Ophthalmology New Zealand

9/11/2026

To: The Commerce Commission

Re: Cross-submission in response to the New Zealand Gynaecology application

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1. Introduction and Purpose

We understand from the Commerce Commission's recent interim and draft determinations concerning the application by the New Zealand Gynaecology Association Inc (NZGA) that the Commission is examining the operation and effects of SCHI's Affiliated Provider scheme (APS). Ophthalmology has participated in the APS with SCHI for approximately 15 years, beginning with cataract surgery. The scope of clinic-based services and surgical procedures covered by these contracts has expanded steadily and now accounts for the large majority of ophthalmic claims under SCHI policies.

This submission outlines the collective experience of ophthalmology providers with the APS. It is offered to assist the Commission's understanding of how the scheme has operated in a specialty that has been utilising it for a sustained period. We focus on the practical dynamics of negotiation, the effects on incentives and access, and the implications for workforce sustainability and patient care.

2. History of Ophthalmology Affiliated Provider Agreements with SCHI

When SCHI first introduced affiliated provider contracting for cataract surgery, the stated rationale was administrative simplification for members. In practice this required practice staff to enter claims data directly into SCHI's portal. Providers were advised that fee-for-service levels would be maintained on joining the scheme. This undertaking was observed for an initial period.

After a couple of years the character of negotiations changed. Practices would submit proposed prices and engage in discussion, only to be advised that the figures were "above market averages." After extended exchanges, SCHI would present a fixed reimbursement rate that was lower than the previous year's figure. Once one practice accepted a reduced rate, that rate became the new reference point against which other practices were measured. This pattern has repeated across the expanding range of ophthalmic procedures brought under AP arrangements.

The cumulative effect has been progressive downward pressure on reimbursement relative to the costs of delivering care. Individual practices face limited bargaining power when dealing with a dominant purchaser that covers a large share of private ophthalmic work.

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4. Effects on Incentives, Access and Workforce Sustainability

A uniform or insufficiently differentiated price schedule does not adequately recognise the difference between a routine procedure and a complex case that requires additional operating time, specialised equipment, multiple interventions or management of complications. This creates commercial incentives to prioritise simpler, more predictable cases. Providers remain subject to professional and ethical duties to act in patients' best interests; the tension between those duties and commercial pressure is real and is heightened when a single purchaser accounts for a large proportion of private work.

Where reimbursement does not reflect clinical complexity, there is a risk that providers become less willing to undertake cases that require longer operating times, additional resources or greater complication management. Patient care may also be affected if specialists withdraw from the APS because fees are unsustainable, reducing the number of available providers. This has already occurred in New Zealand and is particularly acute in regional areas with fewer specialists. The result is longer travel distances and/or longer waiting times for patients.

New Zealand faces a well-documented medical workforce shortage. Specialist qualifications awarded by the relevant colleges are recognised in both New Zealand and Australia. A significant proportion of specialists leave New Zealand shortly after completing training because remuneration and conditions in Australia are more attractive. Internationally trained specialists who come to New Zealand often move on to Australia after observing the financial differential. Sustained downward pressure on private fees contributes to this dynamic by reducing the overall financial sustainability of specialist practice.

If reimbursement remains below sustainable levels over time, practices may defer equipment upgrades, reduce service capacity, or reconsider recruitment and training investments. These effects are not confined to the private sector; they influence the overall capacity of the specialist workforce available to both public and private patients.

5. Public Benefit Considerations

The Commerce Commission's statutory role is to promote competition for the long-term benefit of consumers. In the context of medical services, a purely transactional analysis of price effects does not capture the full set of relevant considerations. These include the ethical obligations of practitioners, the structure of the specialist labour market (which extends beyond New Zealand), and the long-term capacity of the private sector to deliver timely, high-quality care.

SCHI's APS is designed to manage claims costs and thereby support the affordability of premiums for its members. That objective is legitimate. However, when a purchaser with substantial market share is able to set prices through sequential individual negotiations that progressively lower the reference point, the resulting fee levels may not support sustainable provision, particularly for complex work and in regional locations. Individual specialists have limited practical ability to decline terms that they regard as inadequate without also declining the opportunity to treat a large cohort of insured patients to whom they have ethical responsibilities.

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There is currently no transparent, independently verified base-cost methodology against which SCHI's proposed fees can be assessed. When each provider is negotiated with individually, the process itself can erode any shared understanding of the actual costs of providing the service. Over time this risks under-investment in capacity, technology and training.

Furthermore, all doctors registered in New Zealand are expected to adhere to the Medical Council of New Zealand's code of conduct "Doctors and health-related commercial organisations" which states that "For many commercial organisations, generating a profit is a principal goal, whereas your primary concern as a doctor must always be the care of your patients" (NZMC 2023). This means that in some situations medical specialists may be ethically obliged to agree to the remuneration offered by SCHI through the APS even though it may not be financially viable to do so.

6. Concluding Observations

Ophthalmology's experience indicates that the AP model, as it has operated to date, can produce progressive fee compression, limited genuine negotiation, and result in adverse effects on regional access and the willingness or ability of providers to take on complex cases. These effects are relevant to any assessment of whether the long-term public interest is served by the current balance of bargaining power between SCHI and specialist providers.

We recognise that cost control is a legitimate concern for a large not-for-profit insurer. We also recognise that collective arrangements among competitors raise competition issues that require careful scrutiny under the Commerce Act. Our purpose in making this submission is not to advocate any particular commercial outcome, but to place before the Commission the practical consequences that have arisen in a specialty that has operated under the APS for many years.

In our view, the current framework leaves a gap: a dominant private funder is able to exert significant influence over specialist fees and service design, taking advantage of ethical obligation. without a corresponding mechanism that ensures fees remain consistent with sustainable provision of high-quality care, including for complex and regional patients. Whether that gap is best addressed through this type of process, through broader regulatory consideration of health insurance provider contracting, or through other means is a matter for the Commission and policymakers. We simply record that, on present evidence from ophthalmology, the existing arrangements are placing increasing strain on the private specialist sector's capacity to deliver care on a sustainable basis.

We are available to provide further information or clarification if that would assist the Commission.

Yours Sincerely

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Dr Sonya Bennett – ONZ Board Chair

On behalf of ONZ Board of Directors

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