



1994-95

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Private Medical Practice Industry

Australia

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**PRIVATE MEDICAL PRACTICE INDUSTRY
AUSTRALIA
1994-95**

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AUSTRALIAN BUREAU OF STATISTICS

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INTRODUCTION

As part of its ongoing program of collections from the services sector of the economy, the Australian Bureau of Statistics (ABS) conducted two surveys of the private medical practice industry in respect of 1994-95. It is the first time that the ABS has conducted such surveys of this industry.

The first survey was a sample of medical practitioners selected from the Health Insurance Commission's Medicare Provider File. The second survey was of private practice medical businesses (and their related administrative service businesses) which were identified from the first survey, classified to the following classes of the Australian and New Zealand Standard Industrial Classification (ANZSIC):

- Class 8621 — General Practice Medical Services;
- Class 8622 — Specialist Medical Services; and
- Class 8631 — Pathology Services (businesses mainly operating pathology laboratories).

Results from the earlier survey of medical practitioners were released in the publication *Private Medical Practitioners, Australia, 1994-95* (8689.0). It contained demographic data on general practitioners and specialists, as well as information on qualifications, average hours worked and number of consultations.

This publication presents results from the survey of medical businesses. Employment and financial data are provided for the general practice medical service industry, the specialist medical service industry and the pathology services industry in respect of the 1994-95 financial year.

These publications contain a selection of the information available from the surveys. More detailed information is available from the ABS on request. This includes in-depth statistical analysis in formats tailored to meet the needs of individual clients.

The ABS is committed to providing more information on the service industries sector of the economy. However, the breadth of activities encompassed in the sector poses the problem of selecting which industries to include. To this end the ABS welcomes comments and suggestions from users recommending industries, and data items for inclusion in future surveys. These comments should be addressed to: The Director, Service Industries Surveys, PO Box 10, Belconnen, ACT, 2616.

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INQUIRIES

- *for further information about statistics in this publication and the availability of related unpublished statistics, contact Paul Sullivan, on Canberra (06) 252 5635.*
- *for information about other ABS statistics and services, please refer to the back of this publication.*

OVERVIEW

INTRODUCTION

This publication presents results from a survey of private medical practice businesses in respect of the 1994–95 financial year. The *private medical practice industry* is defined in terms of the Australian and New Zealand Standard Industrial Classification (ANZSIC) as:

- Class 8621 — General Practice Medical Services; consisting of businesses of registered medical practitioners (including such units as medical clinics and group practices) mainly engaged in providing general practice services; and
- Class 8622 — Specialist Medical Services; consisting of businesses of registered medical practitioners mainly engaged in providing specialist medical services, other than pathology services.

Tables 1–11 show employment and financial statistics for the general practice and specialist medical industries.

This publication also includes information in respect of:

- Class 8631 — Pathology Services; consisting of units mainly engaged in operating pathology laboratories.

Tables 3, 12 and 13 show statistics for the pathology services industry.

GENERAL PRACTICE AND SPECIALIST MEDICAL BUSINESSES

There are broadly two types of entities involved in the conduct of general practice and specialist medical businesses; the *medical business* and its associated *administrative service business*. An administrative service business is a service company or trust established to provide administrative, secretarial or similar services to one or more medical businesses.

Usually fee for medical service income is accounted for by the medical business, and a proportion of the medical business' income is paid to the associated administrative service business, which uses this income to pay various expenses (e.g. wages, rent, etc.) relating to the conduct of the medical business.

For the purposes of this survey, data for these two types of businesses have been combined and payments (see page 2) between administrative service businesses and medical businesses have been netted out.

THE MEDICAL PRACTICE

Another unit of interest in the industry is that of the *medical practice*, i.e. medical businesses working jointly, usually from the same location. While no data on medical practices were directly collected in the survey, estimates have been derived by bringing together the data for all medical businesses associated with common administrative service entities as a single practice. For those medical businesses that operate without an administrative service entity it has been assumed that each medical business equates to a single practice.

Data for *medical practices* so defined are presented in tables 9, 10 and 11.

COUNTS OF BUSINESSES AND PRACTICES

There were 22,298 general practice and specialist medical businesses at the end of June 1995. Of these medical businesses, 13,268 did not have an administrative service business. The remaining 9,030 medical businesses (40%) were associated with 6,847 administrative service businesses. It is estimated that there were 19,932 medical practices. The number of practices is the sum of the number of businesses without a service entity (13,268) and the number of administrative service businesses (6,847) less an estimate for the number of practices with multiple administrative service businesses. Table 1 summarises the counts of medical and administrative service businesses and medical practices.

1

NUMBER OF MEDICAL AND ADMINISTRATIVE SERVICE BUSINESSES, 1994-95

	<i>General practice medical services</i>		<i>Specialist medical services</i>		<i>Total</i>	
	no.	%	no.	%	no.	%
Medical businesses without an administrative service business	7 109	59.6	6 159	59.4	13 268	59.5
Medical businesses with an administrative service business	4 824	40.4	4 205	40.6	9 030	40.5
<i>Total medical businesses</i>	<i>11 933</i>	<i>100.0</i>	<i>10 364</i>	<i>100.0</i>	<i>22 298</i>	<i>100.0</i>
Administrative service businesses	3 324	..	3 524	..	6 847	..
Medical practices	10 349	..	9 583	..	19 932	..

PAYMENTS TO AND FROM ADMINISTRATIVE SERVICE BUSINESSES

Because of the structure of the private medical practice industry, payments between medical businesses and administrative service businesses were significant income and expense items. Medical businesses reimbursed administrative service businesses for management service and staff provided; and in a small number of cases administrative service businesses reimbursed medical businesses where fees for service were paid directly to the administrative service business.

In the tables in this publication, these transactions have been netted out. Table 2 shows the value of these transactions. In total, \$1,762.6 million was paid by medical businesses to administrative service businesses.

2

PAYMENTS BETWEEN MEDICAL AND ADMINISTRATIVE SERVICE BUSINESSES, 1994-95

<i>Item</i>	<i>General practice medical services</i>	<i>Specialist medical services</i>	<i>Total</i>
	\$m	\$m	\$m
Medical income received from administrative service businesses	17.3	5.7	23.0
Payments to administrative service businesses	682.0	1 080.6	1 762.6

SUMMARY OF OPERATIONS

INCOME	<p>The private medical practice industry accrued total income of \$7,240.9 million in 1994-95. Fee for medical service was the major item accounting for \$6,561.8 million or 91% of total income.</p> <p>Average fee for medical service income per medical practitioner was \$193,100 with general practice medical practitioners recording \$124,900 and specialist medical practitioners recording \$300,900.</p>
EXPENSES	<p>In 1994-95, the private medical practice industry incurred total expenses of \$5,390.6 million. The most significant item of expense was labour costs which accounted for 56% of total expenses.</p>
PROFITABILITY	<p>After deduction of expenses from income, the private medical practice industry recorded an operating profit before tax of \$1,850.3 million for the year ended 30 June 1995. The general practice medical industry recorded an operating profit before tax of \$778.2 million which represented an operating profit margin of 27.6%. The specialist medical industry recorded an operating profit before tax of \$1,072.1 million but a slightly lower operating profit margin of 24.6%.</p>
EMPLOYMENT	<p>Total employment in the private medical practice industry was 106,134 persons with 51% employed in the general practice medical industry and 51,477 persons (49%) employed in the specialist medical industry. Employment in the private medical practice industry was evenly divided between full-time (52%) and part-time employees (48%).</p> <p>The industry recorded employment of 33,987 medical practitioners, of whom 61% were general practitioners and 39% were specialists.</p>
STATE	<p>The distribution of industry employment, wages and medical and operating income across States and Territories were consistent with their shares of the estimated resident population of Australia. In terms of employment proportions, New South Wales accounted for 34%, Victoria 25%, Queensland 17%, South Australia 11%, Western Australia 9%, Tasmania 3%, the Northern Territory 1% and the Australian Capital Territory 1%.</p>
SIZE OF MEDICAL PRACTICE Groupings by number of medical practitioners	<p>Small medical practices (i.e. those practices with one to two medical practitioners) accounted for the majority (55%) of employment in the industry, compared with 19% for medium-sized practices (i.e. those practices with three to five medical practitioners), and 25% for larger practices (i.e. those practices with six or more medical practitioners).</p> <p>The domination of small practices was more evident in the specialist medical industry where they accounted for 61% of employment compared with the general practice medical industry where small practices accounted for 50% of total employment.</p> <p>In terms of operating profit margin, medium-sized and large practices had the highest rate of return 27.8% and 27.2% respectively. Small practices had a rate of return of 24.4%.</p>

Income size groupings

Of the 33,987 medical practitioners employed by medical businesses at the end of June 1995, 19% worked in practices with total income of \$100,000 or less. These practices accounted for 9% of total employment but only 3% of total income. These practices had 0.5 other employees for every medical practitioner compared with an industry average of 2.1. Although their income was relatively low, these practices also had the highest operating profit margin (35.6%).

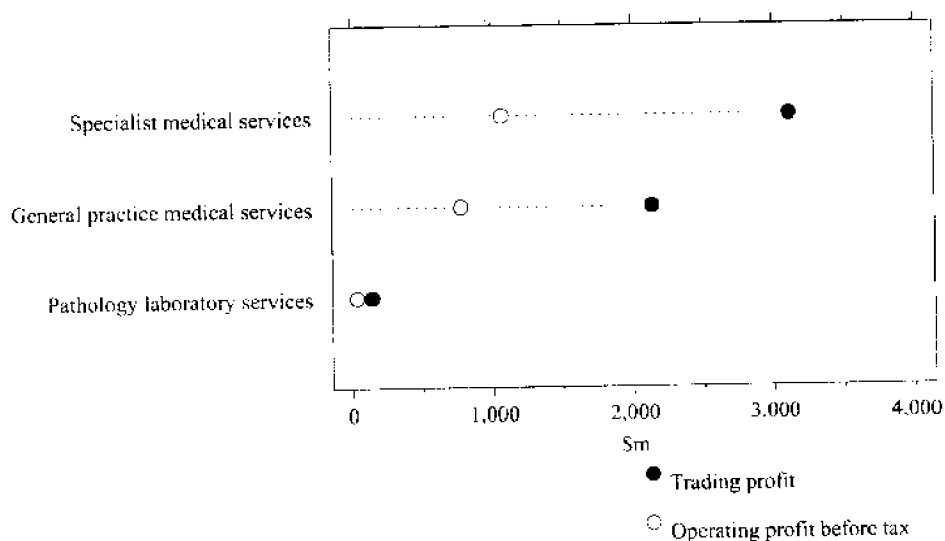
There were 5,300 (16%) medical practitioners employed by medical businesses in medical practices that generated more than \$1 million in total income. These practices accounted for 27% of total employment and 34% of total income. These practices had 4.5 other employees for every medical practitioner.

PATHOLOGY SERVICES

The pathology services industry recorded an operating profit before tax of \$29.8 million and an operating profit margin of 16.1% for the year ended 30 June 1995.

There were 3,020 persons employed in the pathology services industry and 63% of these persons were in full-time employment.

MEASURES OF PROFITABILITY BY INDUSTRY, 1994-95



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SUMMARY OF OPERATIONS, 1994-95

SUMMARY OF OPERATIONS, 1994-95

Item	Unit	General practice medical services	Specialist medical services	Total medical services	Pathology laboratory services
Businesses at end June 1995					
Medical businesses	no.	11 933	10 364	22 298	} 17
Administrative service businesses	no.	3 324	3 524	6 847	
Employment					
Medical practitioners	no.	20 825	13 161	33 987	—
Other employees	no.	33 831	38 316	72 147	3 020
Total employment end June 1995	no.	54 657	51 477	106 134	3 020
Income statement					
Fee for medical service	\$m	2 601.5	3 960.2	6 561.8	} 184.8
Other sales of goods and services	\$m	215.1	391.7	606.8	
Less					
Purchases and selected expenses	\$m	672.8	1 238.6	1 911.4	77.9
Trading profit	\$m	2 143.9	3 113.3	5 257.2	106.9
Plus					
Interest income	\$m	8.1	24.0	32.1	} 0.2
Other non-operating income	\$m	11.5	28.6	40.2	
Less					
Labour costs	\$m	1 243.5	1 768.4	3 011.9	68.4
Depreciation and amortisation	\$m	44.5	120.2	164.7	5.7
Other expenses	\$m	46.2	101.7	147.9	1.7
Earnings before interest and tax	\$m	829.4	1 175.6	2 005.0	31.3
Less					
Interest expenses	\$m	51.2	103.6	154.7	1.5
Operating profit before tax	\$m	778.2	1 072.1	1 850.3	29.8
Operating profit margin	%	27.6	24.6	25.8	16.1
Industry gross product	\$m	2 143.9	3 113.3	5 257.2	106.9

INCOME AND EXPENDITURE

INCOME — INTRODUCTION	<p>Total income for the private medical practice industry in 1994-95 was \$7,240.9 million. Fee for medical service of \$6,561.8 million represented 91% of total income.</p> <p>Specialist medical businesses which accounted for 39% of medical practitioners contributed 61% (\$4,404.6 million) of the industry's total income while general practice medical businesses which accounted for 61% of medical practitioners contributed 39% (\$2,836.3 million) of total income.</p>
FEE FOR MEDICAL SERVICE	<p>Of the \$6,561.8 million generated in the industry from fee for medical service, 60% was raised by specialist medical businesses. However general practice medical businesses raised a slightly higher proportion (92%) of their medical income from fee for medical service than specialist medical services (90%).</p> <p>Of the three sources of fee for medical service income, 'other' cases (i.e. general consultations) contributed the largest proportion (91%), although this percentage varied marginally between general practice medical businesses (92%) and specialist medical practices (90%).</p> <p>Fee for service from Veterans Affairs, workers' compensation and other insurance cases accounted for 8% of industry income (\$585.5 million).</p>
VISITING MEDICAL OFFICER INCOME	<p>Visiting Medical Officer (VMO) income refers to income received by general practice or specialist businesses in their medical practice for treating patients in public hospitals. Where VMO fees were paid as salary or were paid to individual medical practitioners and were not recorded in the accounts of the medical business, it has not been included in these statistics.</p> <p>VMO income (\$281.2 million) accounted for 4% of industry income. Of this amount, specialist medical practices accounted for the greater proportion (\$213.3 million).</p>
AVERAGE BUSINESS INCOME PER MEDICAL PRACTITIONER EMPLOYED	<p>Average business income per medical practitioner employed (without deduction of expenses) was \$213,000, with general practice medical businesses recording \$136,200 per practitioner employed and specialist medical businesses recording \$334,700.</p>

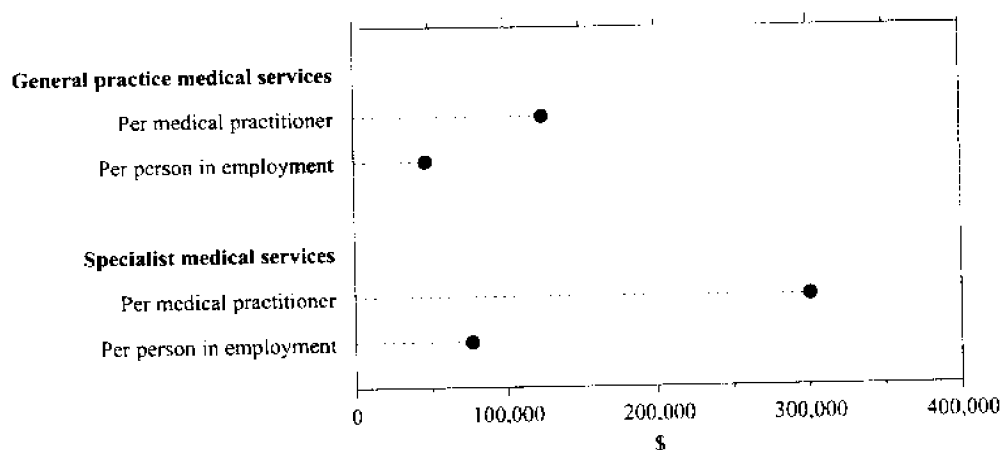
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SOURCES OF INCOME, 1994-95

Source of income	General practice medical services		Specialist medical services		Total	
	\$m	%	\$m	%	\$m	%
Sales of goods and services						
Direct medical income						
Fee for medical service						
Veterans Affairs cases	92.9	3.3	158.4	3.6	251.3	3.5
Workers' compensation and other insurance cases	111.5	3.9	222.7	5.1	334.2	4.6
Other	2 397.1	84.5	3 579.2	81.3	5 976.3	82.5
Total fee for medical service	2 601.5	91.7	3 960.2	89.9	6 561.8	90.6
Visiting Medical Officer income(a)	*67.9	2.4	213.3	4.8	281.2	3.9
Other contract income for medical services	40.9	1.4	37.4	0.8	78.4	1.1
Other medical income	10.0	0.4	23.0	0.5	32.9	0.5
Total direct medical income	2 720.3	95.9	4 234.0	96.1	6 954.2	96.0
Rental of rooms with support staff	40.1	1.4	26.4	0.6	66.5	0.9
Rent, leasing and hiring income	28.0	1.0	40.3	0.9	68.3	0.9
Government subsidies	7.2	0.3	*0.3	—	7.5	0.1
Other operating income	21.1	0.7	50.9	1.2	72.1	1.0
Total sales of goods and services	2 816.7	99.3	4 352.0	98.8	7 168.6	99.0
Other income						
Interest income	8.1	0.3	24.0	0.5	32.1	0.4
Other non-operating income	11.5	0.4	28.6	0.6	40.2	0.6
Total other income	19.7	0.7	52.6	1.2	72.3	1.0
Total income	2 836.3	100.0	4 404.6	100.0	7 240.9	100.0

(a) VMO payments are those paid to medical businesses and exclude those paid directly to individual doctors and treated as personal income.

FEE FOR MEDICAL SERVICE BY INDUSTRY, 1994-95



EXPENSES — INTRODUCTION

Total expenses in the private medical practice industry in 1994-95 were \$5,390.6 million. Specialist medical businesses contributed 62% of total expenses.

It should be noted that any expenses made by individual medical practitioners (e.g. professional indemnity insurance, motor vehicle running expenses) which are not part of the medical business accounts, are excluded from these estimates.

LABOUR COSTS

Total labour costs was the most significant item, representing 56% (\$3,011.9 million) of total expenses. Contract payments to medical and allied health practitioners contributed a further \$82.6 million (2%).

Average wages and salaries paid to medical practitioners employed by specialist medical businesses was \$115,500 compared with \$51,200 for those employed by the general practice medical businesses. This in part reflects the higher incidence of part-time medical practitioners employed in general practice medical businesses (35%) than occurs in specialist medical businesses (13%).

Average wages and salaries paid to other employees was \$17,800, again reflecting the high incidence of part-time employment in the industry.

Employer contributions to superannuation funds totalled \$348.5 million. Superannuation payments per employee were significantly higher for specialist medical businesses (\$5,000) compared with general practice medical businesses (\$2,700).

RENT, LEASING AND HIRING

Rent, leasing and hiring expenses (\$553.0 million) accounted for 10% of total expenses, 36% of which was payments, including payments to hospitals, for the rental of rooms with support staff.

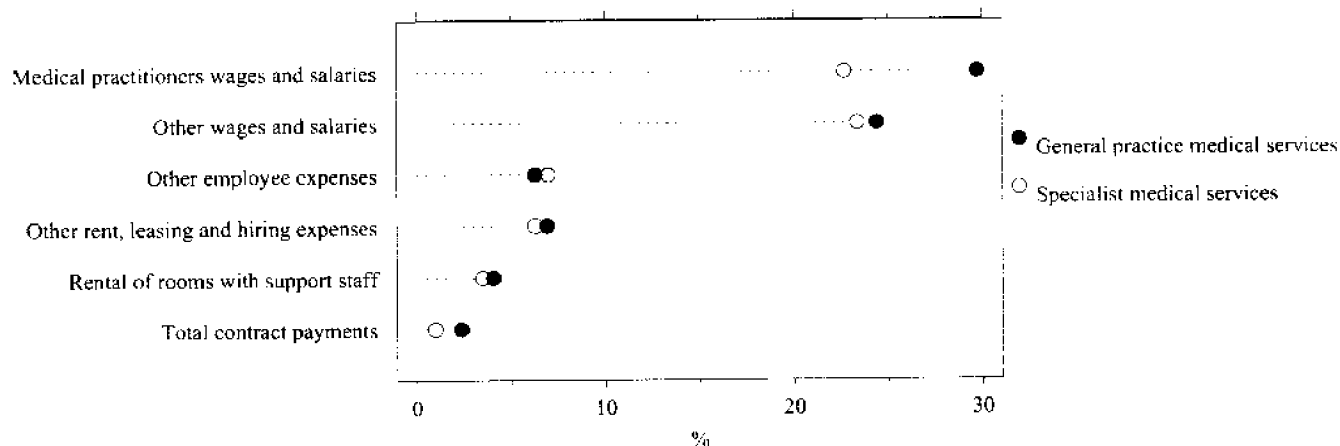
PURCHASES

Purchases of medical supplies constituted \$266.7 million (5%) of total expenses. Over 73% of these purchases were by specialist medical businesses with an average of \$14,900 per medical practitioner. By way of comparison, average purchases per general practitioner were \$3,400.

AVERAGE BUSINESS EXPENSES PER MEDICAL PRACTITIONER EMPLOYED

Average business expenses per medical practitioner employed were 156% higher for specialist medical businesses (\$253,200) compared with general practice medical businesses (\$98,800).

MAJOR ITEMS OF EXPENSE BY INDUSTRY, 1994-95



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ITEMS OF EXPENDITURE, 1994-95

Type of expense	General practice medical services		Specialist medical services		Total	
	\$m	%	\$m	%	\$m	%
Labour costs						
Wages and salaries						
Medical practitioners	611.3	29.7	755.9	22.7	1 367.2	25.4
Other	502.6	24.4	779.5	23.4	1 282.2	23.8
Total wages and salaries	1 113.9	54.1	1 535.5	46.1	2 649.4	49.1
Employers' contribution to superannuation funds	123.4	6.0	225.1	6.8	348.5	6.5
Workers' compensation	6.2	0.3	7.8	0.2	14.0	0.3
Total labour costs	1 243.5	60.4	1 768.4	53.1	3 011.9	55.9
Selected expenses						
Contract payments						
Medical practitioners (locum and deputising and other)	46.9	2.3	29.8	0.9	76.7	1.4
Allied health practitioners	*1.5	0.1	4.4	0.1	5.9	0.1
Total contract payments	48.4	2.4	34.2	1.0	82.6	1.5
Rental of rooms with support staff	84.0	4.1	117.8	3.5	201.8	3.7
Other rent, leasing and hiring expenses	142.1	6.9	209.1	6.3	351.2	6.5
Payments made to administration/laboratory entities	—	—	87.6	2.6	87.6	1.6
Motor vehicle running expenses	52.2	2.5	69.2	2.1	121.4	2.3
Other operating expenses	274.5	13.3	522.9	15.7	797.4	14.8
Total selected expenses	601.2	29.2	1 040.7	31.2	1 641.9	30.5
Purchases						
Purchase of medical supplies	71.0	3.4	195.7	5.9	266.7	4.9
Other costs						
Professional indemnity insurance premiums	21.6	1.0	54.0	1.6	75.6	1.4
Other insurance premiums	21.6	1.0	32.9	1.0	54.5	1.0
Interest expenses	51.2	2.5	103.6	3.1	154.7	2.9
Depreciation and amortisation	44.5	2.2	120.2	3.6	164.7	3.1
Other expenses	3.6	0.2	16.9	0.5	20.5	0.4
Total other costs	142.5	6.9	327.6	9.8	470.1	8.7
Total expenses	2 058.1	100.0	3 332.5	100.0	5 390.6	100.0

EMPLOYMENT

INTRODUCTION

The employment statistics in this publication represent the summation of the employment of each business in the industry. As such, persons (including medical practitioners) will be counted more than once if working for more than one business in the industry. This may occur in respect of part-time employees, such as medical practitioners working as locums. Further, medical practitioners may be counted twice if they are principals in both the medical business and the administrative service business.

TOTAL PERSONS WORKING IN THE INDUSTRY

At the end of June 1995, employment in the private medical practice industry was 106,134 persons. Of this total, 54,657 (51%) were employed in general practice medical businesses and 51,477 (49%) in specialist medical businesses.

In addition to this employment, there were 2,915 persons working on a contract basis, accounting for 3% of the 109,049 persons working in the industry.

The total number of persons working in the private medical practice industry comprised the following types of employment:

- 34% were medical practitioners;
- 40% were administrative/support staff;
- 7% were nurses; and
- 19% were other employees.

FULL-TIME AND PART-TIME EMPLOYMENT

Full-time employment accounted for 52% of persons working in the industry. Specialist medical businesses had a larger proportion of full-time employment (58%) while general practice medical businesses had a larger proportion of part-time employment (54%).

The incidence of full-time and part-time employment also varied significantly between employment types. There was a larger proportion of medical practitioners working full time (70%) while 59% of administrative/support staff and 62% of nurses were employed part time.

MEDICAL PRACTITIONERS

There were 33,987 medical practitioners in employment in the private medical practice industry, 46% of whom were sole medical practitioners or working partners of unincorporated businesses and 54% of whom were employees. A larger proportion of specialists (50%) worked in unincorporated businesses than did general practitioners (43%).

ADMINISTRATIVE/SUPPORT STAFF

Administrative/support staff were the largest type of employment group in the industry with 44,104 (42%) of employment. The majority of these staff 25,149 (57%) were employed in general practice medical businesses while 18,956 (43%) were employed by specialist medical businesses.

OTHER EMPLOYEES AND WORKING PRINCIPALS/PARTNERS

Other employees and working principals/partners (other than medical practitioners) constituted 19% (20,597) of industry employment. This type of employment was almost three times as prevalent in specialist medical businesses where it accounted for 29% of employment compared with only 10% of employment in general practice medical businesses.

NURSES

There were 7,446 nurses employed in the private medical practice industry. Around 60% of these were employed in specialist medical businesses.

CONTRACT WORKERS

Of the 2,915 contract workers employed in the industry, 73% (2,123) were employed in general practice medical businesses.

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CHARACTERISTICS OF EMPLOYMENT, END JUNE 1995 (a)

Type of employment	General practice medical services			Specialist medical services			Total		
	Full-time	Part-time	Total	Full-time	Part-time	Total	Full-time	Part-time	Total
Medical practitioners									
Sole medical practitioners and working partners of unincorporated businesses	6 212	2 679	8 890	4 048	2 568	6 616	10 260	5 247	15 507
Employees									
General practitioners employed	7 696	4 156	11 852	*57	72	129	7 753	4 228	11 981
Specialists employed	22	61	83	5 651	765	6 416	5 673	826	6 499
Total medical practitioner employees	7 719	4 216	11 935	5 709	837	6 545	13 427	5 053	18 480
Total medical practitioners	13 930	6 895	20 825	9 757	3 405	13 161	23 687	10 300	33 987
Other employees									
Nurses	906	2 101	3 007	1 944	2 495	4 439	2 850	4 596	7 446
Administrative/support staff	8 464	16 685	25 149	9 730	9 226	18 956	18 194	25 911	44 104
Other employees and working principals and partners (other than medical practitioners)	1 684	3 992	5 676	8 266	6 655	14 921	9 951	10 646	20 597
Total other employees	11 054	22 778	33 831	19 940	18 376	38 316	30 995	41 153	72 147
Total employees	18 772	26 994	45 766	25 649	19 212	44 861	44 421	46 206	90 628
Total employment	24 984	29 673	54 657	29 697	21 780	51 477	54 681	51 453	106 134
Contract workers									
Medical	*688	1 318	2 005	181	452	632	868	1 770	2 638
Allied	*9	*109	*118	*32	*127	159	*41	235	277
Total contract workers	*697	1 426	2 123	213	579	791	910	2 005	2 915
Total	25 681	31 099	56 780	29 910	22 359	52 269	55 591	53 458	109 049
Percentage contribution to total	23.5	28.5	52.1	27.4	20.5	47.9	51.0	49.0	100.0

(a) Medical practitioners and other employees who work for more than one business are counted once in each business for which they work.

STATE DATA

INTRODUCTION

Employment, wages and salaries, and total medical and operating income in the private medical practice industry were dispersed amongst the States and Territories in a manner consistent with their shares of the estimated resident population of Australia.

For both the general practice and specialist medical industries, New South Wales was the dominant State with its share of industry employment, wages and total medical and operating income in the range of 32% to 38%. Victoria accounted for between 23% and 26% of employment, wages and total medical and operating income while Queensland's corresponding share in these areas was between 16% and 19%. Similarly, South Australia accounted for between 8% and 12% of employment, wages and total medical and operating income while Tasmania's proportions in these areas varied between 2% and 3%.

Total medical and operating income per person employed was significantly higher for specialist than general practice medical businesses in all States and Territories, with the exception of the Northern Territory where this ratio was 5% higher for general practice businesses (\$57,000) than specialist medical businesses (\$54,400).

GENERAL PRACTICE MEDICAL SERVICES

There was considerable variation between the States with respect to total medical and operating income per person employed in general practice medical businesses. The Northern Territory reported the highest ratio (\$57,000) in total medical and operating income per person employed, while Tasmania had the lowest (\$37,800). Victoria (\$53,800), Queensland (\$52,300), South Australia (\$53,600) and the Australian Capital Territory (\$51,800) were above the Australian average of \$51,500 for this industry.

The ratio of wages and salaries per person employed was strongly correlated with the ratio of total medical and operating income per person employed. Wages and salaries per person employed ranged from \$18,600 in Tasmania to \$24,800 in the Northern Territory.

SPECIALIST MEDICAL SERVICES

Similarly, specialist medical businesses varied significantly between States with respect to total medical and operating income per person employed. This ratio ranged from a high of \$107,900 in the Australian Capital Territory and \$94,800 in Queensland, down to \$54,400 in the Northern Territory.

However, there was a higher variation in the ratio of wages and salaries per person employed by specialist medical businesses than general practice medical businesses. Wages and salaries per person employed ranged from \$17,000 in the Northern Territory to \$37,000 in the Australian Capital Territory, a difference of 118%.

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SELECTED STATISTICS BY STATE, 1994-95

State/Territory	Employment at end June		Wages and salaries		Total medical and operating income	
	no.	%	\$m	%	\$m	%
GENERAL PRACTICE MEDICAL SERVICES						
New South Wales	18 632	34.1	359.9	32.3	952.9	33.8
Victoria	12 881	23.6	276.3	24.8	692.9	24.6
Queensland	9 914	18.1	209.1	18.8	518.6	18.4
South Australia	5 305	9.7	113.8	10.2	284.5	10.1
Western Australia	5 381	9.8	103.9	9.3	255.6	9.1
Tasmania	1 525	2.8	28.3	2.5	57.6	2.0
Northern Territory	335	0.6	8.3	0.7	19.1	0.7
Australian Capital Territory	684	1.3	14.3	1.3	35.4	1.3
Australia	54 657	100.0	1 113.9	100.0	2 816.7	100.0
SPECIALIST MEDICAL SERVICES						
New South Wales	17 224	33.5	575.9	37.5	1 546.7	35.5
Victoria	13 332	25.9	369.7	24.1	1 056.6	24.3
Queensland	8 584	16.7	268.6	17.5	813.6	18.7
South Australia	5 895	11.5	131.8	8.6	400.9	9.2
Western Australia	4 376	8.5	124.6	8.1	357.4	8.2
Tasmania	1 180	2.3	36.1	2.4	92.1	2.1
Northern Territory	206	0.4	3.5	0.2	11.2	0.3
Australian Capital Territory	680	1.3	25.2	1.6	73.4	1.7
Australia	51 477	100.0	1 535.5	100.0	4 351.9	100.0
TOTAL MEDICAL SERVICES						
New South Wales	35 856	33.8	935.8	35.3	2 499.5	34.9
Victoria	26 213	24.7	646.0	24.4	1 749.5	24.4
Queensland	18 498	17.4	477.8	18.0	1 332.2	18.6
South Australia	11 200	10.6	245.6	9.3	685.4	9.6
Western Australia	9 757	9.2	228.5	8.6	613.0	8.6
Tasmania	2 704	2.5	64.4	2.4	149.8	2.1
Northern Territory	542	0.5	11.8	0.4	30.4	0.4
Australian Capital Territory	1 363	1.3	39.5	1.5	108.8	1.5
Australia	106 134	100.0	2 649.4	100.0	7 168.6	100.0

ASSETS AND LIABILITIES

INTRODUCTION

This section presents assets, liabilities and net worth of medical businesses and associated administrative service businesses. It is the aggregation of data reported by the businesses and no attempt has been made to identify and eliminate financial claims between businesses in the industry.

The medical services industry was characterised by a significant number of businesses who rent or lease buildings and/or medical equipment. This is reflected in the large proportion of expenses attributed to rent, leasing and hiring.

ASSETS

Total assets at the end of June 1995 were \$4,100.7 million, of which 41% were current assets and 59% non-current assets.

LIABILITIES

Of the \$3,108.7 million liabilities incurred by the private medical practice industry, 59% were current liabilities and 41% were non-current.

NET WORTH

At 30 June 1995, the net worth of the industry was \$992 million with total assets exceeding total liabilities by 32%.

CAPITAL EXPENDITURE

Capital expenditure during 1994-95 was \$289.5 million, or 7% of the total assets reported.

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ASSETS, LIABILITIES AND NET WORTH, END JUNE 1995

	<i>General practice medical services</i>	<i>Specialist medical services</i>	<i>Total medical services</i>
<i>Item</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Assets			
Current assets	*683.6	984.2	1 667.8
Non-current assets			
Medical equipment	170.8	401.1	571.9
Other non-current assets	816.5	1 044.5	1 861.0
<i>Total assets</i>	<i>1 670.9</i>	<i>2 429.8</i>	<i>4 100.7</i>
Liabilities			
Current liabilities	621.3	1 205.4	1 826.7
Non-current liabilities	488.8	793.1	1 281.9
<i>Total liabilities</i>	<i>1 110.1</i>	<i>1 998.6</i>	<i>3 108.7</i>
Net worth	*560.8	431.2	992.0
Capital expenditure	95.6	193.9	289.5
Disposal of assets	*26.0	26.1	52.1

MEDICAL PRACTICE SIZE ANALYSIS

INTRODUCTION

Previous sections of this publication present data in respect of medical businesses and associated administrative service businesses. This section presents data for *medical practices*. While no data were directly collected in respect of medical practices, estimates have been derived on the basis of bringing together as a single medical practice the data for all medical businesses associated with common administrative business/es. For those medical businesses that operate without an administrative service entity it is assumed that each medical business equates to a single practice.

Data are presented for medical practices based on the number of medical practitioners per medical practice (table 9) and total income per medical practice (table 10). In total there were 19,932 medical practices, 10,349 in general practice medical services and 9,583 in specialist medical services. Due to the methodology adopted, these estimates for medical practices, particularly the large practices, should be treated with caution.

SIZE BY NUMBER OF MEDICAL PRACTITIONERS

Medical practices with one to two medical practitioners dominated the industry accounting for 61% (20,568) of all medical practitioners employed and generated 52% (\$3,426.8 million) of fee for service income.

In terms of operating profit margin, practices with one to two medical practitioners had the lowest at 24.4%.

General practice medical services

General practice medical practices, with one to two medical practitioners, accounted for 49% (10,247) of medical practitioners and accounted for 45% of fee for medical service income by general practice medical services. However, they recorded the lowest (23.9%) operating profit margin.

General medical practices with six or more medical practitioners had the largest operating profit margin (34.1%).

Specialist medical services

The specialist medical service industry was dominated by specialist medical practices with one to two medical practitioners, which accounted for 78% (10,321) of medical practitioners and 57% of fee for medical service income generated by specialist medical services.

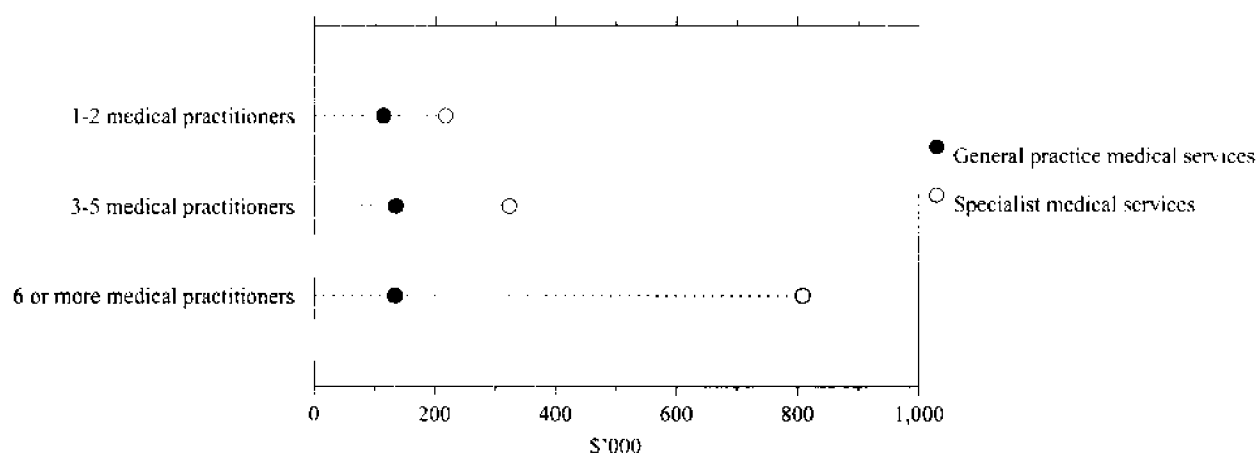
Overall profitability as measured by operating profit margin was highest (26.6%) for practices with three to five medical practitioners, while practices with six or more medical practitioners recorded the lowest (23.9%) operating profit margin.

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KEY CHARACTERISTICS OF MEDICAL PRACTICES BY MEDICAL PRACTITIONER SIZE GROUPINGS, 1994-95

Number of medical practitioners in the practice	Medical practices no.	Medical practitioners no.	Other employment no.	Total employment no.	Fee for medical service \$m	Total income \$m	Total expenses \$m	Operating profit margin %
GENERAL PRACTICE MEDICAL SERVICES								
1-2	7 972	10 247	17 172	27 420	1 177.7	1 304.4	995.9	23.9
3-5	1 663	6 017	9 834	15 851	810.7	864.7	620.9	28.3
6 or more	714	4 561	6 825	11 386	613.1	667.3	441.3	34.1
Total	10 349	20 825	33 831	54 657	2 601.5	2 836.3	2 058.1	27.6
SPECIALIST MEDICAL SERVICES								
1-2	8 999	10 321	21 154	31 474	2 249.0	2 599.1	1 967.1	24.7
3-5	391	1 211	3 430	4 641	391.9	420.7	309.8	26.6
6 or more	192	1 630	13 732	15 362	1 319.3	1 384.7	1 055.7	23.9
Total	9 583	13 161	38 316	51 477	3 960.2	4 404.6	3 332.5	24.6
TOTAL								
1-2	16 972	20 568	38 326	58 894	3 426.8	3 903.5	2 963.0	24.4
3-5	2 055	7 228	13 264	20 492	1 202.6	1 285.3	930.7	27.8
6 or more	905	6 191	20 557	26 748	1 932.4	2 052.1	1 497.0	27.2
Total	19 932	33 987	72 147	106 134	6 561.8	7 240.9	5 390.6	25.8

FEE FOR MEDICAL SERVICE PER MEDICAL PRACTITIONER, BY INDUSTRY AND SIZE OF MEDICAL PRACTICE, 1994-95



INCOME SIZE GROUPINGS

Of the 33,987 medical practitioners working at the end of June 1995, 19% (6,309) worked in practices with total income of \$100,000 or less. These practices accounted for 9% of total employment but only 3% of total income. Although they had relatively low income, these practices recorded the highest operating profit margin (35.6%).

There were 5,300 (16%) medical practitioners working in medical practices with total income of more than \$1 million. These practices accounted for 27% of total employment and 34% of total income.

GENERAL PRACTICE MEDICAL SERVICES

Of the 20,825 general practice medical practitioners, 17% (3,491) worked in practices that generated up to \$100,000 in total income while 15% of practitioners worked in practices which earned more than \$1 million.

The 17% of practitioners in practices with total income of \$100,000 or less contributed 10% of total employment and 5% of total income. Of all the income size groupings, these smallest practices had the lowest fee for medical service per medical practitioner employed (\$34,100). The operating profit margin (26.5%) was below the industry average of 27.6%.

Practices with total income of \$1 million or greater accounted for 15% of medical practitioners, 16% of total employment and 21% of total income. These practices reported the highest fee for medical services per medical practitioner employed (\$171,300) and the highest operating profit margin (36.8%).

SPECIALIST MEDICAL SERVICES

A significant proportion of specialist medical practitioners (21%) worked in practices which generated less than \$100,000. Fee for medical service per medical practitioner (\$30,300) was very low compared with the industry average of \$300,900. On the other hand, this size category reported the highest operating profit margin (47.7%).

Specialist medical practices with total income of \$1 million or greater were significantly different from those in other size categories. Whilst these practices accounted for 17% of medical practitioners, they contributed 43% of total income and 39% of total employment. Fee for medical service per medical practitioner was \$822,600 compared with \$30,300 for practices in the lowest income range and an industry average of \$300,900.

Gross income size category	Medical practices no.	Medical practitioners no.	Other employment no.	Total employment no.	Fee for medical service \$m	Total income \$m	Total expenses \$m	Operating profit margin %
GENERAL PRACTICE MEDICAL SERVICES								
\$1-\$100 000	2 972	3 491	1 750	5 241	118.9	136.6	100.8	26.5
\$101 000-\$250 000	3 834	5 399	9 945	15 344	622.0	684.4	514.8	25.0
\$250 000-\$500 000	2 170	5 149	9 450	14 599	772.8	818.3	642.2	21.7
\$501 000-\$1 000 000	861	3 672	6 800	10 472	554.5	603.0	423.9	29.8
\$1 000 001 or more	511	3 114	5 888	9 002	533.3	594.1	376.5	36.8
Total	10 349	20 825	33 831	54 657	2 601.5	2 836.3	2 058.1	27.6
SPECIALIST MEDICAL SERVICES								
\$1-\$100 000	2 274	2 818	1 280	4 097	85.3	105.1	57.1	47.7
\$101 000-\$250 000	2 746	3 054	3 953	7 007	412.5	501.8	353.3	30.3
\$250 000-\$500 000	2 871	3 319	9 524	12 843	911.0	1 051.5	800.4	24.1
\$501 000-\$1 000 000	1 224	1 785	5 561	7 346	753.2	852.9	661.5	22.8
\$1 000 001 or more	468	2 186	17 997	20 183	1 798.3	1 893.3	1 460.2	23.0
Total	9 583	13 161	38 316	51 477	3 960.2	4 404.6	3 332.5	24.6
TOTAL								
\$1-\$100 000	5 246	6 309	3 029	9 338	204.2	241.7	157.9	35.6
\$101 000-\$250 000	6 580	8 453	13 898	22 351	1 034.5	1 186.1	868.1	27.3
\$250 000-\$500 000	5 041	8 468	18 974	27 442	1 683.8	1 869.8	1 442.6	23.1
\$501 000-\$1 000 000	2 085	5 457	12 361	17 818	1 307.6	1 455.9	1 085.4	25.7
\$1 000 001 or more	979	5 300	23 885	29 185	2 331.6	2 487.4	1 836.7	26.3
Total	19 932	33 987	72 147	106 134	6 561.8	7 240.9	5 390.6	25.8

PERFORMANCE MEASURES

INTRODUCTION

This section presents statistics for the private medical practice industry based on the size of the medical practice. Medical practices have been broken down into three size categories, defined on the basis of the number of medical practitioners working in the medical practice: one to two medical practitioners, three to five medical practitioners, and six or more medical practitioners. For ease of reference, these are referred to as small, medium and large practices in the following table.

There were significant differences between general practice and specialist medical practices with regard to performance ratios. Total income per person employed was 65% higher for specialist medical practices (\$85,600) than for general practice medical practices (\$51,900). Labour costs contributed a greater proportion of total expenses for general practice medical practices (60% compared with 53%) although labour costs per employee were 45% higher for specialist medical practices.

Fee for medical service per medical practitioner was 141% higher for specialist medical practices (\$300,900) than for general practice medical practices (\$124,900). A contributing factor was the high incidence of part-time medical practitioners in general practice medical practices.

The operating profit margin for private medical practices was 25.8%. Large practices (i.e. those with six or more medical practitioners) reported the highest profit margins for general practice while medium-sized practices (i.e. those with three to five medical practitioners) had the highest profit margins for specialist medical practices.

GENERAL PRACTICE MEDICAL PRACTICES

Total income per person employed

Total income per person employed by general practice medical practices was \$51,900. There was a 23% difference in total income per person employed between large practices (\$58,600) compared with small practices (\$47,600). However, total expenses per person employed differed by only 7% between large (\$38,800) and small (\$36,300) practices.

Labour costs

Labour costs accounted for the largest proportion of total expenses for medium-sized practices (65%) compared with 58% for small practices and 59% for large practices. Labour costs per employee were also highest for medium-sized practices (\$28,900) compared to \$26,200 for small practices and \$26,800 for large practices.

Profit

Large practices reported the highest operating profit margin (34.1%), compared with 28.3% for medium-sized practices and 23.9% for small practices.

Fee for medical service

The highest fee for service per medical practitioner was recorded by medium-sized practices (\$134,700), which was only marginally higher than for large practices (\$134,400) but was 17% higher than for small practices (\$114,900).

SPECIALIST MEDICAL PRACTICES

Total income per person employed

For specialist medical practices, total income per person employed was highest for medium-sized practices (\$90,600) and lowest for small practices (\$82,600) — a difference of 10%.

Average total income per person employed (\$85,600) was 32% higher than total expenses per person employed (\$64,700). However, this margin ranged from 36% for medium-sized practices to 31% for large practices.

Labour costs

Labour costs per employee varied by 41%, from a high of \$44,200 for small practices, \$37,800 for medium-sized practices, to a low of \$31,300 for large practices. Consistent with these figures, labour costs contributed the largest proportion to total expenses for small practices (59%) and the lowest proportion for large practices (43%).

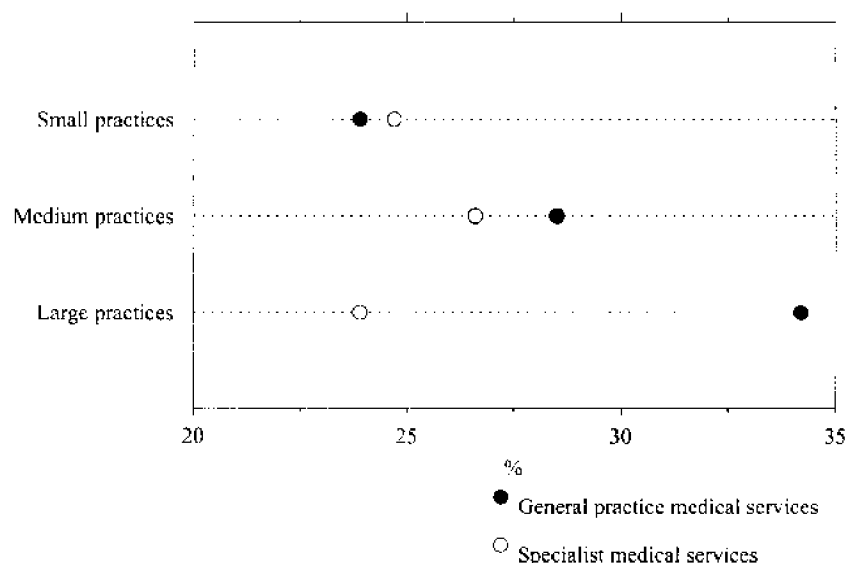
Profit

Using operating profit margin as the measure, medium-sized practices (26.6%) were more profitable than both large (23.9%) and small (24.7%) practices.

Fee for medical service

Fee for service per medical practitioner was highest for large practices (\$809,400). This was 150% higher than the average for medium practices (\$323,600) and almost four times higher than for small practices (\$217,900).

OPERATING PROFIT MARGIN BY INDUSTRY, 1994-95



Unit		Small practices (1-2 medical practitioners)	Medium practices (3-5 medical practitioners)	Large practices (6+ medical practitioners)	Total medical practices
GENERAL PRACTICE MEDICAL SERVICES					
Employment ratios					
Total income per person employed	\$'000	47.6	54.5	58.6	51.9
Total expenses per person employed	\$'000	36.3	39.2	38.8	37.7
Labour costs per employee	\$'000	26.2	28.9	26.8	27.2
Labour costs to total expenses	%	57.9	65.3	59.1	60.4
Industry gross product per person employed	\$'000	34.9	42.9	44.6	39.2
Operating profit before tax per person employed	\$'000	11.2	15.4	19.9	14.2
Financial ratios					
Operating profit margin	%	23.9	28.3	34.1	27.6
Return on assets	%	30.6	67.7	75.1	46.6
Interest coverage	times	11.3	20.6	27.0	16.2
Income ratio					
Fee for medical service per medical practitioner	\$'000	114.9	134.7	134.4	124.9
SPECIALIST MEDICAL SERVICES					
Employment ratios					
Total income per person employed	\$'000	82.6	90.6	90.1	85.6
Total expenses per person employed	\$'000	62.5	66.7	68.7	64.7
Labour costs per employee	\$'000	44.2	37.8	31.3	39.4
Labour costs to total expenses	%	58.8	50.0	43.3	53.1
Industry gross product per person employed	\$'000	61.7	63.9	57.0	60.5
Operating profit before tax per person employed	\$'000	20.1	23.9	21.4	20.8
Financial ratios					
Operating profit margin	%	24.7	26.6	23.9	24.6
Return on assets	%	40.3	47.8	52.3	44.1
Interest coverage	times	10.8	11.9	12.3	11.4
Income ratio					
Fee for medical service per medical practitioner	\$'000	217.9	323.6	809.4	300.9
TOTAL					
Employment ratios					
Total income per person employed	\$'000	66.3	62.7	76.7	68.2
Total expenses per person employed	\$'000	50.3	45.4	56.0	50.8
Labour costs per employee	\$'000	36.0	30.9	29.5	33.2
Labour costs to total expenses	%	58.5	60.2	48.0	55.9
Industry gross product per person employed	\$'000	49.2	47.6	51.7	49.5
Operating profit before tax per person employed	\$'000	16.0	17.3	20.8	17.4
Financial ratios					
Operating profit margin	%	24.4	27.8	27.2	25.8
Return on assets	%	36.5	59.9	59.6	45.1
Interest coverage	times	11.0	16.7	15.7	13.0
Income ratio					
Fee for medical service per medical practitioner	\$'000	166.6	166.4	312.1	193.1

PATHOLOGY SERVICES

INTRODUCTION

This section presents data in respect of businesses classified to Class 8631 — Pathology Services, of the Australian and New Zealand Standard Industrial Classification. This class consists of businesses mainly engaged in operating pathology laboratories. This class does not include businesses undertaking pathology specialist services which are classified to class 8622 (Specialist Medical Services) and included in Tables 1–11. There were 17 businesses in the pathology services industry operating at the end of June 1995. These businesses had employment of 3,020 persons. Total income (\$185.0 million) exceeded total expenses (\$155.2 million) by 19%.

MAJOR SOURCES OF INCOME

Total income for pathology services businesses in 1994–95 was \$185.0 million. Total income per business was \$10.9 million while total income per person employed was \$61,300.

MAJOR COMPONENTS OF EXPENDITURE

During 1994–95, pathology services businesses incurred total expenses of \$155.2 million. Labour costs were the major component of expenditure totalling \$68.4 million. Labour costs per employee were \$22,600. Other operating expenses was the second largest expense item accounting for 20% (\$31.7 million) of total expenses.

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PATHOLOGY SERVICES: SOURCES OF INCOME AND ITEMS OF EXPENDITURE, 1994–95

Item	Value	Contribution
	\$m	%
Income		
Sales of goods and services	184.8	99.9
Interest and other non-operating income	0.2	0.1
<i>Total income</i>	<i>185.0</i>	<i>100.0</i>
Expenses		
Labour costs		
Wages and salaries	64.9	41.8
Employers' contribution to superannuation funds	3.1	2.0
Workers' compensation	0.3	0.2
<i>Total labour costs</i>	<i>68.4</i>	<i>44.1</i>
Selected expenses		
Total contract payments to medical practitioners (locum and deputising, allied health and other)	7.8	5.0
Rental of rooms with support staff	4.1	2.6
Other rent, leasing and hiring expenses	3.8	2.4
Motor vehicle running expenses	2.4	1.5
Other operating expenses	31.7	20.4
<i>Total selected expenses</i>	<i>49.7</i>	<i>32.0</i>
Other costs		
Purchase of medical supplies	27.3	17.6
Other costs	9.8	6.3
<i>Total expenses</i>	<i>155.2</i>	<i>100.0</i>

EMPLOYMENT — INTRODUCTION

As at 30 June 1995, there were 3,056 persons working in the pathology services industry. Almost all of these persons (99%) were employees, with a further 1% working on a contract basis.

Persons employed by pathology services businesses were more likely to work full time (63%) than persons working on a contract basis (50%).

SCIENTISTS AND TECHNOLOGISTS

Scientists and technologists accounted for 16% (480) of persons working in the industry. This type of employment had the largest proportion of persons (76%) who worked on a full-time basis.

TECHNICAL STAFF

Technical staff comprised two groups: technical officers/technicians and nursing staff and other technical staff and together they comprised 41% (1,263) of employment in the industry.

Technical officers/technicians was the smaller of these two groups accounting for 9% (287) of total persons working for pathology laboratories. Of this total, the majority (62%) were in full-time employment.

Nursing staff and other technical staff contributed 32% (976) of persons working in the industry of which 56% were on a full-time basis.

ADMINISTRATIVE STAFF AND OTHER EMPLOYEES

Administrative/support staff, other employees and working principals contributed 31% to the total number of persons working in the industry.

COURIERS

There were 329 couriers employed by pathology services businesses accounting for 11% of total employment. Of these 62% (205) were employed full time.

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PATHOLOGY SERVICES: CHARACTERISTICS OF EMPLOYMENT, END JUNE 1995

Type of employment	Full-time		Part-time		Total	
	no.	%	no.	%	no.	%
Scientists and technologists	365	19.1	114	10.0	480	15.7
Technical officers/technicians	179	9.3	108	9.5	287	9.4
Nursing staff and other technical staff	544	28.4	432	37.9	976	31.9
Couriers	205	10.7	124	10.9	329	10.8
Administrative/support staff, other employees and working principals	604	31.5	344	30.1	948	31.0
Total employment	1 897	99.1	1 122	98.3	3 020	98.8
Contract workers	18	0.9	18	1.6	36	1.2
Total	1 915	100.0	1 141	100.0	3 056	100.0
Percentage contribution to total	62.7	..	37.3	..	100.0	..

EXPLANATORY NOTES

INTRODUCTION

1 This publication contains data derived from a survey of medical businesses for the reference period 1994–95. This is the second of two surveys of the medical industry conducted by ABS in respect of 1994–95.

2 The first survey was a survey of medical practitioners conducted for the reference period 1994–95 using a sample of medical practitioners selected from the Health Insurance Commission's Medicare Provider File. The information provided by the Commission was in accordance with the secrecy provision under section 130 of the Health Insurance Act.

3 Data from this earlier survey were released in *Private Medical Practitioners, Australia, 1994–95* (8689.0). It contained demographic data on general practitioners and specialists, as well as information on qualifications, average hours worked and number of consultations.

4 With the exception of pathology businesses, the population of the second survey was developed from the responses to the first survey in which medical practitioners were asked to provide details of each of their medical businesses and administrative service companies/trusts providing support services to the medical business. Pathology businesses were primarily drawn from businesses on the ABS Register of Businesses in class 8631 of the 1993 edition of the Australian and New Zealand Industrial Classification (ANZSIC).

5 Survey forms were mailed to all of the medical businesses and administration businesses identified from the first survey.

MEDICAL BUSINESS

6 For the purpose of this publication a medical business is one which mainly provides private practice medical services. A medical business is the formal legal and accounting entity for which detailed financial statements are produced. It is either a self-employed (incorporated or unincorporated) medical practitioner, a partnership, an incorporated company or a trust.

ADMINISTRATIVE SERVICE BUSINESS

7 For the purpose of this publication an administrative service business is a service company or trust established to provide administrative, secretarial or similar services to one or more medical businesses.

8 The cost of these support services is usually reimbursed to an administrative service entity by payment of management fees by medical businesses.

9 In most cases fees for medical service were paid directly to the medical business, but in a small number of cases they were paid to the administrative service business and then transferred to the medical business/es.

MEDICAL PRACTICE

10 For the purposes of this publication, a medical practice has been approximated on the following basis:

- for medical businesses for which there were no administrative service businesses, the medical practice equates to the medical business; and
- for medical businesses having administrative service businesses, the medical practice has been formed by grouping all medical businesses with the common administrative service business/es to which they are linked.

11 The majority (60%) of medical businesses had no administrative service business and hence each medical business formed a single medical practice.

12 The remaining 41% of medical businesses were linked to administrative service businesses. The relationship between medical and administrative service businesses usually took one of three forms. These were:

- *one medical business with a single administrative business* that provides services only to that medical business. In such cases the medical business and the administrative service business have been combined to form a single medical practice;
- *multiple medical businesses with a single administrative business*. In these cases the medical businesses and the administrative service business have been grouped together to form a medical practice; and
- *multiple medical businesses with multiple administrative service businesses*. In these cases the medical businesses and the administrative service businesses have been grouped together to form a single medical practice.

13 Administrative service businesses and in turn medical practices are classified to general practice medical services and specialist medical services based on the predominant activities of the medical businesses that they serve.

INCOME EXCLUDED

14 The survey excluded the income received by medical practitioners for work undertaken as salaried employees of a business outside their medical practice e.g. work undertaken in a hospital or education institution.

WORK IN HOSPITALS

15 Because hospitals were excluded from this survey, medical practitioners working solely for a hospital were also excluded.

PATHOLOGY LABORATORIES

16 To achieve a more complete picture of medical businesses, pathology laboratories were also included in the survey. Pathology laboratories are classified to Class 8631 — Pathology services of the Australian and New Zealand Standard Industrial Classification and are to be distinguished from pathologists. Where a business provides the services of registered pathologists working mainly on their own account, it is classified as a specialist medical business.

STATISTICAL UNIT

17 Data were collected from medical businesses and administrative service businesses as defined above.

REFERENCE PERIOD

18 Data contained in the tables of this publication relate to all medical businesses and administrative support businesses which operated in Australia at any time during the year ended 30 June 1995. Counts of medical practices include only those which were operating at 30 June 1995.

**BUSINESSES CEASED
DURING THE YEAR**

19 A small number of medical businesses and administrative service businesses ceased during the 1994-95 reference period. It is normal ABS procedure to include the contribution of these businesses in the survey output.

RELIABILITY OF DATA

20 The estimates presented in this publication are subject to both sampling and non-sampling error.

SAMPLING ERRORS

21 Since the estimates in this publication are based on information obtained from a sample of medical businesses in the surveyed population, the estimates are subject to sampling variability, that is, they may differ from figures that would have been obtained if all medical businesses had been included in the survey. One measure of the likely difference is given by the standard error, which indicates the extent to which an estimate might have been varied by chance because only a sample of medical businesses was included.

22 There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all medical practices had been included in the survey, and approximately 19 chances in 20 that the difference will be less than two standard errors.

23 Sampling variability can be measured by the relative standard error (RSE) which is obtained by expressing the standard error as a percentage of the estimate to which it refers. The RSE is a useful measure in that it provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer also to the size of the estimate.

24 The following table contains estimates of RSEs for a selection of statistics presented in this publication.

RELATIVE STANDARD ERRORS FOR KEY DATA ITEMS BY INDUSTRY, 1994-95

	General practice medical services	Specialist medical services	Total medical services	Pathology services
Item	%	%	%	%
Businesses at end June 1995				
Medical businesses	4	3	2	}7
Administrative service businesses	5	7	4	
Employment				
Medical practitioners	4	3	2	17
Other employees	3	4	2	1
Total employment end June 1995	3	3	2	1
Income statement				
Fee for medical service	3	2	2	4
Other sales of goods and services	11	4	5	2
Less				
Purchases and selected expenses	3	3	2	3
Trading profit	3	2	2	2
Plus				
Interest income	14	11	9	4
Other non-operating income	21	24	18	0
Less				
Labour costs	4	3	2	2
Depreciation and amortisation	4	4	3	1
Other expenses	3	3	2	2
Earnings before interest and tax	5	4	3	0
Less				
Interest expenses	5	8	5	3
Operating profit before tax	5	4	3	0
Industry gross product	3	2	2	2

25 As an example of the above, an estimate of the total employment of medical practitioners in general practice medical services is 20,825 persons and the RSE is 4% giving a standard error of 833 persons. Therefore, there would be two chances in three that, if all units had been included in the survey, a figure within the range of 19,992 persons to 21,658 persons would have been obtained, and 19 chances in 20 that the figure would have been within the range of 19,159 persons to 22,491 persons (a confidence interval of 95%).

26 Where the RSE of an estimate included in this publication exceeds 25%, it has been annotated with an asterisk (*) as a warning to users.

NON-SAMPLING ERROR

27 Errors other than standard errors may occur because of deficiencies in the register of units from which the sample was selected, non-response and imperfections in reporting by respondents. Inaccuracies of this kind are referred to as non-sampling errors and may occur in any collection, whether it be census or a sample. Every effort has been made to reduce non-sampling error to a minimum by careful design and testing of questionnaires, efficient operating procedures and systems used to compile the statistics.

OTHER PUBLICATIONS IN THE
SERIES

28 Statistics for the earlier survey of medical practitioners are available in *Private Medical Practitioners, Australia, 1994-95* (8689.0).

AVAILABILITY OF
UNPUBLISHED STATISTICS

29 As well as statistics included in this publication, the ABS has a range of more detailed data on medical businesses. For example, more detailed income and expense data may be available on request.

30 Inquiries on medical statistics should be made by telephoning Paul Sullivan on Canberra (06) 252 5635.

SYMBOLS AND OTHER
ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
n.a.	not available
n.e.c.	not elsewhere classified
n.p.	not published
*	subject to sampling variability too high for practical purposes (i.e. relative standard error greater than 25%)
**	subject to sampling variability too high for practical purposes (i.e. relative standard error greater than 50%)
...	not applicable
—	nil or rounded to zero

Where figures have been rounded, discrepancies may occur between the sum of component items and the total.

GLOSSARY

Administrative service business	This is a service company or trust established to provide administrative, secretarial or similar services to one or more medical businesses.
Administrative/support staff	These are staff who provide support to medical businesses as administrators, secretaries, receptionists, bookkeepers, etc.
Allied health practitioner	A provider of health services who is not qualified as a medical practitioner. It includes physiotherapists, dietitians, chiropractors and naturopaths.
Contract payments	These are payments to medical practitioners and allied health practitioners who are not employees. The item includes locum services contract payments, deputising service contract payments, agency payments and other medical practitioner payments. It excludes retainer payments and payments to other contract businesses.
Contract workers	Contract workers are those for whom PAYE tax is not deducted and other payroll deductions are not withdrawn.
Current assets	Refers to cash, inventory, short-term deposits, prepayments, short-term trade debtors and bills and short-term loans to employees that would normally be consumed or converted into cash within 12 months of the end of the last financial period.
Current liabilities	Refers to provisions for taxation, leave, claims, etc.; trade creditors and other accounts payable; and bank overdrafts that would normally be due or payable by the business within 12 months of the end of the last financial period.
Depreciation and amortisation	The financial charges made to the accounts to reflect that part of the value of the asset which may be regarded as having been used up in producing revenue in a particular accounting period.
Direct medical income	This item comprises fee for service medical income, visiting medical officer income, other contract income for medical services, other medical income for non-patient related medical services and other income relating to medical and other health services.
Disposal of assets	Is income from the sale of plant, machinery, equipment, land, dwellings, other buildings and structures and intangible assets.
Earnings before interest and tax (EBIT)	A measure of profit prior to the deduction of interest expense and income tax.
Employees	Includes working directors of incorporated companies and other employees (including locums paid via the payroll). Excludes working proprietors and working partners of unincorporated businesses.
Employers' contributions to superannuation funds	Includes all employer contributions to superannuation schemes (including the employer productivity contribution).

Employment at end June	Employment includes sole medical practitioners and working partners of unincorporated businesses, principals of incorporated businesses, medical practitioner employees, working principals/partners other than medical practitioners, nurses, administrative/support staff and other employees working for a business during the last pay period in June each year. Employees absent on paid or prepaid leave are included.
Fee for medical service income	This is income received by the medical business and administrative service business for the provision of medical services. The income includes patient billings, Medicare eligible services income, other private fee for service income, income from services to veterans, workers' compensations and other insurance income, and theatre fees. This income excludes visiting VMO income paid directly to medical practitioners which is not accounted for by the business.
Full-time employees	Persons who work 35 hours per week or more.
General practice medical services	These are businesses of registered medical practitioners (including such units as medical clinics or group practices) mainly engaged in providing general practice medical services on their own account. For the purpose of this survey, general practice also includes non-specialist practitioners mainly practising in specialised fields, e.g. sports medicine, tropical medicine.
General practitioner	General practitioners are medical practitioners who do not limit their practice to any one speciality. For the purposes of this survey, general practitioners include: general practitioners mainly in private practice; and non-specialist practitioners mainly practising in distinct fields, such as sports medicine, women's health, and hypnotherapy, etc.
General practitioner employees	These are general practice medical practitioners who are employees of a medical business.
Incorporated company	A legal entity formed under Australian company law. Companies so formed have their own legal identity and the powers, rights, privileges and obligations under that law.
Industry gross product	A measure of the value of unduplicated gross product of businesses. It is defined as sales of goods and services plus capital work done by own employees for own use or for rental or lease minus purchases and selected expenses.
Industry gross product per person employed	This ratio shows the amount of industry gross product attributed to each person employed, i.e. industry gross product divided by total employment.
Interest coverage	The number of times that businesses can meet their interest expenses from their earnings before interest, i.e. EBIT divided by interest expenses.
Interest expenses	This item includes interest on bank loans, loans from partners, and loans from government funding bodies, interest in respect of finance leases, interest equivalents such as hedging costs, and expenses associated with discounted bills. Interest expenses exclude capital repayments.

Interest income	This item includes interest from loans, finance leases, deposits in banks and non-bank financial institutions. Interest income excludes any capital repayments received.
Labour costs	Labour costs include wages and salaries (including monies paid directly to locums via the payroll), employer contributions to superannuation funds, and workers' compensation costs. Contract payments to medical and allied practitioners where PAYE tax is not deducted are excluded.
Labour costs per employee	Persons employed include full-time and part-time employees, and excludes persons for whom PAYE tax was not deducted, and working proprietors and partners. This ratio is labour costs divided by number of employees.
Labour costs to total expenses	This is the proportion of total expenses contributed by labour costs, i.e. labour costs divided by total expenses times 100.
Medical income received from an administrative service business	This income is received by a medical business when the administration company receives the fee for service medical income. The administration business pays the medical business a proportion of the fee for service medical income and retains the remainder to cover practice overheads.
Medical practice	This item describes linked medical and administrative service businesses.
Medical practitioner	A medically qualified person engaged in practising medicine.
Motor vehicle running expenses	Expenses incurred using 'on-road' motor vehicles for business purposes and include such items as fuel, repair and maintenance.
Net worth	Total assets minus total liabilities and is equal to the interests of shareholders or other owners in the assets of the business.
Non-current assets	These are long-term investments or other assets of the business that would, in the ordinary operations of the business, not be consumed or converted into cash within one year of the end of the last reporting period of the business. These include medical equipment, capitalised interest and goodwill.
Non-current liabilities	The amounts payable over a longer period and are long-term liabilities, including bank loans, debentures, unsecured notes excluding owners equity, contingent liabilities and provisions for doubtful debts and depreciation.
Operating profit before tax (OPBT)	A measure of profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid).
Operating profit before tax per person employed	This ratio shows the amount of operating profit before tax attributed to each person employed, i.e. operating profit before tax divided by total employment.
Operating profit margin	The percentage of sales of goods and services available as operating profit, i.e. operating profit before tax times 100 divided by sales of goods and services.

Other employees	Other employees are all employees excluding medical practitioners.
Other expenses	Includes bad debts written off, electricity, water and royalties expenses.
Other insurance premiums	Includes optional third-party and comprehensive motor vehicle insurance premiums, fire, general, accident and public liability and income maintenance insurance premiums.
Other medical expenses	Includes library and journal costs, medical registration and professional subscription costs.
Other medical income	This item includes teaching income, income from producing articles for journals and papers for conferences and committee fees.
Other non-current assets	These are long-term investments or other assets (excluding medical equipment) of the business that would, in the ordinary operations of the business, not be consumed or converted into cash within one year of the last reporting period of the business.
Other non-operating income	This item includes dividend income, net profit (loss) on sales of fixed tangible assets, net profit (loss) on foreign loan as a result of variations in foreign exchange rates/transactions, net profit (loss) on share trading, royalties income and capital grants.
Other operating expenses	Includes expense items not included elsewhere, e.g. repair and maintenance expenses, advertising costs and bank charges.
Other operating income	Includes gross operating income from other business interests if included in this business' profit and loss account, and other operating income not included elsewhere.
Other rent, leasing and hiring expenses	Refers to the rental of rooms without support staff, operating lease, all expenses payable to landlords and the lease of telecommunications equipment.
Other rent, leasing and hiring income	Includes rental of premises, income from operating leases and rental of rooms (except those with support staff).
Part-time employees	Persons who work less than 35 hours per week.
Payments to administrative service businesses	Payments from medical businesses for administrative services provided.
Persons employed	Includes working proprietors and working partners of unincorporated businesses, working directors of incorporated companies and other employees (including locums paid via the payroll).
Professional indemnity insurance premiums	The payment made to ensure at least partial indemnification against medical negligence.
Purchase of medical supplies	Includes purchase of bandages, syringes, plaster, drugs, consumables, etc. in relation to treatment of patients, laboratory and diagnostic consumables, reagents, films and media and collection centre supplies.
Rental of rooms with support staff	The payments made to another business that cover the use of a building and administrative staff who support the tenants business.

Return on assets	Operating profit before tax as a percentage of the total book value of assets, i.e. OPBT times 100 divided by total assets.
Sales of goods and services	Includes income from the provision of services, income from rent, leasing and hiring, and contract medical services.
Sole medical practitioners and working partners	These are medical practitioners working in unincorporated medical businesses.
Specialist	A doctor who is qualified to practise in a particular speciality or branch of medicine and provides care/services to individuals, families and the community.
Specialist employees	These are specialist medical practitioners who are employees of a medical business.
Total expenses	This is gross expenses net of payments to and from administrative service businesses.
Total expenses per person employed	This ratio is total expenses (i.e. gross expenses net of payments to and payments by administrative service businesses) attributed to each person employed.
Total income	Total income is gross income net of payments from administrative service businesses and payments received by administrative service businesses.
Total income per person employed	This ratio is total income (i.e. net of payments from administrative service businesses and payments received by administrative service businesses) attributed to each person employed.
Trading profit	A measure of profit directly attributable to trading goods and services. It is derived by subtracting purchases and selected expenses from the sum of sales of goods and services .
Visiting medical officer (VMO)	VMOs are general practitioners or specialists in private practice who attend public hospitals in order to treat public patients.
Visiting medical officer income	This item includes income received by the medical business for treating patients in public hospitals.
Wages and salaries	This refers to gross earnings of all employees before taxation and other deductions. Drawings by sole practitioners/partners are excluded.
Workers' compensation	Refers to the insurance premium/levies and non-payroll costs incurred by a business and not reimbursed by an insurance compensation.

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