

# SUBMISSION

Friday, 27 September 2024

## AMA submission to the Department of Health and Aged Care Prescribed List — Consultation Paper 10 — General Use items utilisation, expenditure, and integrity

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### Introduction

The Australian Medical Association (AMA) appreciates the Minister for Health and Aged Care's decision to retain general use items (GUIs) on Part D of the Prescribed List (PL). This followed the failure of private health insurers and private hospitals to negotiate mutually acceptable funding arrangements, and the risk of increased costs to patients and the reduced quality of clinical care this posed.

The AMA also appreciates the opportunity to respond to this consultation. Our key concerns are outlined below.

### Concerns about utilisation and integrity: the need for more evidence

The department's [consultation paper](#) suggests "some stakeholders raised concerns about the increasing growth in use per episode of care" for some of these products. However, it provides no evidence of the nature of these concerns, nor any analysis or evidence of their legitimacy.

The AMA is aware the peak body representing for-profit private health insurers, Private Healthcare Australia (PHA), has [raised concerns](#) about the integrity of PL settings for GUI. What they suggest amounts to an unexplained increase in utilisation of some GUIs during 2020–21.<sup>1</sup>

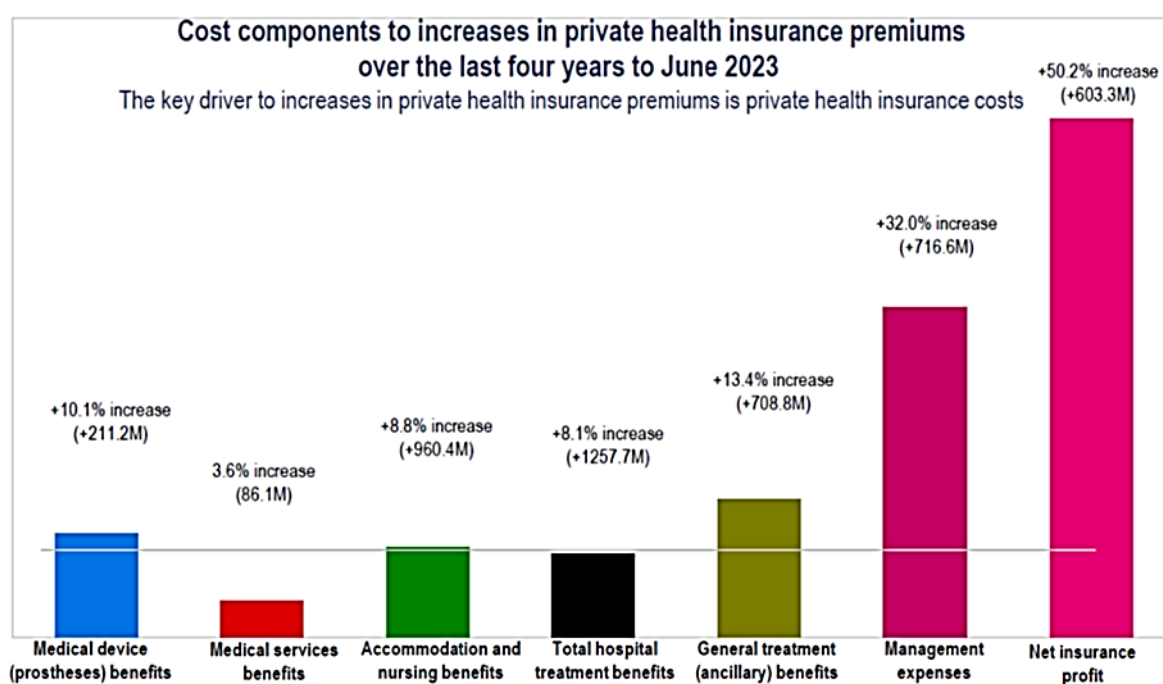
The PHA report, published several years ago, was based on data collected during the peak of the COVID-19 pandemic and the disruption to many elective surgeries. The report suggests increases to the use of several GUI product groups during this period — jejunostomy tubes, haemostatic powders, haemostatic foams, nerve repair stents, endobronchial valves, and adhesion barriers — were unusual. It also notes decreases in the use of other PL product groups — some of them GUIs — during the same period.

PHA acknowledges "much of the growth" in utilisation of PL items mentioned in the report "can be explained with reference to the uptake of new products or changes in Medicare Benefits Schedule

(MBS) services numbers”, while changes to utilisation of other product groups during the period “do not have clear explanations.”<sup>iii</sup>

However, PHA makes no attempt to analyse whether the increased usage of some GUI items during the period was related to the decreased usage of other GUI items during the same period. Nor does the report attempt to analyse whether delays to non-urgent surgeries, changes to the nature and urgency of surgeries conducted in private hospitals, or changes/reductions to the surgical workforce had an impact on rates of utilisation of GUIs during the period.<sup>iii</sup>

The PHA report also argues “prostheses use is the fastest area of private health fund expenditure growth over recent years” and that this means their funding of “other areas of the system, such as hospitals and medical costs, are constrained, and/or premiums increase”.<sup>iv</sup> However, as shown in the graph<sup>v</sup> below, the key drivers of increases to private health insurance premiums in recent years have been increases to insurer management expenses and profits.



## Establish a Private Health Systems Authority to examine these issues

Like PHA, the AMA has neither the clinical expertise nor the access to data necessary to assess the reasons for changes to the utilisation of particular GUI product groups, particularly during a period such as that covered by PHA’s [Prostheses List usage 2020–21: high growth report](#), when it is possible many pandemic-related variables had an impact on clinical need or clinical practices.

This is one of the key reasons the AMA believes the government should establish an independent, well-resourced [Private Health Systems Authority](#) (PHSA) to bring the necessary clinical expertise and stakeholders together to properly investigate a wide range of structural issues affecting the sector. The role of a PHSA could include (but would not be limited to) investigating claims regarding potentially clinically inappropriate use or wastage of items on the PL, or over-claiming of prostheses benefits within private hospitals.

The AMA’s key concern is any assessment of the clinical efficiency and effectiveness of prostheses use in private hospitals, and any consideration of current and future funding and regulatory

arrangements for these items, must be underpinned by the over-riding objective of maximising patient access to safe, high-quality care.

If an independent, adequately resourced and clinically informed investigation of these issues by a PHSA found there were indeed increases to the use of some GUIs that were unrelated to clinical need, changing clinical practices, or changing patient profiles, the AMA would support appropriate measures to address this.

## Contact

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<sup>i</sup> Private Healthcare Australia. 2021. Prostheses List usage 2020-2021; products with the highest single-year volume growth across Australia. <https://privatehealthcareaustralia.org.au/high-growth-product-groups-on-the-prostheses-list/>

<sup>ii</sup> Private Healthcare Australia. 2021. Prostheses List usage 2020-2021; products with the highest single-year volume growth across Australia, p.4. <https://privatehealthcareaustralia.org.au/high-growth-product-groups-on-the-prostheses-list/>

<sup>iii</sup> Private Healthcare Australia. 2021. Prostheses List usage 2020-2021; products with the highest single-year volume growth across Australia, p.10. <https://privatehealthcareaustralia.org.au/high-growth-product-groups-on-the-prostheses-list/>

<sup>iv</sup> Private Healthcare Australia. 2021. Prostheses List usage 2020-2021; products with the highest single-year volume growth across Australia, p.2. <https://privatehealthcareaustralia.org.au/high-growth-product-groups-on-the-prostheses-list/>

<sup>v</sup> Sources: APRA, 2022-23, Operation of Private Health Insurers Annual Report 2022-23.xlsx. For financial year 2019, the operating performance including operating profit APRA. 2019. PHI\_operations\_June2019.xlsx. For financial year 2022-23 premium revenue, claims, net margins, net investment income, management expenses Components of fund benefits, APRA, 2023, Quarterly Private Health Insurance Membership and Benefits December 2023.xlsx Notes: Other revenue from health-related business and net investment income has been excluded from insurance operating profit. Had these been included, profit for funds would show an even larger increase. Likewise tax paid is also excluded.