

Dr Les Woollard  
President  
Rural Doctors Association of NSW  
P O Box 690  
MOREE NSW 2400

Dear Dr Woollard

### **Visiting Medical Officer (VMO) Practice Company Arrangements**

I write to you about the above matter which was discussed at the last meeting of the Rural Doctors Liaison Committee on 7 September 2006. You will recall that at that meeting, reference was made to a legal opinion from Mr Tim Smyth of Phillips Fox which had been provided to you. That advice reviewed existing statutory provisions governing VMO engagement and made certain suggestions about amending these provisions.

At that meeting, the Deputy Director General, Health System Support, indicated that further advice would be obtained on the issues raised, and the matter would be further considered. He also noted that the fundamental issue for the Department was the need to promote individual accountability.

The legal position is that under the relevant provisions of the *Health Services Act 1997* (Chapter 8, Part 2) VMOs can only enter into service contracts individually or through an individual practice company. The suggestion that a group practice company might be a 'practice company' within the meaning of the legislation is not accepted by the Department (and is certainly contrary to the intention behind these provisions).

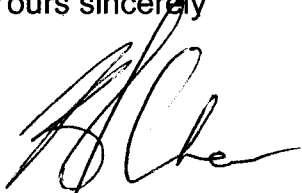
As Mr McGregor noted, the key issue for the Department is the need to maintain individual accountability. The importance of this objective is in no way reduced by the consideration that the category of practitioners at which proposals for varying the current arrangements is directed is overseas trained doctors on restricted visas. In order to ensure that this objective is achieved, it is considered necessary to maintain the current approach that VMOs must be engaged individually or through individual practice companies rather than through an employing group practice.

I also note that government procurement practice requires a contestable and transparent procurement process for the provision of goods and services of any significant value. An exception is made for the contracting of medical services from VMOs whether personally or through their individual practice companies. Contracts with group practice companies would generally arise through a competitive tender. The *Health Services Act 1997* provides that

any contract, agreement or other arrangement for the supply of medical services that is entered into as a result of a tendering process is not a VMO service contract.

Accordingly, the Department does not consider it appropriate to allow group practice companies to enter into service contracts and contracts of liability coverage as a means of enabling their employed doctors to hold VMO appointments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Crawshaw', written over the typed name.

Karen Crawshaw

**Director Employee Relations, Legal and Legislation**

10.10.06