

COVER STORY

Sale on: Tide of change slows but practice ownership remains fluid



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The wave of practices being sold into corporate and other networks continues. But in the past two years the tidal surge has slowed, slightly, and even started to recede in places. **Fiona Cassie** reports on movements in our ownership map including a new trend of some practices returning to “in-house” ownership

Snapshot

Practice numbers

- › Te Whatu Ora had more than 1100 enrolling general practices on its facilities register as at 1 September, including some satellite clinics and practices serving students and residential aged care.
- › More than 30 new enrolling general practices have been registered by Te Whatu Ora in the past two years, including start-ups and satellite clinics.

Practice ownership

- › The two largest corporate networks – Green Cross Health and Tāmaki Health – between them partially or fully own 107 general practices with about 15 per cent (769,000) of the country’s 5.06 million enrolled patients.
- › The 10 largest ownership networks fully or partially own 210 practices delivering care

to about 27 per cent (1.37 million) of enrolled patients.

Practice owners

- › 31 per cent of GP respondents to the RNZCGP's *Workforce Survey 2022* were practice owners, compared to just under 40 per cent in 2014.
- › 64 per cent of the 2022 survey respondents reported working in a GP-owned practice and 14 per cent in a partially or fully corporate-owned practice.

In 2014, our first ownership map was published, dotting across the country the 108 medical centres then fully or partially sold to corporate and PHO networks.

Roll on a decade and those dots have more than doubled to about 230. That's not counting the several dozen or so general practices bought but then merged, closed and absorbed as the sector "rationalises" in response to an ageing workforce retiring amidst a GP shortage and funding struggles.

If you throw in practices owned by rural, Māori or Pacific trusts and other not-for-profit owners, our map dots multiply to 371 – about a third of the country's roughly 1100 general practice clinics.

That is a lot of dots.

But what seemed like a tidal surge of practice sales to corporate entities and other networks may be slowing, a little, and the tide may be receding, just slightly, in some places.

There are some signs of a new trend of a few corporates and PHOs selling some or all practice shares back to GP, nurse practitioner and other in-house owners giving them “skin in the game”.

It's just handfuls at the moment but PHO ownership arms like Tū Ora Compass' Latitude are keen to do more. And the country's largest corporate owner, Green Cross Health, has a strategy to join them.

Interactive practice ownership maps

Did you check out all the new dots on our updated practice ownership map? If not, **Fiona Cassie** suggests its worth taking a look and reading about the trends

GO TO MAPS

Steady sales

With 37 per cent of GPs looking to retire in the next five years – coinciding with a long-predicted GP shortage – the tidal push of sales to outside parties, like corporates and PHOs, is to some extent inevitable.

Our last map, published in October 2022, revealed a pandemic rush of more than 40 centres being bought by corporates and other ownership networks in the previous 18 months.

In the past 24 months though, the purchase rate has steadied, with 35 practices partially or fully bought out by networks. Twelve of those were bought by the country's biggest corporate provider Green Cross bringing its network up to 65 practices.

The country's second largest corporate provider, Tāmaki Health, has taken the foot off the purchase pedal buying just two new practices.

The new and growing player in the market is Tend Health which bought an initial 50 per cent stake, then later 90 per cent, in the Better Health network. Tend and Better Health also bought three new practices each in the past two years bringing their combined stable to 33 practices.

In other purchases OmniHealth bought three, Third Age Health bought one and the education trust-owned network South Link Health Services also bought one.

Ten practices were partially or fully bought by seven of the PHO ownership networks including new practice owners National Hauora Coalition and Pegasus Health plus a return to practice shareholding by Marlborough PHO, which bought a small share in a local start-up.

Pegasus Health's purchase this year of established Lincoln Medical Centre, in a 50/50 joint venture with local iwi, came nearly exactly a decade after it resolved not to buy practices leaving it to then Christchurch-based network Better Health to offer a local option for GPs needing an exit strategy.

Since our last map update GP recruitment struggles and rationalisations have also continued to drive practice mergers across ownership networks. Some 16 practices have been merged with existing practices across six of the big 10 ownership networks. Those mergers led to about 10 clinics closing their doors with the rest remaining as satellite clinics.

Selling back

The trend emerging this time round is not stepped-up purchases and mergers by corporate and PHO network operators but sales back to GPs and other local owners.

What is perhaps surprising about the 188 corporate “owned” dots on our map is that at least 76 of them already have shareholders working at the practice, mostly GPs but also NPs, practice managers and others.

Twenty-five of Green Cross' 65 practices are partially owned by GPs; all of OmniHealth's current 19 centres have "in-house" shareholders and at least 10 of Tāmaki Health's centres are also partially owned by GPs and others.

Rarely though, in a decade of map updates, have we reported practices removed from the map because they returned to total in-house or local ownership, despite it being the aim of many PHO network owners.

This time round we have 11 practices that have left corporate or PHO network ownership.

Tū Ora ownership arm Latitude sold all shares in the Kelburn Northland Medical Centre back to practice team members, sold Masterton's Kuripuni Medical Centre back to the practice's NPs and sold Eastern Bays Health Centre to the local Wellington Medical Group practice partnership.

Pinnacle Midlands Health Network's subsidiary Primary Health Care Limited sold Huntly West Medical Centre to GP owners and Lake Surgery to Taupō Medical Ltd.

Better Health sold its 25 per share in Christchurch's Hillmed Health Centre back to practice shareholders; OmniHealth sold shares in Hawke's Bay practice Mahora Medical back to its GP owner; and Third Age Health sold out its partial share in Christchurch start-up Phoenix Health Hub.

Three practices owned by networks have also been sold or vested in the past two years to Māori or iwi trust-owned providers. Better Health's Te Aranga Community Health practice in east Christchurch is now owned by He Waka Tapu Trust; OmniHealth's Waitara Health Centre, that was struggling to recruit GPs, was sold to multi-iwi Taranaki provider Tui Ora; and Pinnacle Midlands Health Network gifted Rotorua-based Owhata Medical Centre to Te Rūnanga o Ngāti Pikiao.

Skin in the game

Green Cross' strategy is to continue to grow despite the current "challenging" environment and funding constraints, Wayne Woolrich, Green Cross general manager medical tells *New Zealand Doctor Rata Aotearoa*, with the corporate's preferred ownership model partnering with doctors.

Some Green Cross Health practices have made headlines in recent years due to GP losses resulting in patient waiting time blow-outs, including Hutt Valley's High Street Health Hub that was tele-health-only for a period earlier this year.

Having co-owners with "skin in the game" can make recruiting and retention easier, agrees Mr Woolrich. "Having doctor owners around can add value to recruitment, we definitely see that."

But some GP and practice partnership sellers want a "nice clean 100 per cent sale" prompting Green Cross into "behind the scenes" work to identify the right time and the right partners to sell down shares to support its co-ownership strategy.

"We've currently got about five of those conversations under way with practices in our network."

An interesting trend he's noticed in the practice sales market in recent years is "new competitors" bidding against the corporates, including PHOs like ProCare, Pinnacle and Pegasus.

"They've definitely been out there bidding...whether they are winning or not is another thing."

Sustainable practices

PHOs have a responsibility to ensure quality sustainable primary care for their population, believes General Practice NZ's chief executive group chair Justine Thorpe, which can include purchasing part or all of a practice to ensure it can keep serving its local community.

“When you have a practice that might be struggling or needs a succession plan there really is a role, in my view, for the PHOs to play,” says Ms Thorpe, who is chief executive of Tū Ora Compass.

“I think the fundamental thing for all of us [PHOs] is that we really want to support local ownership and ensure we protect the space for other younger GPs or other workforce coming through who do want to own but they are not quite in that position yet financially.”

It took nearly a decade, but this year Tū Ora Latitude arm managed to complete a sell down of the first practice it bought nine years ago, Kelburn Northland Medical, back to eight practice shareholders.

Latitude is a strong believer that having practice owners with “skin in the game” helps with workforce retention and patient outcomes because the owners are directly connected to their communities, Ms Thorpe says.

But buying a whole practice can be financially daunting so Latitude’s model is to sell down smaller packages of practice shares to enable more people working in the practice to buy into their workplace.

NP ownership

GPs remain the vast majority of practice owners across the country, but the past decade has seen more NPs and nurses becoming practice owners.

Including the NPs that bought a Tū Ora practice this year and the Blenheim start-up by a group of nurses and an NP in which Marlborough PHO bought a supporting share.

Another example is NP Emma Hyslop who this year bought into the Dunedin practice, Musselburgh Medical Centre, where she had previously spent eight years as a practice nurse.

Mrs Hyslop says stepping into ownership was “always on the horizon” since she became an NP five years ago and her pre-purchase research included chatting to veteran NP practice owner Tania Kemp before she bought out a re-tiring director’s 1200 enrolled patient load to join the practice’s four GP directors. Mrs Hyslop says while NPs are still a minority of practice shareholders and directors more NPs are thinking of it as an option.

Māori and Pacific trusts

Making a bigger dot “presence” on the ownership map this time round are the trust and not-for-profit-owned practices with 128 dots.

Two rural community trust practices, in Roxburgh and Colville, fell off the map after staffing struggles saw them taken over by neighbouring GP-owned practices.

The Waitākere Union Health Centre has also gone after being sold to privately-owned Ōtāhuhu Health Centre (though it is still free to union members). One Māori trust satellite clinic dot in Te Puke was lost after closing its door.

But the trust dots have still grown, largely through a multiplying of Māori or iwi trust and Pacific trust practices. There are the three Māori trust practices sold or gifted from ownership networks and two new practices opened since the last map. In the Pacific trust arena, the Pasifika Medical Association Trust bought two Auckland practices and Hamilton's K'Aute Pasifika Trust bought, with 40 per cent support from Pinnacle, the Hamilton East Medical Centre.

A decade on our map is a colourful polka dotted story of changes in general practice ownership. What will that dot landscape look like in another decade one wonders?

The networks: Changes in past two years

CORPORATE/PRIVATE PRIMARY CARE NETWORKS

Green Cross Health

Owner: Listed on the NZX, multiple shareholders

- › 65 medical centres (up eight after bought 12 and closed/ merged four)
- › Enrolled patients: 429,000

Tāmaki Health

Owner: Majority owned by Australian private equity firm Mercury Capital

- › 49 medical centres (bought two and closed/merged two so total the same) NB: seven provide urgent care only
- › Enrolled patients: about 340,000

Tend Health/Better Health

Tend Health owner: Cecilia Robinson, James Robinson, Philippa Greenwood, Theresa Gattung and others; Better Health owner: 90 per cent Tend Health, 10 per cent Clinton Newbury and Sarah Manning

- › Tend Health has 11 Tendbranded medical centres (up eight after buying three, opening one and rebranding four Better Health practices)
- › Better Health has 12 medical centres (down three after buying three, selling two and four being re-branded Tend)
- › Enrolled patients (for combined 33 centres): about 140,000

South Link Health Services

Owner: South Link Education Trust

- › 26 medical centres (bought one, added satellite clinic, closed/ merged two, so total stays the same)
- › Enrolled patients: 138,000

OmniHealth

Owner: Gavin Pitt, Gordana Stojadinović, Mark Wills, Sanford Health and others

- › 19 medical centres (down one after buying

three, selling two and closing/merging three and reopening one as satellite)

- › Enrolled patients: about 85,000

Third Age

Owner: Listed NZX, Bevan Walsh, Michael Haskell and others

- › Six medical centres (one bought, one sold, so total same)
- › Enrolled population: 31,000 (including 5278 in residential care facilities)

PHO NETWORKS

ProCare

- › Six medical centres (up one)
- › Enrolled patients: 30,685

Pinnacle Midlands Health Network

- › 10 medical centres (down four after selling two, gifting one, closing/merging two and buying into new joint venture)

- › Enrolled patients: 74,400

Tū Ora Compass Health

- › Seven medical centres (three sold and three bought so total the same)
- › Enrolled patients: 57,300

East Health Trust

- › Seven medical centres (up two)
- › Enrolled patients: 50,706

New entries

- › **Pegasus Health:** Two medical centres (a new joint-venture practice with iwi plus 24 Hour Surgery)
- › **Kimi Hauora Wairau Marlborough:** Two medical centres (share in new practice plus Marlborough Urgent Care)
- › **National Hauora Coalition/ Toi Whānau Health:** One medical centre

No change

- › Whanganui Regional Health Network (four), Think Hauora (two), Nelson Bays Primary Health (two) and Te Hau o Te Ora – WellSouth joint venture with iwi (two)

TE WHATU ORA

- › Seven practices (unchanged)
- › Enrolled patients: 23,000

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