



Medical Industry Association of Australia

MIAA SUBMISSION TO THE SENATE COMMUNITY AFFAIRS COMMITTEE INQUIRY INTO PRIVATE HEALTH INSURANCE BILL 2006 AND RELATED BILLS

The Medical Industry Association of Australia (MIAA) is the peak industry body representing medical device suppliers. Medical device suppliers provide prostheses listed on the Government's Prostheses List for procedures involving eligible privately insured patients which must be reimbursed to the value of the listed minimum benefit. MIAA members list over 83% of the 9,000 plus devices appearing on the Prostheses List.

Comments in this submission focus on the Private Health Insurance (Prostheses Application and Listing Fees) Bill 2006 ("Fees Bill") which underpins Government's intention that medical device suppliers meet the costs of administration of the Prostheses List by imposition of a tax.

Summary Position

MIAA acknowledges that Government has resolved to impose cost recovery on prostheses suppliers. Within this context, MIAA believes that the Fees Bill should be amended to include:

1. the requirement to recover no more than the total costs incurred in administering the Prostheses List program, from the time the Bill is passed into law;
2. the requirement for transparency and regular accountability of costs and revenue.

We believe that inclusion of these requirements will enhance the Bill and will not be inconsistent with Government's intent.

Background

Before implementation of the current Prostheses List process in 2005, voluntary application fees were \$90 per application and \$45 per listing for six months. The Fees Bill proposes to authorise fees to a maximum of \$2,000 per application (an increase of 2,222% if it were to be imposed) and \$2,000 per six month listing (+ 4,444%). Although the Fees Bill states at section 5(4) "The amount of a fee may be nil", section 5(5) provides that "Fees do not have to bear any relationship to the cost of the services in relation to which they are payable". The Fees Bill does not impose any requirement for program transparency or accountability, nor does it restrict collection to recover no more than administrative costs incurred.

The Fees Bill authorises the Minister at section 9 to make Rules necessary to give effect to the Act. Draft Rules released in early February 2007 propose to establish fees at \$400 per application fee (+ 444%) and \$110 per six monthly listing (+ 244%). Draft Rules do not provide for transparency or accountability of program costs or fees collected.

Industry Concerns

Limitations to cost recovery: In January 2006 the Department of Health and Ageing (DoHA) advised of its intention that all prostheses sponsors of devices on the Prostheses List fund the National Joint Replacement Registry (NJRR)¹ through Prostheses Listing Fees. At the same time DoHA also estimated that an Application Fee would be \$1,031 and a Listing Fee would be \$232 per six months. These amounts would have been within the \$2,000 limit set by the current Bill but significantly higher than the more modest amounts included in the draft Rules.

In response to broad stakeholder opposition, the proposal to fund the NJRR through this process was dropped and forecast fees have been significantly moderated in the draft Rules. In Ministerial correspondence to MIAA on 7 June 2004, with regard to costs of the process, Minister Abbott confirmed his intention that prostheses fees only cover the cost of assessment and listing. Industry seeks to ensure that the fees relate directly to the administration of the List, and that additional functions or services are not added.

Transparency and Accountability: The imposition of mandatory cost recovery by means of a tax to finance the reformed Prostheses List program represents a significant additional impost on device suppliers. Suppliers must expect to incorporate increased fees into their budgets even though it is unlikely that the benefit negotiation process will make a corresponding allowance in future negotiated benefits. This will impact on sponsors' businesses. Failing a more equitable outcome, device suppliers should at least be assured by legislation that DoHA, as the government department responsible for administering the new tax through Prostheses Fees, will be required to openly, publicly and regularly account for the funding it collects. It will only be by public accountability that waste or inclusion of inappropriate items will be exposed. MIAA recommends the Fees Bill include a requirement for transparency and accountability of costs and revenue by means of annual reporting of the collection and expenditure of Fees to the Parliament by the Minister or in the Annual Report of DoHA.

Imposition of limits to recovery of direct costs, for transparency and for accountability does not impact the cost recovery intent of the Fees Bill.

It is MIAA's view that these requirements should be included in the Fees Bill rather than the Rules. MIAA also notes that the draft Rules do not place limits or requirements for accountability or transparency on the Department in respect to Prostheses Fees.



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¹ The National Joint Replacement Registry receives data from all public and private hospitals undertaking joint replacement and therefore provides benefit to both the public and private sectors.