



Private Healthcare Australia
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The Independent Hospital Pricing Authority

submissions.ihpa@ihpa.gov.au

Response to the consultation paper on the pricing framework for Australian public hospital services 2020-21

Thank you for the opportunity to comment on the consultation paper on the pricing framework for Australian public hospital services 2020-21 (“the paper”).

Phasing out support for old AR-DRG versions

The paper outlines a timeline for the phase out of each AR-DRG version which presents significant difficulties across the private sector.

We appreciate that the move to a three-year life cycle of ICD-10-AM/AR-DRG classifications will provide until July 2022, rather than July 2021, for the next release. The private sector has virtually achieved the phase out of AR-DRG4 and are in a position to support the phase out of AR-DRGv5 by July 2022. After industry-wide consultation, the private sector is unable to work within the proposed timeframe for AR-DRG6x. We could certainly achieve this by 2025.

We will write to you separately on this matter, but the core issue is that the proposed timetable would require some existing contracts to be rewritten, with significant resource implications.

Private patients in public hospitals

PHA supports the National Healthcare Agreement objective of overall payment parity between public and private patients. PHA will work with IHPA and other stakeholders to take into account all hospital private patient revenues.

We recommend that IHPA take particular note of the income derived from prostheses. Private health insurers must pay a fixed price for any medical device on the Prostheses List, regardless of quality, effectiveness, efficiency or even safety. Several inquiries have noted that in many cases public hospitals’ procurement policies, which have a competitive element, result in significantly lower prices paid for some items than claimable from private health insurers.

PHA is also aware that some hospitals in the private sector receive rebates from some manufacturers for their use of medical devices billed to private health insurers. PHA is not aware of any similar arrangements in the public sector, but recommends that the IHPA assure themselves that they are capturing the income from all sources for items on the Prostheses List. This could be done through a simple declaration by reporting entities.

Alternative funding mechanisms

PHA is interested in working with IHPA and other stakeholders to explore alternative funding mechanisms. The increase of chronic disease and multimorbidity in the community, Australia's reliance on activity-based funding, and a restrictive regulatory structure, means that our financing system is not fit for purpose. Private health insurers would be willing partners in trialling new arrangements.

Should you have any queries, please do not hesitate to contact Ben Harris, Director Policy and Research, on email ben.harris@pha.org.au or telephone 0418 110 863.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'B Harris', with a long horizontal stroke extending to the right.

Ben Harris
Director of Policy and Research