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Profit-driven medical devices companies not telling Australians the full story with self-serving report

Global medi-tech giants are raking in hundreds of millions of dollars in profits from the medical devices market, leaving Australian consumers to foot the bill.

A recent report, backed by multinational profit-driven medical devices firms, failed to mention the companies that commissioned the analysis continue to pull in more money than ever from their devices businesses – and Australians are among the hardest hit.

Johnson & Johnson [reported a 6.9 per cent or US\\$500 million jump](#) in medical devices revenue at June 30, while Medtronic reported first quarter revenue of [US\\$7.493 billion, up 1.5 per cent](#).

“The big multinational device companies see Australia’s regulatory environment as a license to print money. Australia is so profitable that it is described as ‘Treasure Island’,” said Matthew Koce, CEO of Members Health, the peak body for 25 of the country’s not-for-profit health insurers.

The latest data from [Independent Hospital Pricing Authority](#) and Commonwealth Department of Health 2016/17 shows in Australia, consumers paid about \$862 million more for medically implantable devices in private hospitals than what they would have in a public setting.

The average cost of a pacemaker in the public system was \$3,759 while in the private system it was \$14,286 – three times more expensive. A hip replacement in a public setting cost an average of \$6,169, but more than \$10,100 in private. The biggest offender was the implanted heart defibrillator (AICD) pacemaker (DRGF01B), which cost \$14,022 in the public system but \$53,196 in the private system – an outrageous 280 per cent price increase.

Evidence of this profiteering can also be seen in the dramatic price differences for some [prostheses in neighbouring New Zealand](#).

One bare metal coronary stent, for example, is \$898 on Australia’s Prostheses List, 51 per cent more than the New Zealand price of \$439.50 (NZ\$465). One drug eluting coronary stent is \$2,484 in Australia, 80 per cent more than the \$496.21 (NZ\$525) across the Tasman Sea. And one femoral head (for hip replacement surgery) is \$2,109 in Australia, 45 per cent more than \$1157.83 (NZ\$1,225)¹.

In [France, prices across 158 prostheses items](#) were on average 45 per cent cheaper than in Australia in 2018, data compiled by Members Health shows.

“It is incomprehensible that Australia’s private health consumers are forced to pay many times more for identical medical devices than those in the public hospital system or overseas,” Mr Koce said.

“Headline premiums are rising, but it is not the slim – sometimes even negative – margins that many health funds operate on that is driving those increases. The great Australian prostheses rip-off is the culprit.”

New data from Australian Prudential Regulatory Authority shows premium revenue rose 2.77 per cent in the June quarter, while benefits grew 2.99 per cent – driven by a 9.8 per cent rise in prostheses costs and a 7.5 per cent rise in medical services.

In 2018, the Coalition Government delivered modest cuts to the price of prostheses totaling \$188 million, but the data shows that was a drop in the ocean.

“We commend Greg Hunt for being the first Health Minister to tackle such entrenched and blatant profiteering, but the situation is far worse than initially thought and much more needs to be done to

¹ Exchange rates calculated as at 22 August 2019

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protect consumers from the excessive prostheses charges being imposed by these big multinational behemoths.”

Members Health funds are member owned and exist only to serve consumers, not for profits, and therefore return more in benefits.

“We are fortunate to have a diverse and complete private health insurance market, where there is genuine competition and choice for consumers. The last thing anyone would want is a Coles and Woolworths duopoly or a situation like the big four banks.”

Consumers are increasingly becoming aware of the benefits that come from being with a Members Health fund. As a group the Members Health funds are growing at more than double the industry average and are paying out more in benefits to take care of peoples’ health, Mr Koce said.

Members Health is the peak national body for 25 not-for-profit, member owned and community based health insurers. Members Health funds provide health cover to over 2 million Australians.

Prostheses Item	Price on Australian Prostheses List (PL)	Price on New Zealand’s PHARMAC list
Bare metal coronary stent	\$898	\$439.50 (NZ\$465)
Drug eluting coronary stent	\$2,484	\$496.21 (NZ\$525)
Femoral head (for hip replacement surgery)	\$2,109	\$1,157.83 (NZ\$1,225)

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AR-DRGv8	Description	PHDB 16/17		NHCDC 16/17		Total Private Charge	Private Charge if Public Cost	Potential Saving	Reduction in Private Charge if Public Cost
		No. Private Sector Separations	Avg Private sector prostheses charge	No. Public Sector Separations	Avg Public sector prostheses charge				
A12Z	Insertion of Neurostimulator Device	3,500	\$24,678	453	\$12,701	\$86,374,225	\$44,453,020	\$41,921,205	48.53%
C16Z	Lens Procedures	76,553	\$535	70,539	\$314	\$40,988,773	\$24,055,989	\$16,932,783	41.31%
D01Z	Cochlear Implant	843	\$23,990	627	\$23,424	\$20,223,882	\$19,746,393	\$477,489	2.36%
F01A	Implantation and Replacement of AICD, Total System, Major Complexity	266	\$58,991	759	\$18,322	\$15,691,550	\$4,873,654	\$10,817,896	68.94%
F01B	Implantation and Replacement of AICD, Total System, Minor Complexity	2,448	\$53,196	2,224	\$14,022	\$130,223,269	\$34,325,652	\$95,897,617	73.64%
F12A	Implantation and Replacement of Pacemaker, Total System, Major Complexity	1,394	\$15,532	2,680	\$4,454	\$21,651,692	\$6,209,268	\$15,442,424	71.32%
F12B	Implantation and Replacement of Pacemaker, Total System, Minor Complexity	6,714	\$14,286	4,849	\$3,759	\$95,913,183	\$25,236,617	\$70,676,565	73.69%
F14C	Vascular Procedures, Except Major Reconstruction, W/O CPB Pump, Minor Complexity	7,860	\$2,228	7,042	\$994	\$17,510,822	\$7,814,129	\$9,696,693	55.38%
F15B	Interventional Coronary Procs, Not Adm for AMI, W Stent Implant, Minor Comp	12,414	\$4,927	7,330	\$1,760	\$61,167,875	\$21,843,981	\$39,323,893	64.29%
F17B	Insertion and Replacement of Pacemaker Generator, Minor Complexity	1,652	\$12,940	1,577	\$3,520	\$21,376,384	\$5,815,505	\$15,560,880	72.79%
G10B	Hernia Procedures, Minor Complexity	34,542	\$566	25,520	\$299	\$19,558,717	\$10,320,864	\$9,237,853	47.23%
I01A	Bilateral and Multiple Major Joint Procedures of Lower Limb, Major Complexity	1,412	\$16,294	590	\$12,387	\$23,007,227	\$17,490,883	\$5,516,343	23.98%
I01B	Bilateral and Multiple Major Joint Procedures of Lower Limb, Minor Complexity	2,131	\$15,332	401	\$13,083	\$32,673,238	\$27,878,996	\$4,794,242	14.67%
I03A	Hip Replacement, Major Complexity	1,808	\$9,833	3,158	\$5,382	\$17,777,594	\$9,730,158	\$8,047,436	45.27%
I03B	Hip Replacement, Minor Complexity	22,466	\$10,101	13,728	\$6,169	\$226,934,458	\$138,593,658	\$88,340,800	38.93%
I04A	Knee Replacement, Major Complexity	2,425	\$8,155	2,353	\$6,252	\$19,776,966	\$15,162,046	\$4,614,920	23.33%
I04B	Knee Replacement, Minor Complexity	32,146	\$7,782	13,572	\$6,317	\$250,150,850	\$203,071,252	\$47,079,598	18.82%
I05B	Other Joint Replacement, Minor Complexity	4,109	\$9,669	1,477	\$7,824	\$39,730,578	\$32,147,050	\$7,583,528	19.09%
I06Z	Spinal Fusion for Deformity	870	\$31,222	567	\$24,093	\$27,163,392	\$20,960,642	\$6,202,750	22.83%
I09B	Spinal Fusion, Intermediate Complexity	3,222	\$19,160	1,179	\$9,643	\$61,734,036	\$31,069,555	\$30,664,481	49.67%
I09C	Spinal Fusion, Minor Complexity	6,651	\$14,390	1,657	\$7,853	\$95,707,757	\$52,231,875	\$43,475,882	45.43%
I10B	Other Back and Neck Procedures, Minor Complexity	15,076	\$1,267	3,082	\$406	\$19,101,141	\$6,119,653	\$12,981,489	67.96%
I13B	Humerus, Tibia, Fibula and Ankle Procedures, Minor Complexity	14,537	\$1,536	14,836	\$1,006	\$22,333,338	\$14,628,691	\$7,704,647	34.50%
I16Z	Other Shoulder Procedures	33,240	\$1,084	7,095	\$942	\$36,033,822	\$31,319,203	\$4,714,619	13.08%
I19B	Other Elbow and Forearm Procedures, Minor Complexity	7,617	\$2,033	11,811	\$1,359	\$15,483,990	\$10,349,270	\$5,134,720	33.16%
I20B	Other Foot Procedures, Minor Complexity	15,258	\$1,180	6,277	\$767	\$18,007,797	\$11,705,298	\$6,302,499	35.00%
I29Z	Knee Reconstructions, and Revisions of Reconstructions	13,157	\$1,380	5,216	\$1,279	\$18,159,028	\$16,831,687	\$1,327,342	7.31%
I32B	Revision of Knee Replacement, Minor Complexity	1,866	\$9,984	535	\$7,832	\$18,630,797	\$14,614,679	\$4,016,118	21.56%
K11A	Major Laparoscopic Bariatric Procedures, Major Complexity	7,493	\$4,437	751	\$1,571	\$33,243,219	\$11,771,975	\$21,471,244	64.59%
K11B	Major Laparoscopic Bariatric Procedures, Minor Complexity	11,969	\$3,617	490	\$1,914	\$43,287,923	\$22,905,410	\$20,382,513	47.09%
	Top 30 Private Sector Charge	345,639		212,375		\$1,549,617,523	\$893,277,054	\$656,340,469	42.35%
	TOTAL (Included DRGs)	3,037,103		3,912,656		\$2,038,117,704	\$1,175,351,843	\$862,765,861	42.33%
	Total where AVG Pros Cost >\$100	836,547		884,980		\$2,000,221,194	\$1,141,456,976	\$858,764,218	42.93%

Source: Prosthesis analysis comparing PHDB and NHCDC, 2016/17

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