

The Secretary
Senate Community Affairs Legislation Committee

Austofix Group LTD

18 Kinkaid Avenue
North Plympton SA 5037
Australia

Australia
T 1300 TRAUMA
F 1300 727 380

International
T +61 8 8351 0644
F +61 8 8351 0855

E info@austofix.com.au
www.austofix.com.au

ABN 16 119 490 238

Dear Sir/Madam,

Re: Private Health Insurance (National Joint Replacement Register Levy) Bill 2009

Austofix is one of only three Australian orthopaedic implant manufacturers. We currently employ over 30 people in manufacturing, administrative and sales positions. Our strategy is to provide quality orthopaedic technology, designed and developed in Australia at competitive pricing. Imported products currently comprise the vast majority of prostheses currently sold in Australia, with market share in joint replacement being concentrated with 4 large multi-national corporations. Austofix is introducing products which offer equivalent and in some cases improved clinical benefits but which are sold at a significant price reduction to imported systems.

Austofix has several concerns regarding the proposed National Joint Replacement Register Levy. Firstly, no consultation has been undertaken with industry regarding the proposed Bill. In order for a fair and equitable arrangement to occur, it would seem that the passage of the Bill should only occur after appropriate discussion and consultation with industry.

Secondly, the proposed Bill does not clearly identify the mechanism by which rates will be set. Any mechanism must take into account utilisation, since:

- In most categories, the majority of market share is held by a small percentage of items. For example, of the 200 or more femoral stems currently listed on the Prostheses List, the top 10 comprise 67% of sales, whilst the top 2 hold 33% of sales. These items attract a premium on the Prostheses List due to their utilisation, yet are out of patent and a number of 'generic' versions of these products are becoming available. To tax all femoral stems at a standard rate would create a further barrier to entry to cheaper alternatives and further entrench the market position of the market leaders. We believe such a system would be anti-competitive and would actually prove detrimental to both public and private health care systems.
- Some items with large benefits are revision items that serve an important clinical purpose but which are not regularly utilised due to their specialisation. Their benefits reflect the considerable cost of maintaining inventories at such low utilisation and a poorly administered tax based upon benefit alone may affect the commercial viability of such items.

The second issue regards the fact that only one stakeholder is being asked to assume the cost of the registry. We would also ask what oversight, if any, industry will have over the budget of the NJRR given that industry is the sole contributor to its operations? While Austofix fully supports the work of the NJRR, we believe that there are other beneficiaries of its services such as the private and public health care systems and that greater stakeholder representation will naturally result in a more efficient management of registry costs.

We would request that further consultation with industry be undertaken before the passage of this bill to ensure that an equitable plan for funding the NJRR is developed.

Yours Sincerely,



Mark Szolga
Chief Executive Officer
Austofix Group
5th June, 2009