



Global Orthopaedic Technology

CM:CM
Ref: Parliamentary Submission - NJRR

5 June 2009

The Committee Secretariat
Parliament House
CANBERRA ACT 2600

Attention: Mr Elton Humphrey

Dear Sir

RE: PRIVATE HEALTH INSURANCE (NATIONAL JOINT REPLACEMENT REGISTER LEVY) BILL 2009

Thank you for this opportunity to make our submission concerning the operation of the *Private Health Insurance (National Joint Replacement Register Levy) Bill 2009*.

Summary

The operation of the *Private Health Insurance (National Joint Replacement Register Levy) Bill* will most likely place a significant burden on Australia's largest manufacturer of orthopaedic prostheses.

This burden will have the effect of contributing to uncertainty and costs created by the way the Prosthesis Devices Committee operates which has led to our company limiting new product developments and moving some manufacturing to alternative overseas suppliers.

The Bill, as we understand it, will impose a levy based, not upon the number of joint replacements sold by a sponsor, but upon the number of Billing Codes a sponsor has on the Prosthesis List.

If this Bill becomes law in its present form it is our view that Australian manufacturers, such as us, will be effectively subsidising giant multinational manufacturers who dominate sales of joint replacement in Australia.

Introduction

The Global Group is an Australian designer, developer, manufacturer and marketer of orthopaedic prostheses. We believe that we are the largest manufacturer of orthopaedic prostheses in Australia. The Global Group is wholly Australian owned and operated and is Australia's largest manufacturer of orthopaedic prostheses.

The Global Group currently employs some 50 staff and other persons in its operations excluding ancillary services and suppliers.

Global Orthopaedic Technology Pty Ltd is the parent of the Global Group of Companies. The Global Group includes Global Hip Technology Pty Ltd, Global Knee Resources Pty Ltd,

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Global Spinal Technology Pty Ltd, Global Orthopaedic Technology USA, Inc and Global Manufacturing Technology Pty Ltd.

Each company in the group is designed to concentrate on one aspect of the orthopaedic industry. For instance, Global Knee Resources Pty Ltd [**"GKR"**] concentrates solely upon development, marketing and research concerning Unicompartamental Knee Replacement. The unicompartamental knee prosthesis developed by GKR, called the GRU™, is now the 6th largest selling unicompartamental knee prosthesis sold in Australia¹.

Global Orthopaedic Technology Pty Ltd [**"GOT"**] concentrates on primary and revision total knee replacement and also patella-femoral knee replacement. The RBK™ Total Knee system developed by GOT is now the 6th largest selling cementless primary knee prosthesis sold in Australia², whereas the RBK™ Patella-Femoral is the 4th largest selling Patella/trochlear knee replacement prosthesis sold in Australia³.

Global Hip Technology Pty Ltd [**"GHT"**] has licensed Dual Press joining technology from its US inventor and brought that technology to Australia where Global Manufacturing Pty Ltd [**"GMT"**] manufacture the Apex™ Global Modular Hip System in its manufacturing facility in Wollongong NSW. This hip system was introduced in late 2005. Internal company figures show that some 360 Global Modular Hip prostheses were sold in Australia in 2008 which will represents some 4% of the cementless hip market in Australia.

The Global Group commenced existence in 1999 with the formation of Global Orthopaedic Technology Pty Ltd. Global was conceived as a vehicle by which Australian expertise in the orthopaedic industry could be exploited so that Australian design and manufacture could deliver superior products and surgical techniques than the dominant foreign multinationals.

The Global Group has in a very short period of time built and commissioned its own manufacturing facility, developed, designed, manufactured and brought to market three (3) different types of knee prostheses and a primary hip prosthesis together with unique surgical instrumentation. Global has established a representative office in Florida, USA and has achieved FDA registration in the USA of two (2) of its knee prostheses. The Group has recently commenced exporting of knee prostheses to Eastern Europe and South America.

The Global Group has achieved all this without any form of government grants and without venture capitalists involvement. The growth in the group has been funded by a strict reinvestment policy and by small Australian investors putting their faith and money into Australian innovation and Australian manufacture.

Operation of the Levy

The National Joint Replacement Register (NJRR) collects baseline data on the implantation of hip and knee prosthetic joint replacement devices and reports on numbers used, instances of reoperations and mortality rates. The NJRR collects data from both public and private hospitals.

The costs of operation of the NJRR relate directly to the numbers of prosthetic replacement operations actually performed and monitored.

The Bill proposes to place a levy upon the sponsors of joint replacement prosthesis based upon the number of Billing Codes that a sponsor has listed on the Prosthesis List.

We would point out that the number of Billing Codes that a sponsor has on the Prosthesis List is not the same thing as, and is not related to, the number of joint replacements that a sponsor actually sells.



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We have a number of Billing Codes for product in which we have zero sales. If we have no sales how can that Billing Code be contributing to the costs incurred in the operation of the NJRR? They cannot be. The question is then why should the sponsor of that Billing Code be asked to pay for the operation of a registry when the registry is incurring no costs as a result of the mere existence of the Billing Code.

On the other hand some sponsors have Billing Codes under which quite literally thousands of joint replacements are sold. The cost of monitoring these joint replacements is real and needs to be paid for. Notwithstanding, under the current proposals for this Bill these two (2) sponsors will most likely be required to pay exactly the same amount. This is unfair and discriminatory.

The reality is that the large multinational orthopaedic device companies dominate the market. Each of these companies has significant numbers of Billing Codes to cover their product ranges. Smaller companies, such as ourselves, sell significantly lower numbers of joint replacements but are required by market pressure and the logistics of the industry to maintain similar numbers of Billing Codes in relation to hips and knee prosthesis.

The end result of the Bill, as currently structured, is likely to be that our company will pay roughly the same amount under the levy as each of the large multi nationals notwithstanding that each of the large multinationals sells approximately 10 times the amount of joint replacements that our company sells. This result is inherently unfair.

The consequences of this impose upon this Australian manufacturer will be to discourage new product development and consequently to continue the trend towards loss of Australian manufacturing jobs.

Please contact the undersigned on (02) 8887 0100 or (0417) 257 644 if you require further information.

Yours faithfully

GLOBAL ORTHOPAEDIC TECHNOLOGY PTY LIMITED

CHRIS MAHER
CHIEF EXECUTIVE OFFICIER

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- ¹ National Joint Replacement Registry Annual Report 2008.
² National Joint Replacement Registry Annual Report 2008.
³ National Joint replacement Registry Annual Report 2008.