Members Health Fund Alliance & Australian Health Service Alliance

Joint Submission: Response to IHACPA's Consultation on Bundling Arrangements for General Use Items on the Prostheses List, October 2022.

Members Health FUND ALLIANCE

Australian Health Service Alliance

Introduction

Members Health and the Australian Health Service Alliance (AHSA) welcomes the opportunity to provide our joint response to the Independent Health and Aged Care Pricing Authority's (IHACPA) *Consultation Paper on Bundling Arrangements for General Use Items on the Prostheses List*.

The Members Health Fund Alliance is the peak body for not for profit and member-owned health funds. AHSA is a national service company established to provide a range of management services to private health funds including the negotiation of contracts with healthcare providers.

Together, we represent 31 of the 35 registered private health insurers across Australia. Our organisations are committed to the ongoing reform of the Prostheses List (PL). The benefits of reform will be shared by consumers and we support the role that IHACPA performs in providing advice to the Department of Health and Aged Care to inform the implementation of some of its key elements. We see IHACPA's role as crucial to the achievement of transparent, data-driven and evidence based reforms aimed at improving both the value and affordability of private health insurance.

This joint AHSA and Members Health submission provides our responses to the questions presented in IHACPA's Consultation Paper. We trust that the information and examples provided here is of assistance to the Authority as it develops its advice on the bundling arrangements for General Use Items that are scheduled for removal from the PL in 2023.

Data Sources

Q1. Are you aware of any issues with the Hospital Casemix Protocol (HCP) data collection that may impact on the way it captures utilisation of General Use items for private patient services? Please provide detailed examples that illustrate these issues where possible.

- We support IHACPA's use of the HCP data collection as the principal data source for use in developing its advice as the HCP data collection is of sufficient granularity and completeness of coverage to inform the development of the device. No other system data sources are as complete or reliable.
    - The comprehensiveness of coverage and the detail contained within the HCP data collection should permit examination of the variance in rates of utilisation of General Use items for any given treatment/procedure across the system.

- IHACPA should note that a significant contributor to the variance in rates of utilisation of General Use items is the use of alternative consumables or devices that serve the same or similar clinical/therapeutic function – these may be both listed elsewhere on the PL or not listed on the PL at all.
    - The HCP data collection will contain detail on use of alternatives/substitutes that are listed in other product groups on the PL
    - The HCP data collection will not have the details regarding alternatives/substitutes used (including details regarding their utilisation volume and benefit funding amounts) for items that are not listed on the PL.

        - For example, sutures or skin clips used to close a surgical incision/wound are not listed on the PL. They are alternatives to use of a topical/skin adhesive listed on the PL as a General Use item. The funding for sutures or skin clips are embedded within the benefit funding amounts in the HCP data collection but the specific amounts and non-PL items are not separately identifiable in the HCP data collection. However, they cannot be assumed to have not been used – after all, surgical incisions/wounds do need to be closed.
    - Thus, IHACPA's evaluation of the variance in utilisation of PL-listed General Use items should acknowledge that for the proportion of treatments/procedures where utilisation of PL-listed General Use items is zero, funding has been made for an alternative approach using non-PL-listed items. For non-PL-listed items, the funding details will not be separately identifiable in the HCP data collection.

- The HCP data collection will not, at an episode level, other than through examination of variance in utilisation rates, provide detail on wastage of some types of General Use items – such as PL-listed items with different volume or weight formulations on the PL and items that are regularly used as multiples (e.g., haemostatic patches; staples and tackers).
    - For example, Evicel is a (a haemostatic and 'adhesive') product in liquid form with three volume formulations listed on the PL – 2ml (PL rebate code MN202), 4ml (MN203) and 10ml (MN204) forms. Evicel's 10ml formulation is significantly more heavily utilised in general than the 2ml and 4ml formulations. This contrasts with the almost identical comparator product of Tisseel – also listed on the PL in 2ml (BX214), 4ml (BX215) and 10ml (BX216) formulations – where the 10ml formulation is the least utilised formulation of the three volumes. It could be inferred that much of the 10mls of Evicel when provisioned in a procedure is wasted (i.e., unused) but nevertheless paid for by insurer benefit funding.

Q2. Do you have any comments on the quality and utility of the proposed data sources for the development of advice on bundling arrangements for General Use items? Please provide details.

- We agree with IHACPA's characterisation that the Private Hospital Data Bureau (PHDB) data collection, the public hospital admitted activity data collection and the APRA statistics will have very limited utility in the development of the Authority's advice.

Q3. Are there any other sources of data or empirical information that may be useful in defining alternative bundling arrangements for General Use items? If so, please identify the specific information and describe the way in which the information could be utilised.

- To the extent that data is available at an episode or procedure level, utilisation of General Use items for public patients in public hospitals would be of utility as a comparator in examining any observed utilisation variance in the HCP data set.

Classification Systems

Q4. Do you support or oppose the use of the PL product classification within the design of General Use item bundles? Please provide details in terms of the specific features of the PL classification.

- We support the use of the PL product classification within the design of General Use item bundles with consideration of the product groups/sub-groups that categorise formulations of the same item by volume or weight or element count as described in the response to Q1 above.
    - The sector has a good understanding of the PL product classification structure and is familiar with how it relates to benefit payments.
    - The use of this classification will facilitate a clearer understanding of how bundles are designed/constructed and assist in subsequent analysis for the purposes of integration with Hospital Purchaser Provider Agreements.

Q5. Do you support or oppose the use of the ICD-10-AM/ACHI/ACS classifications within the design of General Use item bundles? Please provide details of any perceived issues or benefits regarding the use of these classifications.

- We support the use of the ICD-10-AM/ACHI/ACS classification systems (especially the ACHI structure) as these systems are stable, widely used and familiar to the sector.
    - Where it is appropriate, and for the purpose of providing guidance to the sector, the design of the General Use item bundles in using the ICD-10-AM/ACHI/ACS system in its foundation should also clearly outline any potential aggregation at the AR-DRG level in the design of the bundles.

Q6. Do you support or oppose the use of hospital characteristics within the design of General Use item bundles? Please provide details of any perceived issues or benefits regarding the use of hospital characteristics.

- Hospital characteristics, in and of itself, should not be relevant to the design of General use item bundles as the setting (public hospital vs private overnight hospital vs day hospital) of the procedure ought not to drive clinical differences in General Use items after adjusting and standardising for a specified procedure (e.g., using an ACHI code).
    - There may need to be a distinction made between day only procedures and the same procedure performed during an overnight admission as this indicates differences in clinical circumstances but the hospital characteristic on its own is not likely not to be relevant. For example, for any specified procedure, the use of General Use items for a sameday procedure performed in a day hospital should be the same as the same sameday procedure performed in an overnight hospital.

- Similarly, hospital locality on its own should not influence the use of General Use items for any specified procedure.

Q7. Are there any other classification systems that IHACPA should incorporate in the design of General Use item bundles? If so, please provide details of these classifications and a rationale for their use.

- No

Issues and Considerations

Q8. Are you aware of any short-term changes, brought on by the impact of COVID-19, to the utilisation of General Use items among episodes in which these items are used? If so, please provide details that enable the changes to be examined using the 2020-21 HCP data collection.

- Given that COVID impacts on procedure volumes were material and that these impacts differed in size between states/territories; between metropolitan and regional/rural areas; and between patients of different clinical acuity (e.g., the same procedure like a large bowel resection could apply to non-urgent cases through to urgent cases), and given that variances in utilisation (across the dimensions above) of General Use items pre-date the onset of the COVID-19 pandemic, we suggest that a pre-COVID HCP data collection is used as the primary basis for the design of General Use item bundles.
    - HCP data from the COVID-affected years by state/territory jurisdictions can be used to examine deviations from the principal pre-COVID HCPA data.

- Furthermore, it is recommended that the Authority examines at least five years of HCP data to elicit pre-COVID patterns and trajectory of utilisation of General Use items and, if required, adjust for the observed patterns and trajectory for the COVID-affected years for the relevant state/territory jurisdiction (given each state/territory had different impacts from COVID and COVID restrictions – e.g., VIC had several COVID waves that suppressed utilisation while WA had a delayed initial Omicron wave effect in 2022 relative to the initial Omicron wave in the eastern seaboard).

- Additionally, the Authority should consider how supply chain issues in the COVID-affected years may have driven differences in patterns of utilisation which may not have been or be enduring once the supply chain issues resolved or resolve.

Q9. Are you aware of any existing contracting arrangements between hospitals and insurers that might be considered relevant in the formulation of advice on alternative bundling arrangements? If so, please provide details of the arrangements, noting that IHACPA will ensure confidentiality of this information wherever necessary.

- In general, contract arrangements between insurers and private hospitals include coverage of any devices, consumables and disposables used in procedures performed on admitted patients. Overall, devices listed on the PL are funded separately with reference to the listed benefit amounts for these devices on the list. In other words,

contract arrangements, in general, do not include funding amounts for PL-listed items.

- However, it should be noted that there is no active 'netting off' mechanism that exists in contract arrangements to account for General Use items which generally have alternatives that are not listed on the PL (e.g., sutures and skin clips for which a PL-listed adhesive applicable to skin wound closure is a substitute). Given variability in utilisation of such General Use PL-listed items within and across hospitals and across the breadth of procedures performed in hospitals, it would be infeasible for an active 'netting off' mechanism to operate.
    - This issue can be illustrated by the example of Dermabond (PL rebate code MN229) and Dermabond Prineo (PL rebate code MN230). These are topical skin adhesive products used in skin wound closure and are applied to a very wide range of surgical procedures. They clearly have substitutes that are not on the PL – such as skin sutures and skin clips/staples.
    - Of course, existing contract arrangements, include funding for any non-PL items used in skin wound closure (such as skin sutures and skin clips/staples). For any individual case where Dermabond or Dermabond Prineo is used, the respective PL benefit is paid by the relevant private health insurer as required under the PHI Act. The funding quantum under the relevant contract arrangement is also paid noting this includes funding for any non-PL items used in skin wound closure. However, there is no net-off mechanism that subtracts the cost of any skin sutures or skin clips/staples that were not used because of the use of Dermabond or Dermabond Prineo.
    - Under existing contract arrangements, if a hospital does not use any Dermabond or Dermabond Prineo, skin closure by other means such as use of sutures or skin clips/staples is funded. If for a few cases, Dermabond or Dermabond Prineo is used, skin closure by other means are still included in the funding quanta under a contract arrangement. If the propensity to use Dermabond or Dermabond Prineo increases significantly or fluctuates over time and between procedures performed at the hospital, the funding quanta under a contract arrangement continues to include the same funding for skin closure by other means such as use of sutures or skin clips/staples.

- In formulating advice on alternative bundling arrangements, IHACPA should take into account and acknowledge that non-PL-listed alternatives which exist for most, if not all, General Use PL items, are funded under existing contract arrangements.

Q10. Are you aware of any instances where a General Use item charge is raised against an individual episode but where the item is used across multiple episodes, such as might occur for multi-pack or multi-use type items? If so, please provide details.

- Most of the battery-powered infusion pumps (product group 03.02.03 – Infusion Pumps, Battery Powered) listed among the General Use PL items are multi-use devices.

- Several of the spring-powered infusion pumps (product group 03.02.04 – Infusion Pumps, Spring Powered) listed among the General Use PL items are also capable of being multi-use devices.

Q11. Are there any other issues of relevance to the formulation of advice on alternative bundling arrangements? If so, please provide details on these issues and their materiality with regard to the formulation of advice.

- There are several factors that should be incorporated into IHACPA's advice to inform funding arrangements between insurers and private hospitals, this includes:
    - An articulation of alternative bundling arrangements that represent 'efficient' bundles.
        - As will be observed in the data (which will show significant variance in utilisation of General Use items across the system for any given procedure or procedure group) and as observed in Ernst & Young's report for the Department of Health: *Review of the General Miscellaneous Category of the Prostheses List,* there is systemic inefficiency in the current utilisation and funding quanta for PL-listed General Use items.
        - If IHACPA limits itself to using a measure of central tendency of utilisation as its basis for the development of advice for bundling arrangements, this will likely incorporate that existing systemic inefficiency into its advice.
        - Given IHACPA currently undertakes to determine a national efficient price for public hospital services, the Authority should also endeavour to formulate advice that includes an expression of efficient bundling amounts for consideration by the sector.

    - Measures of dispersion or variability as observed by IHACPA in formulating its advice.
        - The breadth of detailed data that is available to IHACPA for the purposes of developing its advice on alternative bundling arrangements is not available to individual insurers and hospitals.
        - In addition to presenting information on 'efficient' bundles as outlined above, IHACPA should also include measures of dispersion in the observed data (e.g., deciles or quartiles of General Use item utilisation for any given procedure/treatment). This will assist insurers and hospitals in considering any transitional arrangements that may be required to integrate IHACPA's advice into future funding arrangements.

Conclusion

AHSA and Members Health is pleased to provide our views on Bundling Arrangements for General Use Items on the Prostheses List. We look forward to our ongoing engagement with the reform process and to the removal of the General Use items from the PL and to IHACPA's advice in assisting with the re-establishment of commercial and cost disciplines to deliver a more efficient system, for the enduring benefit of consumers.