



**Medical Technology**  
ASSOCIATION OF AUSTRALIA

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# MTAA Budget Submission FY2020/21

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## 1. About MTAA

The Medical Technology Association of Australia (MTAA) is the national association representing companies in the medical technology industry. MTAA aims to ensure the benefits of modern, innovative and reliable medical technology are delivered effectively to provide better health outcomes to the Australian community.

MTAA represents manufacturers and suppliers of medical technology used in the diagnosis, prevention, treatment and management of disease and disability. The range of medical technology is diverse with products ranging from familiar items such as syringes and wound dressings, through to high-technology implanted devices such as pacemakers, defibrillators, hip and other orthopaedic implants. Products also include hospital and diagnostic imaging equipment such as ultrasounds and magnetic resonance imaging machines.

MTAA members distribute the majority of the non-pharmaceutical products used in the diagnosis and treatment of disease and disability in Australia. Our member companies also play a vital role in providing healthcare professionals with essential education and training to ensure safe and effective use of medical technology.



# MISSION VISION AND VALUES

### OUR WORK IS...

To champion medical technology for a healthier Australia.

### WHEN OUR WORK IS DONE...

Medical technology will be valued as a key driver of a healthier Australia.

### WE WILL WORK WITH...

Integrity, collaboration, influence and leadership.

## 2. Executive Summary

Medical technologies are critical to improving quality and affordability of healthcare in Australia not just now, but in the medium to long term.

In the last 20 years, Australia has seen a 25% decline in annual mortality, 25% decline in disability rates, 56% reduction in hospital bed days and an increase in life expectancy by 4.6 years, much of which can all be attributed to medical technology.

The medical technology sector has also continued to prove itself quick to improve and adapt its products, meaning better access to the best and latest technology for patients faster.

It's why breakthroughs in medical technology will continue to accelerate over the next decade and the industry is primed to overtake pharmaceuticals as the healthcare sector's big innovators.

Medical technology is critical to the success of the private health system, and MTAA wants to ensure this value proposition remains as strong as possible to ensure the private market's ongoing contribution to patient care in Australia.

However, the medical technology industry in Australia has never faced such a significant period of uncertainty.

This is particularly prominent in the private market, where a series of agreed and ad hoc changes in recent years are undermining the value of the Prostheses List (PL), and the protections it provides against private health insurers interfering with patient and doctor access to medical technology.

The med tech industry in Australia is worth nearly \$8 billion per year, approximately the same amount the Federal Government invests in the PBS each year, and it's important for Australia's future that investment continues to grow, not contract.

MTAA and its members therefore want to partner with the Federal Government to maximise opportunities for Australia's patients, economy and current and future workforces.

### 3. Saving Private Health

Private health is a critical component of healthcare in Australia because it allows Australians to invest in their own healthcare and receive faster access and choice of treatment, while reducing the burden on the public health sector. The value proposition includes access to the devices their doctor chooses for them without the restrictions that exist in public hospitals.

However, 20 years straight of private health insurance premium increases – the vast majority above inflation – have made it increasingly unaffordable for Australians, with recent figures showing 2.2 million Australians have dropped out in the past five years.

At the same time, insurers have collected 50% more profit from each of their members over the past five years, far outpacing the 21% growth in benefits paid out. Operational costs have also grown more quickly than benefit payouts, growing at 28%.

MTAA supports the Federal Health Minister’s work to deliver the lowest private health insurance premium increase in 19 years, which was largely possible due to MTAA’s Agreement with the Minister, which is on track to save \$1.1 billion off the cost of medical devices by 2022.

MTAA also welcomes the Federal Health Minister’s recent commitment to another round of private health reforms and is keen to work closely with the government to deliver the best outcomes for patients, taxpayers, industry and insurers alike.

#### **Measure 2a. Reducing Private Health Premiums ‘Below Zero’ (-5% p.a.)**

MTAA sees realistic opportunities to **reduce private health premiums by up to -5% annually by FY2021/22.**

If adopted, this could see the Federal Health Minister announce the next premium round (2021) as prices going backwards (below 0%) for the first time in decades.

#### **Measure 2b. Further Savings in the Private Health Sector (-\$1.0b)**

To achieve the above premium reduction, there are currently a further approx. **-\$1.0b in annual, ongoing savings** available in the private health system that could be realistically delivered by FY2021/22.

These savings measures are the findings of a recent AlphaBeta report, commissioned by MTAA, and include millions of dollars in various efficiencies from better models of care, such as the Government’s proposed ‘Hospital in the Home’, as well as operational efficiencies within private health insurers and their products. All of this can be achieved without negatively impacting patients.

- a) **-\$290m annual saving by FY2021/22** from increasing out-of-hospital procedures and recoveries, so patients are home sooner and recovering quickly.
- b) **-\$210m annual saving by FY2021/22** from extracting private health insurer operational efficiencies, incl. economies of scale, management and marketing.

- c) **-\$250m annual saving by FY2021/22** from reshaping the allied health ('extras') offerings of private health insurers to reduce payouts on questionable services, or 'junk'
- d) **-\$210m annual saving by FY2021/22** from the top performing private health funds making small reductions in their margins to reduce private health premiums.

These reasonable and achievable savings also provide the Federal Health Minister with reason to reject future premium increases if individual insurers seek approval for price increases over and above government expectations and the public interest.

## 4. Maintaining Private Health Patient Access & Protections

Since 2017, MTAA and its members have committed to reducing the price of medical devices on the Prostheses List by upwards of 20% and more for thousands of products. This has meant savings of approximately \$1.5 billion have been identified, including through the 2017 MTAA Agreement, with the aim of helping private health insurers reduce premium increases for their customers.

The medical technology sector is on track to deliver these savings, and as a result, private health insurers have not paid one extra cent for medical devices over the past two premium years.

### Prostheses List Reform

The PL framework contributes to the value proposition of private health insurance whilst suppressing benefit inflation and should therefore be retained.

Specifically, the value proposition of private hospital insurance over the public hospital system relates to patients having their choice of physician, hospital and access to medical technology, a greater capacity for individualised care and shorter waiting times for elective surgery.

The PL framework supports choice as it ensures that patients receive the best medical technology chosen by their treating physician, based on individual clinical need, with no out of pocket cost.

In considering options for reform, it should be noted that the proportion of benefits paid by private health insurers in relation to PL benefits is only 14% of the total hospital benefits, and the rate of growth in the average PL benefit has been zero for a number of years.

As outlined in the August 2019 AlphaBeta report '*Keeping Premiums Low: Towards a sustainable private healthcare system*', the key areas of growth in benefit expenditure have related to hospital costs and allied health benefits. These costs have continued to rise and together represent 75% of PHI benefit payments. Surgeon costs represent an additional 9.5% and medical devices represent 10%.

Medical devices have not been a key driver of costs and will continue to play a minor role in the growth of benefit expenditure. Notwithstanding this, there are various opportunities to strengthen existing PL arrangements.



The MTAA supports PL reforms which ensure a sustainable, value-based funding mechanism for the supply of medical technology that delivers improved health outcomes and operational efficiencies to the Australian healthcare system. Reform should also support access to innovative technologies which improve patient outcomes and quality of life.

## 5. Making MedTech Australia's Future

### **Measure 5a. 10yr Strategy - Future of Med Tech in Australia (\$5m)**

In partnership with the states and territories, creation of a formal, 10-year strategy to set a clear path for growing Australia as a destination for medical technology innovation, investment and jobs, particularly as healthcare shifts increasingly towards technology – rather than surgical and medication – support and intervention. It would also look to set out and shape how medical technology is likely to influence the next decade of health care, and in turn, help transition the medical workforce – as well as the outside skills that develop and maintain the technology - with the changes as they arrive.

### **Measure 5b. Better Models of Care using Technology Trial (\$20m)**

Creation of a formal, ongoing grants program for MTAA members for the trial and pilot of better models of care based on the principles of value-based healthcare using technology, such as telehealth, remote diagnosis, patient monitoring apps, shorter-hospital stays, out-of-hospital recovery, and replacing medicines with technology.

### **Measure 5c. 'Red Dust' Remote Indigenous Screening Program (\$7.7m)**

Working in partnership with Red Dust, clinicians, hospitals, Aboriginal Controlled Community Health Organisations, government and non-government organisations, the proposal seeks funding over ten-year for a clinical study of 100 RHD patients from our Indigenous communities to benefit from Edwards Lifesciences latest bioprosthesis valve.

In addition to treatment benefits this project will also include training and employment of local remote community residents to support the project outcomes. Local staff will play a key role in ensuring cultural safety of the project and be integral in supporting a community education effort to reduce future RHD incidence.

It is the intention of this proposal to “save countless lives”<sup>1</sup> beyond the 100 patients who would receive a RESILIA tissue valve through increased prevention and education that is culturally meaningful. This study aligns with the Australian Government priority to close the gap in Aboriginal and Torres Strait Islander health by committing to end rheumatic heart disease.

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<sup>1</sup> <https://www.theaustralian.com.au/nation/health/35-million-in-funding-for-rheumatic-heart-disease-vaccine-will-save-lives/news-story/cdbaafa0d1c6d5ad62ebf2a11e9d81ac>

#### **Measure 5d. Making Med Tech Equal to Medicines in R&D Tax Incentives Laws**

Amending inconsistencies in the Federal Government's current R&D tax incentive laws to bring definitions of medical technology trials in line with the TGA. This will increase fairness and remove unintended impacts from 2018 changes to RDTI laws that unfairly preference medicines over medical technology.

#### **Measure 5e. Turbo Charging R&D Tax Incentives for Med Tech R&D**

Improved R&D tax incentives for medical technology companies that bring early phase research and trials Australia, creating jobs, breakthrough headlines and giving patients access to life-changing medical devices not yet available to the general public.

#### **Measure 5f. Mixed Funding Model for the Establishment of Clinical Quality Registries**

Establishment of clinical quality registries similar to the National Joint Replacement Registry for other product areas as recommended by the Draft National Clinical Quality Registry Strategy with a mixed funding model including government funding. These serve to:

- a) provide valuable real-world evidence that links to an agreed focus on Value-Based Healthcare;
- b) concomitantly provide traceability, including future links for otherwise complex links for Patient Information requirements, and;
- c) provide a high return on investment.

#### **Measure 5g. Funding for Increased TGA Resources and IT Upgrade**

The TGA is significantly under-resourced, both in staffing and infrastructure, which has a material impact on the medical devices industry, particularly through timeliness and expertise of responses in assessment of applications. Increased resourcing beyond normally expected levels, has been cited as required by the TGA in several critical areas of the Action Plan for Medical Devices.

There is an urgent need for TGA to upgrade its IT systems. MTAA understands that there are currently a number of stand-alone electronic systems and databases that TGA uses to manage therapeutic goods approvals and compliance, including:

- the Australian Register of Therapeutic Goods (ARTG);
- the Medical device incident reporting & investigation scheme (IRIS);
- the Database of Adverse Event Notifications (DAEN); and
- the System for Australian Recall Actions (SARA).

These systems were built using now-outdated technology and, despite occasional patches, no longer meet the current needs of users.



The TGA also has ongoing staffing needs, particularly in the areas of:

- reviewers, both technical and clinical;
- technical experts needed to participate in standards committees for standards relevant to medical devices;
- advertising review staff – some advertisement reviews take more than 6 months to review; and
- support staff.

As TGA is dependent on the Department of Health budget and processes for infrastructure and hiring, these needs are further exacerbated.

## 6. Further Information

Further detail of the savings listed above can be found [here](#) in the August 2019 AlphaBeta report '*Keeping Premiums Low: Towards a sustainable private healthcare system*'.

Premium reductions are based on the Federal Department of Health's own estimations that a -\$200 million saving in the private health system equates to a -1% reduction in private health premiums.

For all other information, please contact Rachel Fry, Government Relations and Communications Manager, on 0417 887 432 or [rfry@mtaa.org.au](mailto:rfry@mtaa.org.au).

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