



**IHPA Draft Work Program 2020-21
Response to consultation**

**SUBMISSION
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Company Overview

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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 2020-21

Johnson and Johnson welcome the opportunity to provide comments on IHPAs Draft Work Program 2020-21. We recognise 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.

Strategic Objective One: Perform IHPA pricing functions

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

Johnson & Johnson support IHPAs initiatives to improve safety and quality through targeting avoidable hospital readmissions. We note the outcomes of the three pilot funding options to measure hospital readmissions will be included in the National Benchmarking Portal (NBP). To support consistency and equity of clinical care across Australia. It is recommended that IHPA explore use of the NBP as a platform to enable hospitals to share information and best practice with regards to optimizing clinical care to reduce avoidable readmissions. Consistent with this we support the development of a software tool to track avoidable hospital readmissions, this is a key step in determining where improvement is needed. We note that the use of the NBP and software tool development are both aligned with the Australian Commission on Safety and Quality in Healthcare (the Commission) National Indicators Project objectives of driving improvement in safety and quality at local levels through enabling feedback¹.

Pricing and funding for safety and quality should foster clinical innovation

Johnson & Johnson support pricing and funding approaches that aim to reduce the occurrence of sentinel events and hospital acquired complications (HACs). However, we note that these approaches result in funding penalties when sentinel events and HACs occur. To avoid these penalties and more importantly improve patient care, we consider that IHPA consider how it can support hospitals to keep up with current evidence-based best practice

The following example highlights clinical innovation that can enable quality improvement and suggests how IHPA can help hospitals align with evolving clinical practice guidelines to improve the safety and quality of patient care.

¹ <https://www.safetyandquality.gov.au/our-work/indicators/>

The National Health and Medical Research Council (NHMRC) has recently updated its guidelines for the prevention and control of infection in healthcare². These guidelines include evidence-based technologies and solutions to address the burden of infection within the Australian healthcare setting and represent current knowledge and best health practice, reflecting other international guidelines. The 2019 NHMRC guidelines for preventing Surgical Site Infection (SSI) states that “Using antimicrobial-coated sutures (included on the ARTG e.g. triclosan-coated sutures) can help to reduce SSI rates”. Triclosan-coated sutures have been evaluated in multiple meta analyses including more than 11,000 patients to show clinical effectiveness in the prevention of SSIs by 27%³.

Per IHPA’s *Impact of New Health Technology Framework*⁴, a key principle to guide IHPAs decision making is fostering clinical innovation. It is also noted that IHPAs Pricing Guidelines state that pricing of public hospital services should respond in a timely way to the introduction of evidence-based, effective new technology and innovations in the models of care that improve patient outcomes.

Other than funding penalties for avoiding sentinel events or HACs, there is currently no explicit funding incentive that supports public hospital quality improvement programs. This absence of a dedicated funding pathway is considered a limiting factor in supporting the adoption of new and scientifically proven technologies to address hospital acquired infections (HAI). We note that surgical-site infections (SSI) are included in the Commissions list of HACs⁵. Considering the frequency of SSI and their cost impact (See Box), it is proposed that IHPA should consider how funding can change in a timely way to encourage the use of new technologies that can reduce SSI. The following activities are also suggested to support the adoption of technologies that address SSI:

- IHPA should encourage the Commission to update and reinforce the *National Safety and Quality Health Service (NSQHS) Standards on Preventing and Controlling Healthcare-Associated Infection Standard information kit for Hospital Acquired Infections*, to reflect the latest evidence-based technologies and solutions recommended by the NHMRC.
- In parallel to this Johnson & Johnson also encourages IHPA to include SSI as part of the software tracking tool for avoidable hospital readmissions – required to ensure that SSI are recognised in the National Benchmarking Portal, thereby enabling best practice

² Available: <https://www.nhmrc.gov.au/about-us/publications/australian-guidelines-prevention-and-control-infection-healthcare-2019>

³ Ahmed I, Boulton AJ, Rizvi S, et al. The use of triclosan-coated sutures to prevent surgical site infections: a systematic review and meta-analysis of the literature *BMJ Open* 2019;9:e029727. doi: 10.1136/bmjopen-2019-029727

⁴

https://www.iHPA.gov.au/sites/default/files/publications/impact_of_new_health_technology_framework_v4.3_-_june_20192.pdf

⁵ <https://www.safetyandquality.gov.au/our-work/indicators/hospital-acquired-complications#hospital-acquired-complications-list>

sharing and the ability to monitor the impact of adopting new practice recommended in clinical practice guidelines.

To incentivise public hospitals to improve the quality of care and address hospital acquired infections IHPA may wish to consider a 'shared savings' funding model whereby public hospitals are paid a proportion of the extra costs avoided by reducing SSI rates. Considering the extra costs associated with treating SSI (see Box), it is anticipated that 'shared savings' funding model could be implemented that could both 'reward' public hospitals that adopt new technology to address SSI and save costs to the Commonwealth and State Governments at the same time. IHPA may wish to consider using the next consultation on the Pricing Framework for Australian Public Hospital Services to seek stakeholder feedback on how a 'shared savings' funding model or other alternative funding models could better incentivise quality improvement programs.

Surgical site infections are common and costly

- In Australia surgical site infection (SSI) occurs in approximately 3% of surgical procedures⁶
- The most recently available data reports 1,050,720 surgical procedures performed in public hospitals in 2017-18⁷
- Hence, there were approximately 31,500 (SSI) in Australia in 2017-18
- It is estimated that hospital acquired infection result in an additional \$37,539 in costs per patient because of the need for a prolonged hospital stay⁸
- In 2017-18 it is estimated that the cost of SSI was \$1.18 billion approximately.

⁶ <https://www.safetyandquality.gov.au/sites/default/files/migrated/Approaches-to-Surgical-Site-Infection-Surveillance.pdf>

⁷ <https://www.aihw.gov.au/reports/hospitals/hospitals-at-a-glance-2017-18/contents/surgery-in-australias-hospitals>

⁸ <https://www.safetyandquality.gov.au/sites/default/files/migrated/Healthcare-associated-infection-detailed-fact-sheet.pdf>: A hospital-acquired infection can result in a prolonged hospital stay that is 18.1 days longer on average than patients without this complication. The national average cost per admitted acute overnight stay is \$2,074. Hence, the result of a longer hospital stays involving a hospital-acquired infection may therefore be associated with \$37,539 in extra costs.

Strategic Objective Two: Perform IHPA pricing functions

(i) Incorporating new technology in patient classification systems

Johnson & Johnson welcome IHPA's initiatives to monitor and review the impact of new health technologies on the existing classification systems. We note that IHPA recognises that this is needed in order to accurately account for new technology in the pricing of public hospital services. This is of course a key enabler of access to new technologies. We note the following from the Draft Work Program 2020-21:

The process for assessing the impact of new health technologies on patient classification systems will be reviewed in 2020-21, following the outcomes of the end-to-end review of the AR-DRG classification system development process. The end-to-end review included considering how high acuity, high cost health technology could be incorporated into the classification system in a more timely fashion.

In the interests of transparency and recognising the value of consulting all relevant stakeholders, we propose that the review of the process for assessing the impact of new health technologies on patient classification systems is made open to consultation.

As described in IHPA's *Impact of New Health Technology Framework*, pricing of public hospital services should respond in a timely manner to the introduction of evidence-based new health technology and models of care. As noted by IHPA in the *Impact of New Health Technology Framework*, new technologies that provide new capabilities may not fit into existing classification systems nor take account of changes to resources or costs associated with patient care. However, it can take several years for technologies prioritised by IHPA through its assessment process to be fully accounted for in classification and costing – e.g. where a new procedure necessitates a new AR-DRG. Hence, this of course creates a lag where patient access to new technologies may be limited, with opportunities for improved outcomes and cost benefits not optimized. It is also noted by IHPA that state level programs may evaluate new technologies and enable funding outside of ABF arrangements. This has the potential to create inequity in patient access to new technologies due to variation in funding arrangements between states/Territories.

To address these issues, it is proposed that IHPA could use its new health technology assessment process to provide provisional advice to all States/Territories regarding the potential funding requirements necessary to facilitate adoption of the new technology. This would enable States/Territories who have yet to adopt the new technology to make better informed and consistent decisions.

Strategic Objective Three: Refine and improve hospital costing

(b) Collection of NHCDC for public and private hospitals

Johnson & Johnson notes that there is an alternate data collection mechanism managed by the Department of Health through the Hospital Case Mix Protocol (HCP)⁹ that details health statistics from Private Health Funds with information on hospital cost and activity information by the AR-DRGs. We recommend IHPA to publicly share its broader objective in collecting and assigning cost weights for the National Hospital Cost Data Collection (NHCDC) private data and provide details on how the NHCDC private data differs from the HCP data. Providing an NEP for the NHCDC Private data will be valuable as the cost weight alone does not provide a holistic picture on costing.

The NHCDC Private Hospital Cost Report¹⁰ states that private data collection is not intended to compare the average cost per separation between the public and private sectors. Johnson & Johnson agrees with this. If comparison is the objective, then the scope of cost items/centres/buckets present in the public sector should match with private sector particularly in areas where there is difference such as prostheses, pathology & imaging, medical specialist costs etc..

Strategic Objective Four: Determine data requirements and collect data

(d) Individual Healthcare Identifier

Johnson & Johnson support IHPAs ongoing efforts to incorporate the IHI in national data sets, recognizing that the IHI is a key enabler of data linkage. Importantly IHI enabled data linkage should allow the impact of new technology/healthcare practice used in hospital on non-hospital care to be better understood – allowing a more complete picture of the impact on the broader patient pathway to be assessed. Where the IHI can enable improved understanding of how patients were or are being managed and their outcomes (e.g. via linkage to PROMs and/or clinical outcomes collected in National Clinical Quality Registries), then the IHI has the potential to help facilitate a ‘learning healthcare system’, whereby healthcare practices can be reviewed regularly, and best-practices shared and reviewed on an ongoing basis. Similarly, this use of the IHI enabled data-linkage may also have application in identifying clinical practice that should be phased out or better focussed on particular groups of patients. Overall IHI enabled data-linkage creates the potential for reducing variation in patient outcomes and healthcare costs, thereby enabling healthcare delivery to be more efficient.

⁹ <https://www1.health.gov.au/internet/main/publishing.nsf/Content/health-casemix-data-collections-publications-HCPAnnualReports>

¹⁰ <https://www.ihipa.gov.au/publications/national-hospital-cost-data-collection-private-hospital-cost-report-round-20-financial>

We also note in IHPAs response to feedback received on alternative funding models that a consistently collected national unique patient identifier such as the IHI is necessary to support the implementation of alternative funding models requiring patients to be tracked across different care streams or healthcare settings¹¹.

(h) Promoting access to public hospital data

Johnson & Johnson welcomes IHPAs initiative to provide public access to the NBP and recognise that it is critical the data is provided with sufficient context and privacy protections. In the interests of transparency, we propose that data could be made available to all relevant stakeholders, including the medical device industry. Access to data could be managed in a similar fashion to that required by the Population Health Research Network¹².

Further to the NBP role in measuring avoidable hospital complications and similar to its use in evaluating three pilot funding options, the NPB offers the potential to help minimize variation in healthcare delivery. Where considerable variation in surgical outcomes has been identified (e.g. through differences in length-of-stay, readmission rates), the NBP could potentially be used in a pilot to assess the impact of evaluating standardised ‘best-practice’ surgical protocols. Parallel to evaluating the impact of surgical protocols via the NBP, the collection of cost data from the pilots would enable the cost benefits of standardization to be assessed.

Strategic Objective Six: Independent and transparent decision-making and engagement with stakeholders

(b) Evidence-based ABF related research

Innovative funding models

Johnson & Johnson support IHPAs work on alternative approaches to healthcare funding that better support a focus on improving patient outcomes and experience. We note that IHPA has conducted research to identify alternative approaches to funding that could be applied in the Australian context. In the interests of transparency, we suggest that IHPA consult on potential options for funding models – necessary of course to help identify necessary enablers or barriers to the implementation of new funding models and consider whether different funding models are better suited to particular health conditions.

We note IHPAs interest in bundled payments as an alternative funding model and are aware of IHPAs interest in bundled payments for knee and hip replacement. Similarly, in the interests of transparency clarity is required from IHPA with regards to what elements of the patient care

¹¹ Pricing Framework for Australian Public Hospitals 2020–21 — Consultation Report – December 2019.
Available: <https://www.iHPA.gov.au/publications/pricing-framework-australian-public-hospital-services-2020-21>

¹² <https://www.phrn.org.au/for-researchers/data-access/>

pathway is proposed to be covered in these bundled payments. Ideally these bundled payments should encourage multi-disciplinary teamwork and care coordination across a continuum of providers and settings and be flexible enough to allow new technologies and models of care to be readily adopted.

Considering that patient length of stay (LOS) is a key determinant of the overall cost of an episode of hospital care, and reducing LOS is one approach to help hospitals manage demand for services, IHPA could consider how different options for alternative funding models could best support reducing LOS. For example, this could consider how funding models can help enable adoption of enhanced recovery from surgery programs. For hip and knee replacements this could involve looking at how post-operative rehabilitation services could be provided in lower cost non-hospital settings. To ensure that LOS can be reduced while maintaining the quality of care, it will be necessary to measure outcomes. Specifically, for orthopaedic surgery the UK NHS Patient Reported Outcome Measures (PROMs) program has been recognised by the UK National Joint Registry and key orthopaedic groups as means to assess quality and enable improvement to care pathways and patient outcomes¹³.

In general, regardless of the clinical area IHPA should consider how care quality can be maintained or improved when looking at different options for alternative funding models. Regardless of how hospital services and patient care pathways are funded, embedding PROMs in national dataset would be a key enabler of evaluating care quality on an ongoing basis. This is consistent with feedback on IHPAs Pricing Framework 2020-21, with stakeholders supporting PROMs to be incorporated into the national Clinical Quality Registry (CQR) framework¹⁴.

IHPA may wish to consider using the next consultation on the Pricing Framework for Australian Public Hospital Services to seek stakeholder feedback on how alternative funding models could better support reduced LOS while maintaining care quality.

¹³ Williams K, Sansoni J, Morris D, Grootemaat P and Thompson C, Patient-reported outcome measures: Literature review. Sydney: ACSQHC; 2016.
Available: <https://www.safetyandquality.gov.au/sites/default/files/migrated/PROMs-Literature-Review-December-2016.pdf>

¹⁴ Pricing Framework for Australian Public Hospitals 2020–21 — Consultation Report – December 2019.
Available: <https://www.iHPA.gov.au/publications/pricing-framework-australian-public-hospital-services-2020-21>

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.