

# The business side of pathology

By JOHN SAMPSON

Macquarie Pathology Services Pty Ltd, reputedly the largest pathology service in NSW, is but a part in the financial empire of a Sydney-based medical practitioner, Dr Thomas Richard Wenkart.

Over the past 10 to 15 years, Dr Wenkart says, he has expanded his relatively meagre business operations to embrace about 70 companies, with property the most substantial of his diverse interests.

It was property which started the empire, when Dr Wenkart as a medical student invested in Paddington terrace houses and carried out his own renovations.

But it is pathology services which have placed him reluctantly in the public light. Dr Wenkart and his pathology services are embroiled in controversy following allegations made last week to the Federal Parliamentary Public Accounts Committee.

Aside from the broader tangle of medical ethics, the law, and medicine as business, one of the more controversial issues is fee-splitting between doctors. This is an illegal financial arrangement in pathology where, for example, Dr X (usually a general practitioner) refers a patient to Dr Y (a pathologist). Dr Y bills the patient and then splits the fee with Dr X.

Under this arrangement, the financial incentive can easily lead to money overriding the health interests of the patient.

A Penrith pathology specialist, Dr Dermer Smith, told the committee that complex corporate structures could be set up by pathology companies which allowed fee-splitting arrangements to remain within the letter of the law. Dr Smith also accused pathology companies of "cutting corners".

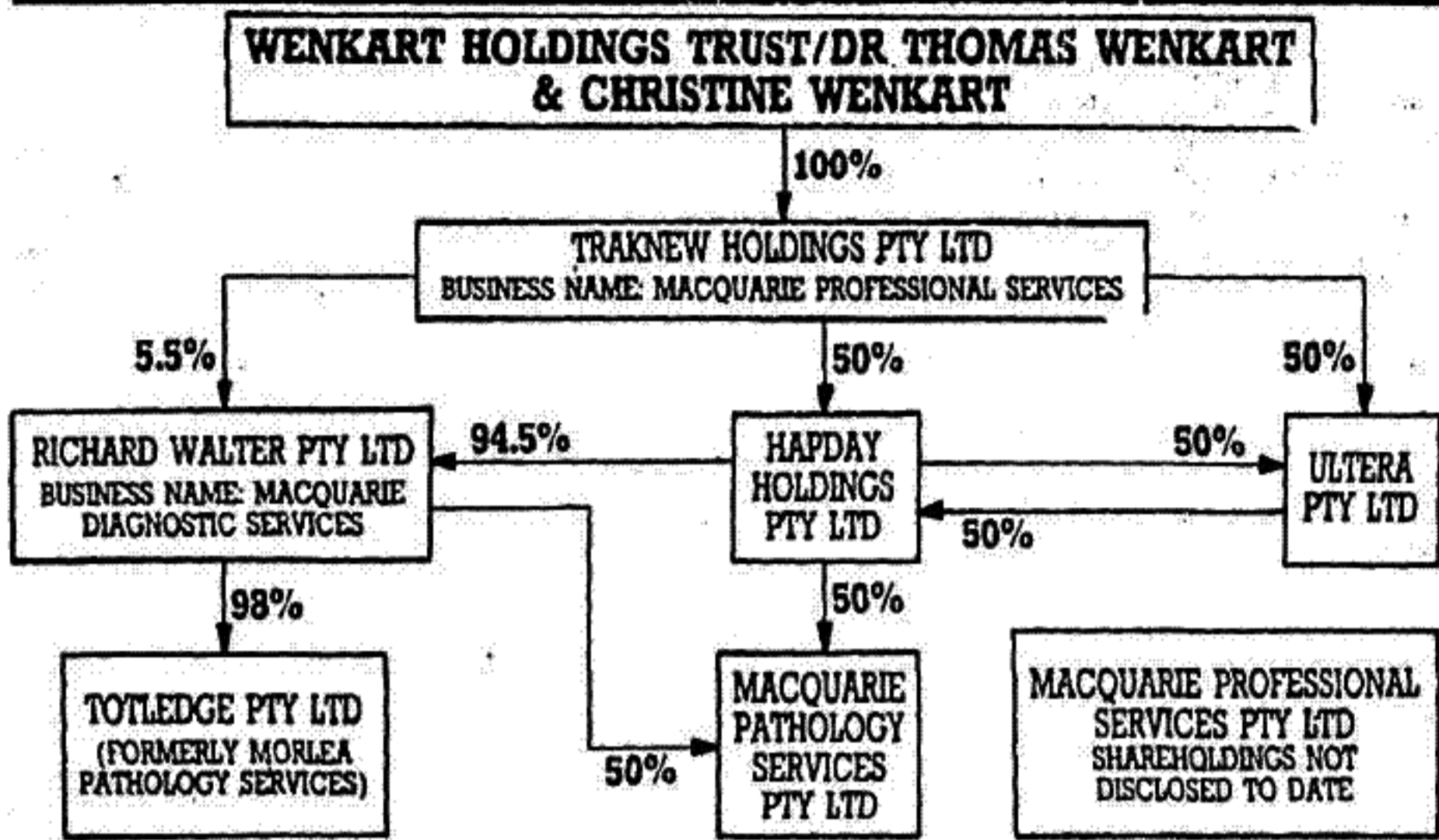
He cited Macquarie Pathology Services in Leichhardt as an example.

The allegations against Macquarie Pathology are vigorously denied by both Dr Wenkart and Dr Ross Sutton, general manager of operations of Macquarie Professional Services, a company closely associated with Macquarie Pathology.

They also denied that any companies associated with Dr Wenkart had offered financial inducements to doctors to refer patients' tests to them, as alleged at the committee hearings.

Dr Wenkart has challenged any doctor to come forward with a claim that inducements or fee-splitting has occurred or been

## DR WENKART'S PATHOLOGY COMPANY TREE



offered by any of his medical companies.

With technological advances in the late 1960s, pathology has become big business. Dr Wenkart's pathology group is but one of many which have ridden on the back of the technological advances.

For administrative and financial reasons, many of the pathol-

ogues are operated by Dr Smith or any number of pathologists.

A spokesman for Dr Smith's practice, Barratt, Smith, Harrison and Clarke - about the seventh largest pathology service in NSW - said it sent tests to a related organisation, the Tadula Trust (formerly Bartimaeuf Pathology Services), for computer analysis. The analyses were then returned

(APP), "or on behalf of" the APP.

This has led to two major problems, according to the report. ● Legalised fee-splitting, whereby an APP effectively "sub-contracts" tests to another APP, a laboratory or some other establishment in return for splitting the Medical Benefits Schedule (MBS) fee.

● Major questions surround the appropriateness of paying specialists' fees for tests done by a pathology group which has one or few specialist pathologists on staff, and/or operates a chain of laboratories where testing is done by technicians.

The Public Accounts Committee recommended (Recommendation No 15) that the Health Insurance Act be amended to prohibit fee-splitting.

Dr Sutton said work contracted to Macquarie Professional Services from outside accounted for only 10 per cent of its pathology tests, with the rest coming from Macquarie Pathology.

He also said Macquarie Professional did contract work for government departments and large private companies, particularly in occupational health.

Macquarie Pathology Services employs five pathologists and three PhD scientists.

At the top of the Wenkart corporate tree sit Wenkart Holdings Trust and Dr Wenkart with his wife Christine.

Directly beneath, and controlled by them, lies Traknew Holdings Pty Ltd (Traknew is Wenkart spelt in reverse), and beneath Traknew lies a wealth of companies of which the accompa-

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ogues separate their technical side, where computers analyse blood samples, and their medical side, where pathologists interpret the results, into two or more individual companies.

According to Macquarie's Dr Sutton, who is a former senior Health Department adviser on the Government's Pathology Review Committee, Macquarie Professional Services provides the computerised pathology service which then sends the computer analysis back to Macquarie Pathology Services, where the results are interpreted by pathologists.

Macquarie Professional Services Pty Ltd employed 500 to 600 people ranging from couriers and accountants to laboratory staff, Dr Sutton said.

The company did not have any pathologists on staff but performed technical analysis of pathology samples. It was a similar company structure to that

to the pathologists' company for interpretation.

The spokesman claimed that all the pathology work was done within the group of companies.

In contrast, Macquarie Professional Services is contracted by outside organisations, for example Dr Geoffrey Edelsten's pathology service, Omniman Pty Ltd, to carry out tests.

Macquarie Professional Services performs the test and sends the technical results back to Dr Edelsten's company. Omniman is charged a fee by Macquarie Professional Services based on the work performed.

The Parliamentary Accounts Committee Report on Medical Fraud and Overservicing - Pathology (Report No 236) has identified a form of "legalised fee-splitting".

The report says that under the Health Insurance Act, pathology services may be rendered by the approved pathology provider

nying table concentrates on the Macquarie companies.

All the companies in the table have their registered business office at 4 Help Street, Chiswood. The Wenkart Foundation, a registered charity, is also listed in the telephone directory as being at that address.

Macquarie Professional Services is the successor to Preventicare Pty Ltd - Dr Wenkart's venture with Dr Edelsten into the world of technological pathology.

Preventicare Pty Ltd began as a financial disaster, but was turned around with the aid of a liquidator and the introduction of Medicare. By 1975 (under the new name of Morlea Pathology Services) its annual profits were reportedly \$2.5 million to \$3 million.

Morlea Pathology Services Pty Ltd changed its name to Totledge in 1978, and is now inoperative.

No balance sheet has yet been lodged by Macquarie Professional Services Pty Ltd, as it was only incorporated last year, and it is thus impossible to establish if the company is running at a profit or a loss. However, a search does show the directors are Dr Wenkart and Mr Geoffrey Holden.

On the board of the majority of Traknew subsidiaries are Dr Wenkart (in the earlier company reports listed as medical practitioner but more recently listed as medical administrator), Mrs Christine Wenkart (listed as housewife), Mr Geoffrey Holden (listed as the group's financial controller) and Mr Gary Weiss (listed as a business executive and as residing in Los Angeles).

The companies have made substantial loans amongst each other, although the latest balance sheets available indicate fairly modest performances.

According to the latest balance sheets lodged with the Corporate Affairs Commission, Traknew Holdings recorded a \$19,031 loss for 1983.

Of other Wenkart companies, Hapday Holdings turned in a meagre \$2,917 profit for 1984, Macquarie Pathology Services registered a \$202,018 profit for 1983, Ultera has never carried on as a business and Totledge has registered a \$6 loss and was also untraded.

Profit and loss statements were not available for Richard Walter Pty Ltd but the auditors have lodged accounts showing substantial loans.

Dr Wenkart describes Richard Walter as the group's banker.