

Media Release

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Private Healthcare Australia
Better Cover. Better Access. Better Care.

Morrison Government must act now to stop 'Australia Tax' on common medical devices driving up health insurance premiums

The inflated price of medical devices continues to be the largest factor increasing premiums for Australian families with private health insurance.

Benefits claimed for generic medical devices are skyrocketing, rising at 2.5 times inflation, and out of proportion to the number of procedures performed, including during COVID-19 lockdowns.

Private Healthcare Australia CEO Dr Rachel David said data released by APRA today confirmed that reform of the Government's Protheses List (PL), which fixes pricing for medical devices in Australia, was critical to improve the affordability of private health insurance and ensure accessibility of health care.

"With increasing pressure on the public health sector and blowouts in waiting lists for surgery around Australia, private health insurance has become more sought after than ever before," said Dr David.

"Unfortunately, after years of negotiations and numerous promises as recently as this year's Federal Budget that PL reform was imminent, Australians are still paying the highest prices for medical devices in the world. It's time for the Morrison Government to act on reforms outlined in the Budget to bring prices in line with the rest of the world.

"Under the Government's current pricing agreement with big multinational medical device companies, patients are forced to pay 30-100 per cent more for the same medical devices compared to France, New Zealand and the UK, and this is reflected in health insurance premiums.

"Premium rises above inflation will impact people and families already facing cost-of-living pressures as Australia moves out of the pandemic.

"Health funds don't want to increase premiums by a single dollar but as the latest APRA data shows, medical device claims are continuing to grow out of proportion to the number and type of procedures performed, and as these costs keep rising, they impact PHI premiums.

"Compared to the year to September 2019 (pre-pandemic), the benefits growth in medical device (protheses) claims for the year to September 2021 was 6.6 per cent, again outstripping the benefits growth for medical services at 4.6 per cent and total hospital benefits paid at 3.8 per cent.

"Approximately \$6.2 million is spent on medical devices in Australia every day. Around \$2 million every day is shipped offshore in supernormal profits for big multinational medical device companies.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 23 Australian health funds with a combined membership of over 13 million Australians, or 97% of the sector on membership.

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“Despite claims by vested interests who gain from this fixed pricing arrangement, PL reforms will not result in patients having to pay for medical devices, nor will they limit doctor choice or the availability of medical devices. The Government’s promised reforms are targeted at big multinational medical device companies who dominate the Australian market and have been price gouging Australians for years.

“The Government needs to stand up to multinationals and private hospitals who benefit financially from overpriced medical devices and urgently implement the PL reforms they committed to in the Budget. These reforms would stop health insurers being forced to pay \$10 billion more for medical devices over the next five years and keep pressure off premiums.”

APRA data confirms that more Australians than ever before are opting for private health insurance. In the year to September 2021, there has been an increase of 1.8 per cent in the number of Australians with hospital cover (up from 11.3 million to 11.5 million) while general treatment coverage increased by 2 per cent (up 13.74 million to 14.02 million). More than 14 million Australians now have some form of private health insurance.

Dr David said the APRA report also identified significant growth in out-of-pockets costs over the past 12 months, which was of concern to health funds and their members. “While some in the health industry have been impacted financially during COVID lockdowns, increasing patient co-payments is not the solution.”

“In the current environment with cost-of-living pressures rising, it is critical that the Government acts now to implement its reforms to medical device pricing and ensure Australians are paying a fair price. As a consequence of the pandemic, pressure on premiums will continue to build due to an increased demand for inpatient mental health services and increased demand for elective surgery and our health system can ill afford to line the pockets of multinational medical device companies.

“Without reform, Australians will continue to pay the world’s highest prices for medical devices, driving up health insurance premiums, risking younger Australians opting out of their cover and placing pressure on the public hospital system, at the worst possible time,” Dr David said.

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