

**Response to Consultation Paper
IHPA Draft Work Program 2015-16
Submission of Medtronic Australasia Pty Ltd to
Independent Hospital Pricing Authority
May, 2015**

Introduction

As an active participant in the Australian medical technology environment for more than 40 years, and internationally for over 65 years, Medtronic Australasia welcomes the opportunity to comment on the Draft Work Program 2015-16 that is proposed by the Independent Hospital Pricing Authority (IHPA).

About Medtronic

“To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.”

Founded in the USA in 1949, Medtronic has grown to become a global leader in medical technology. Conducting business in more than 160 countries, Medtronic is a global healthcare solutions company committed to improving the lives of people through our medical technologies, services, and expertise across the continuum of care;

- Cardiac Rhythm & Heart Failure (pacemakers, defibrillators)
- CardioVascular (heart valves, surgical ablation, coronary and endovascular stents)
- Diabetes (insulin pumps and continuous glucose monitoring)
- Neuromodulation (neurostimulation including brain, spine & sacral, intrathecal baclofen pumps)
- Spine & Biologics (fixation & stabilisation plates, rods and screws)
- Surgical Technologies (ear, nose & throat and surgical navigation equipment)

Medtronic Australasia, headquartered in Sydney, was established in 1973 and employs approximately 800 staff across Australia and New Zealand.

Medtronic is an active member of the Medical Technology Association of Australia (MTAA) and supports the Medical Technology Industry Code of Practice which aims to facilitate ethical interactions with healthcare professionals and others in the medical technology industry.

Comments to the Pricing Framework

Medtronic provides comment in areas where we can substantiate these with expertise and experience; hence our comments focus on important broader issues underpinning the implementation of activity based funding (ABF) in Australia. The company strongly believes that a focus on transparency and the fostering of clinical innovation through ensuring an avenue to facilitate the rapid uptake of value adding new technology which is key to ensuring that the work of IHPA encourages efficiency and supports the provision of best practice health care.

The comments and subsequent recommendations which follow correspond to the program objectives outlined in the work program. The comments remain consistent with the views expressed by Medtronic in previous submissions.

Program Objective 1. 2016-17 Pricing Framework development

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

In 2015-16, IHPA will provide advice to the Pricing Authority on potential approaches to incorporate safety and quality into public hospital services pricing.

Medtronic believes the 'US Medicare List of Hospital Acquired Conditions' should be reviewed for clinical relevance and appropriateness in the context of the Australian healthcare system. Clinicians would be the most appropriate stakeholders to provide input to this and further would feed into a best practice pricing model.

The Pricing Framework needs to develop a process which would address the important principle of patient outcomes and work towards identifying and addressing problems within the system that result in Hospital acquired conditions (such as those listed in the above referenced US Medicare List). Further work in this area would result in a system with a more patient focused outcome.

Medtronic applauds the continued joint efforts of IHPA and the Australian Commission on Safety and Quality in Healthcare (ACSQHC) and endorses the focus on quality and safety measures to ensure optimal patient outcomes. Investment in capital equipment (technology and devices) is of fundamental importance to ensure quality outcomes for patients and Medtronic believes that the system should provide funding support for capital outlays that will improve safety and quality in the nation's hospitals.

(c) Refinement of in-scope public hospital services criteria

Medtronic suggests that the General List of In-Scope Public Hospital Services Framework needs to be more reflective and supportive of the changing healthcare environment in which many services are moving out of the acute setting into the community.

It is important that the system has a view of total health care costs, benefits and outcomes rather than a micro budget-oriented view at a State or hospital level only. Increasingly, advancements in technology are resulting in less invasive treatments that allow existing therapies to be moved from the resource intensive hospital setting and be delivered in more cost effective community settings such as a specialist's office.

Recognising that under the current funding arrangements, moving treatments to the community would expose patients to out of pocket expenses, the system needs to have the flexibility to adapt to these advancements and allow the shifting of funds from the public hospital environment to the community setting. It is possible that without a mechanism that encourages this shift in care through innovation, the system will retain less effective and efficient practices and ultimately not benefit from the potential productivity, efficiency and outcome gains.

Program Objective 2. Determination of the NEP and NEC for public hospital services

(b) NEP and NEC model refinement

Incorporating new technology in patient classification systems (page 12)

In 2015-16 IHPA, through CAC, will continue to monitor and review the impact of new health technologies on existing classifications based on reports from government agencies and advisory bodies, and will determine whether and how the classification systems should be adjusted in response.

The introduction of the New Health Technology Framework was an encouraged first step towards incorporating new technology into the national efficient pricing process. IHPA appears to have taken on

board comments made by Medtronic and other medical technology companies by establishing the Clinical Advisory Committee as the body responsible for monitoring and reviewing the impact of health technologies via reports provided by key Commonwealth agencies and bodies.

Having said that, Medtronic is still concerned that the process that has been established does not address the 'catch 22' situation where a new technology cannot be accounted for in a DRG until it is in widespread use and this widespread use is very likely not to occur unless the costs can be met.

There has been no public reporting of technologies which have been reviewed the CAC. What is the process/mechanism to review the new health technologies framework to ensure that the intention of the framework has been realised in practice?

Recommendation 1: All classification change/adjustment requests made to the Australian Classification Consortium Development (ACCD) are currently made public; Medtronic recommends that, on a regular basis, a summary report of CAC reviews be released for public comment/information.

Recommendation 2: A review of the new health technologies framework should be conducted to ensure that the intention of the framework has been realised and that the funding arrangements do not discourage hospitals and health service providers from investing in new technologies which may be clinically beneficial and more cost effective for the entire health system.

Recommendation 3: Medtronic recommends that mechanisms in use in some other major health systems such as innovation top up payments be available to support the adoption of new technology in the interim.

Program Objective 3. ABF classification system development and revision

(d) Emergency care

In 14/15 IHPA commenced work to develop a new classification system for emergency care services for ABF purposes. The classification development work will investigate issues raised through submissions to the Pricing Framework including measures of patient complexity, difference models of care (e.g. telehealth services) and capacity of smaller services.

Medtronic notes that there have been no time frames given re public consultation opportunities.

Program Objective 6. Support ABF research and education

(a) Monitor and evaluate the introduction of ABF

Focusing on the transparency aspect of Activity Based Funding implementation, Medtronic notes that there were no timeframes set for reporting of evaluation outcomes.

Conclusion

Medtronic supports a transparent activity based funding system which is designed to foster clinical innovation and supports the rapid uptake of value adding new technologies that encourage hospital efficiency and the provision of best practice health care.

We thank you for the opportunity to respond to the Draft IHPA Work Program 2015-16.