



## Press Release

5 February 2016

### **Private patients paying too much for medical implants and surgical supplies**

The Private Health Insurance Industry welcomes the Government's plan to reform prostheses pricing in Australia as an important step towards containing spiralling health costs, and keeping health insurance premiums affordable.

PHA Chief Executive, Dr Rachel David said reforming the Federal Government scheme, which establishes benefits for medical devices, will significantly reduce upward pressure on private health insurance premiums.

"The Prostheses List price regulations currently compel health funds to reimburse medical device prices at levels which can be up to five times higher for private patients as they are in the public system or in comparable countries, like France and Japan. "

"This is an unfair cost burden on private patients which the Government can address immediately, saving the Australian health system an estimated \$800 million in expenditure every year, while preserving quality and access to healthcare.

"\$800 million per annum is value derived from health funds members that should be passed back to them. We are not talking about private patients getting a premium product and public patients getting a cheaper 'home brand' version – in most cases we are talking about exactly the same device." she said.

Dr David said reforming medical device pricing so Australians pay no more than international consumers, was the key plank in PHA's submission to the Government's PHI Review, "Costing an Arm and a Leg".

<http://pha.org.au/prostheses-reform/>

"There is an imbalance between who benefits and who pays with the value tilted towards the multinational manufacturers at the expense of Australian consumers and taxpayers. There is a lack of transparency into the true cost of prostheses in the health system, for example:

- The Zimmer Trilogy cup (uncemented) is purchased by WA Health for use in Western Australian public hospitals at a unit price of \$1,939, while health funds are forced to pay the Prostheses List price of \$2,900 – a difference of almost 50%.
- In France, the Anthem RF PM3212 cardiac pacemaker has a listed benefit equal to AUD\$5,840, less than half the Australian Prostheses List price of \$13,520.
- The Australian Prostheses list required health funds to pay \$3,450 for a Xience Everolimus Eluting Stent System, which is 426.3% higher than the equivalent listing price for the same item in Italy (AUD\$655).
- Japan's listed price for the Evia HF-T cardiac pacemaker (equivalent to AUD\$6,862) is around half the Australian Prostheses List price of \$13,520.



## Press Release

Prostheses benefits payments comprise 14 percent of total reimbursements by private health insurers and in 2014-15 totalled \$1.9 billion. Prostheses benefits payments have been one of the fastest growing areas of healthcare expenditure over the past decade.

### Prostheses Benefits Paid by Health Funds

Financial Year	Prostheses Benefits Paid by Health Funds (\$)	Annual Change (%)
2005-06	\$837,956,226	7.9%
2006-07	\$928,145,319	10.8%
2007-08	\$1,039,220,221	12.0%
2008-09	\$1,168,770,664	12.5%
2009-10	\$1,270,536,753	8.7%
2010-11	\$1,379,957,264	8.6%
2011-12	\$1,483,372,836	7.5%
2012-13	\$1,569,973,649	5.8%
2013-14	\$1,739,120,669	10.8%
2014-15	\$1,894,511,157	8.9%

(Source: APRA/PHIAC)

“One means of containing spiralling prostheses costs is to introduce reference pricing which would enhance the current model with a stronger fact base of domestic and international benchmarks. Reference pricing is straightforward as it requires little reform, has widespread usage, and could lower benefits to benchmark levels (i.e. by 45 percent) within two or three year.

Dr David said three principles should guide prostheses reform:

- **Improve or maintain clinical outcomes** – quality of care is the paramount objective of the entire prosthesis field, and any reforms undertaken should not compromise patient welfare;
- **Make healthcare more affordable and accessible for Australians** –by eliminating excess expenditure, reform can reduce private insurance premiums and alleviate the burden on the health system;
- **Align incentives towards financial sustainability** – the government can increase transparency into true costs and value to promote competition and set a sustainable course for prostheses expenditure in the future.

The Federal Government is right to act now to address an unfair burden on Australians who choose to fund their own healthcare by electing to be a private patient.

Further information: Jen Eddy 0439240755