

MEDIA RELEASE

hirmaa welcomes Senate Report

Consumers are set to benefit with a highly influential Senate Inquiry today recommending a number of important reforms to address the high cost of prostheses.

Matthew Koce, CEO of hirmaa the peak body organisation for 22 not-for-profit and member owned health funds, said the that the Senate report's recommendations would go a long way to ending the rampant overpricing of prostheses by the large multinational medical device corporations.

"The Senate report backs up claims that consumers are being ripped off by large multi-national corporations which are exploiting government regulation by setting prices for prostheses many times higher in private health settings than that in public hospitals and overseas," Mr Koce said.

"We are alarmed by the fact that the Inquiry confirmed that no formal process exists to review the price set for prostheses devices. This raises very serious questions about the professionalism and competency of regulators in their management of public monies and points to a complete regulatory failure by successive governments."

"The inquiry found no justification for the existing costs set for prostheses, which locks in very high prices. We have no faith in the existing prostheses pricing model which benefits the shareholders of large profit driven prostheses corporations at the expense of Australian patients."

"Comprehensive reform is long overdue and we support the Report's recommendation that a proper review process be developed at the earliest opportunity".

"We know that the big multinational corporations see prostheses as a license to print money and are taking rivers of gold out of Australia thanks to poor regulation. Delays in implementing the recommendations of the Senate Report will only hurt consumers further and therefore it is imperative that all the recommendations be implemented as an urgent priority."

"The Senate Report draws on data from the Independent Hospital Pricing Authority which is consistent with hirmaa's analysis of official 2014-15 data showing the difference between what consumers were forced to pay for medically implantable devices in private hospitals was around \$729 million more than would have been the case if public hospital prices were applied."

The report cites the case of an implantable cardiac defibrillator which cost \$19,000 in a public setting but for which private health insurers were forced to pay \$52,000.

"When adding procedures in day hospitals as well as private patients in public hospitals, the total additional cost forced upon private health consumers is projected to approach \$1 billion in 2017-18."

"Consumers could 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."

The Senate Report calls for immediate action to reduce prostheses costs and to set guidelines for targeted reviews of prostheses pricing, as well as a range of measures that will increase transparency in pricing arrangements.

“hirmaa acknowledges the Federal Health Minister’s strong commitment to help fix the failed regulation of prostheses and looks forward to working with the Government in reforming existing arrangements for the benefit of consumers”.

“hirmaa member funds do not operate in the interests of shareholders. Any savings that come from reform to prostheses pricing will be passed through to the consumer” Mr Koce said.

hirmaa is the peak industry body for 22 private health insurers which are not- for-profit, member-owned and community based. In all, the hirmaa funds provide private health insurance for over one million Australians.

12 May 2017

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>