

Chapter 5

Recommendations

Administration of the PLAC

5.1 The committee notes concerns raised by some stakeholders about the limited resources available to the Prostheses List Advisory Committee (PLAC) and is concerned that no additional resources appear to have been allocated for the Prostheses List (PL) reform process. The committee also notes that significant changes are likely to arise from the reform process, in particular, any rationalisation of the PL, which may impact on resources available to the department to administer the PL and the reform process. Further, the committee notes that PL listing fees have been stagnant since 2009.

5.2 The committee is encouraged by the government's focus on longer term goals but is concerned that the PLAC and the department have not allocated sufficient resources to undertake both short term and longer term reforms in addition to maintaining the PLAC's routine business.

5.3 Given the resourcing concerns raised in this inquiry, the committee considers it appropriate for the PLAC and the department to ensure that applications to list prostheses on the PL as a minimum have a concurrent application for listing with on the Australian Register of Therapeutic Goods.

Recommendation 1

5.4 The committee recommends that the Prostheses List Advisory Committee, in consultation with stakeholders, develop and publish a formal work plan with defined agreed targets, activities, timeframes, indicators and outcomes to assist stakeholders to better understand and participate in the reform process.

Recommendation 2

5.5 The committee recommends that the department immediately implement better and more robust coordination between the Therapeutic Goods Administration and the Prostheses List Advisory Committee, including implementing appropriate coordination of health technology assessment processes to ensure that applications to list on the Prostheses List as a minimum have a concurrent application for listing on the Australian Register of Therapeutic Goods.

Recommendation 3

5.6 The committee recommends that clinical input through Clinical Advisory Groups remain an integral part of the Prostheses List Advisory Committee and the Prostheses List decision making process to ensure that safety and effectiveness of medical devices remains a primary consideration in decisions about inclusion on the Prostheses List.

Recommendation 4

5.7 The committee recommends that the Government assess the resources needed to develop and implement reforms within an agreed timeframe and provide any further resources to the Prostheses List Advisory Committee and the Department of Health that are required to achieve this.

Recommendation 5

5.8 The committee recommends that the Prostheses List Advisory Committee continue to consult with stakeholders regarding reform of the Prostheses List to ensure transparency of the reform process.

Data collection

5.9 The committee notes that current device registries are maintained and sponsored by the relevant medical colleges and that the information to inform the registries is provided on a voluntary basis.

5.10 The committee is concerned that there is no formalised post-marketing review process to identify poor performing devices, and that even where device registries are capturing this evidence, that devices are not being considered for delisting from the PL.

Recommendation 6

5.11 The committee recommends that where the Commonwealth decides that a prostheses registry is needed, the Parliament should ensure that the registry is legislated for and collection of data is made compulsory.

5.12 The committee notes the significant challenges in accessing and comparing information on the price differences between public and private hospitals.

5.13 The committee believes that greater price transparency is required in terms of discounts and rebates offered by prostheses manufacturers to private hospitals and that the Prostheses List framework currently lacks a mechanism to achieve this.

Recommendation 7

5.14 The committee recommends that the Government legislate for the compulsory provision of private hospital and day surgery data to the Independent Hospital Pricing Authority.

Transparency in benefits setting process

5.15 The committee acknowledges criticisms of the cuts to the benefit amount of some prostheses which came into effect in February 2017. In particular the committee notes the evidence received that the reductions have had a disproportionate impact on Australian medical device sponsors. However, the committee welcomes the government's efforts to reduce the price of prostheses and private health insurance premiums.

5.16 The committee further notes the efforts by the government to source robust data from the Independent Hospital Pricing Authority and other sources to better inform any further PL benefit reviews. The committee also welcomes the issuing of the Draft Approach for Targeted Prostheses Reviews for consideration by stakeholders.

5.17 The committee is concerned, however, that no clear schedule of reviews has been released yet, which would provide early notice for stakeholders and enable preparations for the reviews, given that reviews can have significant implications for a number of stakeholders, including medical device sponsors, private hospitals, surgeons, and ultimately, patients.

Recommendation 8

5.18 The committee recommends that action is needed to reduce the prostheses costs and that savings should be delivered as soon as possible and have an evidence base.

Recommendation 9

5.19 The committee recommends that guidelines for targeted prostheses reviews be finalised at the earliest opportunity and published with a schedule of proposed targeted reviews to enable stakeholders sufficient time to prepare for the reviews.

Transparency in pricing

5.20 The committee is concerned at evidence that the prices paid by private health insurers for prostheses on the PL is often significantly more than the price paid by public hospitals and comparable international markets. Further, the committee also heard that due to commercial-in-confidence arrangements between medical device sponsors and private hospitals, it is unclear what price the private hospitals actually pay per device.

5.21 The committee heard a number of advantages and disadvantages of various pricing models including price disclosure and domestic or international price benchmarking. The committee did not receive enough evidence to make a determination on which model would be most appropriate.

5.22 The committee notes the release in May 2017 of the comparative analysis of benefit setting models commissioned by the department to assist the PLAC in assessing which reimbursement model or models to recommend to the Minister for implementation. The analysis also included discussion of the costs and benefits of rationalisation and reduction of the PL. The committee welcomes this analysis and discussion as an important tool for further consultation and reform development.

5.23 The committee notes that the Commonwealth is a significant purchaser/funder of prostheses on the PL through the Department of Veterans' Affairs, which uses the PL as its reference point for payment to private hospitals.

5.24 Under the prostheses list when a privately insured patient uses a prosthesis device, the insurer must pay the PL minimum benefit to the hospital. This means the hospital receives the full PL price even if the hospital has only paid a part of the price and received the remainder as a discount or rebate.

5.25 The committee notes with concern that the same applies for the Department of Veterans' Affairs. In addition, the committee notes evidence from the Department of Health and the PLAC that there is currently no review mechanism in place for benefit levels on the PL.

Recommendation 10

5.26 The committee recommends that the Department of Health undertake further analysis and consultation, including with consumers, to determine the most appropriate benefit setting model or models, and that this analysis include investigation of the introduction of outcomes based categorisation of items on the Prostheses List, and the option of the government purchasing devices directly.

Recommendation 11

5.27 The committee recommends that the Prostheses List Advisory Committee be required to review the group prices for prostheses when applications for new comparable devices are received which request listing at a lower price than the existing benefit level for that group of devices.

Recommendation 12

5.28 The committee recommends that the Minister for Health release new Independent Hospital Pricing Authority data on the differences between prostheses prices in private and public hospitals and investigate whether this could be used to adjust Prostheses List Advisory Committee prostheses prices as soon as possible.

Recommendation 13

5.29 The committee recommends that the Prostheses List Advisory Committee further investigate rationalisation of the Prostheses List to reduce its size as an important element in reviewing and reforming the benefit setting process.

Recommendation 14

5.30 The committee recommends that the department investigate the impact of the 25 per cent market share requirement and its role in distorting the market.

5.31 The committee acknowledges that many stakeholders consider the current definition for inclusion on the PL limits patient access to non-implantable devices and to implantable devices not requiring hospitalisation.

Recommendation 15

5.32 The committee recommends that the Prostheses List Advisory Committee investigate a mechanism for the reimbursement of medical devices not currently eligible for inclusion on the Prostheses List, including non-implantable devices and implantable devices not requiring hospital admission.

5.33 The committee acknowledges that the price of prostheses on the PL can include a range of services for the medical device, including before, during and after surgery and for the life of the device. However, the committee notes that significant issues remain to be addressed and is particularly concerned about the lack of transparency regarding these services, and whether they are necessary and legitimate costs to be passed on to private health insurers.

5.34 In disclosing the cost of a device, the committee considers that the nature and cost of services associated with medical devices should be transparent, to provide greater accountability for the reimbursement by private health insurers.

Recommendation 16

5.35 The committee recommends that the nature and cost of services associated with a medical device on the Prostheses List be disclosed separately to the cost of the device.

Inquiry into private health insurance

5.36 The committee notes that the PL reforms can address issues relating to 14 per cent of reimbursements paid by private health insurance and notes that hospital costs make up 70 per cent of private health insurance benefits. The committee is concerned that hospital utilisation rates, rising hospital costs and an ageing population are also key factors impacting on the affordability of private health insurance in Australia.

5.37 The committee also notes with interest the rising trend of private patients receiving treatment in public hospitals, and the concerns raised in relation to this by health industry stakeholders.

5.38 On 29 March 2017 the Senate agreed that an inquiry into the value and affordability of private health insurance and out-of-pocket medical costs would be referred on 1 June 2017 to the Senate Community Affairs Committee for inquiry and report.

5.39 The committee will consider the impact of hospital utilisation and an ageing population on the affordability of private health insurance, and the increase in privately insured patients being treated in public hospitals, be considered in the upcoming inquiry into private health insurance.

Senator Rachel Siewert

Chair

