

27 May 2015

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Dear Dr Sherbon

Independent Hospital Pricing Authority (IHPA) Draft Work Program 2015-16

Thank you for the opportunity to comment on IHPA's Work Program for 2015-16. The Medical Technology Association of Australia (MTAA) is the national association representing companies in the medical technology industry. The MTAA's objective is to ensure the benefits of modern, innovative and reliable medical technology are delivered effectively to provide better health outcomes to the Australian community. MTAA members distribute the majority of the non-pharmaceutical products used in the diagnosis and treatment of disease and disability in Australia. Our member companies also play a vital role in providing healthcare professionals with essential education and training to ensure safe and effective use of medical technology.

This submission is provided in response to the detailed work program objectives 1(b), 2(b) and 3(f):

[Program objective 1\(b\) Pricing for quality and safety in the delivery of public hospital services – page 9](#)

The key objectives of the ABF model are to increase efficiency and transparency in the delivery of public hospital services while enhancing the quality and safety of care provided. There are a number of ways of incorporating quality and safety into the ABF model; however, there is a lack of incentives built into the current pricing framework to encourage and reward public hospital compliance with quality and safety measures. Therefore, MTAA strongly supports the work that IHPA and the Australian Commission on Safety and Quality in Health Care (ACSQHC) are currently undertaking in order to identify potential approaches that will encourage safe, high quality care, including best-practice pricing for the provision of 'best practice' or evidence-based care for specified conditions.

MTAA has a strong interest in the application of quality metrics to the pricing of health services and would welcome the opportunity to provide comment on the work that IHPA and ACSQHC are undertaking in this area, at an appropriate time.

[Program objective 2\(b\) \(iii\) Incorporating new technology in patient classification systems – page 12](#)

MTAA acknowledges IHPA's '*Impact of New Health Technology Framework*' which outlines the process by which IHPA through the Clinical Advisory Committee (CAC) will monitor and review the impact of new technologies. The framework is an encouraging first step to introduce a planned process for incorporating new technologies into the pricing framework; however, MTAA is concerned that there is still no appropriate, timely mechanism to integrate new technologies in the classification and costing systems of public hospital services.

The framework mentions that IHPA and the CAC will monitor new technologies on a biannual basis but specific timeframes and review processes for identifying, assessing and prioritising

new technologies are missing. MTAA is concerned that under this proposed framework the uptake of new technology is still constrained by the classification development process which, as it stands, may take as long as two to four years. The proposed framework does not provide adequate detail around the criteria for new technology, the process for submitting an application for evaluation, the criteria for prioritisation of technology assessment and the timeframe for evaluation, response and implementation.

The framework does not adequately address the issue of introducing new technology into the pricing framework. A mechanism should be in place to make new technology available outside the AR-DRG updating cycle. MTAA recommends the introduction of alternative funding arrangements in the form of separate or supplementary payments which use a DRG payment as a basis, and in previous submissions has mentioned the German approach to fund new technologies outside the DRG updating cycle to overcome time gaps in accessing innovative medical technologies.

MTAA, as the industry representative for manufacturers, exporters and suppliers of medical products in Australia, would be pleased to assist IHPA in further developing the '*Impact of New Health Technology Framework*' and encourages IHPA to involve industry in this process.

Program objective 3(f) ABF classification system development and revision – Teaching, Training and Research – page 17

While the safe and efficient delivery of health services is the main priority of public hospitals, teaching, training and research (TTR) are also important core functions. Given the growing focus on the efficient delivery of health services under Activity Based Funding (ABF) however, it will become increasingly difficult for public hospitals to adequately resource TTR, unless these activities are explicitly funded. Therefore, MTAA supports the work that IHPA is currently undertaking in order to inform the development of a TTR classification, and acknowledges that developing a reliable and systematic approach for capturing all TTR activities undertaken within public hospitals (and their associated costs), in order for these activities to be funded under ABF, will be a technically challenging exercise.

MTAA commented on the public consultation paper on IHPA's '*TTR Costing Study*', and the submission provided an opportunity to highlight the significant contribution the medical technology industry makes to the delivery of TTR activities in Australian public hospitals. We noted that industry-led TTR activities were considered outside the scope for ABF purposes as they are not funded by the public purse, but argued that they should be captured in the costing study in order to help hospitals gain a better understanding of the nature and costs of TTR delivery, as well as aid in planning.

MTAA looks forward to continuing to work with IHPA during the coming year.

Yours sincerely



Susi Tegen
Chief Executive