

# MTAA FACTSHEET

## What is Driving Increased Expenditure on Prostheses?

Recently, the private health insurance industry has suggested that there is a need for reform of prostheses pricing under the Prostheses List (PL) arrangements, citing the growth in prostheses expenditure over the last 20 years. The purpose of this factsheet is to identify what factors are driving this increase in prostheses expenditure by health funds.

The Australian Prudential Regulation Authority (APRA) is an independent statutory authority that regulates the private health insurance industry in Australia, and MTAA has drawn on its statistical collections to produce this factsheet, providing information on trends in the three components of hospital treatment supported by private health insurance, including prostheses. Specifically, the factsheet presents information on trends in the benefits paid by health funds and the volume of prosthetic devices used in hospital treatment.

As PL arrangements reflecting both the listing and benefit amount for prostheses began in November 2005, statistical data covering the new arrangements has been used. As outlined in Table 1, since 2005 a greater proportion of total hospital benefits have been paid for hospital accommodation and medical services, compared with prostheses.

**Table 1:** Hospital accommodation, medical and prostheses benefits as a proportion of total hospital treatment benefits

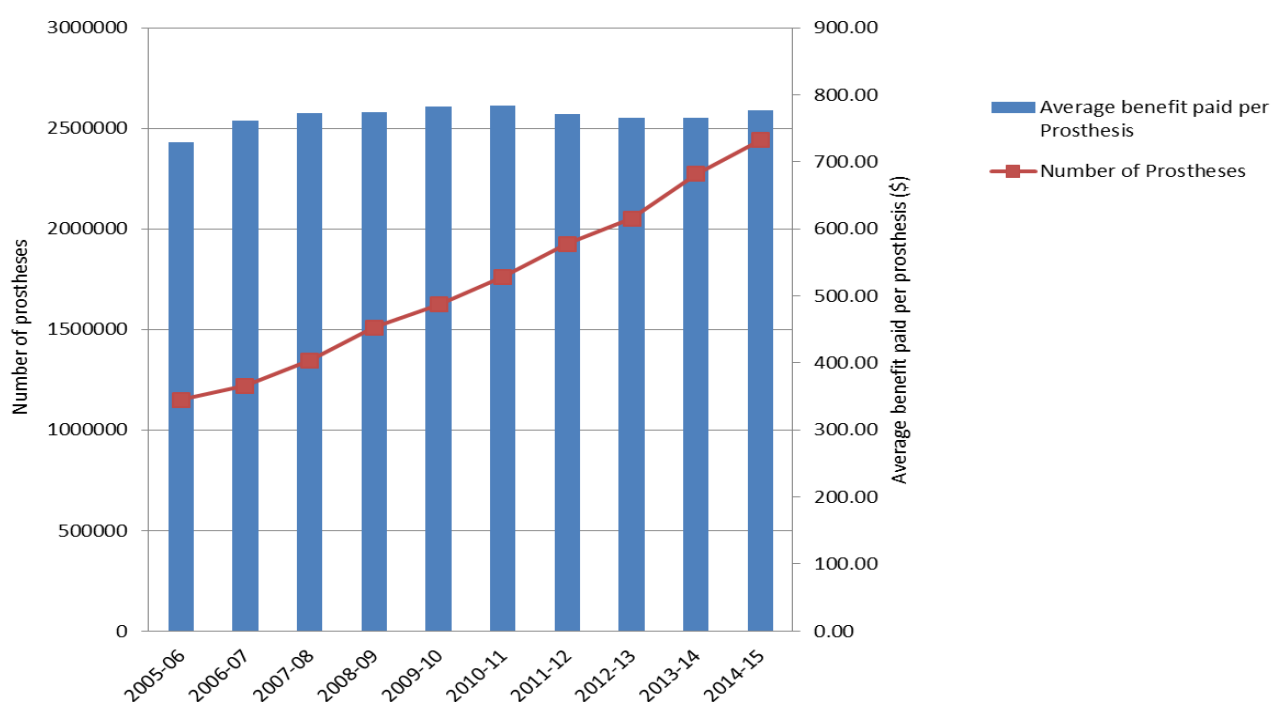
	Hospital accommodation benefits	Medical benefits	Prostheses benefits
<b>2005-06</b>	70.7%	15.6%	13.7%
<b>2009-10</b>	70.1%	15.7%	14.2%
<b>2014-15</b>	69.9%	15.8%	14.3%

*Source: Australian Prudential Regulation Authority*

The average benefit paid by insurers for prostheses increased steadily between 2005 and 2007; however, there has been little growth in average prostheses benefits since 2007 (Figure 1). The number of prostheses paid for by insurers (volume) has been growing steadily since 2005.

The growth in the volume of prostheses items, average price per item and total prostheses benefits paid since 2005 is shown in Table 2.

**Figure 1:** Number of prostheses used and average prostheses benefit paid (2005 – 2015)



Source: Australian Prudential Regulation Authority

Between 2005 and 2015 the average annual growth in the volume of prostheses used was 7.4% per annum. Over the same period, the average annual growth in the average benefit paid per item increased by 1.2% per annum, compared with 2.7% per annum for the CPI All Groups and 4.7% per annum for the CPI Health Component. Between 2010 and 2015 there was no growth in the average cost per item, suggesting that prices for prostheses may be falling in real terms. This suggests that the growth in expenditure on prostheses is being driven largely by underlying growth in volume (utilisation) rather than growth in the price of prostheses.

**Table 2:** Average annual growth rates for prostheses

	Growth in average benefit per item (price)	Growth in volume (number of items)	Growth in total benefits paid
<b>2005 to 2015</b>	1.2%	7.4%	8.5%
<b>2005 to 2010</b>	2.5%	7.0%	9.4%
<b>2010 to 2015</b>	0.0%	7.8%	7.7%

Source: Australian Prudential Regulation Authority

## CONCLUSION

- PL arrangements have limited growth in individual benefits to a level below inflation
- Growth in overall expenditure by health funds on prostheses is due to increased volume (utilisation)