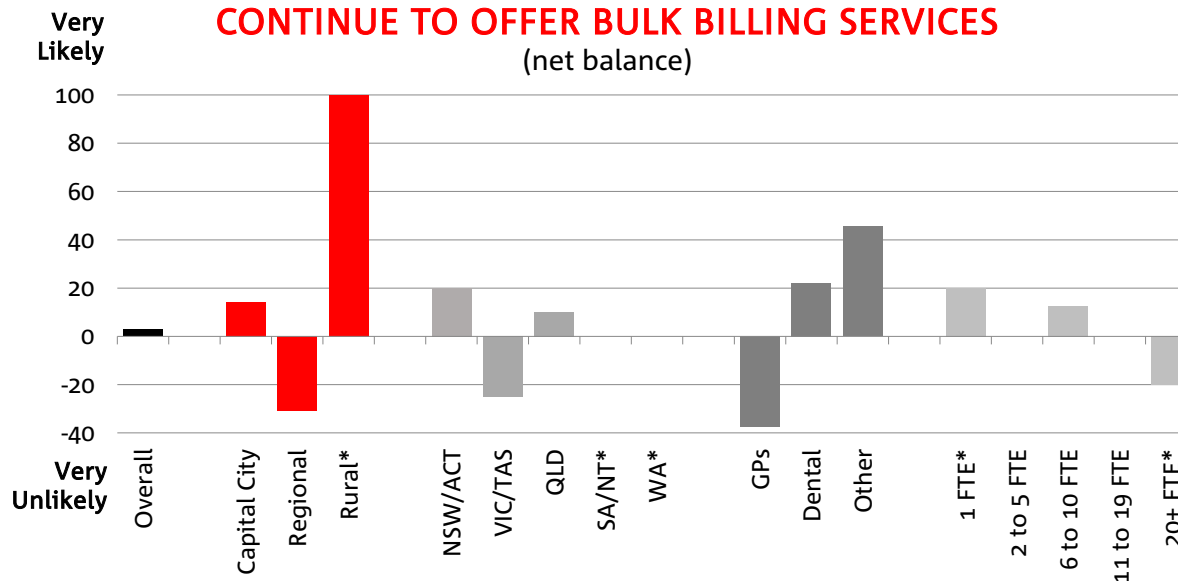
BULK BILLING

BULK BILLING (BY PRACTITIONER TYPE)

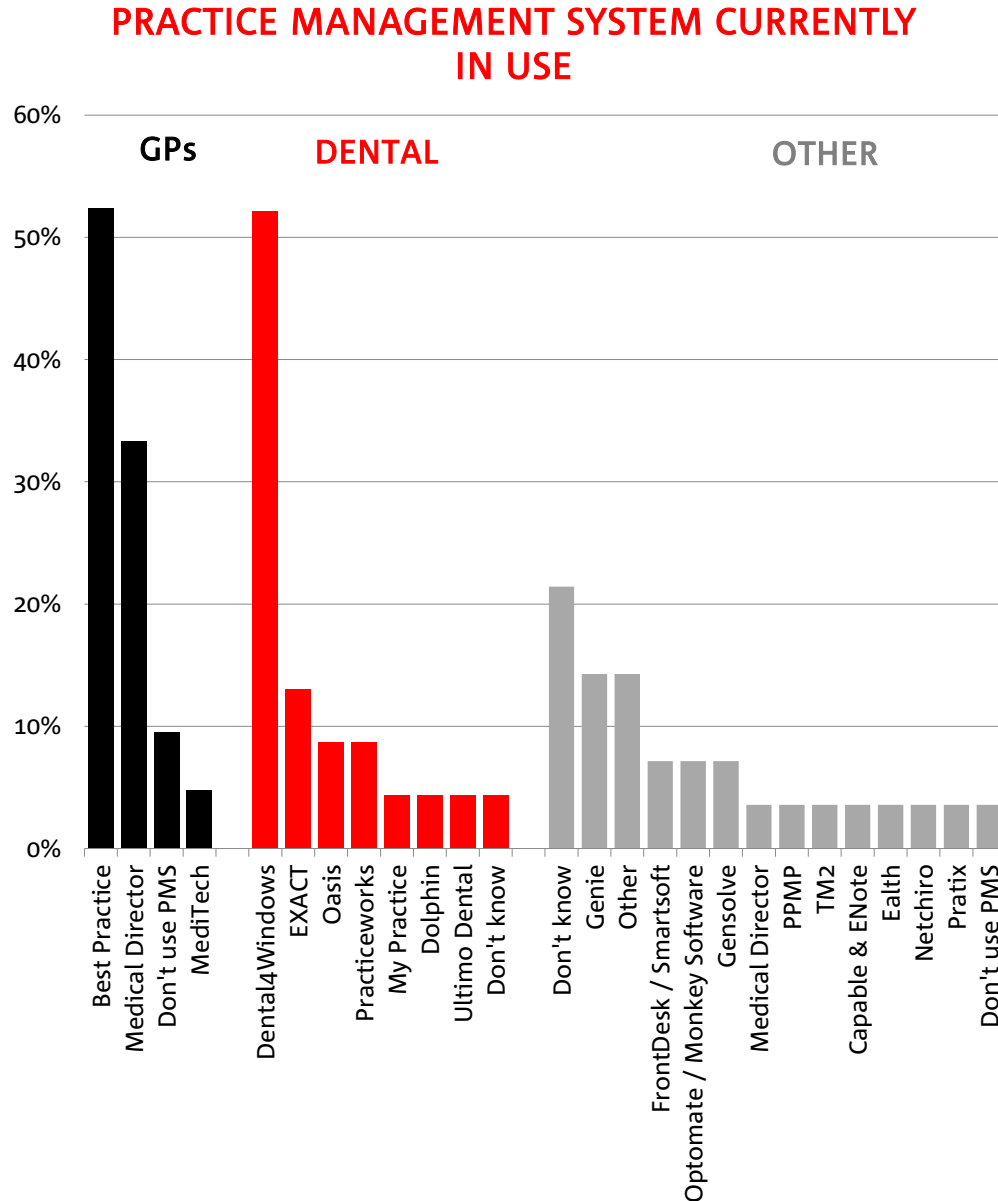


- Around 14% of GPs bulk bill all their patients, 38% most patients, 43% some patients and 5% do not bulk bill at all.
- Nearly 1 in 2 (48%) dental practitioners bulk bill some of their patients, while 52% do not.
- Around 7% of “other” practitioners bulk bill all their patients, 14% most patients, 21% some patients and 57% do not bulk bill.
- When asked whether they would continue to bulk bill as a result of proposed changes to Medicare, fewer practitioners in regional areas (-31), VIC/TAS (-25), GPs (-38) and employing more than 20 people (-20) would continue to do so.
- Practitioners in SA/NT, WA and those employing between 2-5 and 11-19 people were “neutral”.
- But more health practitioners in capital cities (+14), NSW/ACT (+20), QLD (+25), dental (+22) and “other” practitioners (+45) and those employing 1 person (+20) and 6-10 people (+13) would continue to offer bulk billing services.
- Interestingly, all providers in rural areas would continue to bulk bill.

CONTINUE TO OFFER BULK BILLING SERVICES (net balance)



PRACTICE MANAGEMENT SYSTEMS (PMS)

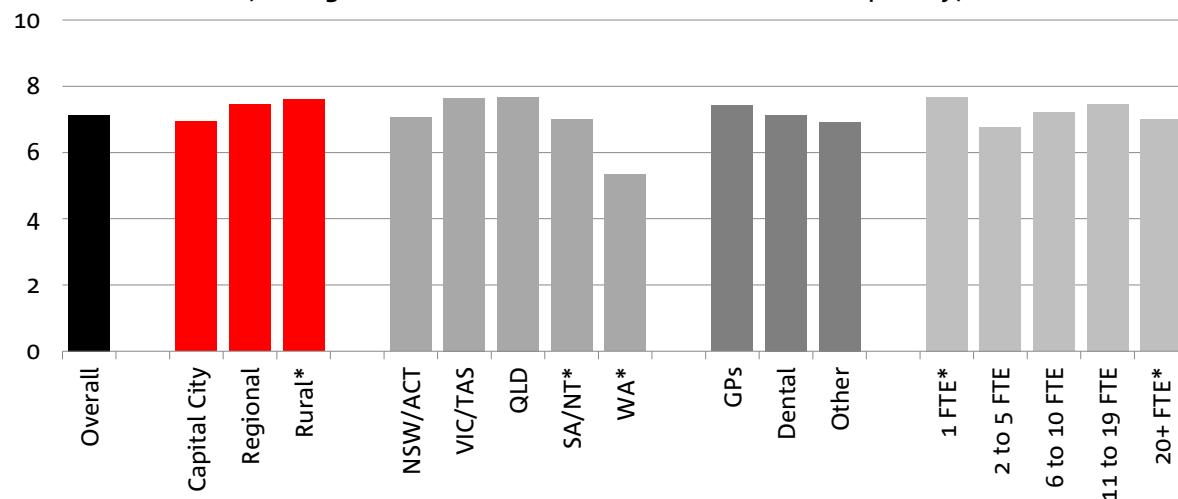


- Just over 1 in 2 (52%) surveyed GPs currently use “Best Practice” as their preferred practice management system (PMS). Around 1 in 3 (33%) use “Medical Director” and 1 in 20 (5%) use “MediTech”. Around 1 in 10 GPs (10%) do not currently use a PMS.
- The majority of dental practitioners (52%) use “Dental4Windows” for their PMS. “Exact” was next most popular (13%), followed by “Oasis” (9%) and “Practiceworks” (9%).
- Other PMS used by dental practitioners included “My Practice” (4%), “Dolphin” (4%) and “Ultimo Dental” (4%).
- There was a much greater variety among “other” health practitioners when it came to which PMS they currently use.
- “Genie” (14%) was the most popular, followed by “Front Desk / Smartsoft” (7%) and “Optomate / Monkey Software” (7%).
- Somewhat surprisingly, just over 1 in 5 (21%) “other” health practitioners don’t know which PMS they currently use and 4% don’t currently use a PMS.

PRACTICE MANAGEMENT SYSTEMS (PMS)

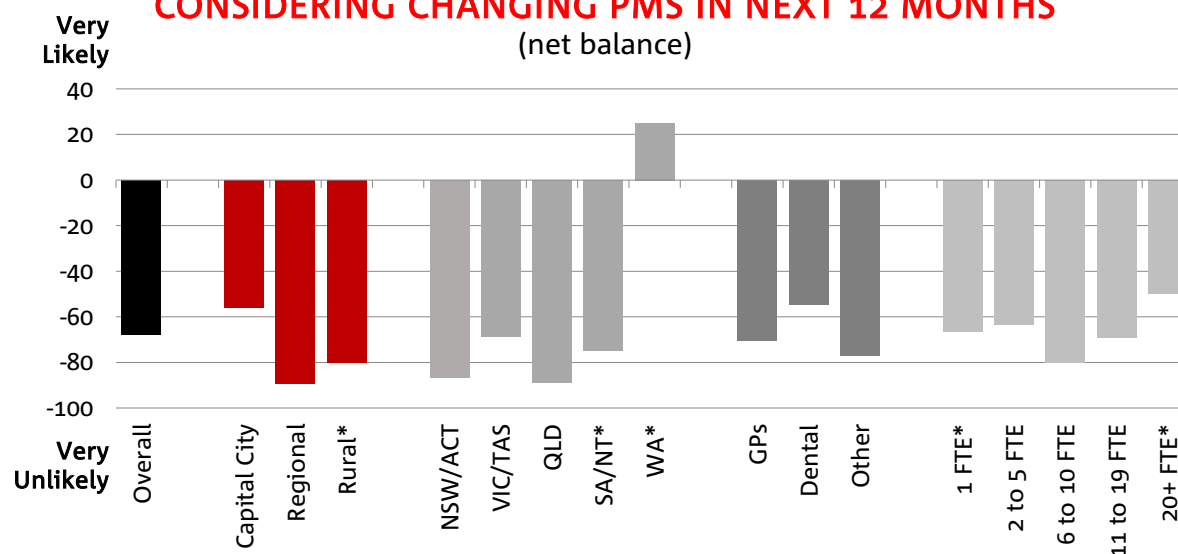
EFFECTIVENESS OF CURRENT PMS

(average score where 0 = "not at all & 10 = "completely)



CONSIDERING CHANGING PMS IN NEXT 12 MONTHS

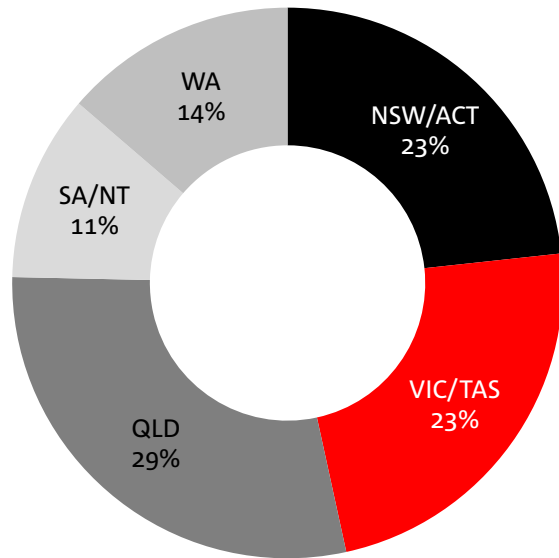
(net balance)



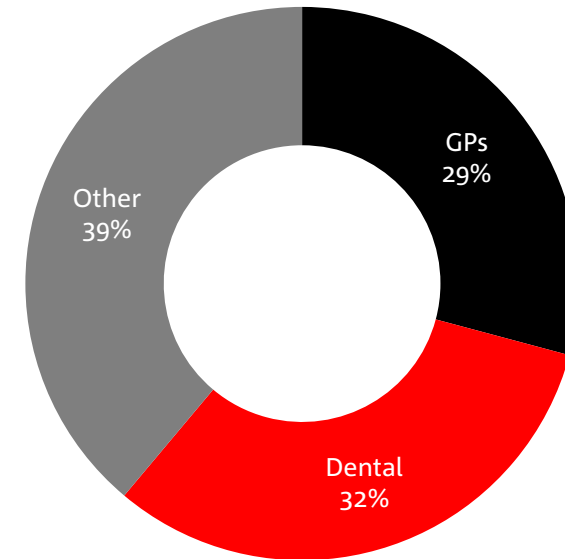
- On average, all health practitioners believe the PMS they use are “moderately” effective.
- However, practitioners in rural areas believe they are somewhat more effective than do those in capital cities.
- The greatest variation occurs by state, where VIC/TAS and QLD are much more confident in their system than practitioners in WA.
- There is little variation by practitioner type or by practice size.
- When asked if they would consider changing their PMS in the next 12 months, health practitioners were mostly negative and in all regions, states, by practitioner type and practice size.
- WA - where the effectiveness of their current PMS was also rated lowest - was the only exception, with more practitioners considering a change in the next 12 months.

ABOUT THE SURVEY - DEMOGRAPHICS

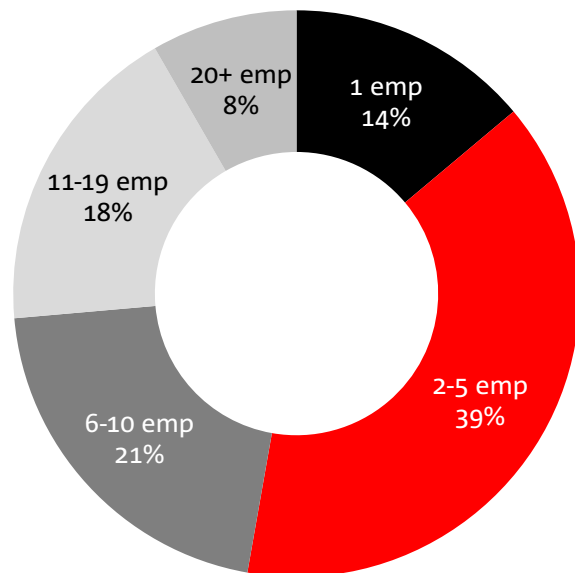
SURVEY RESPONDENTS BY STATE



SURVEY RESPONDENTS BY PRACTITIONER



SURVEY RESPONDENTS BY EMPLOYEE SIZE



- The NAB/Medfin Health Practitioners Survey was undertaken during the period from 18 July to 31 July 2016.
- The Survey is based on the responses of 72 health practitioners.
- Survey respondents are represented across a broad range of health services - GPs, dental and other (e.g. hospitals, specialist medical, optometry, physiotherapy).
- Health practitioners are also represented by location and by practice size.