

**Senate Community Affairs Committee**

**ANSWERS TO ESTIMATES QUESTIONS ON NOTICE**

**HEALTH PORTFOLIO**

**Supplementary Budget Estimates 2016 - 2017, 19 October 2016**

**Ref No:** SQ16-000481

**OUTCOME:** 4 - Individual Health Benefits

**Topic:** Prostheses List

**Type of Question:** Written Question on Notice

**Senator:** Griff, Stirling

**Question:**

- a) Was there an opportunity for public consultation with respect to the proposal for a 25% rule, prior to its adaptation? If so, please provide details as to the nature of that consultation.
- b) Was a regulatory impact statement prepared in relation to the 25% rule? If so, please provide a copy to the Committee. If not, why not?
- c) Is the 25% rule published on the Department's website or any other publicly available document?
- d) Is it standard practice for the Minister to take advice from a committee made up, predominantly, of manufacturers of medical devices and industry lobbyists? How was the constitution of the Committee determined?
- e) Is the Department aware of any adverse effects with respect to unfair pricing that has resulted from the 25% rule? If so, please describe those negative impacts.
- f) Does the Department accept that the 25 % rule has resulted in unfair pricing practices?
- g) Is the Minister concerned about the interactions between the government decision-making on the one hand and the level of involvement device manufacturers and stakeholder lobbyists have in pricing determinations, on the other?
- h) Is the Minister concerned about the possibility of any perceived conflicts of interest given that Paul Ramsay Holdings Pty Ltd and Johnson and Johnson Medical Pty Ltd are significant donors for both the Liberal Party and the Labor Party and also substantial beneficiaries in Prostheses pricing?

**Answer:**

- a) During the five years that the Prostheses List benefit setting process was deregulated, negotiations directly between private health insurers and medical device sponsors resulted in prostheses expenditure increasing dramatically. The average benefit per prostheses increased from about \$300 in 2000-01 to \$700 in 2004-05. In 2004, the Government decided to reintroduce regulation of prostheses benefits. The former Prostheses and Devices Committee commenced a process to group prostheses of similar clinical effectiveness and negotiate benefits with medical device sponsors. The Review of Health Technology Assessment in Australia 2009 recommended that negotiation of benefits for individual prostheses should cease and a single benefit should be determined for each group of prostheses. The Health Technology Assessment Consultative Committee (HTACC) established by the Department of Health

recommended setting group benefits on the basis of existing benefits on the Prostheses List and used 25 per cent of annual utilisation of all prostheses within a group as a guide. The HTACC used this guide to recommend benefits for all groupings of prostheses which was endorsed by the Prostheses List Advisory Committee (PLAC). This methodology resulted in the current benefits detailed in the Prostheses List. The process for reviewing categories and groupings and setting single group benefits was completed some time ago; therefore the guide is no longer used.

Consultation occurred through the HTACC and the PLAC.

- b) No.  
Use of this guide did not create any additional regulatory obligations or compliance costs on individuals or businesses that would require preparation of a Regulatory Impact Statement.
- c) No.
- d) The HTACC no longer exists. It met for the first time on 6 December 2010 and last met on 1 April 2014. It comprised a range of relevant representatives. It was established by the Department as a stakeholder consultation group to advise the PLAC on implementation of the recommendations of the *Review of Health Technology Assessment in Australia 2009* relating to the prostheses listing arrangements. The PLAC then made recommendations for listing to the Minister for Health's delegate.

It is common to seek to broker agreement among industry stakeholders and consumer representatives. The composition of the HTACC reflected this.

- e) As with any averaging mechanism, impacts will vary across the sector. The Department does not have a view on whether any of the effects were adverse.
- f) The Department does not have a view on this.
- g) This is a matter for the Minister.
- h) This is a matter for the Minister.