

MEDIA RELEASE

hirmaa calls for private health review to address a broken market for prostheses

The Government's review of private health insurance (PHI) must prompt an overhaul of current prostheses pricing and regulation with Australians unknowingly being ripped off by the world's biggest medical devices manufacturers.

Research done by hirmaa, the peak body for 18 of Australia's community-based and member-owned private-health insurers shows that base pricing for common prostheses such as pacemakers and hip replacement parts in Australia has blown out to extraordinary proportions.

A snapshot of the prostheses market in Australia and France revealed massive and unfair price differences.

"It's time for Australians to start seeing equal value for money when it comes to their health," hirmaa CEO Matthew Koce said.

"These figures are just the tip of the iceberg as data around this issue is so secretive and difficult to attain."

More than 6,280 procedures requiring a pacemaker took place in Australian private hospitals in 2013-14. On average, each procedure cost \$20,344 of which \$13,801 / almost \$14,000 was spent on prostheses devices. That's \$86,697,882 / almost \$87 million spent on pacemaker devices in one year.

hirmaa's research shows that the minimum benefit for a St Jude pacemaker – one of the highest selling pacemakers on the market – in Australia is \$13,520, whereas in France it is as low as 4000.00€ or AUD\$6194. This is a 118 per cent difference in price.

Meanwhile, 20,251 hip replacements took place in Australia during 2013-14. The average cost for all prostheses utilised in hip replacement procedures is about \$10,000 per separation – equalling an annual bill of about \$200 million.

Within that massive expense to the Australian health system, hirmaa's research shows that the standard price for a metal femoral head (part of the hip-joint mechanism) alone is far more expensive here than in France.

A metal-on-metal Johnson and Johnson Femoral head costs Australians \$2,400 per unit, representing a 325 per cent premium on French prices for the exact same product.

"The classic defence of shipping and labour costs bringing up Australian prices does not begin to justify these price differences," Mr Koce said.

"Manufacturers are operating under a broken regulatory system that allows them to profiteer off of Australian private health insurers, resulting in massive prices for basic prostheses. This pushes up premiums and hurts the hip pocket of ordinary Australians."

Over 14% of a private health insurance customer's premiums go towards prostheses devices each year, with \$1.9 billion in benefits paid in 2014-15.

"This data is clear evidence that multinational companies are taking advantage of Australian consumers. The magnitude of these rip-offs are just extraordinary and brazen and shameful."

US-based St Jude Medical worldwide pacemaker sales reached more than \$1 billion at the end of 2014, contributing to a total worldwide sales volume of all products of \$5.62 billion.

Johnson & Johnson posted a 4.2 per cent increase in sales to \$74.3 billion as at the end of 2014. International product sales increased 5.1 per cent during 2014, contributing to a worldwide increase of 8 per cent for the company.

Mr Koce said Australia's lax regulatory system around prostheses pricing is making the country an easy target for big profit driven multinationals and called for improved transparency around prostheses unit pricing between manufacturers and hospitals.

"It would be disappointing if rebates were flowing between prostheses device makers and private hospitals and that this was part of the reason for such high prices."

"This issue should be investigated by regulators and needs to be front and centre as part of the Federal Government's review of private health insurance."

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