



23 February 2022

The Hon Greg Hunt  
Minister for Health and Aged Care  
PO Box 6022  
House of Representatives, Parliament House  
CANBERRA ACT 2600

By email: [Minister.Hunt@health.gov.au](mailto:Minister.Hunt@health.gov.au)

Dear Minister,

**RE: Mandatory bundles for general use items being removed from the Prostheses List.**

Thank you for meeting with Catholic Health Australia (CHA) this afternoon. I am writing to stress the importance of proper treatment of the 'general use' items previously identified by the Department for removal from the Prostheses List (PL). Specifically, ensuring that any bundles developed for general use items removed from the PL represent a mandatory minimum benefit payable by health insurers.

CHA agrees with the application of public reference pricing to general use items, commencing from 1 July 2022. This decision will deliver the majority of available savings to consumers through a significant reduction in premium growth.

I note that IHPA will develop bundles to replace general use items in consultation with the sector and these items will then be removed from the PL on 1 July 2023. However, I am gravely concerned that the Government is not committing to any bundling framework agreed for the general use items forming the basis of mandatory minimum benefits once these items are removed from the PL. This is a red line for private hospitals.

CHA proposing bundles in partnership with the Australian Private Hospitals Association was a major concession as part of this reform process. However, such a model only works if bundles are compulsory contributions from insurers. While a mandatory bundle payment transfers volume risk to hospitals, the absence of such a default benefit provides no guarantee of payment and proposes an unacceptable transfer of risk. In this instance it is expected that insurers will decline to pay for bundles in part or in full, at a time when private hospitals have no capacity to absorb these costs, particularly in the wake of COVID-19.

CHA has offered several compromises to the Department of Health, including agreement to transfer a portion of volume risk to hospitals and a willingness to set aside a mandatory bundle where insurers and hospitals agree it is mutually beneficial. From the outset of our engagement we have been clear that removal of items from the PL without establishing a viable alternative funding arrangement constitutes a



complete transfer of risk from insurers to hospitals. This will inevitably compromise patient choice, clinician flexibility, and threaten the viability of services currently provided in private hospitals.

At a time when private hospitals are struggling through the third year of a pandemic, including intense pressure on our staff and the closure of elective surgeries, this decision presents a risk hospitals cannot and will not accept.

Hospitals are willing to work with the Department to determine the most appropriate regulatory or statutory method to ensure that the bundles developed by IHPA constitute a mandatory minimum benefit. Alternatively, we propose that the Government accepts the significant savings that will be delivered by reference pricing, and that proposals for bundling be set aside until this issue can be resolved.

Please contact Alex Lynch, Health Policy Manager at [alexl@cha.org.au](mailto:alexl@cha.org.au) or on 0411 841 071 should you wish to discuss this issue further.

Yours sincerely,

A handwritten signature in black ink that reads "Pat Garcia". The signature is written in a cursive style, with the first name "Pat" and the last name "Garcia" clearly legible.

**Pat Garcia**  
Chief Executive Officer  
Catholic Health Australia