The Hon Greg Hunt MP
Minister for Health
Minister Assisting the Prime Minister for the Public Service and Cabinet

s 47F

Private Healthcare Australia
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4 NOV 2019

Dear s 47F

Thank you for your recent correspondence regarding further improvements to private health insurance.

Your active and constructive engagement in the delivery of the Morrison Government current reforms to improve the transparency and affordability of private health insurance is appreciated.

Since mid-2019 the Government has been working with stakeholders on the development of further options to further improve the affordability and sustainability of private health insurance.

In this context, I have requested my Department to engage in more detailed and focused discussions with stakeholders to develop new models of care to complement traditional hospital based care. This could provide additional options for patients and clinicians and reduce cost for the healthcare system, with in hospital rehabilitation an area of focus that has been consistently raised to the Government.

I have also asked my Department to develop a more rigorous process for the certification of Type C services for delivery in hospital, for consideration by Government.

The key areas for further consultation to develop new models involve:

- a greater emphasis on out-of-hospital care when this is clinically appropriate;
- greater clarity about funding processes and frameworks for hospital-in-the home and related services, including clinical appropriateness and minimum benefits;
- an effective and transparent certification framework with clear review processes for resolving disputes between insurers and providers.

I want to ensure safe, high quality and sustainable services delivered to the right patient in the right place. Collaboration between insurers and providers will be essential to ensure the interests of patients are put first.

There are other potential areas of reform that I have agreed should proceed to further detailed consultation now.

My Department has commenced work on a targeted review of certain Prostheses List items, to help ensure private health insurance remains affordable for Australians without impacting access to surgical procedures and devices.

I commend the efforts of private health insurers in passing on the benefit reductions negotiated with the medical device industry to consumers. However, while the average benefit paid per device on the Prostheses List decreased from $733 in 2017–18 to $670 in 2018–19, I am advised utilisation of some items which may be more appropriately classified as consumables has increased at higher than expected levels.

The purpose of the Prostheses List is to ensure privately insured Australians have access to clinically effective prostheses that meet their health care needs. It is my intention that this purpose is met and prostheses benefits are set at cost-effective levels that support the sustainability of the private health system.

The targeted review of the General Miscellaneous category of the Prostheses List, which includes general use items, is now commencing. Should some of these items be removed from the Prostheses List as a result of the review, I will seek a commitment that clinically-effective, general use or consumable items will be reimbursed by private health insurers through more appropriate mechanisms, to ensure patients are not left out of pocket for these items.

The draft Terms of Reference for the Review are attached. These were provided to the Revised Benefit Setting and Review Framework Industry Working Group and will be circulated more broadly for comment. My Department will seek input from private health insurers both during the review and drafting of the report. Additionally, the Prostheses List Advisory Committee has asked my Department to undertake a number of reviews of specific devices, including cemented versus un-cemented hips; and bare metal versus drug eluting stents. It is expected these reviews will be completed in the first half of 2020.

I trust that this information is of assistance to you and your members, particularly given insurers are in the process of finalising applications for the 2020 premium round.

Yours sincerely

Greg Hunt

Encl.

Review of the General Miscellaneous Category of the Prostheses List.

Background

The General Miscellaneous category of the Prostheses List (PL) includes general use items (e.g. closure and haemostatic devices) and items that do not readily sit in other categories (e.g. radio-isotopes and bowel incontinence devices).

Many of the general use items are high volume and low unit-cost relative to more specialised implantable devices that appear in other categories.

A number of reviews of the PL over more than a decade have considered whether these general use items should be subsidised through the PL. Analysis of 2018-19 PL data demonstrating above trend utilisation growth for the General Miscellaneous category has again focused attention on these items, prompting this review.

Terms of Reference

The Department of Health will undertake a review of the General Miscellaneous category of the PL to determine whether items listed in that category (or a subset of items) should continue to be listed on the PL. In doing so the Review will take account of the overall purpose of the PL.

The Review will:

- Consider whether items listed in the General Miscellaneous category meet the current criteria for listing of prostheses on the PL as set out in legislation and guidance documents.
- Examine Hospital Casemix data to identify trends in use and expenditure in the General Miscellaneous category.
- Consider whether items listed in the General Miscellaneous category are also funded through other private health insurance payments.
- Consider whether for reasons of improved efficiency, items in the General Miscellaneous category should be removed from the PL and funded by private health insurers through other mechanisms.
- Consider whether there would be unintended consequences should any items listed in the General Miscellaneous category be removed from the PL.
- Consider whether any items listed in the General Miscellaneous category should undergo health technology assessment to determine their comparative value.

Conduct of the Review

The Review will conducted by the Technology Assessment and Access Division within the Department of Health, assisted by external consultants if the Department so chooses. There will be targeted stakeholder consultation.

The timeframe for the Review will be six months with the outcomes of the Review reported to PLAC and any options for reform provided to government.