



nib health funds limited
Head Office
22 Honeysuckle Drive
Newcastle NSW 2300
abn 83 000 124 381

t 13 14 63
f 02 4925 1900
e nib@nib.com.au
w nib.com.au

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Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee

**Submission: Senate Community Affairs References Committee
Inquiry into price regulation associated with the Prostheses List Framework**

In commissioning the Private Health Insurance (PHI) Review in October 2015, the Federal Health Minister's goal was to reform inefficient regulation, improve consumer value and PHI affordability. It's a position which has been maintained from the Minister's office since.

It has long been suspected private health insurance consumers have been effectively subsidising windfall profits for prosthetic manufacturers as a result of the current pricing arrangement for prosthetic devices.

To create a case for change, Private Healthcare Australia (PHA) and member funds (including nib) commissioned a research paper in late 2015 by a leading management consulting firm. The report found current prices set in the Prostheses List are almost twice as high relative to peer health systems domestically, as well as international benchmarks. The recommendation put forward by the PHA and strongly supported by nib is that a reference pricing system for prostheses, using domestic and international benchmarks, could return an estimated \$1 billion to Australian consumers. If passed through to consumers in its entirety it would translate into a private health insurance premium reduction of up to 4.5 percent, equating to savings of over \$150 per policy.

Since the submission was made to the PHI Review, the PHA and member funds have looked to actively engage with key industry stakeholders as well as be a strong voice on the need for change of the current prostheses pricing arrangements. As Managing Director and Chief Executive Officer of nib, I was appointed by the PHA Board to engage key stakeholders on this important reform initiative as well as act as media spokesperson.

The feedback from these stakeholder briefings as well as media coverage and commentary have been in strong support of prostheses reform and recognise changes to current prostheses pricing arrangements are necessary to improve consumer transparency and premium affordability for the more than 12 million Australians with private health insurance. Consumers have a lot to gain from prostheses pricing reform.

Most of this activity occurred during December 2015, however prostheses pricing reform and health insurance affordability remain a key issue, and nib are regularly asked to comment and provide views on the current arrangements.

Yours sincerely

Mark Fitzgibbon
Chief Executive Officer/Managing Director

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