HEARING BUSINESS ALLIANCE

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Hearing Services Program Review Independent Panel
Hearing Review Taskforce
Department of Health

via email: hearing-review@health.gov.au

2 December 2020

Dear Prof. Woods and Dr. Burgess,

The Hearing Business Alliance is a business body, whereby the hearing business is the member. HBA advocates for small business providers in the hearing health sector and recognises that the impacts business issues have on Providers will ultimately impact consumers. HBA strives for equal opportunity and a level playing field for Providers operating within the Hearing Services Program and the sector more broadly, thus improving access and services for consumers.

Hearing plays a vital role towards effective communication. Hearing has far-reaching impacts on an individual's ability to remain socially engaged, which can reduce social isolation and loneliness. Hearing can impact an individual's mental health. Untreated hearing loss has been shown to increase anxiety and depression and to contribute to an earlier onset of dementia.

HBA acknowledges, as mentioned during the Parliamentary Inquiry into Hearing Health, that the Program is well regarded, internationally and within Australia, and that Government needs to ensure a sustainable delivery of hearing healthcare in Australia. HBA welcomes the HSP Review and appreciates the opportunity to contribute.

HBA members hope results of the Review will:

- improve outcomes for clients by protecting a robust market of providers- particularly by addressing possible negative consequences of the HSP changes announced in the 2020/21 federal budget
- increase consumers' choice of Providers available to NDIS participants and CSO clients aged 18-25 years
- increase consumers' choice of Providers by providing funding for complex clients who elect to be serviced by a Provider other than Hearing Australia
- increase eligibility to include Australians earning low incomes and HSP clients with cochlear implants
- address the advantages the Government Business Enterprise, Hearing Australia, receives which no other Providers benefit from. This includes Hearing Australia's continuing sole promotion by other Government agencies, and CSO fittings contributing to economies of scale which affect the device cost Hearing Australia now offers consumers in the private market. HBA members report these factors are impacting their businesses, making it more difficult to compete and are therefore impacting consumer choice.

These points would improve client access in thin markets. Our comments are expanded under the Consultation Paper's 'Discussion Issues' points below:

**2: Which consumers should be eligible for Program subsidies?**

HBA supports the inclusion of Australians with low-income. Government investment in this area would have positive financial impacts in the medium to long term, with increased employment prospects and enhanced social engagement, leading to improved long term positive cognitive, economic and social impacts on consumers. The Access Economics 'Hearing for Life' (2020) report estimates a potential fiscal benefit of $268.1m.

Some HBA members provide services to cochlear implantees and report that, unlike NDIS participants, HSP clients who require a replacement speech processor are unable to access this under the HSP. They may be unable to afford this privately, which places them at a disadvantage.

**3: How well does the Program interface with other [hearing services] schemes?**

HBA members report continued frustration that within the NDIS, the level of funding and support is highly dependent on the NDIS planner and the advocacy by the client and/or their family. Consequently, some NDIS participants with identical hearing levels and needs can receive very different levels of funding in their plans. HBA members also report spending significant amounts of time preparing reports and quotes for NDIS planners without being funded to do so.

**5: Are the Program's assessment services and rehabilitation activities meeting consumer needs?**

HBA is concerned by the consultation paper's reference about eligibility being *"neither consistent with other programs in Australia such as the National Disability Insurance Program, nor consistent with the internationally accepted definition of disabling hearing loss".* (HSP Review Consultation Paper- pg 10)

The 2017 PricewaterhouseCoopers report 'Review of Services and Technology Supply in the HSP' stated that the 23dB 3 Frequency Average Hearing Loss (3FAHL) Minimum Hearing Loss Threshold (MHLT) currently used as the criterion to determine a HSP client's eligibility for fitting with Assistive Hearing technology (AHT) is inconsistent with best practice international definitions and does not align with the World Health Organisation's (WHO) definition of disabling hearing loss (measured on a 4FAHL of 40dB). HBA notes the report states that adopting a 40dB 4FAHL would result in almost a 30% decrease in the number of clients eligible for fitting and would save the HSP almost $19Million/year. We also note that no financial modelling was provided on a 4FAHL lower than 31dB in the PwC report. HBA believes that if the HSP adopted a measure of "disabling hearing loss" used in developing countries, or a permanent and severe loss used under NDIS, as the basis for fitting eligibility, it would be a significant retrograde step.

*"Therefore, some consumers with relatively low levels of hearing loss are eligible to be fitted with a hearing device under the Program. This raises questions as to whether there is over-servicing of some consumers who may later decide to put aside their taxpayer subsidised device."* (HSP Review Consultation Paper- pg 10)

Providers use clinical judgement and rehabilitation goals to determine client fittings. Other factors which have contributed to an increase in fittings would include the fact that devices are now more cosmetically appealing and more likely to be accepted by clients. Improvements in technology also mean that devices are more adept at addressing hearing challenges, such as hearing in background noise, than previously was the case. Research has suggested a link between untreated hearing loss and a decline in cognition, with an earlier onset of dementia for people withdrawing socially due to untreated hearing loss. Recognition of this has led to clients and clinicians alike accepting that earlier fitting, when clients' hearing loss may be of only a mild degree, will help alleviate this and will improve their quality of life. It is important to consider that many mild hearing losses will be progressive in nature. Fitting clients at a younger age also means that when they are older and their hearing has deteriorated further and their manual dexterity has declined, they are already experienced hearing aid users and benefit from ongoing use,

rather than using this time in their lives to introduce new technology which is more challenging to them at that later stage.

*"Significantly higher numbers of people in the Voucher Scheme are fitted with devices than receive other rehabilitation services. While device fitting may be an appropriate pathway for people with significant hearing loss, the lower utilisation of rehabilitation services by providers means consumer access to these services is low*." (HSP Review Consultation Paper- pg 11)

HBA members report they provide unfunded rehabilitation services to HSP clients as part of the fitting process. Some members provide low-level partially subsidised ('top-up') technology to clients at no extra cost to the client. Providers are then ineligible to claim for 'Rehabilitation Plus' items, as this is only available to clients when fitted with fully subsidised devices. Also, 'Rehabilitation Plus' is not available several years after the initial fitting or following a refitting, when a client may benefit from it more as their cognition and physical circumstances decline.

**6: Is the Program supportive of consumer choice and control?**

Consumer choice for clients of diverse cultural and linguistic backgrounds could be improved if interpreters were funded under the Program. Currently this is an additional cost to Providers, with the HSP website stating, *"Ask your provider to arrange for assistance such as an interpreter (if required)."* This can be a significant business cost once interpreter fees are factored in for an assessment appointment, a fitting and review appointment and any additional appointments required. Providers who operate in areas with a high population of CALD clients are disadvantaged by this. This does not occur under the NDIS and CSO stream, where interpreters are funded.

<u>*Role of Hearing Australia:*</u>
*"Hearing Australia is a government statutory body, and the sole provider under the CSO Scheme. As a result, consumers with CSO Scheme eligibility are required to use Hearing Australia for publicly funded hearing services."* (HSP Review Consultation Paper- pg 11*) Should any changes be made to the CSO Scheme*? (HSP Review Consultation Paper- pg 12)

The Program could enhance consumer choice and control by increasing the choice of Providers available to those NDIS participants and CSO clients aged 18-25 years. Could these adult Australians be issued with a voucher to take to the Provider of their choice and which additional funding could be made available to whichever Provider they chose? This would provide better access, especially in regional areas and in thin markets. This may require a change in legislation, but Government has demonstrated this is possible with the recent change in legislation to move from a 3-year to a 5-year voucher. This aligns with the Review's Terms of Reference: *"how Program services are currently delivered and whether access can be enhanced for vulnerable Australians and in thin markets, such as regional, rural and remote areas."*

Some clients who are happy with their Provider, and whose hearing needs progress to the point where they become a complex client, choose to remain with their original Provider, rather than receiving services from HA, even though this makes them ineligible for increased funding by doing so. Client choice and outcomes could be enhanced if this group could receive a voucher which retained their additional funding eligibility as a complex client, but which also allowed them a choice of Provider. Again, this would be beneficial for consumers in regional and thin markets.

*"Analysis of Program data indicates that 88 percent of providers who have fitted more than 5,000 consumers in the past three years have fitted more than 75 percent of their consumers with devices from a single manufacturer. This indicates that the provider's ownership and contractual relationships with suppliers may influence decisions about devices that are fitted through the Voucher Scheme. Some consumers may not be aware of the full range of listed devices that are available to them."* (HSP Review Consultation Paper -pg 11)

Providers acknowledge that clients seek their clinical judgement and recommendations of suitable devices, based on their clinical need. It is not feasible to highlight every approved device available to clients; this would be overwhelming for them. All Providers, apart from those who are vertically integrated, negotiate price discount based

on volume of supply. Many Providers have a handful of favoured brands, and smaller Providers rely on discounts with these suppliers to enable them to remain economically viable. HA largely fits only *one* brand under a Government-tendered contract, which Government obviously finds acceptable.

*"What should be the role of Hearing Australia, as a government service provider in providing hearing services?"* (HSP Review Consultation Paper- 12)

HBA members have asked whether consumers would benefit if HA ceased operation in the private market and concentrated on servicing those clients they are legislated to service, putting these efforts into enhancing services to CSO clients. HBA members have suggested that CSO clients could benefit if the HA fleet of buses was used to screen the hearing of paediatric or ATSI populations, instead of being parked near their own clinics to promote HA's private and Voucher scheme services.

*"For the purposes of the Voucher Scheme, Hearing Australia is a contracted service provider and competes with private sector providers. This may have particular impact on small private providers in regional and rural areas."* (HSP Review Consultation Paper -pg 12)

**Hearing Australia operating in the private market: Causes increased pressure on small business Providers.**

The May 2018 Australian Government Competitive Neutrality Complaints Office (AGCNCO) (Productivity Commission) Report identified that HA had not been operating in the private market:

FINDING 2.8

Australian Hearing's enabling legislation (the *Australian Hearing Services Act 1991*) does not preclude it from operating in the private (fee-for-service) market.

However, in practice, it is operating on the basis that it is subject to a Ministerial direction to limit its involvement in the private market, which, as a consequence, significantly limits Australian Hearing's ability to expand its business and profits.

FINDING 2.9

Australian Hearing, the Department of Human Services and the Department of Health have no record of a Ministerial direction limiting Australian Hearing's commercial activities in the private hearing services market. Similarly, there is no record in the Federal Register of Legislation of such a Ministerial direction.

Accordingly, together with the finding that Australian Hearing's enabling legislation does not preclude it from operating in the private market, there appear to be no legal grounds that would require Australian Hearing to limit its commercial activities in that market.

The PC reports also states: *"These legal opinions indicate that the Australian Hearing Services Act 1991 does allow Australian Hearing to participate in the private market for hearing services in Australia. However, there are broader Constitutional issues that muddy these legal waters... The upshot of these differing views is that any commercial activity by Australian Hearing in the private market is subject to a degree of constitutional risk."* (PC Report- pg 32)

From approximately 2012, HA started selling hearing aids privately to pensioners who were already their clients under the HSP. Later, HA started selling hearing aids to people with an ABN. HA operates 'for profit' and in competition with other HSP Providers. HA's operation in the private market increased significantly in early 2020, adding further financial pressure on other Providers at a time of unprecedented stress caused by the global COVID-19 pandemic.

HA is the sole provider of hearing services to Australians eligible for Commonwealth CSO services, under legislation, including hearing aid fittings to Australians 25 years of age and younger, Indigenous Australians over age 50, NDIS

participants aged 25 years and younger and HSP 'complex' clients. HBA applauds the work HA does in this arena. HA also owns the National Acoustic Laboratory (NAL). These factors make HA different to all other Providers in the private market because their work in this protected market, and their ownership of NAL, places HA in the privileged position of enhancing their reputation. This is now also being applied to promote their services in the private market. The HA website cites *"Hearing Australia has more than 250,000 customers Australia-wide and over 600 locations around the nation. Through the Outreach program more than 220 Aboriginal and Torres Strait Islander urban and rural sites receive support and service with Hearing Australia. The National Acoustic Laboratories (NAL) is the world-renowned research arm of Hearing Australia."* These statements are true. However, they are being used to highlight benefits no other provider has access to and are being applied in competition with all other providers in the private market. **No other health profession is forced to compete with a Government-owned Business Enterprise enjoying such advantages.**

HBA would like to understand why HA has increased operation in the private market, outside of the services HA is legislated to provide? *Why* is Government putting such efforts into the commercial market? Just because they *can*, doesn't mean they *should*. We have grave concerns for the long-term viability of small business Providers in the hearing health sector, many of whom operate in regional and rural areas and in thin markets. The timing of HA's escalation in this space, during the COVID-19 pandemic, is especially insensitive, and the impact of further competition in an area that has already significantly been detrimentally impacted could be the final straw for some small businesses. This will ultimately impact consumers.

On one hand, Government has supported HSP Providers with COVID-19 concessions to HSP claiming and paperwork requirements, whilst simultaneously launching their own Provider into the private market, increasing pressure on those same businesses.

Should Government concentrate on provision of services to the CSO cohort it is legislated to service? Why is Government operating in the commercial market? Why has Government chosen the timing of the global pandemic to introduce further pressures on small business? The impact this will have on some small business Providers may be catastrophic and the results will be a loss of private enterprise and the loss of robust competition. Instead of focussing competition against other Providers in the private sector, HBA questions- would Government funding be better used to improve CSO services, assisting Paediatric Hearing Rehabilitation and Remote Indigenous Communities?

HBA advocates for equal opportunity and a level playing field for Providers operating within the Program and the sector more broadly yet believes this is not the case, with volume discounts based on sales which HA has a monopoly on and promotion via other Government agencies.

**Volume discounts including CSO fittings- Economies of scale small business Providers cannot compete with:**

The May 2018 Productivity Commission report found HA benefits from volume discounts. These are in-part derived from servicing CSO clients and NDIS participants aged under 26 years, a cohort HA has a monopoly on. The PC report stated: "*The clear message is that volume is king when it comes to obtaining favourable terms and conditions" … "That competitor was also of the view that in the market for hearing devices, volume is the key determinant of terms and conditions, and that government ownership is irrelevant" … "In that case, its investigations concluded that any advantageous terms received by the government business were due to the size of its purchase, and ownership status had no bearing on the tender outcome"… "More likely is that any relatively favourable terms and conditions that Australian Hearing receives from its tendering for goods and services is the result of the volume of its purchases."* (PC Report- pg 28)

FINDING 2.5

Any relatively favourable terms and conditions Australian Hearing receives from its tendering for goods and services are the result of the volume of its purchases and not from its government-owned status or its access to the government tendering process.

Does the Review panel consider it is fair that HA's volume discounts, including the CSO hearing services it has a monopoly on, **enabling HA to sell hearing devices in the private market at prices many small businesses cannot compete with,** is fair and equitable for other Providers?

**Government promotion of the Government-owned provider above all others:**

The PC report found HA enjoys direct promotion and marketing from Government sources which are not available to other Providers. These advantages will now similarly benefit HA's presence in the private market, causing further stress on small business Providers. The Productivity Commission's finding that *"some areas of government were and are providing a minor competitive advantage to Australian Hearing as a result of undue promotion on government websites and in Ministerial media releases. The AGCNCO has recommended changes to address these sources of advantage."* (PC Report- pg 4) The minor competitive advantage of Government promotion, referred to in May 2018, still occurs in late 2020 and has an enhanced effect now that it also additionally impacts the private market.

FINDING 3.3

Information provided on the Centrelink website about other government support services to help people manage their hearing impairment is poorly worded and gives undue prominence to Australian Hearing.

RECOMMENDATION 3.1

The Department of Human Services should change the information on its website about government support services and useful information to help people manage their hearing impairment.

That change should remove the reference to Australian Hearing as the apparent preferred source of such information and, instead, provide a general statement along the lines of the Australian Government runs the Hearing Services Program to help people manage their hearing impairment — and augment this by providing a link to the Department of Health's web page dealing with that program.

FINDING 3.4

Some of the (then) Minister for Human Services' media releases have given undue prominence (and, consequently, promotion) to Australian Hearing as a provider of hearing services in the voucher market. This would likely confer some competitive advantage to its business operations and is behaviour inconsistent with the principles of the Government's competitive neutrality policy.

RECOMMENDATION 3.2

When the Minister or the Department for Human Services are developing media releases, they should give more attention to competitive neutrality policy and its implications so as to avoid promoting the government's hearing services business over its competitors.

HBA continues to draw attention to ongoing Government promotion of HA as a Provider under the HSP, when no other Providers are promoted. This is unfair given that all other Providers compete with HA in the HSP Voucher market. Despite the PC recommendations in May 2018, such Government promotion persists. **Websites are activity-based, and Hearing Australia's search engine derives advantage based on Government-directed website traffic.**

Recent and current examples of inequitable promotion are shown in **Attachment 1** and include:

- Earlier this year, the Government's website offering advice to the public about COVID-19: (www.australia.gov.au) had a section entitled *"Hearing health services"* which stated, *"Ongoing support is available through Hearing Australia centres and remotely"*. Once you clicked on the *'learn more'* link, you landed directly on the HA website (www.hearing.com.au), straight to the section promoting sales of hearing

aids in the private market. Therefore, this wasn't even a promotion of the Commonwealth Hearing Services Program or of the Community Services Obligation service provision. This remained online until late June.

- The Facebook and LinkedIn posts on World Hearing Day, 3 March 2020 by the Hon. Stuart Robert MP, stated *"Some 3.6 million Australians are estimated to have some form of hearing loss, and we know that number will increase with an ageing population…That's why the Government through Hearing Australia and the National Disability Insurance Agency is helping Australians look after their hearing health"*
- The Department of Health's 'Health Direct' website, cited in the HSP Review Consultation Paper, https://www.healthdirect.gov.au/hearing-aids has a section under *'Sources'* which leads consumers directly to Hearing Australia's promotion of hearing aids, where they specify their prices to non-pensioners in the private market: https://www.hearing.com.au/hearing-aid-offer (Prices available by virtue of the economy of scale, partly derived from CSO fittings).

**7: Are the Program's service delivery models making best use of technological developments and services?**

The stipulation that clients who lose a device must be fitted with the same device if it is still on the approved devices list, or at least the same category and type of device can at times put clients at a disadvantage and could cost the Program more. Clients may repeatedly lose a device if they can no longer manage it. For example, a client who has increased manual dexterity issues may no longer be able to insert their in-the-ear hearing device properly and it may keep falling out and getting lost. If Practitioners were granted the clinical judgement to refit with something that would overcome this, a behind-the-ear device, it would benefit both the client and the Program's funding.

A client who has lost a device which was fitted several years ago could have that device replaced with a device with more advanced technology if the clinician was able to choose a different device which has more recently been added to the approved list. When the other ear is eligible to be refit, it could be matched with this replacement, instead of then replacing both ears at that time with the newer technology. This would also save the Program money, and the requirement for a statutory declaration would ensure replacements only occur after they are lost.

**8: Does the Program sufficiently support consumers in thin markets?**

A significant proportion of HBA's members operate in regional and rural areas and in thin markets. These businesses incur additional costs which are not covered under the Program's funding structure. These businesses therefore rely on cross-subsidisation to cover the additional costs. Increased costs include freight and postage. Devices are couriered to manufacturers for repairs or if returned by the client, impressions are sent for making ear moulds, batteries are posted to clients, files for relocating clients are sent to new providers by tracked post. These costs are higher for rural providers. Travel costs are greater. Servicing clients in visiting sites has additional costs associated with travel- paid travel time for clinicians, petrol, upkeep of company cars (registration, insurance, tyres etc). These costs must all be met by Providers in these locations.

HBA members have significant concerns about the repercussions of HSP changes announced with the 2020/21 federal budget and the impacts these may have on service provision in thin markets. These will be highlighted later in this submission.

**9: Are there opportunities to improve the administration of the Program? &**
**10: Does the Program effectively make use of data and information to inform decision-making?**

The *'Ensuring a Sustainable Hearing Services Program' Regulation Impact Statement* asserts that the HSP changes announced with the 2020/21 federal budget occurred, in part, because of an estimated 170,000 refits in under 5 years in 2018/19. HBA members have commented that HSP claiming systems will allow the HSP to identify the providers doing this and have asked why these Providers couldn't be audited to prevent the ongoing practice of early refittings, rather than penalising all Providers and consumers with the move to the 5-year voucher?

There have been no communicated updates on changes to service fees or claiming that will take effect as of the 1 July 2021. This makes it very difficult to budget and plan to run a viable business, employ staff and provide for the continuation of delivering first-rate services to clients. We would respectfully ask HSP to share their cost

assumptions to Providers as soon as possible, so that we can make educated and informed investment decisions moving forward.

HBA members appreciated the removal of the requirement to have a medical referral to initiate a voucher. This has made access for consumers easier and will have been a significant saving for Medicare. HBA members appreciate access to the Hearing Services Online portal, which has many administrative advantages. HBA members greatly valued changes to service delivery rules early in the COVID-19 pandemic, which allowed many members to remain afloat.

**The Hon. Mark Coulton MP requested feedback about possible unintended consequences of HSP changes announced in the 2020/21 federal budget.**

**As a business body, HBA's focus is on business and viable and sustainable quality service provision to consumers. It is not possible to downgrade the infrastructure of HSP providers without adversely impacting the available service and support which can be delivered to consumers.**

After reading the Department of Health's September 2020 'Ensuring a Sustainable Hearing Services Program' 60-page Regulation Impact Statement (RIS), HBA's concerns relate to:

- Deliberate lack of consultation with the sector. The Department of the Prime Minister & Cabinet, Office of Best Practice was critical of this. "*While the analysis in the RIS is sufficient to inform a final decision, further depth of analysis of the impacts on businesses and individuals would have been required to meet the standard of good practice. In addition, it would have been consistent with good practice for consultation to have been undertaken before a decision was taken*." The lack of consultation means Providers now only have 7 months, with Christmas closures in the interim, to evaluate, plan and budget for providing and maintaining quality services to clients.
- Reduced clinical services for consumers: "*Although the proposed changes to the HSP will reduce the possibility of over servicing for some clients the quality of clinical services will not be impacted**".*** (RIS- pg 10) *"Most importantly the changes will not adversely impact the level of clinical services offered to consumers or their access to hearing devices".* (RIS- pg 24) *and "A transition period prior to go-live wherein affected stakeholders can ensure that these changes will not adversely impact client outcomes"* (RIS- pg 36) Changing from a 3-year to 5-year voucher will lead to decreased clinical services for consumers if a full diagnostic reassessment can only be claimed every 5 years instead of every 3. The RIS states this is not a problem for consumers because hearing screening can occur as part of an annual client review. Diagnostic assessments include middle ear assessments and speech discrimination testing and are more comprehensive than hearing screening tests. Reassessments are an important means of monitoring changes in clients' hearing, ear health, speech discrimination and communication ability. These are not covered in a simple hearing screening, occurring as part of an annual review. It is unclear whether the annual review mentioned refers to the existing HSP 940/930 service item or whether there will be new claim items and fees for this. HSP states that the aim of the current annual review is to extend the life of the fitting, to ensure refits don't occur prematurely.
- All Providers will have a significant decrease in revenue. The RIS acknowledged the "**expected decrease in Provider revenue** in 2020-21: 0%, 2021-22: **-18.9%,** 2022-23: **-18.2%,** 2023-24: **-9.7%."** (RIS- Table 3, pg 20).
- Small business providers will be most impacted, and "consolidation" of Providers will occur as the result of the removal of some small business Providers. "*Based on the comparison of the market, the expected drop in revenue from the HSP is likely to cause businesses with high cost overheads and small revenue streams to experience a significant drop in revenue. Micro sized hearing service providers who have usually just setup their business in the Voucher scheme will feel this impact more greatly than established small, medium and large businesses."* (RIS- pg 20)
- Increased impact on rural providers and those in thin markets: "*Analysis indicates that businesses who provide hearing services in small rural towns and remote communities are likely to experience greater financial pressure than businesses operating permanent sites in metropolitan, regional centres and large to medium rural towns."* And "*It may be that as a result of this there is some market consolidation, but this is not likely to reduce consumer access to services in metropolitan and large regional centres. There is,*

*however, the potential for larger impacts in rural and remote areas with thin markets that may result in consolidation of providers."* (RIS- pg 24)

- Reduction in fitting fees to remove a 12-month *repair* warranty ignores the other costs Providers encounter to service clients' devices. The report states the device warranty *"covers the cost of device repairs and maintenance."* (RIS- pg 8) This is incorrect; the repairs warranty covers just that – repairs. There are other costs associated with maintaining devices which are not covered by a repairs warranty: ear moulds, tubing, receivers, thin tubes, domes, ear hooks, batteries, battery compartments, wax guards & filters, cords for CROS and body aids, earphone or microphone tubing replacement, dry-aid kits. Costs for re-shelling custom devices are only covered for 3 months, not 12.
- Quarterly maintenance payment instalments will replace twelve-month advance payments. Quarterly payments of approx. $26 per device/per quarter for all fitted clients, including relocating clients and those fitted with private devices will occur, and there will be a reduction in the number of maintenance claim items. Once the warranty expires, devices can cost as much as $200 each for repair. If this occurs during the first quarter and the client relocates after this, the provider will be left with a significant repair cost and only one quarterly payment of $26.
- After additional financial pressures due to COVID-19 and HA's increased operation in the private market this year, these changes were still announced to proceed. *"the impact of COVID-19 which has resulted in a reduced number of new Vouchers being issued in some areas. Indeed, there may be a confounding effect on providers if the service delivery environment is compromised by COVID-19 restrictions for an excessive length of time."* (RIS- pg 36)
- 3-year delay of realisation of full impact: *"The full impacts of the new settings will not be understood until at least three years after go-live."* (RIS- pg 38)
- Significant additional IT costs Providers will be required to update IT systems to enable quarterly maintenance payments, to deliver staff training and to make administrative changes in updating policy and procedure manuals will occur in addition to Providers' reduced income. *"The additional information being requested of manufacturers and service providers will require IT systems changes in some providers as well as changes to their business processes to ensure compliance through provision of information. IT system change and business process adjustment are the major costs associated with Policy Option 2"* (RIS- pg 18). HBA members have expressed concerns about how they will reconcile payments and banking.
- Increased administration costs for Revalidated Services and staff training: "*This will enable government to more accurately assess these requests and ensure the clinical standards of the program are met."* Government forecasts that "*during 2021-22 and 2022-23 the rate of revalidation requests for hearing aid fittings will rise from 1,000 per year (1%) of total fittings to 30,000 (20.5%) of total fittings". "Businesses will have to provide training to clinical and administrative staff regarding the changes to the HSP and their internal IT changes and business systems changes, and Businesses will need to ensure their standard operating procedures and training manuals are updated to reflect the changes to the HSP."* (RIS- pg 43) This will equate to additional administration time and further costs to Providers.
- Insecurity about possible further cuts impacting consumers: Budget Forward Estimates noted an $80M cut to the HSP budget in the first year, with a footnote highlighting that additional budget changes may occur after the HSP Review. (Portfolio Budget Statements 2020-21 Budget Related Paper No. 1.7- pg 87)

HBA has significant concerns that the impacts of the factors listed above may lead to:

- Reduced clinical services for consumers
- A significant exit of independent Providers from the marketplace.
- A consolidation of Providers favouring economies of scale. (Large Providers and Hearing Chains).
- No new Providers entering the market.
- Reduction in Providers in thin markets. Visiting sites, especially in remote areas, will be financially unviable.
- Top-up pressure may become more intense as clinics strive for profitability.
- Providers may be forced to reduce trained clinical staff.
- New graduate audiologists will have increased difficulty finding an employer to mentor them through the graduate internship year.
- Clients with a chargeable, billable item may be prioritised.

- Providers may pay more for devices, with the RIS estimating a 19% reduction of fittings for manufacturers, who may need to increase costs to providers. These costs may be passed on to consumers.
- Reinvestment in equipment will be more difficult.

On a positive note, an annual clinical review service for all Voucher clients who have not yet been fitted with a device, including those with a hearing loss less than the Minimum Hearing Loss Threshold, will be introduced, although no details of this have yet been provided.

Thank you for considering the views of HBA's members and our aim to continue to provide high quality clinical services to our clients. We hope that the integrity of the HSP will be preserved and the diversity in hearing services provision, which includes a healthy number of small business Providers, will be protected. We hope that there is no subsequent detrimental impact on our clients, our staff and our colleagues.

Kind regards,

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