



Australian Government

Department of Health

The Hon Mark Coulton MP
Minister for Regional Health, Regional Communications and Local Government
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Minister

Update from the Hearing Services Program Review Expert Panel – Final Interim Advice

We refer to your letter of 16 October 2020 to us as the Hearing Services Program Review Expert Panel. The letter requested we explore, as a priority, issues relating to the implementation of changes to the Hearing Services Program (the Program) announced in the 2020 Federal Budget. Our final advice on implementation issues, together with a summary of the limited stakeholder feedback that we received is provided below.

On 4 December 2020, we released the *Hearing Services Review Interim Advice to Government – Implementation of Hearing Services Program Changes (Attachment A)* on the Department of Health website for public consultation, with the period for responses closing on 18 January 2021.

While recognising the short time frame and the holiday period, we received limited but useful feedback on the Government's announced changes to the Program from key hearing sector stakeholder groups. A total of 16 submissions were received in response to our Interim Advice. Six submissions received for the first consultation paper 'included broad support for the extension of tele-audiology services (Option 4).

Following consideration of the written submissions, we met with 12 organisations to further understand the issues/concerns raised, including:

- three consumer representative/advocacy groups (Soundfair; Deafness Forum Australia; and the National Aboriginal Community Controlled Health Organisation);
- two service providers (Hearing Australia and Audika);
- the manufacturer's peak body (Hearing Aid Manufacturers and Distributors Association of Australia);
- four industry representative bodies (Hearing Business Alliance; Hearing Care Industry Association; Hearing Health Sector Alliance; and Independent Audiologists Australia);
- one professional body (Audiology Australia); and
- one individual research professional (Professor Louise Hickson).

Our Interim Advice outlined five options that could provide temporary measures to support continued service provision and client access through a two year realignment period.

Subsequent to the release of our Interim Advice, on 5 February 2021, the Department released additional materials to the stakeholder community on the Hearing Services website. The Factsheets and a Frequently Asked Questions document clarified several issues and concerns raised by stakeholders regarding the changes to the Program. The Hearing Services Review Expert Panel secretariat also contacted the stakeholders who had provided responses to the Interim Advice to seek any further feedback.

Many of the submissions responding to the Interim Advice expressed their gratitude for the opportunity to contribute in the consultations on that Advice. A summary of the views of stakeholders is provided below as well as our views on the preferred options.

Potential impact of the reduction in Program revenue

Our Interim Advice included an analysis of the revenue effects from the proposed changes which showed that provider revenue from the Program was estimated to decrease over the first two years, relative to the forward estimates, by about 19 percent in FY2021-22 and 18 percent in FY2022-23 and by a smaller 10 percent in FY2023-24. This reduction is predominantly the result of (a) the extension of the Voucher duration, which would reduce the number of unnecessary refitting services and (b) new restrictions on maintenance payments. It was noted that the loss in revenue would vary based on the size of the service provider; how often they do refitting prior to the 5 year mark; and changes to the Program's maintenance payments, which would have a range of impacts depending on service arrangements.

General impact of loss of revenue

While there was concern from some stakeholders about a reduction in revenue it was not accompanied by a strong campaign to reverse the Government's changes to the Program. In fact, an association for smaller service providers highlighted that a 5 year period for the voucher was better for clients. This organisation and a small industry representative body also noted that they didn't consider that their members participated in the practice of refitting clients every three years. The Department was able to advise them that if they are not routinely refitting their clients at 3 or 4 years they will not suffer the same reduction in revenue from the Program that other services that do a high volume of 3 to 4 year refittings might.

Impact on rural and remote providers

There was consensus that there are additional expenses in delivering services in rural and remote areas relative to urban regions but there was also recognition that these costs were the same whether experienced by small or large service providers. The analysis of the data on the location of service providers across the Modified Monash Model regions shown in Figure 4 of our Interim Advice (p.13) shows that there is no significant difference in the distribution of provider sites by level of revenue from the Program (small or large providers) except in the remote and very remote categories (MM 6 and 7) where Hearing Australia is the predominant service provider.

The analysis supports the finding that rural and remote areas are broadly serviced by the same range of provider types as metropolitan areas. Given this, should a small provider become unviable due to the Government's changes there will likely be a larger provider in broadly the same area through which consumers could still have access to the Program. We recognise, however, that a restricted range of providers does have an impact on local competition, on the vibrancy of the small business ecosystem in rural Australia and on local social capital. Option 1 in our Interim Advice proposed a loading on service items delivered in rural and remote areas (MM 3-7) irrespective of the size of the provider. We continue to support this option as one of the ways of ameliorating the transition impacts of the changes to the Program.

The Final Report of our deliberations, due in July 2021, will expand further on the issue of service delivery in rural and remote areas, as well as in other thin markets such as residents of aged care homes.

Expansion of tele-audiology

The strongest stakeholder support was for the option to expand tele-audiology across the Program overall. Stakeholders noted that tele-audiology improves access to hearing care professionals to those in remote areas or those unable to attend face-to-face consultations and will provide flexibility for clients. However, a consumer representative/advocacy group and a small industry representative body highlighted their concern that tele-audiology cannot replace face-to-face consultations and that professional standards are required to ensure appropriate use of these services.

We note that the Government's investment in the development of professional service and clinical standards for tele-audiology is in its early stages. Accordingly, we consider it would be prudent to consider this option at a later date once there are results from the current investment. This matter will be further examined in our Final Report.

Voucher change from three years to five years

Overall, stakeholders recognised that moving from a three year to a five year Voucher period was inevitable, given the longer life of devices and the impact on clients of being encouraged to regularly get a new device. A peak industry representative body indicated that the move from a three to a five year voucher would reduce administrative burden and red tape associated with reapplying for a new voucher.

Ongoing access to a full diagnostic hearing assessment

The same peak industry representative body noted that their support was contingent on there being no clinical impact on clients who may need to be refitted during the five year period, including ensuring that a full diagnostic hearing assessment could be performed within the five year period. We endorse this caveat, given that some clients will experience further significant hearing loss during the five year period and may require a new device to be fitted.

We note that the Program currently has provision for "revalidation" which provides a further full diagnostic assessment (where clinically necessary) and this will continue to be available for this

purpose. This was confirmed in the Department's clarification to stakeholders and was well received.

Timing of implementation of the change in the Voucher period

Industry representative bodies noted that the timing and consequent financial impact of these changes was inopportune given the difficult trading times during 2020. Departmental data on service activity in 2020 shows the extent of the impact: approximately 5,000 fewer people commenced in the Voucher scheme of the Program from July to December 2020, compared to the same period in 2019. This is an improvement on the 6-month period, March to September 2020, which had 10,000 fewer people than the same period in 2019. More recent data showed that participation numbers are returning to pre-pandemic levels. This is consistent with broader data on Australia's economy which shows increasing recovery from the initial impact of the pandemic. It is anticipated this recovery will continue with the roll out of vaccines and continued management of COVID-19 outbreaks.

Maintenance of devices

The two maintenance changes announced as part of the changes to the Program (ceasing maintenance payment for the first 12 months and moving from annual to quarterly paid general maintenance payments) were of concern, particularly with the service providers.

The key concern regarding the first year maintenance fee being removed was that it would lead to a cost shift to clients for the cost of replacement batteries, ear moulds etc. Additionally, the move to pay quarterly maintenance payments to providers was seen by stakeholders as adding red tape to the system creating increased administrative burden for providers and clients with little benefit to the Program.

We understand that since the announcement of the changes to the Program, the Department, for operational reasons and taking into consideration the feedback we received from stakeholders, has adjusted the implementation arrangements for the changes to the Program in relation to the maintenance payments. We understand that at this time the Department will be proceeding with the following:

- removing the ability to make a maintenance claim within the 12 month period after a refitting;
- a reduction to the amount paid for a relocation maintenance claim; and
- continuation of annual payment arrangements (rather than a move to the originally announced quarterly maintenance payments).

Recent follow-up consultation with stakeholders indicated that their concerns have been significantly reduced regarding the impact of these changes.

Next steps

We are currently preparing a Draft Report of the Hearing Services Review in line with our Terms of Reference. We expect to release the draft report for public consultation in May prior to submitting our final report to you in July this year.

Yours sincerely



Professor Michael Woods



Dr Zena Burgess

Hearing Services Program Review Expert Panel

25 February 2020

Encl.

Attachment A: Hearing Services Review Interim Advice to Government – Implementation of HSP Changes