Consultation Paper on a Methodology for Determining the Benchmark Price for Prostheses in Australian Public Hospitals

Bupa Submission

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Introduction

Australia's private patients pay the highest prices in the world for medical devices. They also pay more than Australia's public patients for comparable medical devices with no evidence this differential is driven by clinical outcomes[1].

Reforming the Prostheses List is critical to the affordability and sustainability of private health care for Australian consumers. Bupa therefore welcomes the announcements made by the Australian Government in the 2021-22 Federal Budget to undertake reform of the Prostheses List.

Bupa is committed to passing on to our customers savings achieved through such reforms.

Bupa strongly supports proposed changes to the structure of the Prostheses List, specifically the work being undertaken to remove consumable items from the General Miscellaneous category.

Bupa also supports the Government's intention to more closely align the price paid for prostheses in the private sector with those in competitive markets, such as public hospitals. Reference to international pricing is also important to ensure Australia's private patients are not subject to an 'Australia Tax'.

An independent body is best placed to assume responsibility for price setting, and so we welcome the rigour and independence the Independent Hospitals Pricing Authority will bring to the reform effort.

Bupa is grateful for the opportunity to provide its views on the following questions outlined in the Consultation Paper.

DATA SOURCES

Which data source should IHPA utilise as the primary data source for determining the public sector benchmark price?

Bupa supports the proposed methodology of utilising the NHCDC data as the primary data source to determine a benchmark price, supported by purchase price information from LGAs, states and territories, with volumes taken from HCP. Consideration should be given to factors that may affect the purchase price information that is received.

Health outcomes data is another critical factor that should be used to determine the optimal mix of devices and their price. The Australian Orthopaedic Association's *National Joint Replacement Registry* is an excellent resource for use in making these determinations.

Are there any other sources of data IHPA should consider for determining the public sector benchmark price?

Pricing information from outside of Australia should be used validate the pricing as provided from the various sources to ensure there is no additional unexplained impact on pricing from prostheses being supplied in Australia.

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[1] https://www.safetyandquality.gov.au/our-work/indicators-measurement-and-reporting/nationalarrangements-clinical-quality-registries

What risks should IHPA consider if DRG level information were to be utilised? Are there alternative approaches IHPA should consider?

The quality of the DRG assignment, particularly complexity splits, should be taken into consideration for this analysis and normalisation applied if statistically appropriate.

The reference pricing methodology should be continually reviewed in order to ensure that it continues to be appropriate to changing market conditions.

METHODOLOGY FOR CALCULATING THE BENCHMARK PRICE

Do you support IHPA's proposal to establish the public sector benchmark price using a volume weighted average approach? Please provide rationale.

Bupa supports the proposed methodology to utilise a volume weighted approach in order to control for extreme price variation due to specialised or bundled arrangements that may be in place.

Are there any alternative approaches that IHPA should consider? Please provide rationale.

In addition to the above, we recommend using appropriate efficient international markets as a comparison for pricing prostheses where the factors which comprise that pricing can be determined.

APPROPRIATE ADJUSTMENTS TO ACCOUNT FOR LEGITIMATE DIFFERENCES BETWEEN THE PUBLIC AND PRIVATE HOSPITAL SECTORS

What factors, if any, should be considered as legitimate and unavoidable difference between the private and public hospitals systems with respect to prostheses pricing?

At an item level there should be no unavoidable differences with respect to pricing in the private and public hospital systems as it similarly supports both small private hospital groups and larger private hospital groups.

The only possible justification for a relativity overall in prostheses spend that would favour the private sector is demonstrably superior clinical outcomes. It appears that the differential in pricing observed is not driven by quality, as the National Joint Registry has reported that the private sector has a greater ratio of devices with higher than anticipated revision rates than the public sector (Australian Orthopaedic Association, *National Joint Replacement Registry Annual Report 2017*, pp36-44).

Consequently, the gap that currently exists should be closed completely. There should not be an opportunity for a basic cost and private top up.

How should the extent of any such differences be quantified?

There should be no differences accounted for.

ENDS