

Defence  
Health



**Defence Health response to the  
'Consultation Paper on Bundling  
Arrangements for General Use  
Items on the Protheses List'**

**October 2022**

## Defence Health response to the 'Consultation Paper on Bundling Arrangements for General Use Items on the Prostheses List'

**Defence Health is a not-for-profit health insurer.**

**We appreciate the opportunity to provide a submission on this issue as reform of the Prostheses List presents a significant opportunity to improve the efficiency of the private health system and reduce the cost of insurance for our members.**

While consumable items on the Prostheses List are generally high-quality medical items that benefit patients, the current funding model results in inefficient outcomes and results in consumers paying more for health insurance than they otherwise would.

The current per-item funding model is a poor way to incentivise efficient care. The current model does not result in efficient pricing of these items and incentivises over utilisation. A per-procedure model would be less inefficient, with larger bundles providing greater incentives for efficiency.

We believe the methodology for the bundling calculation should be based on the national efficient price framework. If a procedure is usually done with a product, it is likely to be an efficient use. Conversely if a procedure is usually done without a product, use of that product is likely to be inefficient and may represent low value care. Median utilisation should be used in preference to averages. A small proportion of procedures done with high-cost consumables will drive up the average, where the median utilisation may be lower (or zero).

Public sector data will provide a reasonable indication of the efficient/appropriate utilisation of General Use items, however public sector prices will not always provide an appropriate indication of efficient pricing and international benchmark prices will often be a more appropriate reference.

## Response to consultation paper questions



### Consultation questions

- Are you aware of any issues with the 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.
- 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.
- 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.

We support the use of the HCP data for this analysis.

While public sector data will provide a reasonable indication of the efficient/appropriate utilisation of General Use items, public sector prices will not always provide an appropriate indication of efficient pricing and international benchmark prices will often be a more appropriate reference. Relying on public sector prices will be a particular issue when an item isn't widely used in the public sector and is therefore not subject to full procurement processes.

We support the use of the selected data sources for defining bundling arrangements for General Use items.



### Consultation questions

- 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.
- 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.
- 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.
- 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.

We support the use of the PL product classifications. We expect that there is little variation in the use of items such as staples and clips. However, we expect wide variation in the use of sponges, glues and adhesion barriers. Low variation is likely to be a sign of efficient use, while high variation is likely to indicate inefficient practice (please see Evicel Case Study below).

We support the use of global and public sector-based mechanisms for comparing private and public utilisation of General Use items including ICD-10-AM/ACHI/ACS and see no reasons for substantial differences in utilisation of General Use items between our public and private systems.

We do not support the use of hospital characteristics within the design of the General Use Item bundles. It is unclear why utilisation of General Use items should differ depending on the characteristics of a hospital.

We are not aware of any other classification systems that IHACPA should incorporate in the design of General Use Item bundles.



### Consultation questions

- 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.
- 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.
- 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.
- 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.

It is not clear why COVID would influence the use of any of the consumable items which are flagged to be removed from the Prosthesis List.

Our acute hospital funding models are primarily DRG based, and we expect it would make sense to fund General Use Items in the same way (in line with the public sector).

If hospitals have been billing patients for items used by another person, or for items used for more than one patient, then they have been breaching their lawful obligations. This is difficult to identify.

We are not aware of any other issues that are relevant to formulation of advice on alternative bundling arrangements.