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

I do have some concerns around this whole process. As a company we are very much a small player, and like many small players in the market this whole process could seriously see us and others close the Australian business as a result of no longer being able to afford to operate here. As well as ourselves other SME's produce innovative technology which may no longer exist as a result of the reforms, as we will no longer be able to provide them in the market at the new reimbursement price as this no longer covers the price to manufacture! This will be a poor outcome for every Australian!

Following the reform if companies are forced to close their doors this will leave the Australian market in a poor position, especially for the patient from a perspective of receiving world class treatment relevant to the prostheses of choice by the surgeon.

With that in mind, how will this position be addressed in Australia to ensure the Australian public continues to receive the most innovative and efficacious solutions to their healthcare issues?

Consultation questions

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

- Data provided by suppliers - this should be at the list price and not at discounted or 'rebated price' based upon volume
- Utilising DRG information is too much of a generalization for the application of a generic model of pricing to a prosthesis? It again, does not take into account volume purchasing by hospitals.
- If the above were to be implemented, then as a SME supplier, together with others in the Australian market you may well find the choice of implant reduced as a result of no longer being able to conduct business in Australia! This would be a significant issue for the market and potentially reduces the provision of innovative life changing prostheses, which could result in patients seeking solutions outside of Australia.
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Do you support IHPAs proposal to establish the public sector benchmark price using a volume weighted average approach? Please provide rationale.

- Yes I support the weighted argument as it is the large multi nationals who dominate the public sector with large volume discounts which can be offset from other areas within their medical device business, hence decreasing their losses. I would hope that the discount applied would be spread over more than 4 years in order to make the necessary changes to our business practices to account for the shortfall in reimbursement.
- In addition, consideration should be given to smaller players within the market to ensure Australia remains a competitive environment bringing the latest technology to Australia. Within the current med tech prostheses space, very little innovation makes it to market as a result of mounting costs along the way making it extremely challenging to recoup the costs within an appropriate timeframe. A significant restriction in the pricing framework would see less choice of innovative potentially cost saving technology introduced in the Australian market.
- In addition, where a product has clearly defined benefits to the patient, such as bearing material or superior clinical results, then an 'adjustment' price should be applied to this product, above the standard group class as a recognition of the initial cost of development and potentially decreased risk of revision. Otherwise we will see the resurgence of the 3M Capital hip – and we know how well that turned out for everyone!

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

- Factors for consideration in my costs are:

    - cost of inventory
    - cost of instrument sets
    - Shipping and freight as a result of the hospital not having the capacity to place product on the shelf – I recognize that you have discounted this as an argument but someone has to pay and I do not see it being the Private Health Insurers
    - Case coverage
    - Regional locations
    - Large multinationals dictating pricing
    - Surgeon choice – have they been asked?