PL Reforms Consultation Paper 5 - Bundling of Benefits for General Use Items

5 May 2023

Introduction

The purpose of this report is to provide an analysis of stakeholder feedback received in response to the *Prostheses List Reforms Consultation Paper 5 – Bundling of Benefits for General Use Items*.

The submission period for responses to this paper occurred between 13 February and 27 March 2023. A total of 55 submissions were received by the Department.

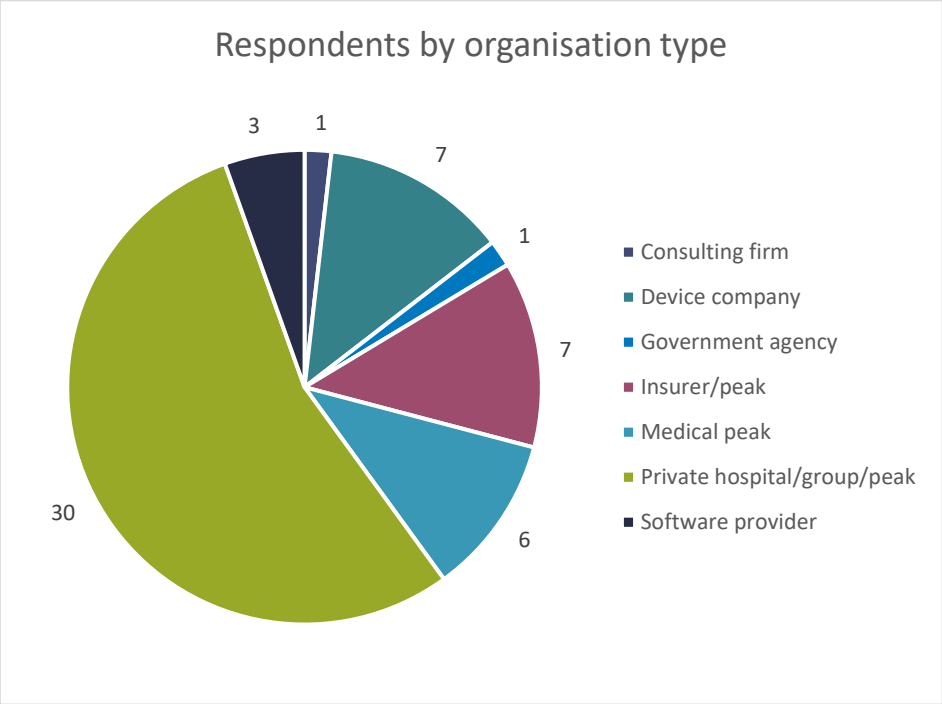

Figure 1: Number and type of respondents to Prostheses List Reforms Consultation Paper 5

Evaluation of the submissions considered responses to the five matters outlined in the consultation paper, broadly:

- Preferred bundle variant
- The use of AR-DRG in bundle variant C
- Proposed settings across all bundle variants
- Sector business readiness implications
- Defined terms used

Next steps

All the submissions to the consultation paper will be published (where material is not identified as confidential) and the concerns raised, including alternative options, will be considered by the Department along with other feedback received from stakeholders.

Key feedback

The following sections summarise the key feedback against these five matters.

Preferred bundle variant

- Most hospitals and their peak bodies assert:
    - data used to determine the bundles is not complete or is in some way inaccurate
    - none of the bundle variants are suitable due to benefit variation across procedures, specialties and hospitals and no further refinement will address this
    - risk sharing across procedures/specialties/hospitals is not possible
    - some procedures may become financially unviable, including:
        - more complex procedures
        - some specialties such as bariatric surgery and chemotherapy
    - may require hospitals to limit services or charge patients out of pocket fees
    - maintaining the current prostheses list (PL) Part D arrangements is preferable
- A mix of stakeholders suggested maintaining elements of the PL Part D arrangements including for:
    - items used by day hospitals
    - staples and tackers
    - arterial closure devices
    - gastro-intestinal staplers
- Insurer peaks support moving directly to contracting between insurers and hospitals
- Of those stakeholders which indicated a preference:
    - the majority preferred variant C (Major Diagnostic Category) as best accounting for benefits variability
    - the second most preferred was variant B (facility type)

The use of AR-DRG version 10 in bundle variant C

- A number of stakeholders across device, insurer, medical and hospital organisations supported using AR-DRG version 10 as:
    - supporting a more detailed variant such as variant C that reduces benefit variation
    - standardising classification across the sector, including to support contracting.
- The majority of hospital stakeholders indicated that, while it is feasible to use AR-DRG version 10, it will be administratively burdensome, particularly for those stakeholders not already using it for contracting or other purposes.

Proposed settings across all bundle variants

- No gap requirement:
    - Majority of hospital organisations did not support this due to the potential need for hospitals to charge patients where bundles do not adequately cover costs
    - Majority of other organisations supported this as protecting patients from increased costs
- Excesses can apply:
    - Majority of all stakeholders considered excesses should be able to apply as they do to the rest of private health insurance benefits
- Contracting permitted, including to override bundle benefits:
    - Majority of hospital organisations assert contracting below the mandated benefit should not be permitted due to the perceived power imbalance with device organisations and insurers
    - The majority of other organisations support contracting
- Transitional arrangements:
    - Majority of hospital organisations do not support the mandated minimum benefits being transitional and indicate they need to be permanent although some support a longer transition period, for example to align with three-year contract cycles
    - Insurers did not support a transition period preferring a direct move to contracting
- Fixed bundle benefits:
    - Majority of all stakeholders supported regular updates to the bundle benefits to reflect changes in utilisation volume/mix, cost and new products

Sector business readiness implications

- Majority of hospital stakeholder organisations indicate:
    - changes required to multiple hospital and other non-payer software and manual systems will take up to 12 months to implement and may require additional expertise/training
    - manual claiming will result in additional administrative burden and delays
    - will take some time to consider the effects of bundled benefits on viability of services including reviewing contract benefits and product pricing
- Insurer organisations indicate implementation possible by 1 July 2023 if existing PL Part D item codes are replaced with bundle codes
- Substantial number of submissions across a range of device, insurer and hospital organisations indicated more detailed specifications would be required to progress implementation

Defined terms used

- Product class
    - Majority hospital and device organisations assert the product classes are high level so may result in disputes with insurers or delays in claims, particularly for new products not previously listed on PL Part D
    - Small number of submissions querying the roles of hospitals, insurers and device organisations in determining the appropriate product class for claims
    - A range of device, insurer, medical and hospital organisations
        - most indicated need for item utilisation data collection to inform updates
        - some suggesting IHACPA would need to review them regularly for appropriateness
    - Small number of device, insurer and hospital organisations indicated the need for clear supporting documentation
    - Small number of submissions across all organisation types indicated the product class descriptions would encourage product substitution although differed on whether this would maintain or restrict clinical choice/effectiveness
    - Device and medical organisations indicated some potential improvements to product classes including consideration of:
        - Narrowing/splitting scope
        - Eligibility of some items
        - Accessories coverage
        - Product size coverage
- Episode of admitted care
    - Device and hospital organisations assert the definition does not account for multiple theatre admissions or procedures
    - Broad range of hospital, insurer and device organisations
        - support the use of the AIHW METeOR definition
        - smaller number indicating some incentive for use of more bundles

Outside the scope of the consultation paper

While technically outside the scope of the consultation paper, several submissions provided alternative options for consideration by Government to achieve the policy objectives of the reform. These included (in no particular order), but are not limited to:

- Using the existing PL Part D but with:
    - collection of utilisation data to inform clinical practice
    - a sliding scale of benefits reductions to incentivise contracting
    - efficient prices rather than public sector prices to incentivise more cost-effective utilisation
- Centralised procurement of general use items by the Commonwealth to reduce inequities in pricing across hospitals and between the Australian and overseas markets