

MEDIA RELEASE

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Reform calls to save health consumers \$935m a year

New data shows that outdated government regulation forced Australians to pay far too much for medically implantable devices for vital heart, spine and joint replacement surgeries.

Data from the Independent Hospital Pricing Authority and Commonwealth Department of Health shows that, in 2017/18, device manufacturers charged patients with private health cover up to three times more than patients in public hospitals.

If the same average price for medical devices were applied in private hospitals as public, consumers would have saved a staggering \$935 million. This equated to a \$141 annual saving for every Australian private health insurance policyholder.

At the time, the average cost of a pacemaker in the public system was \$12,767, while in the private system it was \$48,245 – more than three times more expensive. A hip replacement in a public setting cost on average \$6,174, but more than \$9,800 in private. Insertion of neurostimulator devices cost \$13,632 in the public sector, but more than \$26,000 in the private sector. And spinal fusions – from minor to the most complex procedures – cost anywhere between \$6,000 and \$10,000 more in the private sector compared with the public.

In October 2017, the medical devices industry signed an agreement with the Commonwealth Government pledging to reduce costs to consumers. However, Mr Koce said these figures – recorded nine months after the agreement – showed a lot more work was still required.

Matthew Koce, CEO of Members Health, the peak body for 27 not-for-profit and member owned health funds, said “The COVID-19 pandemic has caused enormous hardship and prostheses regulation is an area where immediate savings can be found for the benefit of the more than 13 million Australians with private health insurance.”

Evidence of profiteering by device companies can also be seen in the dramatic price differences for 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 \$1,157.83 (NZ\$1,225).

Government already sets the minimum price for prostheses in the private health system and the way to achieve savings for consumers is simple. Immediately benchmark all prices for prostheses in the private system to the average paid in the Australian Public Hospital system.

The full data table is included below.

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Members Health is the peak industry body for an alliance of 27 health funds that are not-for-profit or part of a member-owned group, region or community. They all share the common ethic of putting their members’ health before profit and represent the interests of more than 3.7 million Australians.

Putting members’ health before profit

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AR-DRG code	AR-DRG description	Total Private Charge	Private Charge if Public Cost	Potential Saving	Reduction in Private Charge if Public Cost
I04B	Knee Replacement, Minor Complexity	\$248,389,965	\$203,061,408	\$45,328,557	18.2%
I03B	Hip Replacement, Minor Complexity	\$226,282,850	\$141,792,084	\$84,490,766	37.3%
F01B	Implantation and Replacement of AICD, Total System, Minor Complexity	\$112,846,084	\$29,862,013	\$82,984,071	73.5%
I09C	Spinal Fusion, Minor Complexity	\$101,842,696	\$55,979,312	\$45,863,384	45.0%
A12Z	Insertion of Neurostimulator Device	\$99,733,777	\$52,142,400	\$47,591,377	47.7%
F12B	Implantation and Replacement of Pacemaker, Total System, Minor Complexi	\$93,544,952	\$26,226,200	\$67,318,752	72.0%
I09B	Spinal Fusion, Intermediate Complexity	\$60,557,960	\$31,471,386	\$29,086,574	48.0%
F15B	Interventional Coronary Procs, Not Adm for AMI, W Stent Implant, Minor	\$58,342,898	\$19,587,303	\$38,755,595	66.4%
I16Z	Other Shoulder Procedures	\$51,562,301	\$33,580,648	\$17,981,653	34.9%
C16Z	Lens Procedures	\$51,395,675	\$27,598,480	\$23,797,195	46.3%
K11B	Major Laparoscopic Bariatric Procedures, Minor Complexity	\$50,684,185	\$27,664,161	\$23,020,024	45.4%
I05B	Other Joint Replacement, Minor Complexity	\$44,054,138	\$35,601,516	\$8,452,622	19.2%
K11A	Major Laparoscopic Bariatric Procedures, Major Complexity	\$39,912,862	\$16,595,730	\$23,317,132	58.4%
I01B	Bilateral and Multiple Major Joint Procedures of Lower Limb, Minor Comp	\$33,669,453	\$29,014,128	\$4,655,325	13.8%
I13B	Humerus, Tibia, Fibula and Ankle Procedures, Minor Complexity	\$32,270,123	\$16,752,592	\$15,517,531	48.1%
I10B	Other Back and Neck Procedures, Minor Complexity	\$29,730,656	\$9,052,225	\$20,678,431	69.6%
I06Z	Spinal Fusion for Deformity	\$27,239,286	\$21,149,120	\$6,090,166	22.4%
I20B	Other Foot Procedures, Minor Complexity	\$26,100,164	\$11,875,064	\$14,225,100	54.5%
F04C	Cardiac Valve Procedures W CPB Pump W/O Invasive Cardiac Invest, Minor	\$25,328,375	\$21,614,615	\$3,713,760	14.7%
J06B	Major Procedures for Breast Disorders, Minor Complexity	\$25,179,282	\$7,862,547	\$17,316,735	68.8%
F14C	Vascular Procedures, Except Major Reconstruction, W/O CPB Pump, Minor C	\$24,758,528	\$8,331,600	\$16,426,928	66.3%
G10B	Hernia Procedures, Minor Complexity	\$23,897,647	\$11,114,874	\$12,782,773	53.5%
I01A	Bilateral and Multiple Major Joint Procedures of Lower Limb, Major Comp	\$23,194,578	\$17,646,340	\$5,548,238	23.9%
D01Z	Cochlear Implant	\$21,927,296	\$21,473,383	\$453,913	2.1%
I19B	Other Elbow and Forearm Procedures, Minor Complexity	\$20,658,916	\$11,562,089	\$9,096,827	44.0%
I29Z	Knee Reconstructions, and Revisions of Reconstructions	\$19,869,269	\$18,659,900	\$1,209,369	6.1%
F12A	Implantation and Replacement of Pacemaker, Total System, Major Complexi	\$19,420,807	\$5,730,711	\$13,690,096	70.5%
I32B	Revision of Knee Replacement, Minor Complexity	\$19,326,159	\$20,260,311	-\$934,152	-4.8%
F17B	Insertion and Replacement of Pacemaker Generator, Minor Complexity	\$19,036,301	\$5,401,683	\$13,634,618	71.6%
I04A	Knee Replacement, Major Complexity	\$17,160,964	\$12,848,076	\$4,312,888	25.1%
	Top 30 Private Sector Charge	\$1,647,918,147	\$951,511,899	\$696,406,248	42.26%
	All Included Cases	\$2,103,642,087	\$1,167,933,641	\$935,708,446	44.5%

Sources:

- Private Hospital Data Bureau Annual Report, Table 7: Private hospital separations - length of stay and average charges, by charge component, AR-DRG, hospital type and hospital location, 2017-18
- National Hospital Cost Data Collection Cost weights for AR-DRG Version 8.0 Round 22 (2017-18)