



## MINISTER'S MOVE TO CORRECT UNFAIR MEDICAL DEVICE PRICING WILL BENEFIT PRIVATE HEALTH CONSUMERS

The Federal Government's clear commitment to correcting regulation fixing medical device prices for Australian private patients at the highest levels in the world, is a major step towards securing the sustainability of private health in Australia.

This is genuine reform and will deliver real short-term benefits to health fund members, and therefore the whole Australian health system.

"Consumer market research consistently shows that while more than 80% of people are satisfied with their private health insurance and want to keep it, premium affordability is a major issue for health fund members" said PHA CEO, Dr Rachel David.

"Forcing health funds to pay a fixed, inflated benefit for medical devices causes upward pressure on premiums that has been compounding at 9-12% per year. The Minister's decision to reduce benefits in line with actual market prices, is an indication the government is committed to keep private health affordable for consumers who value access to medical care when and where they need it.

"Consumers will be the big winners from this decision. Health funds have guaranteed every cent saved will be passed on to consumers in future premium rounds, significantly reducing the price people would otherwise have paid. Australians with PHI are far from wealthy, half of them have a disposable income of \$50 000 per year or less.

"Current 'Prostheses List' regulations have forced health funds to pay benefits for medical devices 2-5 times higher than the price charged for the same device to public patients, and in equivalent countries around the world. This has put direct upward pressure on health fund premiums. Fixing medical device prices is highly inflationary and a huge source of waste in the health system that can be addressed without impacting the quality of medical care at any level.

"The Government's initial Prostheses List benefit reduction of 10% for cardiac devices and intraocular lenses, and 7.5% for hip and knee prostheses, is estimated to deliver \$86 million in savings to consumers. This decision will ensure well established and common procedures like as hip and knee replacements remain affordable in future. At present two-third of common non-emergency surgical procedures take place in the private sector – keeping this affordable is critical to the health of public hospitals as well.

"The Government has also introduced price transparency measures via the new Prostheses List Advisory Committee, specifically reference pricing and price disclosure. This means that with time medical device benefits will be deflated in line with real market prices.

"The timing of the Government's decision is crucial. For the first time in 15 years the number of Australians with private hospital cover has gone backwards, putting additional pressure on already-stressed public hospitals.



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## Press Release

“Today’s announcement is central to the PHI reform process. There will be winners and losers in the short term but the goal of long term sustainability for the health system will benefit all Australians. Those who oppose these changes include big American multinationals that receive prices in Australia that they do not receive anywhere else in the world. There is also opposition from big private hospital companies that can profit from negotiating discounts from device manufacturers, but still receive the Commonwealth regulated benefit from health funds.

“The arguments against reform are very short-term, as the current system is bleeding over \$800 million per annum from the pockets of health fund consumers in higher premiums which is pure waste, and does not contribute to patient care. Reform ensures long-term sustainability of the private health sector for all stakeholders involved.

“Keeping private health insurance sustainable and premiums affordable ultimately benefits all Australians by keeping pressure off the public hospital system.”

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