Submission to IHACPA on Prostheses Funding Reform

Consultation Paper: Bundling Arrangements for General Use Items on the Prostheses List

Included in this submission:

HBF's commentary regarding the Independent Health and Aged Care Pricing Authority (IHACPA) consultation paper on the bundling of General Use items listed on the prosthesis list, released September 2022.

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Introduction

Thank you for the opportunity to comment on the recent IHACPA released ***"Consultation Paper on Bundling Arrangements for General Use Items on the Prostheses List"***

HBF is a not-for-profit health insurer with an 80-year history. HBF is WA based with a national membership base of nearly 1 million.

HBF welcomes initiatives that will reduce upward pressure on private health insurance premiums for consumers. Creating a more transparent basis for purchase and reimbursement of medical devices and better relating the benefits paid by private health insurers for prostheses to actual public and private sector prices will improve the affordability and attractiveness of private health insurance for consumers.

CONSULTATION QUESTIONS

Data Sources:

1. 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.

   Public hospitals are not required to submit HCP data to PHI. Utilisation within public hospitals may not then be a reliable source of data against which to compare private hospital activity.

2. 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.

   None other than that reflected in Question 1.

3. 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.

   It may be beneficial to consider not just international cost comparison of devices outside of Australia but also utilisation of these devices against a ratio of services in those same countries. Whilst this latter comparison is being performed within Australia, it may be that we will be working off a base very different to the rest of the world.

Classification systems:

1. 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.

   If a new classification system is considered for the PL delisting and bundling process this would need to reflect hospital or casemix type as presumably there will be variations at a state, hospital or casemix level.

2. 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.

   HBF support this as it is universally understood and accepted.

3. 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.

   Consideration should be given to hospital type or reference to bed numbers, as bundling arrangements are not likely to look the same for a day hospital compared to a large overnight hospital.

   Funding models are/may also be different between hospital types, such as per diem versus DRG, and this will be an important factor when reviewing bundling recommendations and potential impacts.

4. 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 further comment.

Issues and considerations:

1. 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.

   HBF were not subjected to any specific issues relating to COVID-19 and the utilisation of general use items at an episode level during this period given that the overwhelming majority of HBF members reside in WA. There is no evidence to suggest that prosthesis utilisation during procedure types was affected by COVID-19, only the ability for these procedures to occur as a result of lockdowns and deferrals.

2. 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.

   HBF can only speak in specifics to its own contracts however, we would expect that like all PHI's, HBF has agreements that work off agreed service fees (whether DRG or Theatre Band/ Per Diem) that are subject to indexation price increases at renewal of the contracts. As such, any bundling of prosthesis costs into the base cost of services will result in the bundled % or $ cost being subject to ongoing indexation increases and compounding of those increases. Consequently, whilst the true cost of prostheses may not increase (in fact in some cases through new devices may decrease), the cost to the insurer will actually increase.

   It should also be noted that those agreed service fees (again whether DRG or Theatre Band/Per Diem) will originally have been costed to include:

- a number of items that have or may subsequently have been replaced by items later put onto the prosthesis list; and/or
- By performing a service the original way i.e. pre-prosthesis. The use of prosthesis may simplify or reduce the time taken to perform the service the original method (for example sutures v glue).

The supply cost and time associated with those items has never been backed out of the original costings. The implementation and ongoing review of the DRG funding system has seen the inclusion over time of many of these General Use items factored into the development of contemporary cost weights. Given that DRG version transitions are generally managed on a cost neutral basis, these items have not been reversed out of funding over time and so, by then bundling into a proposed arrangement, the insurer stands to be charged twice for these items.

HBF are firmly of the opinion that due consideration and care must be given when determining whether it is reasonable to include these items in any bundling at all.

HBF agreements also stipulate that no out of pocket cost can be charged for a prosthesis.

3. 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.

   Anecdotally we understand this may be the case in many situations where the kit contains multiples, screws etc being an example. The absence of serial numbers however on those devices would in the main prevent definitive evidence of such use.

4. 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.

   Proposed bundling arrangements must take into account what is “normal” utilisation and factor out any inappropriate or out of ordinary claiming activity.

   By way of example, if a particular doctor or hospital group generally use 5 items per episode for a particular prosthesis, where every other doctor/hospital only typically uses 2, this anomalous claiming should be removed from the dataset so as not to skew the bundling arrangement for all.

   Similarly, prosthesis utilisation that is not in line with clinical best practice should not be factored into any bundling.

   One method in determining “normal” utilisation could be consider and understand utilisation of these items pre prosthesis listing. At this point, hospitals and specialists would have been required to consider the consequence/benefit of use against direct cost, rather than a position of knowing a device would always be fully funded regardless. This latter position is one that health providers will of course be returned to i.e., the need to properly manage utilisation and this likely reduction in use to pre prosthesis list levels should also be considered when determining bundled payments.