



*Hear now. And always*

Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Senators,

### **Inquiry into Private Health Insurance Legislation Amendment Bill 2018 and Related Bills**

Cochlear welcomes the opportunity to make a submission to the Committee's inquiry into the Private Health Insurance Legislation Amendment Bill 2018 and related Bills.

Cochlear supports the objectives of the Government's private health insurance (PHI) reform program which is to make PHI simpler and more affordable for Australian consumers. We acknowledge any reform of PHI is complex and we have actively sought to make constructive contributions to the process.

#### **Access to cochlear implant system and the importance of affordable private health insurance**

Hearing is integral to good health, social interaction, education, employment and quality of life. It is estimated one in six Australians are affected by hearing loss, with a financial cost of \$15.9 billion in 2017<sup>1</sup>.

Cochlear implant systems – including cochlear implant and sound processor – are clinically efficacious and cost effective interventions for severe to profound hearing loss. Cochlear implant systems are not provided for cosmetic purposes. For people with severe to profound hearing loss, hearing aids are insufficient or ineffective. A cochlear implant system is the only option available to give them functional hearing and to keep them socially, emotionally and cognitively connected in the real world.

Around 55% of cochlear implant surgeries are currently performed in the private sector<sup>2</sup>. This represents a healthy balance between private and public sector funding and is a significantly lower percentage than other treatment categories such as retinal procedures (82%) and knee reconstructions (72%).

That said, public sector funding for adults requiring cochlear implantation surgery is relatively limited and many people rely on affordable private health insurance cover both for the initial cochlear implant system and medically necessary replacement sound processors. Given higher rates of hearing loss among more socioeconomically disadvantaged groups ensuring access to affordable PHI cover for hearing loss treatment is particularly important.

Disabling hearing loss is also an increasingly severe co-morbidity with six of Australia's current National Health Priority areas (Cancer, Cardiovascular Health, Diabetes, Arthritis & Musculoskeletal Conditions, Obesity, and Dementia) and is a risk factor for two Priority Areas, dementia and mental health. Hearing

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<sup>1</sup> The Social and Economic Cost of Hearing Loss in Australia – June 2017, Deloitte Access Economics

<sup>2</sup> <https://www.aihw.gov.au/reports/hospitals/procedures-data-cubes/contents/data-cubes>;  
[http://medicarestatistics.humanservices.gov.au/statistics/mbs\\_item.jsp](http://medicarestatistics.humanservices.gov.au/statistics/mbs_item.jsp)



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loss has recently been identified as the largest modifiable mid-life risk factor for dementia (9% of all modifiable factors and 70% of mid-life risk factors)<sup>3</sup>. Maintaining timely access to medically necessary cochlear implant system has the potential to reduce the impact of other costly conditions on the health system.

### **PHI reforms could reduce choice and affordability for products covering hearing implants**

Cochlear is focused on helping to ensure the government's reforms meet their stated objectives of making PHI simpler and more affordable, in particular for Australians who need an implantable hearing system to address their hearing loss. We do not want to see diminution of cover, and therefore fewer people being able to rely on the private health sector, as an unintended consequence of reform.

Our analysis of over 250 different PHI products on the market indicates the majority across a range of categories, other than the basic, currently provide cover for implanted hearing devices (see table below)

|                                 |                                    | <b>Basic</b> | <b>Low</b> | <b>Mid</b> | <b>Top</b> |
|---------------------------------|------------------------------------|--------------|------------|------------|------------|
| <b>Cochlear implant systems</b> | <b>Implant</b>                     | 43%          | 82%        | 95%        | 100%       |
|                                 | <b>Initial Sound Processor</b>     | 43%          | 82%        | 95%        | 100%       |
|                                 | <b>Replacement Sound Processor</b> | 45%          | 81%        | 93%        | 98%        |
| <b>Bone conduction systems</b>  | <b>Implant</b>                     | 45%          | 83%        | 95%        | 100%       |
|                                 | <b>Initial Sound Processor</b>     | 45%          | 83%        | 95%        | 100%       |
|                                 | <b>Replacement Sound Processor</b> | 45%          | 83%        | 93%        | 98%        |

On 16 July 2018, the Minister for Health released an exposure draft of the Private Health Insurance (Reforms) Amendment Rules 2018 (the draft Rules) for consultation. The draft Rules include the new product tiers and the hospital treatment categories that must be included in products categorised as Basic, Bronze, Silver or Gold.

Cochlear and other key stakeholders in the hearing sector have advocated for "implantation of hearing devices" to be included as minimum cover in Bronze, Silver and Gold, to reflect the current level of coverage across the market. This would also help secure access to cost effective treatment for hearing loss without a material impact on the cost of premiums. The Ear, Nose and Throat category of Prostheses Listing – including cochlear implant system - represents just 1% of the total benefits paid for prostheses by PHI<sup>4</sup>

The draft Rules provide for minimum cover "implantation of hearing devices" in Silver and Gold tiers. We consider this a step in the right direction and a genuine attempt to reflect the current market, taking into account restrictions on cover in lower cost policies. However Cochlear believes that providing for minimum cover of hearing implants in the Gold, Silver *and* Bronze categories will help guard against

<sup>3</sup> Livingston, G et al. 2017. Dementia prevention, intervention, and care. The Lancet Commission [www.thelancet.com](http://www.thelancet.com) Published online July 20, 2017 [http://dx.doi.org/10.1016/S0140-6736\(17\)31363-6](http://dx.doi.org/10.1016/S0140-6736(17)31363-6).

<sup>4</sup> APRA, Private Health Insurance Quarterly Statistics, December 2017



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further erosion of the value proposition of PHI for socioeconomically constrained patients, forcing them out of the private sector into the public sector.

This would place additional burden on limited State Government Implantable Hearing System/ Cochlear Implant budget allocations and increase waiting lists. Delays in access to intervention will negatively impact the health and productivity of Australians suffering a treatable, disabling hearing loss.

Cochlear urges the Committee to consider the broader PHI reform program and its potential impact on vulnerable Australians, when reviewing the legislation currently the subject of this Inquiry. Our more detailed submission on the hospital product categorisation provided to the PHI Taskforce is attached for your reference at Attachment A.

If you require any further information please contact me [REDACTED] or Brooke O'Rourke, Senior Government Affairs Manager [REDACTED]

Yours sincerely

Janet Menzies  
General Manager  
Australia and New Zealand

### **About Cochlear**

Cochlear is the global leader in the development and manufacture of implantable hearing solutions and related technology to address moderate, severe to profound hearing loss.

We are an Australian headquartered global company with over 3,500 employees across 30 countries. Around 1,600 of Cochlear's employees are based in Australia with the majority working in manufacturing, logistics and research and development.

Over 475,000 people of all ages from more than 100 countries now hear because of a Cochlear product. This includes over 14,000 people in Australia