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Joanne for action



**IHPA Draft Work Program 2019-20
Response to consultation**

**SUBMISSION
May 2019**

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Company Overview

Organisation:	Johnson & Johnson Pty Ltd
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Johnson & Johnson Pty Ltd is a subsidiary of Johnson & Johnson, the world's most comprehensive and broadly-based healthcare company. In Australia we provide products and services including medical devices, diagnostics, pharmaceuticals and consumer healthcare products.

The Johnson & Johnson Family of Companies in Australia consists of:

- Johnson & Johnson Medical Pty Limited – medical devices and related technology;
- Janssen-Cilag Pty Limited – pharmaceuticals; and
- Johnson & Johnson Pacific Pty Limited – consumer health brands.

We employ approximately 1,500 Australians who bring innovative ideas, products and services to advance the health and well-being of the patients we serve. We recognise the impact of serious conditions on people's lives, and we aim to empower people through disease awareness, education and access to quality care. Our research and development focus on identifying medical needs and harnessing the best science, whether from our own laboratories or through strategic relationships and collaborations.

Johnson & Johnson Medical Devices Companies is the world's most comprehensive medical devices business, building on a century of experience, merging science and technology, to shape the future of health and benefit even more people around the world. With an unparalleled breadth, depth and reach across surgery, orthopaedics, vision and interventional solutions, Johnson & Johnson Medical Devices Companies are working to profoundly change the way care is delivered.

About the Janssen Pharmaceutical Companies of Johnson & Johnson At Janssen, we're creating a future where disease is a thing of the past. We're the Pharmaceutical Companies of Johnson & Johnson, working tirelessly to make that future a reality for patients everywhere by fighting sickness with science, improving access with ingenuity, and healing hopelessness with heart. We focus on areas of medicine where we can make the biggest difference: Cardiovascular & Metabolism, Immunology, Infectious Diseases & Vaccines, Neuroscience, Oncology, and Pulmonary Hypertension.

Johnson & Johnson Pacific is the largest over the counter supplier to retail pharmacy in Australia, and one of the top five health and beauty suppliers to Australian grocery. Many of our products are household names and are found in 7 out of every 10 Australian households. Our brands bring value to people's daily lives, while our innovation in areas such as smoking cessation and sun protection are helping to advance the prevention of disease in the Australian population.

Comments on IHPA Draft Work Program 2019-20

Johnson and Johnson welcome the opportunity to provide comments on IHPAs Draft Work Program 2019-2020. We recognize that the work program is an essential component of IHPAs role in the use of activity-based funding (ABF) to improve the delivery of public hospital services. Comments on selected work program objectives are provided and aligned with: improving efficiency, accountability, transparency and financial sustainability of public hospital services. Overall our comments and suggestions reflect goals of improving healthcare efficiency, where 'efficiency' is understood as achieving optimal patient outcomes for healthcare spending and reducing avoidable variation in care. Central to meeting these objectives are healthcare funding arrangements that are flexible to enable timely adoption of clinically and cost-effective new technologies and healthcare practices.

Program Objective One

(b) Pricing and funding safety and quality in the delivery of public hospital services

Johnson and Johnson support IHPAs initiatives to improve safety and quality through targeting avoidable hospital readmissions. We note the outcomes of the proposed pilots will be included in the National Benchmarking Portal (NBP). It is recommended that IHPA explore use of the NBP as a platform to enable hospitals to share information and learn from each other with regards to optimizing clinical practice to reduce avoidable readmissions. IHPAs initiative is aligned with the National Health and Medical Research Council's (NHMRC) current project updating the Australian Guidelines for the Prevention and Control of Infection in Healthcare¹. Johnson and Johnson have developed technologies intended to address infection and have actively participated in the NHMRC consultation on the draft guidelines.

Program Objective Two

(b) NEP and NEC model refinement

Incorporating new technology in patient classification systems

It is noted that IHPA will continue to monitor and review the impact of new technologies on existing classification systems and determine how classification systems should be adjusted in response (draft work program, p10). Extended timelines between new technology availability and any necessary classification adjustment has the potential to limit patient access to new technology if funding arrangements cannot be adjusted in a timely manner. This of course means that patients who could benefit from new technologies do not have timely access and health outcomes are not optimized. Johnson and Johnson propose that IHPA explore how classification systems can be adjusted in a timelier manner.

¹ https://consultations.nhmrc.gov.au/public_consultations/infection-healthcare

Managed entry programs for new technologies in partnership with suppliers could be used to facilitate classification adjustment (e.g. assign interim classification and review during/after program completion). In addition, such programs could enable evidence to be collected with regards to fully understanding the optimal means to implement new technologies and their impact on hospital resource use and service organization.

Program Objective Four

(d) Individual Healthcare Identifier

Johnson and Johnson recognize the benefits of using linked patient data to better understand patient care pathways across care settings (hospital and non-hospital). Hence, we support IHPAs proposal to include the Individual Healthcare Identifier (IHI) in national data sets: the IHI is a key enabler of data linkage. We note that IHPAs proposed use of the IHI is consistent with proposals by the Productivity Commission that data is used more effectively to guide integrated care and avoid slow dissemination of innovation².

Through allowing the impact of medical technology used in hospital on non-hospital care to be better understood, IHI enabled data linkage will allow a more complete picture of overall healthcare costs. This is necessary to better understand where the upfront hospital costs of medical technology are delivering cost benefits to other care settings.

We acknowledge that use of IHI is also necessary to progress IHPAs work on avoidable readmissions. In addition, through enabling data linkage across settings the IHI can support evidence-based research on innovative funding models. Through this IHPA will be better placed to explore the potential of different funding models for supporting the timely adoption of effective new technologies and models of healthcare delivery. As mentioned in the draft work program, flexibility in funding is consistent with driving the adoption of patient-centred care.

(h) National Benchmarking Portal

We note that the NBP enables users to compare cost, activity and hospital acquired complications (HACs). As mentioned earlier for readmissions, IHPA could explore use of the NBP as a platform to enable hospitals to share information and learn from each other with regards to optimizing clinical practice to reduce HACs.

This use of the NBP could potentially be a pilot to inform expansion of the scope of the NBP to collect additional clinical and patient relevant outcomes. Expanded scope of the NBP could facilitate best practice sharing and the reduction of avoidable variation. This use of the NBP is consistent with supporting the adoption of patient-centred models of care and outcomes-based funding arrangements. It is also consistent with the Australian Commission on Safety and

² Chapter 2, Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra. Available: <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf>

Quality in Healthcare National Indicators Project objectives of driving improvement in safety and quality at local levels through enabling feedback³.

(i) Increasing access to public hospital data

Johnson and Johnson support IHPAs proposals to broaden access to its data. In the interests of transparency, we propose that data should be available to all relevant stakeholders, including the medical device industry.

The costs of medical technology as represented in currently available public hospital cost data (i.e. the National Hospital Cost Data Collection, NHCDC) is considered somewhat limited in that it represents average costs of a broad range of technologies and is not an accurate representation of the costs of specific technologies used to deliver hospital care. Broader access to hospital cost data that is not currently publicly available could enable the actual costs of medical technologies used to deliver hospital care to be better understood. Similarly, the complete range of variables collected by IHPA could be published on IHPAs website – this would be valuable in identifying where there are opportunities for research. Stakeholder consultation could help identify variables useful for research – but not routinely reported in the NHCDC.

Program Objective Six

(b) Evidence-based ABF related research

Innovative funding models

Evidence-based ABF research with regards to innovative funding models offers the opportunity to understand where flexibility in funding arrangements is necessary to enable timely adoption of new technologies and models of care. We agree with IHPA, that this is necessary ‘... to ensure that the national pricing model does not act as a barrier to system and hospital-level change to the benefit of patients’ (draft work program, p28).

Johnson and Johnson support this use of ABF research and as an organization experienced in research and education would welcome the opportunity to explore pilot innovative funding models with IHPA. Johnson and Johnson have implemented Care Advantage to support U.S. Department of Health & Human Services (HHS) goals to shift towards value-based purchasing⁴. Hence, we are well placed to partner with Australian Healthcare stakeholders to support similar new healthcare funding models.

³ <https://www.safetyandquality.gov.au/our-work/indicators/>

⁴ <https://www.jnj.com/media-center/press-releases/johnson-johnson-medical-devices-companies-launch-careadvantage-a-suite-of-holistic-insights-driven-capabilities-to-help-us-health-systems-navigate-value-based-care>

If the current trend of decreasing membership of Private Health Insurance (PHI)⁵ continues this will put increased pressure on public hospital services. Innovative funding models that can help move care out of hospitals to lower costs settings are of course a means to counter this trend.

A new funding approach suggested by the Productivity Commission⁶ is one way to facilitate this. This approach involves creating a Prevention and Chronic Condition Management Fund

(PCCMF) in each local health district, funded by a share of current ABF (initially two to three per cent). Local Health Networks in each district have the flexibility to decide how and where funds from the PCCMF are spent. This flexibility would enable piloting of new approaches to care and avoid care being directed to hospitals simply because hospitals have funding. As proposed by the Productivity Commission, the PCCMF could enable new collaborations with other stakeholders. The scope of the PCCMF could be broadened beyond chronic conditions to enable piloting of new care models where regardless of condition, care could be provided or better integrated into non-hospital settings.

Like current ABF, the Productivity Commission described the new approach as creating a 'new compensable non-admitted hospital activity'. Hence, a potential role for IHPA would be to guide the pricing and classification of non-admitted care to enable successful pilots to be rolled out more broadly in the Australian Healthcare system. This could be a significant step forward in improving healthcare integration and sustainability in Australia. New approaches to healthcare funding are being implemented in other countries (including the United States and Germany). This offers a great opportunity for IHPA to understand what could best meet the needs of Australia's healthcare system.

⁵ <https://www.apra.gov.au/publications/private-health-insurance-statistical-trends>

⁶ Chapter 2, section 2.5. Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra. Available: <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf>

Our Credo

We believe our first responsibility is to the patients, doctors and nurses, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to provide value, reduce our costs and maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our business partners must have an opportunity to make a fair profit.

We are responsible to our employees who work with us throughout the world. We must provide an inclusive work environment where each person must be considered as an individual. We must respect their diversity and dignity and recognize their merit. They must have a sense of security, fulfillment and purpose in their jobs. Compensation must be fair and adequate and working conditions clean, orderly and safe. We must support the health and well-being of our employees and help them fulfill their family and other personal responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide highly capable leaders and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must help people be healthier by supporting better access and care in more places around the world. We must be good citizens — support good works and charities, better health and education, and bear our fair share of taxes. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed, investments made for the future and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.