

How medical device funding needs to change



The problem

- Medical device prices in Australia are the highest in the world
- The current system (the Protheses List) is prone to error and rorting, with 11,000 individual components listed
- Some prices are outrageous (such as washers for \$90, some screws over \$1000)
- Even common devices such as knee replacement parts or drug eluting stents are more than twice the price of some comparable markets
- Volumes of prostheses charged is increasing much more than volumes of surgery.
- Many of these extra devices are unnecessary add-ons – for example, screw caps for spinal surgery increased by 140% last year.
- Medical device cost growth is the largest factor in premium increases for Australian families with private health insurance



The challenge

- Shift some of the extraordinary profits from big multinational device companies to Australian consumers, Australian doctors and Australian hospitals
- Ensure access to medical devices, which save and improve lives
- Reduce rorting and increase transparency



Our solution

- Move to bundled payments rather than paying list prices for individual components
- Introduce independent pricing for the bundled payments, with competition between providers
- Allow hospitals to negotiate on price to get a better deal



What will happen with our plan?

- The Independent Hospital Pricing Authority will look at prices in the public system and overseas and set a bundle price by procedure
- Doctors and patients will have access to a full range of medical devices (maintaining choice)
- There will be no co-payments
- Where patients have need for more expensive devices than the average, doctors will be able to access more funding through a simple declaration form
- Medical device costs in Australia will fall gradually – our plan still has us paying the highest prices in the world for many years to come
- Our plan will save about \$500 million by the fourth year, shared between consumers and hospitals.
- Health funds will not profit from any savings made from this reform - in contrast to big medtech seeking to protect supernormal profits and funnel them offshore.

