



**Senate Community Affairs References Committee**

**Inquiry: Price regulation associated with the Prostheses List Framework**

**SUBMISSION**

**January 2017**

## **ABOUT BAXTER**

Baxter touches millions of lives each day through essential hospital and renal products and services that meet critical health needs.

In Australia and New Zealand, we have over 1,000 employees who share a commitment to making a meaningful difference in patients' lives, our communities and the environment.

Baxter provides the largest range of IV and Irrigation fluids which are locally manufactured for the Australian and New Zealand healthcare sector. Our highly skilled manufacturing operations have a wider economic impact which contributes \$268 million annually to Australia's GDP and supports more than 1900 full-time jobs.

Our broad portfolio of essential renal and hospital products includes home, acute and in-center dialysis; sterile IV solutions; infusion systems and devices; parenteral nutrition; biosurgery products and anesthetics; and pharmacy automation, software and services.

Baxter's global footprint and the critical nature of its products and services play a key role in expanding access to healthcare in emerging and developed countries.

Our employees worldwide are building upon the company's rich heritage of medical breakthroughs to advance the next generation of healthcare innovations that enable patient care.

## **OVERVIEW**

Baxter welcomes the opportunity to provide input to Senate Committee on Community Affairs with respect to its inquiry into Price regulation associated with the Protheses List (PL) Framework and related matters.

It should be noted, however, that since the PL Framework was adopted in 2005 it has already been subject to many policy reviews. Moreover, the Australian Government has completed a process with the Industry Working Group (IWG) on Private Health Insurance Protheses Reform in 2016.

The Prothesis List Advisory Committee was subsequently expanded, along with the establishment of a Private Health Ministerial Advisory Committee.

These mechanisms are already reviewing opportunities for reform to prostheses benefits to maximise value for money while providing patients with efficient access to life saving medical technologies.

It is important to recognise that prostheses benefits represent only 14% of hospital treatment expenses, compared to 16% for medical benefits and 70% for hospital accommodation benefits. Baxter, therefore, encourages the Senate Inquiry to look at the totality of the private health value chain.

## CONTEXT

The inquiry should note the overarching policy rationale of the PL framework is to ensure that privately insured patients can gain access to the best medical technology as determined by their medical professional.

Baxter believes there is merit in regularly reviewing and monitoring the PL framework to ensure this policy objective continues to be achieved.

Unfortunately rather than looking at opportunities to sustain and improve patient access to medical technology, much of the current debate has revolved around unsubstantiated claims about hypothetical savings that could be gained by arbitrarily reducing PL benefits.

The erroneous nature of these claims has been addressed in detail by Medical Technology Association of Australia (MTAA) and Baxter commends their submission to this Senate Inquiry.

The underlying fact is that the growth in the average benefit paid per item on the Prosthesis List from 2010 to 2015 has been zero. Despite this outcome, private health insurance premiums have increased by approximately 35% over the same period.

## BENEFITS OF MEDICAL TECHNOLOGY

The PL Framework has facilitated unprecedented levels of access and innovation in medical technology for the benefit of Australian patients. Much of the public discussion surrounding the PL to date has been focussed on a small sample of well-known devices such as hips and knees. However, it is vital that the Senate Committee appreciate that the PL Framework supports a much wider range of technologies that provide substantial benefits and efficiencies for the private health system.

Within the Haemostatic Devices category of the PL, Baxter supplies Floseal Haemostatic Matrix which is relied upon inter-operatively to stop bleeding. Bleeding related complications, including blood transfusions, are associated with considerable clinical burden, higher length of stay and hospital cost.<sup>1</sup> Floseal in particular can generate significant benefits across the health system and has been demonstrated to reduce transfusion rates, complications and surgery time.<sup>2</sup>

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<sup>1</sup> Stokes ME, Ye X, Shah M, et al. Impact of bleeding-related complications and/or blood product transfusions on hospital costs in inpatient surgical patients. *BMC Health Services Res.* 2015;7:409-421.

Corral M, Ferko N, Hollmann S, et al. Health and economic outcomes associated with uncontrolled surgical bleeding: a retrospective analysis of the Premier Perspectives database. *Clinicoeconomics Outcomes Res.* 2015;7:409-421.

Shander A, Hoffman A, Ozawa S, et al. Activity-based costs of blood transfusions in surgical patients at four hospitals. *Transfusion.* 2010;50:753-765.

<sup>2</sup> Nasso G, Piancone F, Bonifazi R, et al. Prospective, randomized clinical trial of the FLOSEAL Matrix sealant in cardiac surgery. *Ann Thorac Surg.* 2009;88:1520-1526.

The Baxter Infusor Range, within the Drug Delivery Devices category of the PL, can be used in ambulatory settings to deliver treatments including chemotherapy, pain management and antibiotic therapy. This offers an alternative to inpatient infusion therapy and allows the potential to leave hospital earlier or avoid admission. Delivery of antiobiotic therapy in an ambulatory setting is associated with cost savings, reduced hospital acquired infections and patient lifestyle benefits and is aligned with the objective of providing healthcare closer to the patients' home.<sup>3</sup>

PL benefit reductions, such as those proposed by private health insurers, would threaten the viability of these products. This would ultimately be counterproductive and impose longer term costs on both the private and public healthcare systems in Australia.

### **FURTHER OPPORTUNITIES – HOME DIALYSIS**

In accordance with the terms of reference pertaining to other related matters, the Senate Committee is encouraged to look at opportunities to expand the PL Framework. The current framework is inhibited by the limited definition of implantable devices and excludes many clinically and cost-effective technologies that do not meet the criteria of a prosthesis.

Kidney Health Australia (KHA) estimates that one in three Australians are at an increased risk of developing Chronic Kidney Disease, which can progress to End Stage Kidney Disease that requires a transplant or renal dialysis to stay alive.

Despite this growing healthcare burden, dialysis is increasingly being excluded by all but the highest levels of private health coverage.<sup>4</sup> Moreover, there is currently no private health insurance coverage for home dialysis. According to patient advocacy group KHA, home dialysis is cheaper to deliver, can mean less travel for the patient, provides the ability to increase the frequency and length of a dialysis session, can produce better health outcomes and potentially, allow people to return to work. Despite these significant benefits, patients can currently only access home dialysis through the public sector.

Baxter recommends that the Senate Committee inquire into opportunities to expand Private Health Insurance coverage to include life saving devices such as dialysis technology that provide cost effective healthcare and improve patient outcomes.

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Tackett, SM, Calcaterra D, Magee G, et al. Real-world outcomes of hemostatic matrices in cardiac surgery. *J Cardiothorac Vasc Anesth.* 2014;28:1558-1565.

Price JS, Tackett S, Patel V. Observational evaluation of outcomes and resource utilization from hemostatic matrices in spine surgery. *J Med Econ.* 2015;18(10):777-786.

Price JS, Tackett S, Patel V. Erratum: Observational evaluation of outcomes and resource utilization from hemostatic matrices in spine surgery. *J Med Econ.* 2016.

<sup>3</sup> Chapman, A. L. Outpatient parenteral antimicrobial therapy in a changing NHS: challenges and opportunities. *Clin Med* 13, 35-36 (2013).

Subedi, S., Looke, D. F., McDougall, D. A., Sehu, M. M. & Playford, E. G. Supervised self-administration of outpatient parenteral antibiotic therapy: a report from a large tertiary hospital in Australia. *Int J Infect Dis* 30, 161-165 (2015).

<sup>4</sup> [kidney.org.au/cms\\_uploads/docs/kidney-health-australia-private-health-submission-december-2015.pdf](http://kidney.org.au/cms_uploads/docs/kidney-health-australia-private-health-submission-december-2015.pdf)

## **CONCLUSION**

This submission contends that the current PL Framework is achieving its objectives and that the Australian Government's PHI reform process will ensure this continues to be the case.

The current policy framework has supported Baxter to provide clinically effective technologies in Australia which provide superior patient outcomes and generate positive economic benefits for the healthcare system. As a local manufacturer Baxter directly supports a thousand employees across the country that make a meaningful difference to patient lives and the wider economy.

Providing policy stability and certainty around the PL and wider health system will allow companies like Baxter to continue with this contribution for many years to come.