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The global financial crisis and Australian general practice

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Abstract

Objective. To explore the potential effects of the global financial crisis (GFC) on the market for general practitioner (GP) services in Australia.

Design. We estimate the impact of changes in unemployment rates on demand for GP services and the impact of lost asset values on GP retirement plans and work patterns. Combining these supply and demand effects, we estimate the potential effect of the GFC on the market for GP services under various scenarios.

Results. If deferral of retirement increases GP availability by 2%, and historic trends to reduce GP working hours are halved, at the current level of ~5.2% unemployment average fees would decline by \$0.23 per GP consultation and volumes of GP services would rise by 2.53% with almost no change in average GP gross earnings over what would otherwise have occurred. With 8.5% unemployment, as initially predicted by Treasury, GP fees would increase by \$0.91 and GP income by nearly 3%.

Conclusions. The GFC is likely to increase activity in the GP market and potentially to reduce fee levels relative to the pre-GFC trends. Net effects on average GP incomes are likely to be small at current unemployment levels.

What is known about the topic? Although the broad directions of the impact of the global financial crisis on the demand for and supply of GP services have been the subject of public discussion, the overall impact on the GP market has not been formally assessed.

What does this paper add? Drawing on existing supply and demand models, we estimate the likely effect of the global financial crisis on GP activity levels, GP earnings, and the fees to be faced by patients.

What are the implications for practitioners? Practitioners on average are likely to work harder to recover losses in the investments they have made for their retirements. They may face lower fees than would have been the case due to the increasing supply of GPs as some defer retirement, but average incomes are likely to be minimally affected.

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