

MEDIA RELEASE

New data highlights the failure of prostheses pricing

According to the latest publicly available data, Australian private health consumers have been gouged more than \$729 million by medical device manufacturers for implantable medical devices as a result of poorly designed and outdated regulation.

According to official data for 2014-15, the difference between what consumers were forced to pay for medically implantable devices in private hospitals was \$729 million more than would have been the case if public hospital prices were applied. When adding procedures in day hospitals as well as private patients in public hospitals, this figure is projected to approach \$1 billion in 2017-18.

Matthew Koce, CEO of hirmaa, a peak body organisation representing not for profit, member owned, community based and regional health funds, slammed device manufacturers describing the inflated prices charged in the private hospitals as, completely unjustifiable.

“All the data points to the need for urgent reform of the regulation of medical devices. We need to put an end to this appalling situation where consumers in the private hospital setting are being forced to pay outrageous prices for medical devices such as artificial hips, knees and pacemakers.”

“Clearly the big multinational device companies see the regulatory environment in Australia as a license to print money. Little wonder they describe Australia as their ‘Treasure Island’.

“The publically available data provides yet further proof that the current regulatory system is broken and being exploited to fatten the pockets of big multinational companies. This comes at the direct expense of consumers and Australian taxpayers who are being ripped off.”

“This data shows beyond any doubt that the current regulatory pricing system for medical devices is flawed, has failed and needs urgent action now.”

“To put the exorbitant price of medical devices into context, Bendigo Hospital, the largest in regional Victoria, was budgeted to cost \$630 million.”

“Every day of delay and obfuscation by the medical device manufacturers is costing consumers and tax payers millions of dollars.”

“It is incomprehensible that consumers of private health are forced to pay many times more for identical medical devices than is the case in the public hospital system. In some cases commonly used medical devices cost well over 200% more for private patients.”

Last year the Turnbull Government announced what was billed as the first step in reforming prostheses pricing regulation. This saw the cost of prostheses devices across key categories reduced by approximately \$86 million which directly contributed to the lowest private health premium increase in a decade.

“\$86 million in savings is a welcomed first step but there is much more that needs to be done. Savings in the order of \$1 billion would contribute enormously to helping reduce private health insurance premiums for consumers.”

“Most concerning are allegations made to a current Senate Inquiry that revealed that private hospitals and prostheses device manufacturers engage in secretive under the table rebating arrangements at the expense of consumers, while some senior executives of private hospitals reaped in millions in wages and stock options.”

“Consumers should be put first but that is not occurring under present arrangements with secret deals and under the table rebates being shared between hospital operators and big global medical device companies” Mr Koce said.

“The 21 not-for-profit, member owned, community based and regional health funds represented by hirmaa will pass on to policyholders all savings made through reform of the pricing of medical devices as they always put the consumer first, not profits.

“Consumers stood to benefit by around \$130 per hospital policy premium if the same prices for medical devices in public hospitals were applied in the private setting during 2014-15. With the difference expected to approach \$1 billion dollars by 2017-18, premiums could be reduced by as much as \$180 per hospital policy.”

“We cannot continue prioritising the significant profits of large multinational corporations and private hospital operators over everyday Australian consumers.”

“With the percentage of Australians with private health insurance recently declining for the first time in 15 years, it is critical that government heed our call for reform that puts the consumer first.”

hirmaa is the peak industry body for 21 private health insurers which are member-owned and not-for-profit. In all, the hirmaa funds provide private health insurance for over one million Australians.

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Further enquiries:
Matthew Malone
(03) 9896 9372

Prostheses/ Medically Implantable Devices by Private Sector Charge

ARDRGv8	Description	Private Hospital (PHDB data 2014-15)		Public Hospital (NHDC – public sector data 2014-15)		Total private charge	Private charge if public cost	Potential saving	Reduction in private charge if public cost
		Number of private sector separations (procedures)	Average private sector prostheses charge	Number of public sector separations (procedures)	Average public sector prostheses cost				
A12Z	Insertion of Neurostimulator Device	2,698	\$23,188	311	\$14,366	\$62,562,249	\$38,760,803	\$23,801,446	38.04%
C16Z	Lens Procedures	68,373	\$5,28	65,269	\$262	\$36,110,516	\$17,901,001	\$18,209,516	50.43%
F01B	Implantation and Replacement of AICD, Total System, Minor Complexity	2,326	\$54,316	2,284	\$15572	\$127,733,941	\$36,219,778	\$91,514,164	71.64%
F12A	Implantation and Replacement of Pacemaker, Total System, Major Complexity	1,460	\$14,638	2,260	\$817	\$21,372,137	\$6,611,454	\$14,760,683	69.07%
F12B	Implantation and Replacement of Pacemaker, Total System, Minor Complexity	5,933	\$13,422	4,487	\$4,100	\$79,633,616	\$24,327,514	\$55,306,102	69.45%
F15B	Interventional Coronary Procs, Not Adm for AMI, W Stent Implant, Minor Comp	10,540	\$5,155	6,657	\$1,913	\$54,337,600	\$20,159,505	\$34,178,094	62.90%
F17B	Insertion and Replacement of Pacemaker Generator, Minor Complexity	1,734	\$11,813	1,512	\$3,652	\$20,483,118	\$6,333,145	\$14,149,973	69.08%
I01A	Bilateral and Multiple Major Joint Procedures of Lower Limb, Major Complexity	1,260	\$17,125	447	\$13,475	\$21,576,883	\$16,977,935	\$4,598,947	21.31%
I01B	Bilateral and Multiple Major Joint Procedures of Lower Limb, Minor Complexity	1,548	\$15,855	416	\$13,899	\$24,526,326	\$21,515,304	\$3,011,023	12.28%
I03A	Hip Replacement, Major Complexity	2,037	\$10,234	2,462	\$5,825	\$20,846,862	\$11,866,153	\$8,980,709	43.08%
I03B	Hip Replacement, Minor Complexity	19,429	\$10,370	12,331	\$6,238	\$201,472,901	\$121,198,901	\$80,274,001	39.84%
I04A	Knee Replacement, Major Complexity	2,752	\$8,389	1,842	\$6,746	\$23,085,455	\$18,565,361	\$4,520,094	19.58%
I04B	Knee Replacement, Minor Complexity	27,653	\$7,993	11,789	\$6,756	\$221,037,342	\$186,828,208	\$34,209,134	15.48%
I05B	Other Joint Replacement, Minor Complexity	3,080	\$10,031	1,248	\$1,006	\$30,895,572	\$24,659,264	\$6,236,308	20.19%
I06Z	Spinal Fusion for Deformity	824	\$31,078	481	\$21,774	\$25,607,942	\$17,942,049	\$7,665,894	29.94%
I09B	Spinal Fusion, Intermediate Complexity	3,353	\$18,478	1,156	\$11,129	\$61,957,874	\$37,314,807	\$24,643,067	39.77%
I09C	Spinal Fusion, Minor Complexity	6,183	\$14,084	1,650	\$8,698	\$87,079,888	\$53,778,119	\$33,301,769	38.24%
I16Z	Other Shoulder Procedures	34,184	\$1,014	6,678	\$898	\$34,679,326	\$30,686,188	\$3,993,138	11.51%
K11A	Major Laparoscopic Bariatric Procedures, Major Complexity	5,380	\$4,381	541	\$1,697	\$23,568,543	\$9,131,855	\$14,436,687	61.25%
K11B	Major Laparoscopic Bariatric Procedures, Minor Complexity	6,561	\$3,836	394	\$1,464	\$25,168,783	\$9,607,259	\$15,561,524	61.83%
	Top 20 private sector charge	207,308		124,215		\$1,203,736,875	\$710,384,602	\$493,352,273	40.99%
	All cases regardless quantum prostheses charge	2,570,742		3,605,017		\$1,785,766,643	\$1,056,660,866	\$729,105,777	40.83%
	All cases in DRGs where average private prostheses cost over \$100	721,280		802,459		\$1,759,471,831	\$1,032,275,639	\$727,196,192	41.33%

PHDB = Private Hospital Data Bureau (Department of Health) <http://www.health.gov.au/internet/main/publishing.nsf/Content/health-casemix-data-collections-publications-PHDBAnnualReports>

NHDC = National Hospital Cost Data Collection (Independent Hospital Pricing Authority) <https://www.ihpa.gov.au/publications/national-hospital-cost-data-collection-public-hospitals-cost-report-round-19-financial>