

Changes to Prostheses Benefits for Medical Devices

This fact sheet provided by Day Hospitals Australia is part of a suite of five fact sheets covering the following topics:

- Second Tier Default Benefits
- Gold/Silver/Bronze/Basic tiers of private health insurance covering hospital treatment
- Standardisation of clinical categories under private health insurance tiers
- Changed powers of the Private Health Insurance Ombudsman
- Changes to Prostheses Benefits for Medical Devices

1 Executive Summary

Private health insurance products covering hospital treatment must include benefits payable for prostheses provided as part of hospital treatment in accordance with the *Private Health Insurance (Prostheses) Rules*. Such benefits have been reduced to varying degrees in 2018 and again in early 2019, to generate savings in benefit outlays for private health insurance funds.

Day hospitals should do the following:

- Day hospitals will need to ensure that they continue to update billing and other relevant systems as required for each new iteration of the Prostheses List. Updates are now scheduled to occur three times per year, with new versions being made available ten days prior and commencing on 1 March, 1 July, and 1 November of each year.
- Day hospitals should be aware of the likelihood of further benefit reductions for prostheses on the Prostheses List as at 1 February 2020.

2 Background

Legislative framework

Under the *Private Health Insurance Act 2007* (Cth) (**PHI Act**), private health insurance policies covering hospital treatment must provide a benefit for hospital treatment that includes the provision of a prosthesis under circumstances stated in the *Private Health Insurance (Prostheses) Rules* (**Prostheses Rules**) as updated from time to time. The list of specific prostheses and relevant benefits is contained in Schedule 1 of the Prostheses Rules (known as **Prostheses List**). Further, the prosthesis must be provided in circumstances where a Medicare benefit is payable (PHI Act section 72-1(2), Item 4). The amount payable under the policy must be at least the amount set out under the Prostheses Rules as the minimum benefit for the specific prosthesis.

Prostheses on the Prostheses List are organised in groups of similar function. Each group contains at least one “no gap” prosthesis.

Prostheses are designated as either “gap permitted prosthesis” or “no gap prosthesis”. A gap permitted prosthesis is defined as a prosthesis where a maximum benefit is provided in addition to the minimum benefit under the Prostheses Rules (Prostheses Rules, rule 4 definitions). The gap is the difference between the maximum and minimum benefit (Prostheses Rules, rule 9(2)).

Recent Changes to Private Health Insurance Regulation

April 2019

Reduction in benefit outlays through reduction of prostheses benefits

Prostheses benefits account for an estimated 14% of benefits paid out by private health insurance funds annually. Reductions in prostheses benefits can therefore generate significant savings for private health insurance funds, and thereby affect private health insurance premiums.

Under an agreement between the Australian Government and the Medical Technology Association of Australia, minimum benefits for most medical devices included in the Prostheses List were reduced as of 1 February 2018. This is estimated to have generated a saving of \$188 million on private health insurance prostheses expenditures for that year. Further reductions applied from 1 February 2019, with another decrease planned for 1 February 2020. The estimated total cost reduction is anticipated to be around \$1.1 billion dollars from 2018 to 2021.

Unless suppliers lower prostheses prices, decreases in prostheses benefits result in higher costs to the hospital providing the prosthesis where the price charged by the supplier exceeds the minimum benefit. There is no room (for a no gap prosthesis) or limited room (for a gap permitted prosthesis) to pass on these costs to patients.

Prostheses statistics

The Australian Prudential Regulatory Authority (**APRA**) as regulator for private health insurance funds publishes quarterly statistical information about benefits for prostheses provided by private health insurers. The most recent report was published 14 February 2019. As an example, benefits for ophthalmic prostheses and specialist orthopaedic prostheses for all of Australia are set out in the table below.

	Private hospitals and Day hospitals		Public hospitals	
Prostheses Category	Number of prostheses	Prostheses Benefits paid \$	Number of prostheses	Prostheses Benefits paid \$
Ophthalmic	89,241	\$26,180,209.99	3,451	\$923,183.84
Specialist Orthopaedic	118,192	\$52,048,591.39	20,907	\$6,069,908.03

3 New updates to occur three times per year

The most recent update to prostheses benefits occurred by way of the March 2019 Prosthesis List, as contained in the *Private Health Insurance (Prostheses) Rules 2019 (No. 1)*, commencing on 1 March 2019.

This update included some deletions, new items, and minor corrections to some minimum benefits. It also removed higher minimum benefits for a number of prostheses that were considered to have demonstrated “superior clinical performance”.

Applications to include new prostheses on the Prostheses List can be made on an ongoing basis.

As of this year, new listings will be included and the Prostheses List updated three times per year, rather than twice. Updates are intended to take effect on 1 March, 1 July, and 1 November of each year. The new Prostheses List will still be published no less than ten days prior to taking effect, to allow for appropriate updates.

4 High-volume prostheses for Day Hospitals

In view of the nature of procedures frequently provided at day hospitals, downward pressure on prosthesis benefits could materially affect day hospitals. This is particularly relevant for prostheses commonly used in high-volume procedures for day hospitals, for example ophthalmic lenses and prostheses for shoulder injuries.

Day hospitals should consider potential financial effects of further benefit reductions for these and other prostheses that might be imposed on 1 February 2020.

5 Contacting the Department

Questions in relation to the Prostheses List can be directed to the Prosthesis Secretariat at the Department of Health, by email to prostheses@health.gov.au.

6 Resources from the Department of Health

Relevant for day hospitals and other healthcare providers

- The Department of Health provides a resource page in relation to the prostheses list and related matters, available at:
<http://www.health.gov.au/internet/main/publishing.nsf/Content/health-privatehealth-prostheseslist.htm>
- The Department of Health has provided a short (one page) fact sheet on the changes to benefits on the prosthesis list.
 - Department of Health, *Private Health Insurance Reforms: Prosthesis List Benefit Reductions*, available at
<http://www.health.gov.au/internet/main/publishing.nsf/Content/private-health-insurance-reforms-fact-sheet-prostheses-list-benefit-reductions>
- The Australian Prudential Regulation Authority regularly provides statistical information about prostheses benefits paid by private health insurance funds, broken down by states, and public versus private hospitals.
 - APRA, *Private Health Insurance Prostheses Report (December 2018)*, available at:
<https://www.apra.gov.au/publications/private-health-insurance-prostheses>

For the general public

- The Department of Health has an information page for the general public which provides information on private health insurance and prostheses, available at:
<http://www.health.gov.au/internet/main/publishing.nsf/Content/health-privatehealth-pros-consumers>
- The Department of Health has compiled a short (two pages) general fact sheet on the changes to private health insurance regulation. This fact sheet is also available in community languages other than English (Simplified Chinese, Traditional Chinese, Arabic, Vietnamese and Korean).
 - Australian Government, *Making private health insurance simpler for everyone*, available at:
<https://beta.health.gov.au/resources/publications/making-private-health-insurance-simpler-for-everyone-fact-sheet>

Contact

General information about Day Hospitals Australia (DHA), including about membership, can be found at <https://www.dayhospitalsaustralia.net.au/>.

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