



29 May 2023

Daniel McCracken-Hewson  
General Manager, Merger Investigations  
Australian Competition & Consumer Commission  
Level 11, 1 King William Street  
Adelaide SA 5000  
Via: [mergers@accc.gov.au](mailto:mergers@accc.gov.au)

Dear Mr McCracken-Hewson,

**RE: Inquiry into the proposed acquisition of Healius Limited by Australian Clinical Labs Limited**

I am writing regarding the Australian Competition and Consumer Commission (ACCC) inquiry into the proposed acquisition of Healius Limited by Australian Clinical Labs Limited. The Royal Australian College of General Practitioners (RACGP) urges the ACCC to consider the potential impact of this merger on patient choice and access to affordable services. We understand that this correspondence is being sent after the initial deadline, however we hope you will take the RACGP's concerns into consideration in your deliberations.

The RACGP suggests the merger between Healius and ACL could lead to significant reduction in competition between pathology companies to the potential detriment of patients, particularly those in rural and remote areas. This should be considered by the ACCC in their determination on the proposed acquisition of Healius Limited by ACL.

The pathology industry in Australia is characterised by a high degree of concentration and regulated prices. Three companies dominate Medicare-billed pathology testing: Sonic Health Care, Healius, and Australian Clinical Labs (ACL). If this merger were to proceed ACL would become Australia's largest pathology business with more approved collection centres nationally than any other pathology provider in the Australian market. It is expected that this merger will have significant implications for competition in the pathology and diagnostic imaging sector, particularly given the high barriers to entry and the current level of competition in this sector. As such, this acquisition is likely to create implications for pricing and service availability and general practice viability.

A merger of this nature would give the new entity increased bargaining power with payers, such as government-funded healthcare programs or private insurance companies. This would have implications for pricing negotiations and reimbursement rates for services provided by GPs, and potentially increase costs for patients.



Maintaining a higher number of providers in the marketplace has allowed smaller companies to compete on the market margins, as we have seen in radiology provision in rural locations. Were there to be a contraction in providers, there is the potential that remaining large corporate companies would look to maintain a high return on investment for investors and abandon weaker-performing, quieter rural locations. We note this has been evident with other community services such as banks and post offices. This must be factored into any decision regarding the progression of this merger, including any conditions that the ACCC may place on this acquisition if it were to proceed.

It is likely the proposed merger will also result in changes to the way services are delivered, including potential restructuring of laboratory testing and diagnostic services. GPs rely on clinical laboratories for diagnostic tests and timely results, so any disruptions or changes to service quality, new workflows, or systems implemented by ACL, could impact general practice viability and patient care.

Finally, many general practices rely on pathology sub-leases to ensure they can continue to afford to provide care and remain financially sustainable. A decrease in market diversity and competition in this area could sway these arrangements to the detriment of general practices, impacting their financial viability and their ability to continue to provide patient care. This is of great concern to the RACGP given the importance of patient access to high-quality general practice care across Australia.

We urge you to consider the outlined ramifications of the proposed acquisition of Healius Limited by ACL in your deliberations, particularly regarding the impacts this acquisition could have on the general practice sector and patient care. We look forward to the release of your final decision and would welcome the opportunity to discuss this matter further or provide any additional information to assist in your review.

Please contact Ms Samantha Smorgon, Acting National Manager – Policy and Advocacy on (03) 8699 0566 or via [samantha.smorgon@racgp.org.au](mailto:samantha.smorgon@racgp.org.au) if you have any questions or comments regarding this letter.

Yours sincerely,

Dr Nicole Higgins  
President