



**THE HON SUSSAN LEY MP
MINISTER FOR HEALTH
MINISTER FOR AGED CARE
MINISTER FOR SPORT**

MEDIA RELEASE

5 February 2016

Prostheses reform a priority for cheaper health premiums

The Turnbull Government will look to make thousands of medical devices ranging from pacemakers to pins and plates more affordable and accessible for patients in a move that will also reduce pressure on private health insurance premiums.

Minister for Health Sussan Ley announced that, as part of the Turnbull Government's private health insurance consultation, prostheses reform would be made a "priority" through the establishment of an industry working group comprising health insurers, device manufacturers, hospitals, clinicians and consumers.

Currently, the Federal Government sets a fixed-price benefit that private health insurers are required to pay on behalf of their members for over 10,000 internal medical devices through the Prostheses List Advisory Committee (PLAC).

This is in stark contrast to the public system, where there is no set price and greater competition around purchasing, meaning private health insurers are often paying twice as much for medical devices, which is then passed on to patients through higher premiums.

Ms Ley said her number one priority remained improving value for money for consumers and the Government was listening to industry concerns about the need to address this area of private health regulation if premium prices were to improve long-term.

"When it comes to medical devices, the first priority always needs to be ensuring they are accessible to patients and safe. But a key part of ensuring they are accessible is also making sure they're affordable.

"It doesn't matter whether it's the hospital or the insurer purchasing these devices, the cost will always ultimately fall to the consumer and I want to take unnecessary pressures off premiums."

Ms Ley said there were examples where the current Government pricing process meant the same pacemaker cost double the price – or \$26,000 more – if it was delivered through the private system rather than public.

Similarly, the price of key components for a common hip replacement cost as low as \$4000 in the public system versus \$6000 for private patients – a \$2000 difference.

Ms Ley said the Government also wanted to ensure the current pricing for prostheses was not unnecessarily holding up new innovative devices and technologies being made available to patients, or preventing new manufacturers from competing in the market.

“That’s why I will be asking all players involved in the medical devices supply chain to sit down together and provide me with a clear, mutually-acceptable model for prostheses reform that will maintain strict safety requirements whilst delivering better access and affordability for consumers.

“This is a further example of the Turnbull Government demonstrating to the private health sector we are serious about long-term structural reform. I sincerely hope insurers will be taking this into consideration as part of current premium calculations.”

Minister Ley recently wrote to private health insurers asking them to resubmit their premium increases for 2016 based on their full financial position, not just the amount of member claims and benefits paid out.

Ms Ley said the Government was already hearing “positive noises” from a number of insurers wanting to help reduce premium increases in 2016 for consumers to coincide with the Turnbull Government’s commitment to reform.

“Consumers have made it clear they don’t believe they’re getting value for money from their private health policies and we’re simply working with insurers to see if there is room to lower premiums based on their full financial position.

“A big problem at the moment is the current premium approval process focuses on how much insurers pay out to their members through claims and benefits, when we know insurers are holding an additional \$5.1 billion capital in their pockets.

“The question I am therefore now asking insurers is: Do they have some capacity to use this excess capital to deliver premium relief for their customers this year while we work with them to deliver longer-term structural reform?”

However, Ms Ley said insurers who tried to maintain high premium increases in the face of the Government’s request and consumer dissatisfaction over their current policies risked “missing the boat and leaking customers elsewhere”.

Ms Ley said the industry working group on prostheses would be established as a matter of priority and would inform the Turnbull Government’s broader private health insurance reform package.

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Media contacts:

Troy Bilsborough, 0427 063 150 or Steve Block 0428 213 264