Competition Policy Review - Final report

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Medical Technology
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Introduction

The Medical Technology Association of Australia (MTAA) is the national association representing manufacturers and distributors of innovative medical technologies. The Australian medical technology industry includes medical devices, diagnostics and medical imaging equipment.

Medical technology saves and improves lives by detecting diseases earlier, monitoring progress and by providing more effective treatment options for patients and the healthcare system. The variety of medical technology is diverse with products ranging from consumable items such as syringes and wound dressings, through to high-technology implanted devices such as cardiac pacemakers, defibrillators, hip and other orthopaedic devices. Products also include hospital equipment, surgical equipment and diagnostic imaging equipment including ultrasounds and magnetic resonance imaging machines.

The Australian medical technology industry:

- had turnover of approximately $10.2 billion in 2012-13
- imported goods to the value of $5.59 billion and exported goods to the value of $2.23 billion
- was responsible for approximately 44 000 medical devices listed on the Australian Register of Therapeutic Goods (ARTG 2014) with up to a million different devices linked to them
- included over 500 medical technoogy companies with products listed on the ARTG
- is mainly located in NSW (55%) followed by Victoria (24%) and Queensland (12%)
- employs more than 19 000 people[1]

The medical technology industry makes a significant contribution to the economy and society through science, research, innovation, employment, trade, manufacturing, healthcare delivery, education and training. The medical technology industry has the potential to be a strong growth industry for Australia's future with the appropriate policy environment to encourage investment.

Adequate reimbursement pathways that keep up with advancements and innovation in technology, improving patient healthcare outcomes, are a critical component of future industry investment and growth.

Competition Review – Final Report

MTAA notes the Competition Policy Review Final Report was released on 31 March 2015 and that the Review has concluded. Further, MTAA notes the Minister for Small Business, Bruce Billson has now called for consultation on the Final Report.

[1] Medical Technology in Australia: Key facts and figures 2014 Medical Technology Association of Australia

Part three of the The Final Report makes specific comments about Private Health Insurance (PHI) and the Prostheses List (PL). This paper will make specific comments on that section. This paper will also refer to section 2.8, Government Procurement.

Competition Policy Review Final Report – Prostheses List recommendation page 170

> *"The regulation of prostheses should be examined to see if pricing and supply can be made more competitive, while maintaining the policy aims of the current prostheses arrangements. This examination should also be led by the ACCP (the proposed Australian Council for Competition)."*

MTAA supports sustainable pricing of prostheses by government to ensure patient access to suitable and innovative prostheses. MTAA and its members have been and continue to be prepared, to actively participate in dialogue that enhances the value of private health insurance for all Australian patients.

We also note the recent Qualitative Deliverable in Department of Health Budget papers 2015-16, which states: "*Ensure Consumers have access to safe and effective surgically implanted prostheses under the Prostheses List".*[2]

We offer the following comments in respect to the Competition Report's recommendation.

Prostheses List (PL) – background

Medical technologies, provided as part of an episode of hospital treatment, are reimbursed in the private health system by private health insurers at a level of benefit recommended to the Federal Government by the Prostheses List Advisory Committee (PLAC).

Regulation of reimbursement of prostheses began in 1985 due to restricted access to orthopaedic implants afforded by Private Health Insurance Funds. MTAA notes that the Competition Report observed that "It is important that consumers have access to products that meet their needs, including in the area of private health insurance" (page 152). MTAA strongly believes that continued access will only be assured through sustained government regulation.

It is important to note that benefit levels on the Prostheses List have not been indexed since the scheme began in 2005 – a period with an average annual inflation rate of 2.8%, that could have seen total indexation of 28%. Further, prostheses listed in 2005 and still listed today (2,571 products) have decreased by $24.92 or 19%. Growth in Private Health Insurance expenditure on prostheses is being driven by the increased utilisation of devices that improve the quality of life for patients. This demand is due to Australia's ageing population with chronic diseases and related co-morbidity health issues, not from an increase in benefit levels. Data available from the Private Health Insurance Administration Council supports this statement.

The PL clinical assessment and benefit determination processes are overseen by the PLAC and its Health Economics Sub Committee (HESC). MTAA understands that the PLAC has scoped a procedure for requesting and processing reviews of existing

[2] Australian Government 2015-16 Health Portfolio Budget Statements – Outcomes 6 Private Health, page 111, http://www.health.gov.au/internet/budget/publishing.nsf/Content/2015-2016_Health_PBS_sup2/$File/2015-16_Health_PBS_2.06_Outcome_6.pdf

benefits and that this process will be available to all stakeholders including device sponsors and health funds. Dissatisfaction with existing benefits of the like highlighted in the Competition Report should be reviewed under such arrangements and if a benefit amount is found to be unjustifiable, then adjustments can be considered.

With regard to the recommendation that the new ACCP "examine regulation of prostheses and to see if supply can be made more competitive", it should be noted that PL processes were extensively reviewed in 2007 by Mr Robert Doyle and in 2009 by a broader based Health Technology Assessment Review. A further review of the PHI has also been forecast by the Department of Health and so MTAA believes that a further review by the ACCP would be duplicative, inefficient, would run counter to government's red tape agenda and should be avoided. MTAA recommends that government consider the impact duplicative reviews would have on businesses of all sizes, in particular small businesses with limited resources.

MTAA notes the Competition Report's advocated policy on page 7 that "competition policy should… secure necessary standards of access and equity". Industry believes that PL processes perform that role ensuring: that privately insured patients have access to clinically effective implantable medical technology; that their surgeons have the choice of the most appropriate therapy for their patients; and that the best health outcomes may be achieved.

MTAA will actively join other stakeholders in considering any proposed review of the PL reimbursement processes to ensure it provides the best possible outcomes.

Recommendations:

MTAA recommends:

- That the Minister for Small Business acknowledges the Department of Health's intention to review the prostheses reimbursement framework to ensure private health insurance expenditure is directed to clinically appropriate and cost-effective prostheses; and
- That an examination of the current prostheses arrangements by the proposed new body, the Australian Council for Competition Policy be considered to be unnecessary duplication and that the Minister for Small Business should accede to the intended review to be conducted by the Department of Health.

2.8 Government Procurement and other Commercial Arrangements

MTAA supports the recommendation that all Australian governments should review their policies governing commercial arrangements with the private sector and non-government organisations, including procurement policies, commissioning, public-private partnerships and privatisation guidelines and processes. Through these reviews Governments can survey global contemporary and effective procurement practices to achieve efficiency gains and higher quality purchasing through smarter, more effective and innovative tender design and service delivery.

The primary aim of procurement is to deliver a sustainable health care system and efficient health care outcomes for patients. The importance of competition in the procurement process should be determined with reference to achieving such outcomes. This determination would be heavily influenced by the circumstances of the specific procurement process.

There are complexities, costs and inefficiencies of the current tendering processes across all jurisdictions:

- Each jurisdiction has their own process and/or agency that runs procurement for healthcare products. These processes run from the Victorian model where HPV act as a statutory body to negotiate (only) contracts with the mandate on the Hospitals to then implement the contract; through to NSW who run centralised procurement through biomedical engineering and finance. In each jurisdiction there is an independent model, with unique tender terms, requirements, metrics and enforceability of tender and procurement process.
- There is no consistency in the tender terms (number of years, extension opportunities, price increases) requiring suppliers to manage each of the tenders manually.
- There is no national consistency for the compliance requirements of tenders – specifics to note are HPV requirement that successful tenderers must be Recallnet compliant within 6 months of winning the tender and HealthShare requiring product liability insurance that is unlimited in the aggregate.

The **drivers and metrics** shaping procurement and investment decisions

- Significant focus is lacking across the board on clinical preference and clinical evidence taking over-riding priority in public health procurement decisions.
- Focus from all States is on direct cost savings and driving the price per item lower regardless of the value to be added. A number of procurement groups have said their focus is shifting to partnering with suppliers on the value chain however, there is no credible evidence this is happening.
- Due to the complexities of the procurement and reimbursement processes, there is a natural dissuasion from bringing new technologies to market. Even when evidence of better clinical outcomes and financial savings can be produced, the procurement groups lack effective processes and procedures to onboard new technologies.

The **identification and implementation of opportunities** to cut costs, improve efficiency and maximise patient health outcomes can drive positive reform and create new opportunities in health administration and patient care.

- Focus has moved too strongly towards the cost of the individual item, rather than partnering to assess the total value chain from the supplier to the healthcare facility.
- Suppliers and manufacturers can often provide clinically superior products that are new market technologies, but are constrained by procurement models and archaic reimbursement processes.
- The current system across all jurisdictions is not conducive to the introduction of new technologies even when the advancements improve clinical outcomes and reduce overall healthcare costs.