

Pre-Budget Submission 2021-22

Submission by Medtronic Australasia Pty Ltd
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Introduction

Medtronic Australasia is pleased to provide this pre-Budget submission for consideration as part of the 2021/22 Federal Budget.

The COVID-19 pandemic has left an indelible mark across the globe and with all those working in, or with, the healthcare sector. As the impact of the pandemic continues to be felt across our healthcare system, businesses and workplaces, we appreciate that it is the Government's ongoing response to COVID-19 and recovery that will frame the measures in this year's Budget.

There are a number of lessons from COVID-19 that we can all take forward as we work to ensure the future strength of our healthcare system and the health of patients, including the way we collaborate with patients and the role of the medical technology sector in saving lives and maintaining health.

Medical technologies are a vital part of our healthcare system. The sector is constantly innovating to evolve healthcare and therapies and greatly improve healthcare outcomes, while also reducing costs.

This submission will focus on the potential impact of reform to the structure and operation of the Australian Government's Prostheses List, as well as some specific therapy areas that would benefit from consideration in this Budget due to their cost effectiveness and broad patient benefits.

About Medtronic

Making healthcare better is our priority, and we believe medical technology can play an even greater role in improving people's lives. As a global leader in medical technology, services and solutions, Medtronic improves the health and lives of millions of people each year. We believe our deep clinical, therapeutic and economic expertise can help address the complex challenges — such as rising costs, ageing populations, and the burden of chronic disease — faced by families and healthcare systems today.

But we can't do it alone. That's why we're committed to partnering in new ways and developing powerful solutions that deliver better patient outcomes. Medtronic provides a wide range of products, therapies and services with the emphasis on providing a complete continuum of care to diagnose, prevent, treat and monitor chronic and acute conditions.

Our technologies encompass several areas, including:

- Cardiac Rhythm Disease Management (pacemakers, defibrillators);
- Cardiovascular (heart valves, surgical ablation, coronary & endovascular stents);
- Neurovascular (revascularisation and embolisation technologies);
- Venous (endovenous therapy);
- Diabetes (insulin pumps & continuous glucose monitoring);
- Neuromodulation (neurostimulation including brain, spine & sacral and intrathecal baclofen pumps);
- Spine & Biologics (fixation & stabilisation plates, rods & screws);
- Surgical Technologies (ear, nose & throat and cranial implant, surgical and navigation equipment); and,
- Surgical Innovations (stapling, trocars and access instruments) and Surgical Robotics.

Since the late 1940s, we have been working with others to alleviate pain, restore health, and extend life. We are now among the world's largest medical technology, services and solutions companies, employing more than 85,000 people worldwide, serving physicians, hospitals and patients in more than 160 countries.

Medtronic in Australia

For over 40 years, Medtronic has been committed to Australian patients. We are now headquartered in Macquarie Park, NSW, with employees across the country.

Medtronic has been conducting clinical trials in Australia for over a decade and our clinical trials in Australia have included first-in-human studies covering conditions such as coronary artery disease, end stage renal disease and hypertension.

We are active members of the Medical Technology Association of Australia (MTAA) and support the industry's Code of Conduct.

Prostheses List

There are strong elements embedded in our healthcare system to enable patients to access innovative medical technology, including the Prostheses List (PL), administered by the Australian Government.

Medtronic Australasia strongly supports the Prostheses List which sets the prostheses products and benefit amount that private health insurers must cover for eligible policyholders.

Medtronic supports continuation of the Prostheses List arrangements as an appropriate and vital regulatory framework to:

- support the value of Private Health Insurance (PHI) for consumers by providing control over their healthcare – enabling choice of clinicians, products and services;
- provide clarity in the delivery of healthcare by providing healthcare providers with a list of approved medical devices, allowing them to choose what is best for their patient based on the patient's specific condition and needs; and,
- provide patients access to innovative medical technology listed on the PL with no out-of-pocket costs

The PL provides patients across Australia with access to innovative life-saving technology including devices for cardiac pacing, transcatheter aortic valves for the treatment of aortic stenosis, insulin pumps to assist Type 1 diabetics with the management of their condition and neuromodulation devices for the treatment of Parkinson's Disease.

It is an essential system, underpinned by increasingly rigorous assessment, that supports clinicians to improve health and saves lives.

We understand that considerable reforms are being considered by the Department of Health for the Prostheses List potentially as part of this Budget cycle. The reforms that have been flagged – including a suggestion to fundamentally alter the reimbursement model for medical technology used in private hospitals- are concerning. This option, to use Diagnosis Related Groups (DRGs) and move administration of benefit setting for prostheses to the Independent Hospital Pricing Authority

(IHPA), represents significant change to the PL which will further erode the value proposition of private health insurance as innovative medical technology becomes less accessible. The value proposition will be weakened as it will also erode patient access, eliminate clinician and patient choice and reduce innovation and patient access to these technologies.

It is noted that the Government's objectives for PHI reform are to promote affordability, quality, sustainability and greater choice for consumers [2020-21 Portfolio Budget Statements – Budget Related Paper No. 1.7 – Health Portfolio]. Any reforms that do not achieve these objectives should be rejected.

Access to a full range of medical technology is the most valuable component of a private health insurance policy. This consistency of access for all stakeholders and guarantee of choice of medical device for patients and doctors is enabled by the Prostheses List and its processes to list medical devices.

Medtronic agrees that some reform could help improve the operation of the PL to ensure it continues to enable choice, innovation and access and will outline a plan for improving the PL in our submission to the Department of Health's consultation. We are happy to work constructively with all relevant stakeholders to ensure the system works for patients, but the Government cannot risk the unintended consequences of the significant reform it is considering.

Piecemeal approaches to healthcare reform often only shift problems from one budget outcome to another without looking at the longer-term implications. When it comes to consideration of reforms to the PL, we ask that these be measured, and implemented through constructive dialogue with all relevant stakeholders.

Private Health Insurance Reform

Medtronic understands that the Government, as part of the forthcoming Budget, is also considering additional measures to address the continued decline in private hospital cover in Australia, particularly by younger Australians.

Given the intent and operation of the PL in providing access to prostheses for private patients to ensure access to vital life-saving technology, the future of innovative medical technology and how patients in Australia access it needs to be assured through any PHI reform.

We support private hospitals as a key component of our health system and the choice they provide to Australians in relation to their healthcare.

After all, it is the medical technology sector that has made the biggest contribution to-date to help ensure the long-term sustainability of private health insurance in Australia through successive price reductions.

In 2017, the MTAA signed the Affordability of Medical Devices Agreement with the Australian Government. Over \$1.5 billion in savings will be delivered to private health insurers through the Prostheses List over the life of the agreement. As part of this agreement, medical devices have undergone four price cuts in four years.

The medical technology industry's contribution to PHI sustainability through these cuts is significant, and unmatched.

Medical technology is not a problem for the attractiveness of private health insurance. Rather, access to a broad range of innovative medical technology through the Prostheses List, strongly adds to the value proposition of PHI. It is important that the underlying views of consumers about the value of PHI membership are understood. Stifling innovation and reducing access to medical technology will not address the broader public policy challenges of ensuring a sustainable and attractive PHI system.

The Treasury may be interested in a report released by the Medical Technology Association of Australia in 2019 on a range of options that would support long-term PHI sustainability. This report *'Keeping Premiums Low: Towards a sustainable private healthcare system'* identifies four key pathways to reduce private health insurance premiums and ensure a sustainable pathway for the private health system in Australia.

- Whilst Australia's overall healthcare expenditure rose 4.9% per year in the five years to 2019, costs in the private health system rose even faster, with premium revenue up 5.9% per year.
- Medical devices have not been a key driver of growing costs and will continue to play a minor role in the cost landscape.
- Medical devices represent only one tenth of private health insurance benefits paid² and 9% of premium revenue growth since FY2013, with growth in device benefits driven entirely by demand.
- Genuine reforms that improve operating efficiency of private health insurers, reduce admissions, improve models of care and increase the focus on evidence-based medicine could reduce private health insurance premiums by up to nearly \$1billion by 2022 – a nearly 20% reduction in the increase in premiums over this period.

The report is available via: <https://alphabetabeta.com/our-research/keeping-premiums-low-towards-a-sustainable-private-healthcare-system/>

Preservation of Continuous Glucose Monitoring (CGM) for people 21 years and under

Diabetes is a chronic condition that can impact the quality of life of patients. There are both direct and indirect costs across the health system in managing diabetes, as well as broader economic impacts.¹

Diabetes technology relieves a patient's burden of disease. Diabetes technology is life-saving and life-transforming.

Continuous Glucose Monitoring (CGM) is an advanced method to check glucose levels in real-time or monitor blood sugar levels over a period of time. Where a blood glucose meter provides a snapshot of the glucose level at a single moment in time, a CGM system reads glucose levels frequently, i.e. every 5 minutes, allowing for a more accurate view of glucose trends. For people using multiple daily insulin injections (MDI), CGM monitors glucose levels during the day and evening and alerts the user to highs and lows before they happen. An insulin pump delivery system combined with a CGM can enable the pump to adjust the basal insulin every 5 minutes based on the CGM

¹ Magliano, D, et al, The productivity burden of diabetes at a population level, American Diabetes Association, 2018

readings and constantly self-adjusts to keep blood sugar levels in the normal range, relieving patients of this burden.

Diabetes technology, such as integrated insulin pumps and continuous glucose monitoring, has made the clinical management of Type 1 Diabetes (T1D) easier, improving quality of life and glycaemic control. It is also likely to be cost-effective in the Australian setting, compared to multiple daily injections.²

In 2017, the Government announced that people with Type 1 Diabetes aged 21 years or under would be eligible for access to funded Continuous Glucose Monitoring (CGM) technology.

As part of the ongoing CGM initiative, we recommend the Government commit to the extension of the budget measure to ensure patients with Type 1 Diabetes aged 21 years and under continue to access CGM technology to assist in the management of their condition.

Medtronic has previously noted our support for an assessment of the clinical and cost effectiveness of diabetes technology.

Stroke

Stroke is a major cause of prolonged neurologic disability in adults and has significant clinical and cost burdens. Improved management of patients during the acute phase of stroke treatment can save patients' lives and help to reduce both the clinical and cost burden of stroke.

A recent report, 'The economic impact of Stroke in Australia, 2020,' published by the Stroke Foundation and Deloitte Access Economics, highlights the burden of stroke in Australia – on patients, the health system and productivity.

This report estimates that in 2020, the economic cost of stroke was \$6.2 billion, with an additional \$26 billion in lost wellbeing as a result of long-term disability and premature death. It found that the Australian Government bore the bulk of the financial and economic burden of stroke in 2020 (\$2.5 billion or 40%).³

The report also notes that regional and rural Australians are as much as 17% more likely to experience stroke and have poorer health outcomes as a result of limited access to "well-established" standard stroke treatments, and that more than 80% of strokes in Australia are preventable by managing modifiable risk factors such as hypertension, overweight and obesity.

Mechanical (or endovascular) thrombectomy (MT), also known as endovascular clot retrieval, is a highly specialised and time-critical treatment for ischaemic stroke. It is a minimally invasive and highly effective treatment that reduces the occurrence of disability and death. A number of

² Pickup JC, Sutton AJ. *Severe hypoglycaemia and glycaemic control in Type 1 diabetes: meta-analysis of multiple daily insulin injections compared with continuous subcutaneous insulin infusion.* Diabet Med. 2008 25(7):765-74

Pease et al *The Efficacy of Technology in Type 1 Diabetes: A Systematic Review, Network Meta-analysis, and Narrative Synthesis.* Diabetes Technol Ther. 2020 May;22(5):411-421.

Pease A, et al. *Cost-effectiveness of health technologies in adults with type 1 diabetes: a systematic review and narrative synthesis.* Systematic Reviews. 2020 Aug;9(1):171.

³ Stroke Foundation and Deloitte Access Economics, *The economic impact of stroke in Australia, 2020*

randomised controlled trials (RCTs)⁴ have demonstrated a significant clinical benefit and improvement in functional outcomes in patients treated with MT in comparison to those treated with usual care (thrombolytic or anti-thrombotic therapy). MT as a treatment for large vessel occlusion can even be suitable for selected patients up to 24 hours after symptom onset. (Point out if this is longer than the period within thrombolysis can be started)

This technology is revolutionising stroke treatment around the world, but more needs to be done to ensure eligible patients are diagnosed and treated in a timely way in Australia.

As the report notes, Australia has led the way in proving the benefits and safety of endovascular clot retrieval, but currently only 3% of strokes in Australia are treated via endovascular thrombectomy⁵, despite a 2013 Australian based population study suggesting that 7-13% of ischaemic strokes are eligible to receive MT.⁶

Deloitte Access Economics also modelled in the stroke report the impact of an increase in the number of stroke patients receiving endovascular thrombectomy from 3% to 10% of patients nationally, finding that:

- Increased rates of endovascular thrombectomy is likely to lead to almost 70 fewer deaths at 3-months, extending to 135 deaths over 5 years due to improved stroke outcomes.
- The potential savings from meeting this benchmark in 2020 were estimated to be \$454.2 million over 5 years (in Net Present Value terms).

In 2017, assessment by the Medical Services Advisory Committee (MSAC) found mechanical thrombectomy to be a cost-effective treatment for acute ischaemic stroke, due to reduced length of hospital stay and lower rehabilitation and long term follow up costs. MSAC recommended that the therapy be publicly funded, and that the Department of Health and Prostheses List Advisory Committee explore ways to address the device funding barrier for privately insured patients. Despite this clear recommendation, there has been no decision made regarding including devices required for Mechanical Thrombectomy on Part C of the Prostheses List. Medical technology evolves at a rapid pace and, unlike pharmaceuticals, devices often have short life cycles, with iterations (on average) every two years. Medtronic technology for mechanical thrombectomy has been available in Australia since 2012. Previous iterations have since been phased out with the fourth-generation device now available. None of these devices have been listed.

We urge the Government to act on MSAC's recommendation and the broader findings of 'The economic impact of Stroke in Australia' and consider the broader benefits of improvement in stroke prevention and treatment.

⁴ Berkhemer O a., Fransen PSS, Beumer D, et al. A Randomized Trial of Intraarterial Treatment for Acute Ischemic Stroke. *N Engl J Med*. 2014;141217070022009. doi:10.1056/NEJMoa1411587

Goyal M, Demchuk AM, Menon BK, et al. Randomized Assessment of Rapid Endovascular Treatment of Ischemic Stroke. *N Engl J Med*. 2015:1–12. doi:10.1056/NEJMoa1414905.

⁴ Campbell B, Mitchell P, Kleinig H, et al. Endovascular Therapy for Ischemic Stroke with Perfusion-Imaging Selection. 2015:1–10. doi:10.1056/NEJMoa1414792.

⁴ Jovin TG, Chamorro A, Cobo E, et al. Thrombectomy within 8 Hours after Symptom Onset in Ischemic Stroke. *N Engl J Med*. 2015:150417035025009. doi:10.1056/NEJMoa1503780.

⁴ Saver J, Goyal M, Bonafe A, et al. Stent-Retriever Thrombectomy after Intravenous t-PA vs. t-PA Alone in Stroke. 2015:1–11. doi:10.1056/NEJMoa1415061

⁵ Stroke Foundation and Deloitte Access Economics, *The economic impact of stroke in Australia, 2020*

⁶ Chia, N. (et al), Determining the Number of Ischemic Strokes Potentially Eligible for Endovascular Thrombectomy, *Stroke*. 2016;47:1377–1380

Telehealth

As the Minister for Health has noted, telehealth will be one of the enduring legacies of 2020. Medtronic looks forward to seeing telehealth-delivered healthcare for all embedded into the healthcare system post 31 March 2021.

The telehealth measures introduced by the Government in response to COVID-19 have had a positive impact on many patient groups, particularly patients with chronic conditions or with an implantable device.

We welcome ongoing support for telehealth in the Budget and the importance of telehealth for chronic disease management, such as for Type 1 diabetes patients, and for patients with implantable technology such as those with chronic cardiac conditions.

To truly ensure the long-term effectiveness of telehealth measures in patient care, it would be beneficial to examine their interaction with other parts of the reimbursement pathway.

For instance, remote monitoring for cardiac patients is now standard of care and results in better clinical outcomes for patients as any event is detected sooner, allowing for appropriate interventions earlier. It also results in greater efficiency for both patients and healthcare professionals (HCP), especially for patients in rural and regional areas. However, the level of reimbursement for annual remote monitoring of a cardiac patient is inadequate in terms of the time required by the HCP for patient management.

Looking at the benefits or potential benefits of telehealth, as well as opportunities to expand the delivery of services through the lens of the patient journey would assist in ensuring that reimbursement frameworks enhance outcomes.

Value Based Healthcare

Around the world, healthcare providers, governments, and payers are under intense pressure to improve patient outcomes while reducing costs. We believe the solution lies in a transition to value-based healthcare (VBHC).

Medtronic defines VBHC as an effort to develop and deploy products, services and integrated solutions that improve patient outcomes per dollar spent in the healthcare system. This is achieved by putting the patient at the centre of care by measuring value in terms of long-term patient outcomes rather than short-term transactions.

A more coordinated, connected network where technology empowers providers to deliver better care to patients throughout their health journey and where outcomes that matter to patients are prioritised relative to the cost, is needed. The patient must be at the centre of care. But what can this look like? For patients undergoing a complex procedure, this might mean therapy optimisation that protects them from harmful complications and readmissions. In common surgeries that have a wide variance in outcomes, such as hip and knee replacements, this could mean grouping services for patients and physicians throughout the entire episode of care to ensure consistent and positive results. And for people with chronic diseases, this entails collaboration with patients and their clinicians to best manage the condition.

Around the world, Medtronic has partnered to deliver innovative, patient-focused VBHC projects where we share accountability for patient outcomes. These projects demonstrate not only our

commitment to better health outcomes globally, but our commitment to partnering to deliver solutions that address the fundamental challenges posed to health systems.

Overall, Medtronic recognises that this type of healthcare transformation is complex and will take time. As the Economist Intelligence Unit has noted "*VBHC requires nothing less than a paradigm shift from a supply-driven model to a more patient-centred system where payments are no longer made to providers for the volume of services but for the outcome of treatment(s).*"⁷

As a case study for the potential of VBHC, Treasury may be interested in Medtronic's partnership with a health network in the United States. In 2018, Medtronic and the eight hospitals in the Lehigh Valley Health Network (LVHN) in Pennsylvania, USA, began a first-of-its-kind partnership, designed to bring better medical care to more people at a lower cost. The work is initially focused on 10 to 15 health conditions, including bariatric surgery, heart disease, stroke and diabetes. Part of the financial structure of the arrangement is based on whether the technology or service demonstrates better outcomes for patients or reduces costs. Ultimately, Medtronic and LVHN expect to team up on at least 70 medical conditions, impact as many as half a million people, and save at least US\$100 million in healthcare costs over five years.

Value based healthcare is something Medtronic has been passionate about for a number of years, and we are pleased to see that it is starting to become a key pillar of policy thinking in health in Australia.

As such, we strongly recommend that any healthcare reform being considered must be designed around encouraging innovation with patients at the centre of care.

Concluding remarks

Medtronic supports retention of the PL as the safest and most cost-effective means of maintaining patient access to a wide range of innovative medical technologies. While reform of the PL may be required, this should be done in consultation with all stakeholders, as should broader PHI reform, with a view to maintaining the value proposition of private health insurance for consumers.

Some clinical areas requiring immediate attention are the preservation of CGM for diabetes patients 21 years and under, the inclusion of mechanical thrombectomy devices on the PL as recommended by MSAC, and the further bedding down of telehealth including considering interaction with other parts of the reimbursement pathway, particularly for remote monitoring devices. VBHC provides an opportunity to refocus healthcare on outcomes that matter to patients and is an area that Medtronic would like to explore further in the Australian healthcare system.

Thank you for the opportunity to provide comment. We would be happy to discuss these or any other issues with you in more detail. As outlined above, we take seriously our commitment to healthcare and in partnering to deliver solutions to some of the biggest challenges in healthcare.

⁷ The Economist Intelligence Unit, *Value-based Healthcare: A Global Assessment*, 2016