



Modernising and Improving Private Health Insurance – Prosthesis List

Improving the scope and definition: general use items

June 2021

The Australian Government is investing \$22 million over 4 years to modernise and improve the Prosthesis List (PL). This includes addressing issues raised by recent reviews of the scope and operation of PL.

The PL has grown over time in both size and complexity to include more than 11,600 items. As well as streamlining the list, the reform initiative will better define the purpose and scope of the PL. This will provide greater clarity and certainty about which items are eligible for inclusion. Over time, ineligible products, that are better funded through direct contractual engagement between parties, will be removed from the PL. Removals of ineligible products are scheduled to occur over three years from 1 February 2022.

This approach is informed by recent reviews of the PL, including a review in 2020 of the General Miscellaneous category. Consistent with the findings and the package of reforms announced by the Government in May 2021, the scope of the PL will be better defined. This would see some general use items, that are used in a broad range of surgeries, no longer have their prices set through the PL.

It is intended that these items would have their prices set and be funded through other insurer payments to hospitals. To ensure a smooth transition to these new arrangements for private hospitals, insurers have offered to work with hospitals and cover the cost of these items through alternate funding arrangements.

The purpose of this paper is to provide context for those discussions, by quantifying the data related to the General Miscellaneous (GM) category of the PL.

The data presented comes from the Hospital Casemix Protocol 1 (HCP1) data set for the 2018/19 financial year. This year was chosen because hospital activity in 2019/20 was impacted by COVID-19.

This report provides data about the GM category of the PL. The report includes data on “miscellaneous” items such as stents and mesh which would remain eligible for PL funding but does not include general use items from other categories that may be no longer eligible for PL benefits. Hence, the expenditure data is preliminary.

In 2018/19, 623 private hospitals were included in HCP: 298 being private overnight and 325 being classified as private day hospitals. Of these:

- 271 overnight hospitals and 255 day hospitals had at least one PL payment
- 241 overnight hospitals and 186 day hospitals had at least one GM category payment

In 2018/19 total annual PL expenditure for private hospitals was around \$1.8 billion, including benefits of around \$253 million for GM items.

For more information about PL expenditure in private hospitals, please refer to Tables 1-4 below.

Prostheses Benefit Distribution*, including General Miscellaneous (GM) Category Benefit Distribution in Australian Private Day Hospitals and Australian Private Overnight Hospitals in 2018-19

Source: 2018/19 Hospital Casemix Protocol1: Episode and Prostheses records.

Analysis by Department of Health June 2021

Table 1: Total and Median Benefits paid to Private Day and Overnight Hospitals in 2018-19.

	Private Day Hospital		Private Overnight Hospital	
	All Prostheses List Items	GM Category Items	All Prostheses List Items	GM Category Items
Separations	98,780	16,095	615,808	356,081
Prostheses Benefits Paid	\$66,100,000	\$2,800,000	\$1,730,000,000	\$250,200,000
Median Prostheses Benefits per hospital	\$27,000	\$5,500	\$1,700,000	\$280,000

Table 2: The annual distribution of Prostheses Benefits for General Miscellaneous prostheses items for Private Day hospitals in 2018-19.

Private Day Hospitals Annual Prostheses GM Benefit Paid	< \$5,000	\$5,000 - <\$10,000	\$10,000 - <\$20,000	\$20,000 - <\$50,000	\$50,000 and over	TOTAL
Private Day Hospitals with Prostheses GM Benefit	87 (46.8%)	28 (15.1%)	29 (15.6%)	26 (14.0%)	16 (8.6%)	186 (100.0%)
Prostheses GM Benefits paid	\$140,000 (4.9%)	\$190,000 (6.9%)	\$410,000 (14.6%)	\$790,000 (28.4%)	\$1,300,000 (45.0%)	\$2,800,000 (100.0%)

Table 3: The annual distribution of Prostheses Benefits for General Miscellaneous prostheses items for Private Overnight hospitals in 2018-19.

Private Overnight Hospitals Annual Prostheses GM Benefit Paid	<\$50,000	\$50,000 - <\$100,000	\$100,000 - <\$250,000	\$250,000 - <\$500,000	\$500,000 - <\$1,000,000	\$1,000,000 - <\$2,500,000	\$2,500,000 and over	TOTAL
Private Overnight Hospitals with Prostheses GM Benefit	80 (33.2%)	15 (6.2%)	23 (9.5%)	23 (9.5%)	30 (12.4%)	36 (14.9%)	34 (14.1%)	241 (100.0%)
Prostheses GM Benefits paid	\$770,000 (0.3%)	\$1,100,000 (0.4%)	\$4,000,000 (1.6%)	\$8,600,000 (3.4%)	\$21,900,000 (8.8%)	\$60,200,000 (24.0%)	\$153,600,000 (61.4%)	\$250,200,000 (100.0%)

Table 4: Counts of Private Day and Private Overnight Hospitals by type of Prostheses Benefit paid

	No. of Private Day Hospitals	No. of Private Overnight Hospitals
No Prostheses Benefits paid	70	27
Prostheses Benefits paid with no GM paid	69	30
Prostheses Benefits paid with GM paid	186	241
TOTAL	325	298

***Notes:**

- (1) Prostheses benefits paid for privately insured hospital separations in 2018-19
- (2) Excludes separations where the type of care was reported as *Newborn (without qualified days)*, *Posthumous organ procurement* and *Hospital boarder*.
- (3) Completeness of source data (Hospital Casemix Protocol 1 (HCP1)) is estimated by comparing statistics with those published by the Australian Prudential Regulation Authority (APRA). For Private Day and Overnight hospitals combined, completeness was estimated at 97% for episode records and 95% for prosthesis records.
- (4) Rounding has been applied.