

# Media Release

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Private Healthcare Australia  
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## Health funds offer rescue package to private hospitals in genuine need

Health funds have today put forward a proposal offering short-term financial assistance for private hospitals in areas of need that are providing essential services for health fund members.

Following the Health Minister's request for urgent measures to assist private hospitals, health funds are proposing an increase in payments to hospitals with clear offsets designed to protect consumers, rather than drive up the cost of health insurance premiums.

Under the proposal taken to the CEO Forum set up by Health Minister Mark Butler, a hardship package will be provided to hospitals that open their books and can demonstrate a genuine need for short-term funding assistance in areas where there are no other private hospital services nearby. The assistance will be provided to ensure ongoing provision of services.

This proposal will be implemented on the condition the Federal Government agrees to implement promised reforms to bring the cost of medical devices and surgical supplies in the private sector down to match the prices for public hospitals. Both health funds and hospitals have previously agreed the price of medical supplies are too high in the private system where some items cost up to 100% more than global benchmark prices.

There is currently a 7-20% surcharge imposed by the Federal Government on medical devices provided to private patients. Health funds are proposing this surcharge be provided to hospitals as a one-off from July 1 rather than to medical device companies. This would transfer around \$84-120 million to private hospitals. But in the longer-term, the reduction in pricing for items on the Prescribed List needs to be returned to members through lower premium increases.

This proposal will reduce costs in the *private* system without compromising care or driving up health insurance premiums for the 15 million Australians contributing to their own healthcare.

In the past two years, health funds have provided more than \$270 million in financial assistance to private hospitals outside of their standard contracts to deliver services. The Federal Government has provided \$1.5 billion to assist private hospitals during the pandemic via the Private Hospital Financial Viability Payment (FVP).

### About the 'Prescribed List' (PL) of Medical Devices and Human tissue

The PL is managed by the Commonwealth Department of Health and Aged Care and includes more than 10,000 items with minimum prices that insurers must pay. Most of these are commonly used 'generic' items.

It is one of the few remaining systems in the world that regulates prices for surgical implants and supplies on a fee-per-item basis. It is inflationary because prices for many items have been fixed at 30–100% more than global benchmarks and there are no regulated controls on volume. These inflated benefits have led to a 'shadow economy' of financial rebates and other benefits paid to doctors and hospitals by big multinational suppliers to

*Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds. Over 15 million Australians (55% of the population) have private health insurance.*

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secure continuing sales. There is no evidence the quality of patient care is enhanced because of these high prices or the volume of devices used.

Prices are higher than international benchmarks because they are negotiated between the Australian Government and medical device suppliers without input from payers such as private health insurers. This means Australians pay 70% more than New Zealanders for a hip replacement stem, for example, and 30% more for a drug eluting stent.

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