Private Healthcare Australia

Better Cover. Better Access. Better Care.

# Health Technology Assessment Review

**June 2023**


## Contact:

Ben Harris – Director Policy and Research

0418 110 863

ben.harris@pha.org.au

## About Private Healthcare Australia

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have over 20 registered health funds throughout Australia as members and collectively represent 98% of people covered by private health insurance. PHA member funds provide healthcare benefits for more than 14 million Australians.

## Response

PHA welcomes the opportunity to make a submission to the Health Technology Assessment (HTA) Review. While recognising the terms of reference are predominantly related to medicines, per the terms of the agreement with Medicines Australia, PHA notes that the reimbursement and HTA processes for different health technologies in Australia are fundamentally different. This results in poorer quality care for consumers, as technologies which are assessed differently are much more likely to have differing availabilities, differing access regimes, and different costs and benefits. Each of these differences may result in skewed incentives for providers, and consumers receiving suboptimal treatment.

In particular, medicines are assessed differently to medical devices. Public value changes to the Pharmaceutical Benefits Scheme (PBS) have resulted in significant benefits to the community – the assessment and funding regime for medical devices has not been subject to the same discipline.

PHA recommends that the HTA Review consider the public benefit of competitive neutrality between health technologies to ensure that consumers are offered the best technology for their health condition. This would mean that the assessment and funding processes for medical devices would be aligned with pharmaceuticals, reducing distortions in the market.

This approach would address objective five of the HTA Review, identifying perverse incentives.

Some examples of public value improvements to medicines policies that have not been implemented for medical devices include:

- **Reference group pricing**. The PBS uses reference pricing for generic clusters and for groups of drugs with similar safety and health outcomes that can be used interchangeably (therapeutic groups). Medical devices are assessed on comparators based on the functions of the device, absent the rules imposed by the Pharmaceutical Benefits Advisory Committee (PBAC) on selecting the most suitable comparator. The Government has flagged an intention to regroup the Prescribed List of Medical Devices and Human Tissue Products (the PL) in line with clinical groupings, but this work has been delayed.
- **Ensuring benefits of competition**. The PBS uses two formularies. Formulary One consists of drugs which have only one brand each; Formulary Two consists of drugs which have two or more brands each. When a competitor comes onto the market, prices are reassessed to ensure the consumer benefits from competition. No such mechanism is used for medical devices.
- **Considerations on pricing**. The PBS has a number of rigorous processes to assess economic value, international pricing comparisons, and post-market reviews. Many of these processes are absent with medical devices, in particular, consideration of international price benchmarks. When setting prices, PBAC has options including reference pricing, cost-plus

pricing and other mechanisms to improve public value. Further, the PBS may use risk-sharing arrangements to protect public value, a mechanism unavailable for devices.

- **Limitations on usage**. PBAC considers the scope for use of the drug beyond any restriction for subsidy, and the extent to which a restriction can be constructed that satisfactorily distinguishes use that is acceptably cost-effective from use that is not cost-effective. In contrast, many items on the PL have been assessed and approved for one purpose but are commonly used for a different purpose. Once an item is on the PL, it must be subsidised by health funds without regard to quality, efficacy, efficiency or safety.

The result has been a system where medical devices are overpriced in Australia and used for low value care. Australians are paying too much for generic commoditised medical devices, which drives up private health insurance premiums for 14.5 million Australians.

The Australian Government is working towards many of the aspects of competitive neutrality between medical devices and pharmaceuticals, but there is a long way to go. It's difficult to marshal an effective argument why medical devices and pharmaceuticals should be treated differently, and PHA urges the HTA Review to recommend similar approaches be used for different technologies to improve public value and reduce perverse incentives.