Private Healthcare Australia

Better Cover. Better Access. Better Care.

The road *Out of* Perdition

INTERNATIONAL FEDERATION OF HEALTH PLANS

Journey to save €500m extracted from health funds annually by big medtech

Private Healthcare Australia (PHA) represents 23 registered health funds throughout Australia and collectively represents 98% of people covered by private health insurance.

PHA member funds today provide healthcare benefits for over 13 million Australians.

"The margins are not just moderate — in many cases they are beyond belief and can only lead an observer to the conclusion that somewhere in the supply chain, whether it be prostheses suppliers, hospitals, or others involved in the purchasing system, the consumer is being exploited."

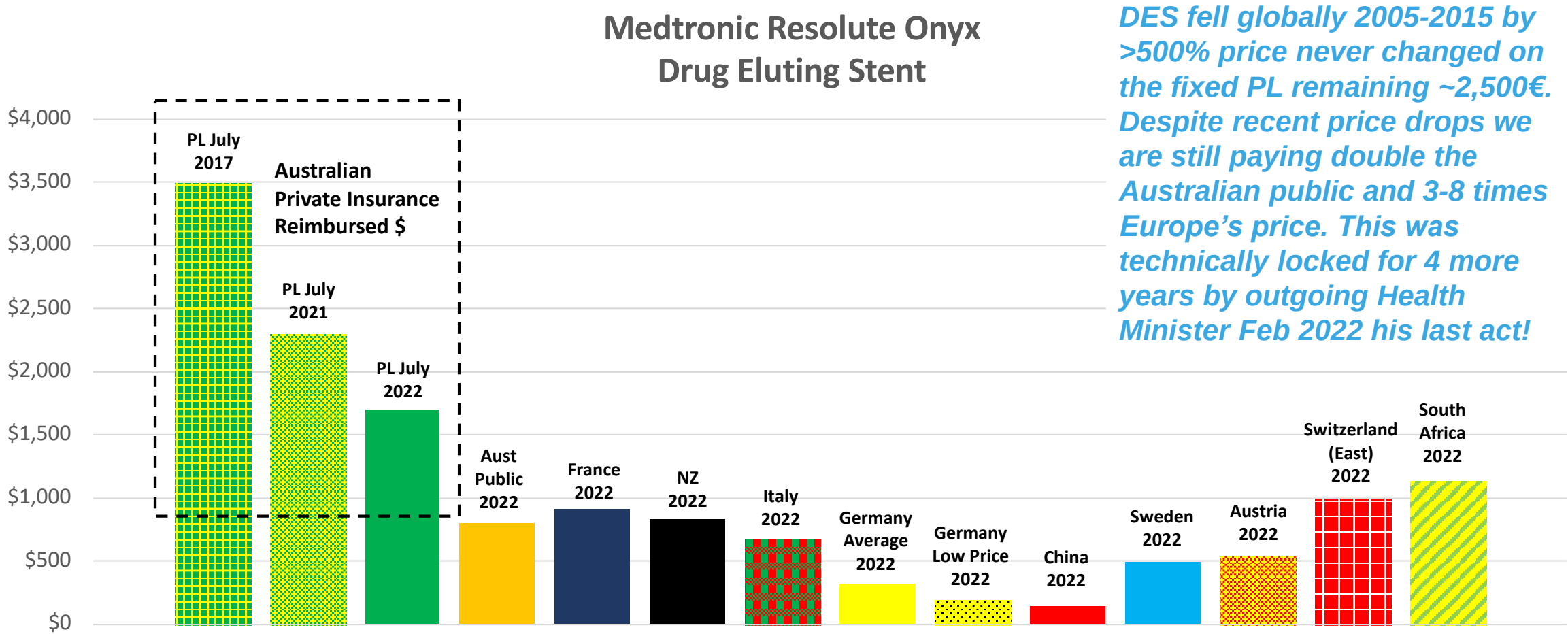
Prof Graeme Samuel (ex ACCC) chair 2015/2016 Senate Inquiry on PHI device price

"It's big business: private hospital insurers in Australia pay out more than $2 billion each year in benefit payments for prostheses, accounting for more than 12 per cent of all benefit payments. Yet the way prosthesis prices are set is part Soviet-era price control and part Monty Python sketch. The setting arrangement is a dead parrot and ought to be recognised as such despite the squeaking and squawking of those who profit from the current arcane system."

Prof Stephen Duckett Grattan institute 2021

Starting from a low base 2015-2017….

- Under the Prostheses List (dating back to 1985) medical device suppliers were able to set their own price without negotiation / without competitive tension.
- Once one supplier secured listing (all others could claim equivalence even if the first falsified claims)! Skin glue claimed as Internal wound closure (contraindicated), others piggyback in as comparator
- Prostheses List managed by Federal Government who failed to perceive they bore any risk (set and forget) in devices as they do with pharmaceuticals
- PHI funds are mandated to pay the invoice amount even when used off label and in a dangerous manner (Medtronic Infuse A$500m spent over 15 years, all off label to TGA and IFU).
- The Health Minister signed a 4-year price deal (2017) without payer input that ensured even if fraud was committed and proven, PHI has to pay under his agreement!
- Prices between 40-1400% higher than the ROW and generally 40-300% higher than the much smaller collective 6 state public systems (PHI is 60-90% of Australian volume for most high-end devices yet pays a massive premium).



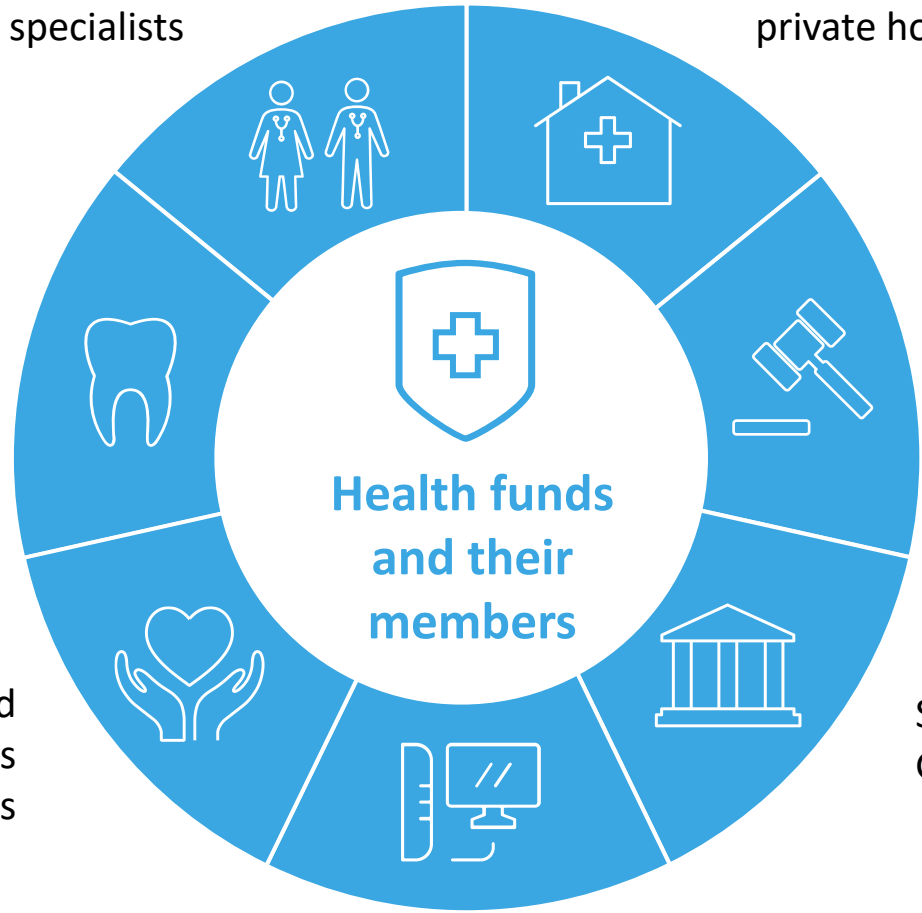
DES fell globally 2005-2015 by >500% price never changed on the fixed PL remaining ~2,500€. Despite recent price drops we are still paying double the Australian public and 3-8 times Europe's price. This was technically locked for 4 more years by outgoing Health Minister Feb 2022 his last act!

Our stakeholders – PHI funding is highly contested

Medical specialists

Public and private hospitals

Dental and allied health professionals



Regulators

Australian Government Department of Health

ACCC Australian Competition & Consumer Commission

Australian Taxation Office

APRA Australian Prudential Regulation Authority

ASIC

Commonwealth Ombudsman

Preventive and wellness services and providers

State and Federal Governments

Technology suppliers

There are active enemies and coerced collaborators against price change

News & Trends – Medical Technology

Health insurers must not wriggle out of paying for essential medical devices, says Catholic Health Australia

MTAA priorities

MTAA spending on advocacy – whether through representations to MPs, briefings of journalists, submissions to inquiries such as the Harper Review on competition policy, or membership of official working groups – is not publicly available.

Its annual report does not detail the number of health and industry ministers who were met, the backbenchers visited or officials who were encouraged to see the world through the eyes of the MTAA's largest members.

'It's a disaster': Private hospitals warn surgeries at risk amid funding stoush

In practice, the MTAA gets more traction by shaping the terms of debate through participation in official working parties and advisory groups. These entities are unrecognised by non specialists but increasingly – through hollowing out of capacity within government – do the heavy lifting in policy development and prioritisation.

The MTAA is quietly influential. Quiet because its activity as an industry advocacy body is often only known to policymakers and specialists. Quiet because it has not sought to capture the mass media.

It's influential because it persuaded the government, in responding earlier this month to the Review of Medicines and Medical Devices Regulation (aka Sansom Review), to reject the recommendation to establish mandatory registries for use of high-risk implantable devices such as hip joints.

Those registries would be overseen by the Therapeutic Goods Administration (TGA), the industry-funded national drugs and devices regulator.

The MTAA explained its opposition to the registries as a cost concern for industry and an inhibitor of innovation, claiming that establishment and maintenance of the registries would be extremely expensive.

AMA rejects call to re-hash Protheses List reforms

Published 19 August 2022

The AMA has rejected calls from Private Healthcare Australia to re-hash Protheses List reforms, saying current reforms strike the right balance, having gone through extensive consultation before implementation.

Ophthalmology Predicts Dire Consequences of Prostheses List Reforms

Patient outcomes and access to innovative ophthalmic devices are at risk as the Government begins implementing a series of reforms to the Prostheses List (PL) this month, according to leaders among Australian ophthalmologists.

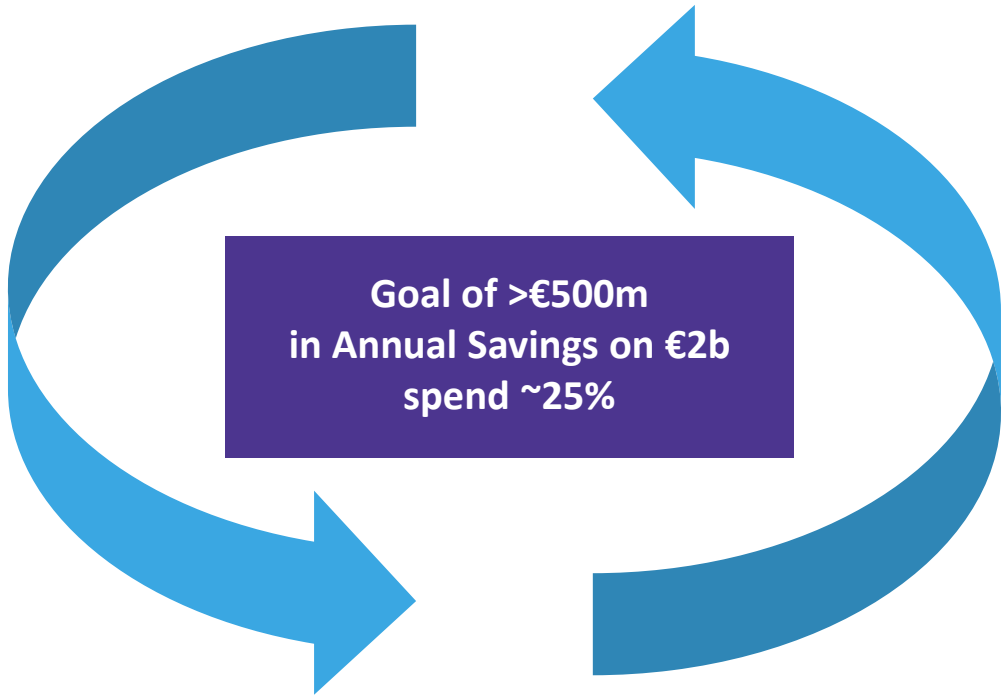
With many well funded enemies, this is a 5-10 year fix, locking in progress!

Proactively direct and engage on Government driven system change i.e. listing process and structure/benefit mechanisms

Identify patient risk resulting from perverse payment structure, focus on clinical value over benefit mechanisms

Display to stakeholders inc. AMA the cost of over-spend on devices impact to their income and patient levels through PHI affordability

Invest in Device Experts who know how the system is gamed



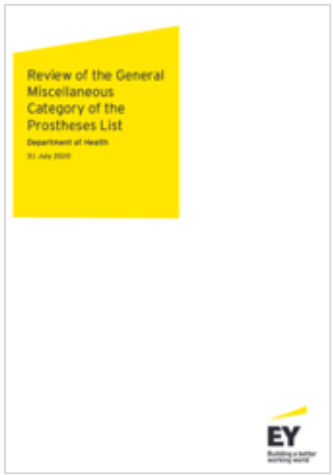
Showcase alternate funding models, engage key govt advisory IHPA, Grattan Inst etc drive *urgency* for change

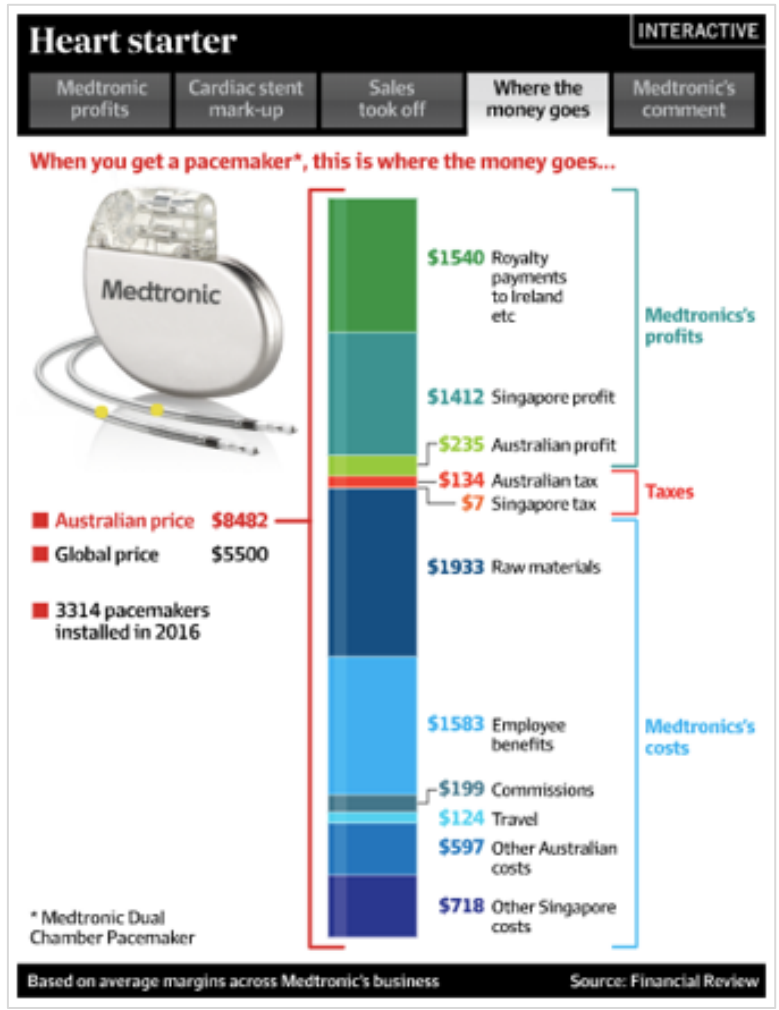
Accept a 5-10 year time view to bank annual wins, move from passive payer to driver for change

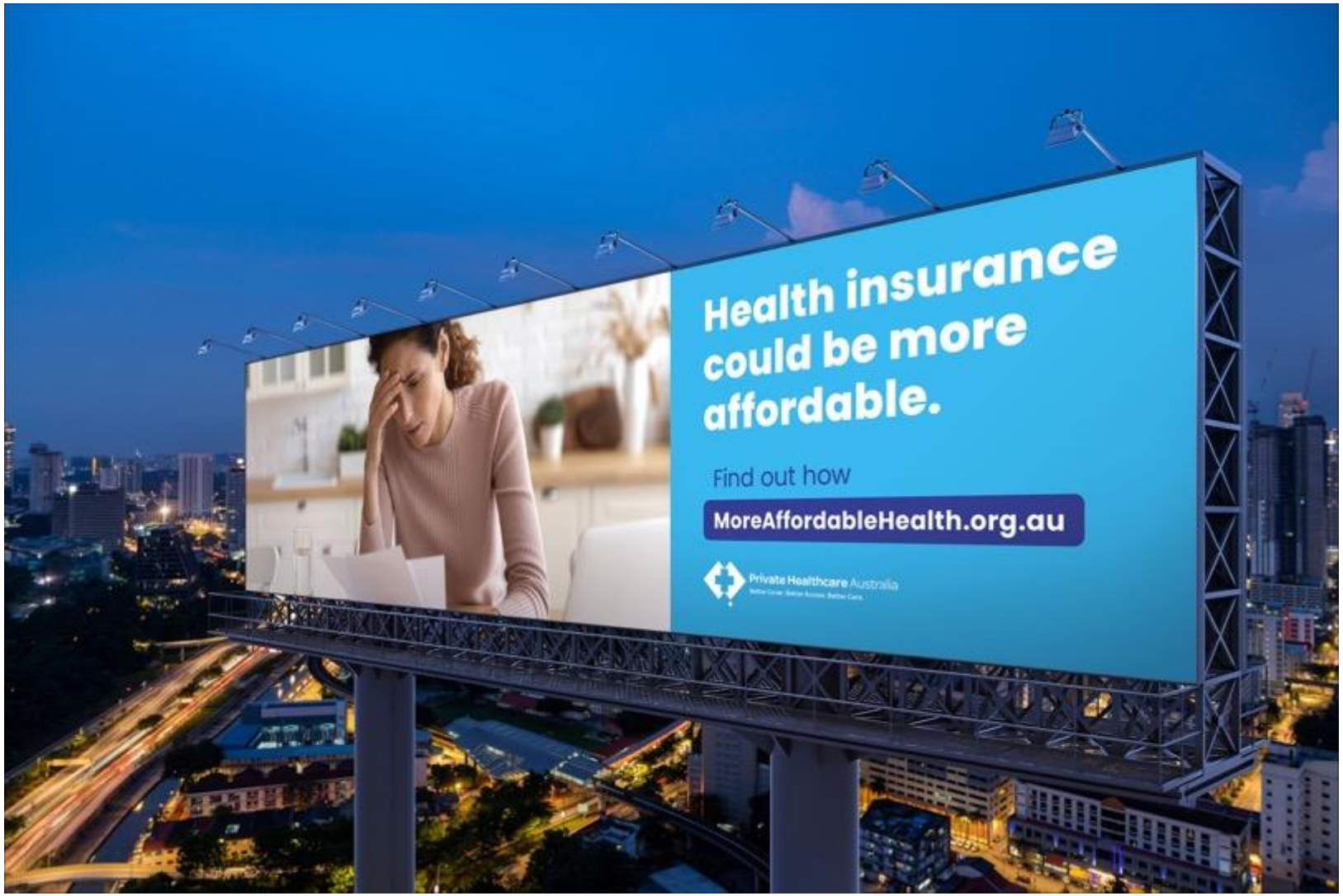
Engage media on evidence of fraud

Re-Focus role of PHA in dealing with device listing – aggressive role in PLAC

PHA has worked through every possible channel to campaign for change






Health insurance could be more affordable.
Find out how
MoreAffordableHealth.org.au
Private Healthcare Australia

1. Identified/remove over €30M in false and overstated listings. I.e. Items that claimed to be something they were not. Every $ saved is a 100% returned to PHI members

3 from Johnson&Johnson

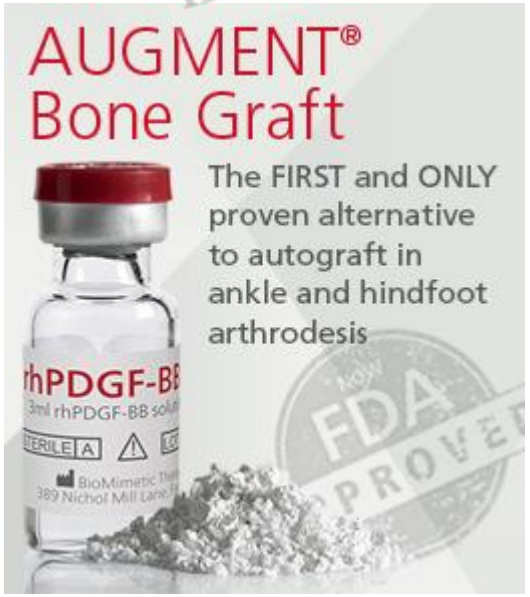
Bolt eligible for $45 in an external fixator claiming to be $1,023 in clamp assembly

All J&J standard metal 36mm ball heads eligible for A$671 claiming A$2,022 as Metal on Metal resurfacing heads

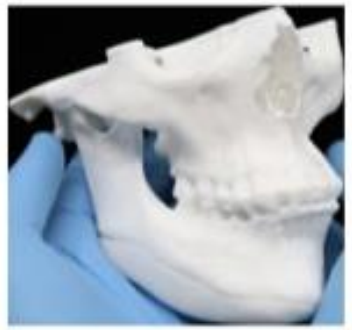
Catching barbed sutures ineligible for PL listing but listed by J&J as a **Knotless Tissue Control Device**!

2. Removed or restricted excess use worth over €35M a year of items that are potentially harmful, were used off label or contraindicated

Medtronic product removed from market in Australia, which is now investigating its use



3. Blocked over €60M a year in items, with the Department of Health (30% rejection on around 1800 items p.y.) that formerly slipped through on hidden codes, non-compliant listings and low value care (controlled through conditional listing)



4. Return €150M of fixed price PL consumables to hospital / insurer negotiated contracts, removing over charging and deliberate waste a likely saving of €50M

'It's a disaster': Private hospitals warn surgeries at risk amid funding stoush

Review of the General Miscellaneous Category of the Prostheses List

Department of Health

31 July 2020

Private hospitals face $250m blackhole ...

theaustralian.com.au

5. Work closely with the Department of Health and clinicians to redesign the PL to remove non evidence-based derived sub groups and prefixes, that may offer a further €50-150M in savings

Regrouping of the Prostheses List

Objectives

- Achieve clear mutually exclusive definitions of groups and subgroups to facilitate allocation of new products to an appropriate group
- Reduce the number of current groupings to improve efficiency and clarity of the list
- Align with the potential use of HTA methods to set PL benefits
- No unintended clinical consequences
- No unintended economic consequences
- Support the ability to collect data – whilst not reducing clinician and consumer choice.

Australian Government
Department of Health

Overall, the proposal represents a 78% consolidation of the Hip Category from 195 unique groupings to 43 (Table 1).

Table 1 Number of current and proposed groups

	Subcategories	Groups	Subgroups	Unique suffix grouping combinations	Total	% reduction
Current	4	50	70	71	195	
Proposed	5	14	24	0	43	78%

6. Work with the Department to change the process of PL listing. Suppliers' approved MBS will be locked to the billing code, avoiding current bait and switch where items are pushed into low value care high volume procedures this should save over €50M a year and avoid another pelvic mesh patient disaster!

The Prostheses List reforms

The Government committed $22 million in the 2021-22 Federal Budget to improve the prostheses list and its arrangements. The Prostheses List Reform Taskforce, working with insurers, hospitals, manufacturers and clinicians, will ensure the list will be more efficient, transparent and current.

Good afternoon,

The Regulation and Reimbursement Transformation Team (RRTP) are writing to invite you to participate in discovery user research for the Prostheses List (PL) Publish component within the Health Products Portal.

The Discovery sessions aim to give us an understanding of the user experience involved in accessing and using published Prostheses List data.

In this one-hour session, we will ask you questions about the data itself, how you use it and the mechanisms you use to consume the data. From your experience and knowledge we can determine current pain points with the current process that need to be solved.

Regards,

Health Products Portal Support
Regulation & Reimbursement Transformation Program

Technology Assessment and Access Division | Health Resourcing Group
Australian Government Department of Health and Aged Care
T: 02 6289 7627 | E: HPP.Support@health.gov.au
PO Box 9848, Canberra ACT 2601, Australia

The Department of Health and Aged Care acknowledges First Nations peoples as the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to all Elders both past and present.

7. Work with the new Labor government to return to the budgeted reform. process of the Department of Health overturning the unilateral deal struck by the former Minister and the MTAA on his last days in office, this should put €150M in savings back in play

"At exactly one minute prior to the organised time for the videoconference the PHA CEO receives a one-page document from the Minister's office which appears to be a summary of a further agreement between the government and the MTAA," says the document.

Under this new memorandum, the projected savings in the first year had been reduced from $140 million to $90 million. Some promised measures were delayed and there also was "the addition of a 7-20% surcharge on implants purchased for private patients".

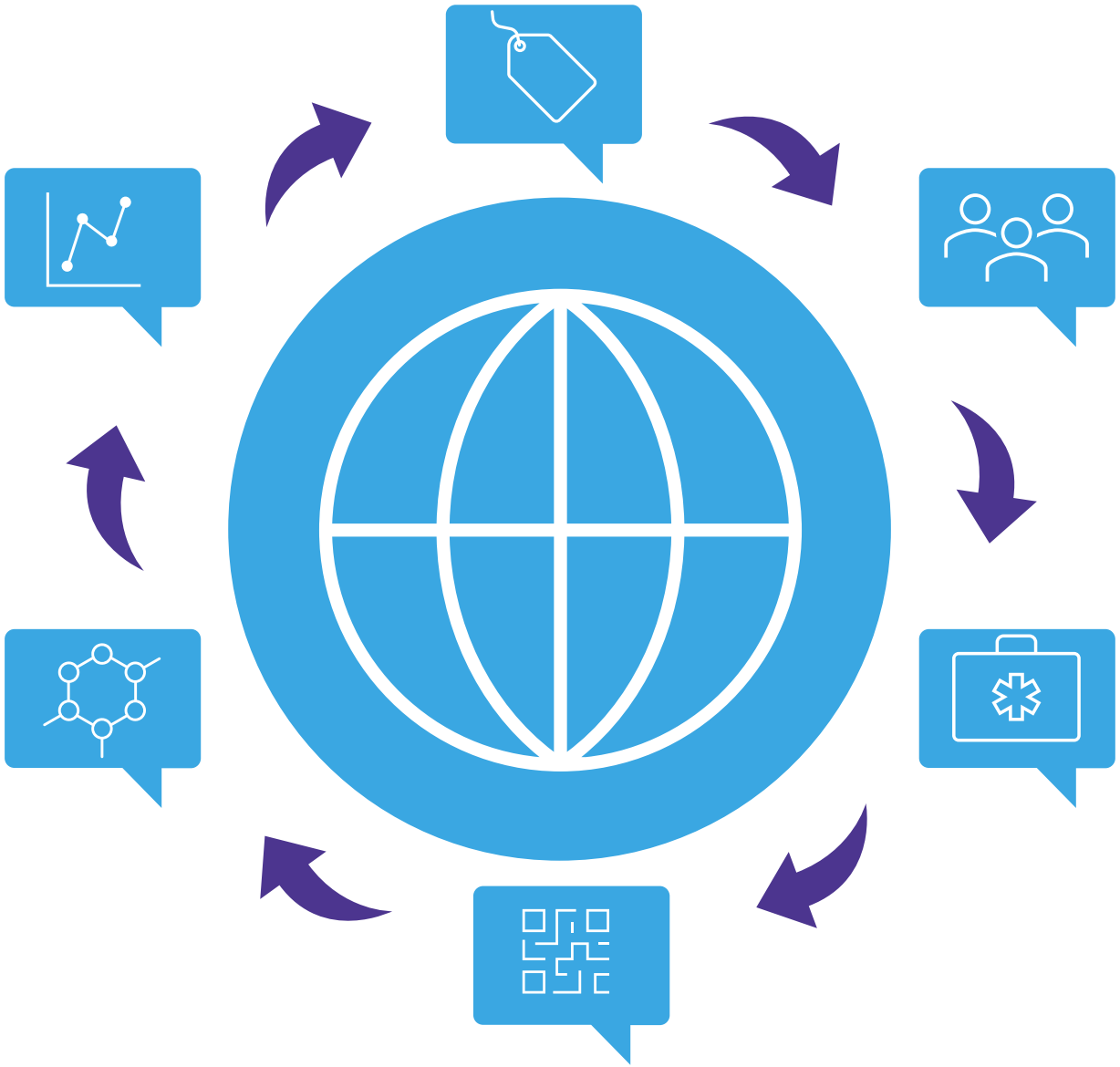
The details had already been released to the media and were being published as David waited for the call.

In his reply, a couple of weeks ago, **Murphy said the department did not believe the agreement between the minister and the MTAA was legally binding and that "the Department is not a party to the MoU. Rather, the MoU sets out an understanding between the former Minister and MTAA in respect of certain intentions for future PL [prostheses list] reforms".**

In 6 years what have we achieved?

- Some reduction in fixed benefits tied to public sector price
- Greatly improved rigor in process to assess and price new items
- Consumable, non-implantable items removed from benefits list and subject to contract pricing
- Pricing now set by an independent body using market data
- Compliance unit established in Department of Health to reduce fraud and gaming
- Review of categories of dubious efficacy or not providing value for money eg 3D printed biomodels, neurostimulation devices and pelvic mesh

What next for Australia?

- Introduce international reference pricing
- Conditional listing to restrict sales reps pushing the use of products outside the approved indication
- Improved post-market surveillance and registry work
- Better controls on the number and activities of sales representatives
- Proper Code of Conduct for the medical technology sector with reporting on sales & marketing activities and benefits provided to doctors
- Mechanisms to lower benefits for and ultimately eliminate under-performing products
- Tax reform to prevent transfer pricing and other tax avoidance mechanisms used by big medtech, which take advantage of Australian prices

How shall we collaborate globally?