

Media Release

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

Prescribed list wind back risks higher health insurance premiums

Statement from Private Healthcare Australia CEO Dr Rachel David

The Federal Government's decision to wind-back the planned removal of general use items from the Prescribed List of Medical Devices and Human Tissue (PL) on 1 July is likely to impact the cost of private health insurance premiums for 15 million Australians.

Health funds are extremely disappointed private hospitals have collectively rejected offers for fairer pricing of hundreds of medical supplies as part of the Federal Government's reforms to the Prescribed List of Medical Devices and Human Tissue (formerly known as the Prosthesis List).

With the wind-back of these reforms, PHA is calling for the following measures to be implemented on July 1 to keep pressure on health premiums as low as possible:

1. An enforceable Code of Conduct to prevent upselling of general use items by sales reps in operating theatres, and mandatory reporting of any kickbacks paid to hospitals or doctors. Whistleblowers have [exposed](#) these practices occurring in hospitals.
2. A range of measures to remove incentives for the overselling and overpricing of commonly used medical items.

Over the past year, all health funds offered to pay private hospitals new funding arrangements for hundreds of general use items used in surgery, such as sponges, staples and catheters, which should never have been on the Prescribed List (PL) in the first place.

The removal of these items from the PL was recommended by an [Ernst and Young report](#) commissioned by the Department of Health and Aged Care, which found that paying for every single individual item is inefficient and incentivises hospitals to use more devices. This was to form part of broader reforms designed to cut wasteful spending in the private health sector, which more than 15 million Australians rely on for healthcare. Two thirds of elective surgical procedures are performed in private hospitals and paid for by private health funds.

The reforms to the PL are designed to create a more competitive market for medical supplies in the private health sector so health funds do not have to pay exorbitant prices for common medical supplies via a list of government-set prices that have not been the subject of negotiation with payers, including health funds. These higher costs are subsequently borne by consumers.

While health funds understand private hospitals, like all sectors, have been under pressure due to inflation and workforce shortages, the solution does not lie in health funds paying inflated prices for common medical supplies that could be purchased at lower prices.

Health funds are doing everything they can to ensure their members do not pay more than they have to for health insurance during a cost-of-living crisis and we will work to ensure proper safeguards are introduced to protect against inflation and its impact on premiums.

In addition to driving up premiums, paying too much for common medical supplies wastes limited funding that could be better spent delivering timely, effective health services.

Private Healthcare Australia represents 98 percent of the sector.

ENDS

About the 'Prescribed List' (PL) of Medical Devices

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 secure continuing sales. There is no evidence the quality of patient care is enhanced as a result 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.

Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 21 Australian health funds. 14.7 million Australians (55% of the population) have private health insurance.

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