

Approach to address mixed benefit groups

Part A

Prostheses List Reform



Australian Government
Department of Health
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Questions can be posted at any time during the webinar but will be answered after our presentation.

Out-of-scope questions (not related to the topics discussed today) will not be addressed at this webinar.



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What to expect from this webinar

1. Summary of the regrouping process
2. Approach to address mixed benefit groups
3. Worked example
4. Next steps
5. Opportunity for stakeholders to ask questions



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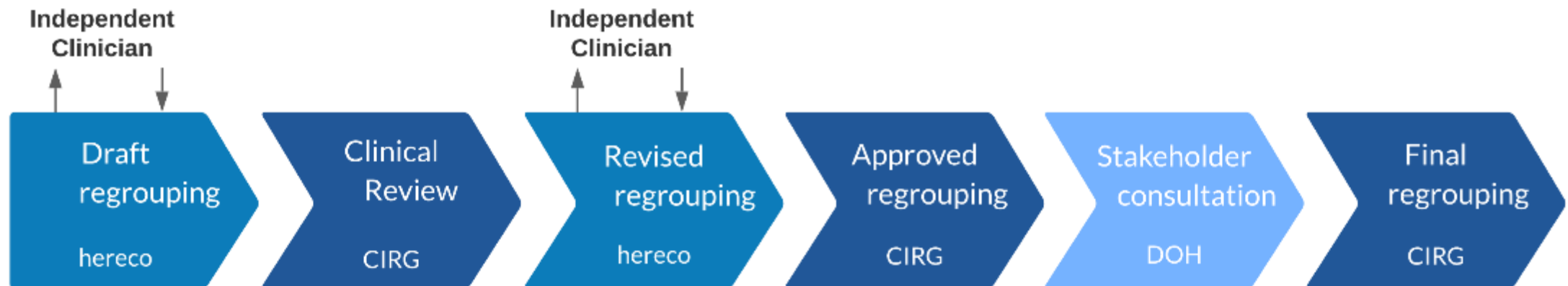


1. Summary of the regrouping process



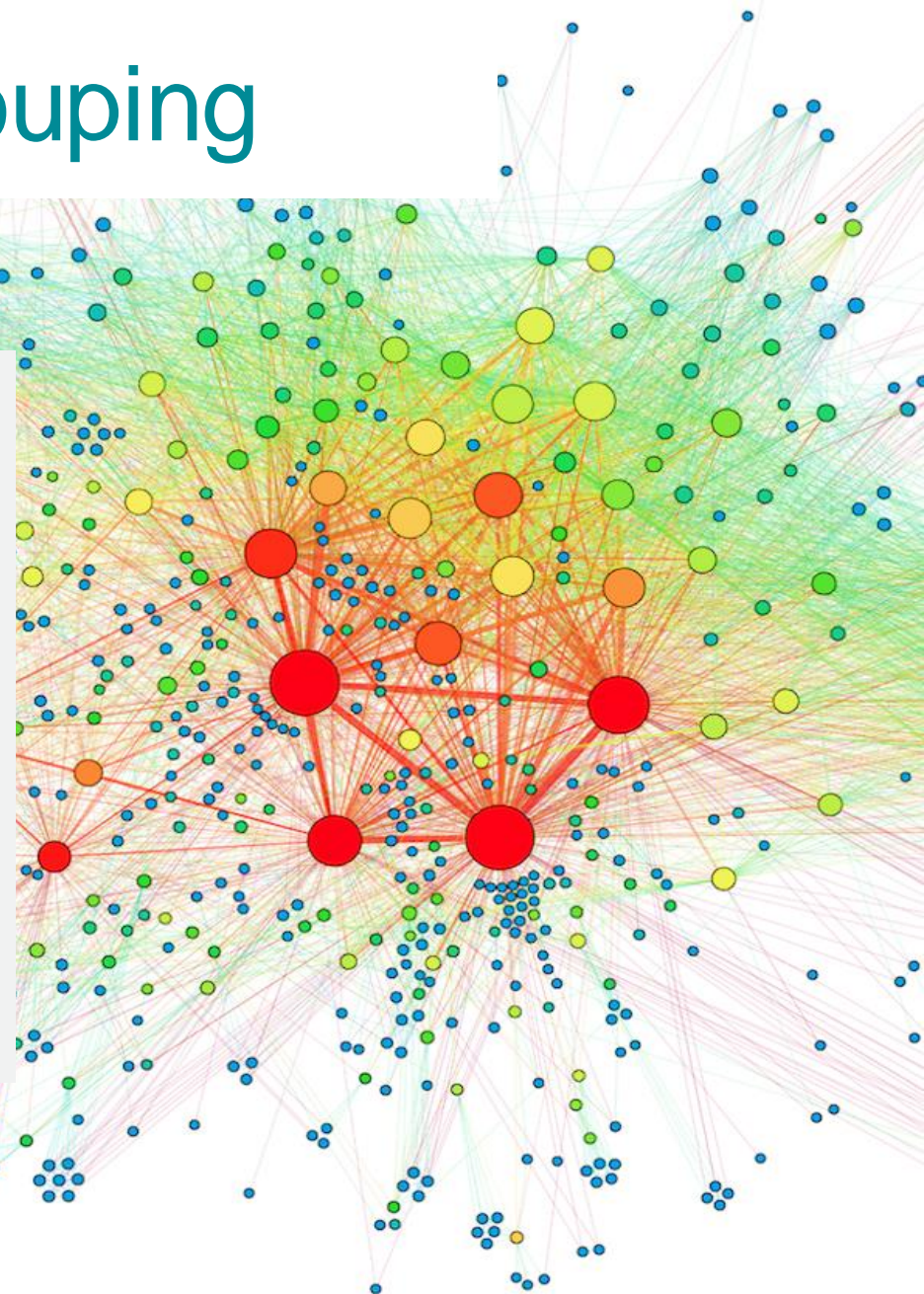
Summary of the regrouping process

- ~11,500 items on PL organised into 5 tranches of work.
- Each current PL category reviewed by hereco with independent clinical input, as per Organising Principles.
- Proposed regroupings for each tranche were discussed and approved by the Clinical Implementation Reference Group (CIRG).
- Stakeholders were consulted on CIRG-approved regrouping throughout 2022.
- A final proposed PL structure, including a summary of stakeholder feedback, was presented to the CIRG and subsequently approved.
- The Department accepted delivery of the final proposed PL structure from hereco in December 2022. Further work will be completed by the Department.



Organising principles of the regrouping

- Hierarchical classification structure
- Consistent approach across product categories
- Patient-centred with new groups based on clinical care not product features
- Like-for-like products grouped together
- Individual components of products not listed separately, unless clinically warranted



2. Approach to address mixed benefits groups



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Single Benefit Value (SBV)

Under hereco's regrouping work, clinically similar or 'like-for like' devices were brought together under a single group/subgroup.

The objective for the new PL structure is to have groups/subgroups with a single benefit value (SBV) assigned to all items in the group/subgroup.

For some groups/subgroups, all items had the same benefit amount – this was set as the SBV.

What is a 'mixed benefit group'?

Some groups/subgroups in the **proposed PL structure** have a large variation in the benefit amount for items within the group/subgroup. This is what we have called a 'mixed benefit group'.

Example

7 subgroups in the **current PL structure** were condensed into a single subgroup under the **proposed PL structure**: *01.01.01.01 Monofocal IOLs*. The benefit variance of this group is \$508. Assigning simple average benefit as the SBV would result in a big discrepancy in benefits for some billing codes in this subgroup.

Sub Category	Product Group	Product Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
				Minimum	Maximum	Benefit Variance
01.01 - ANTERIOR CHAMBER INTRAOCULAR LENSES	01.01.01 - Aphakic	01.01.01.01 - Rigid	3	\$126	\$203	\$77
	01.01.02 - Phakic	01.01.02.01 - Rigid	1	\$552	\$552	\$0
		01.01.02.02 - Foldable	1	\$565	\$565	\$0
01.02 - POSTERIOR CHAMBER INTRAOCULAR LENSES	01.02.01 - Rigid		1	\$126	\$126	\$0
	01.02.02 - Foldable	01.02.02.01 - Microincision	8	\$233	\$270	\$37
		01.02.02.03 - Edge modification	63	\$217	\$292	\$75
	01.02.03 - Pseudo-phakic, piggy-back	01.02.03.01 - Monofocal	4	\$262	\$634	\$372



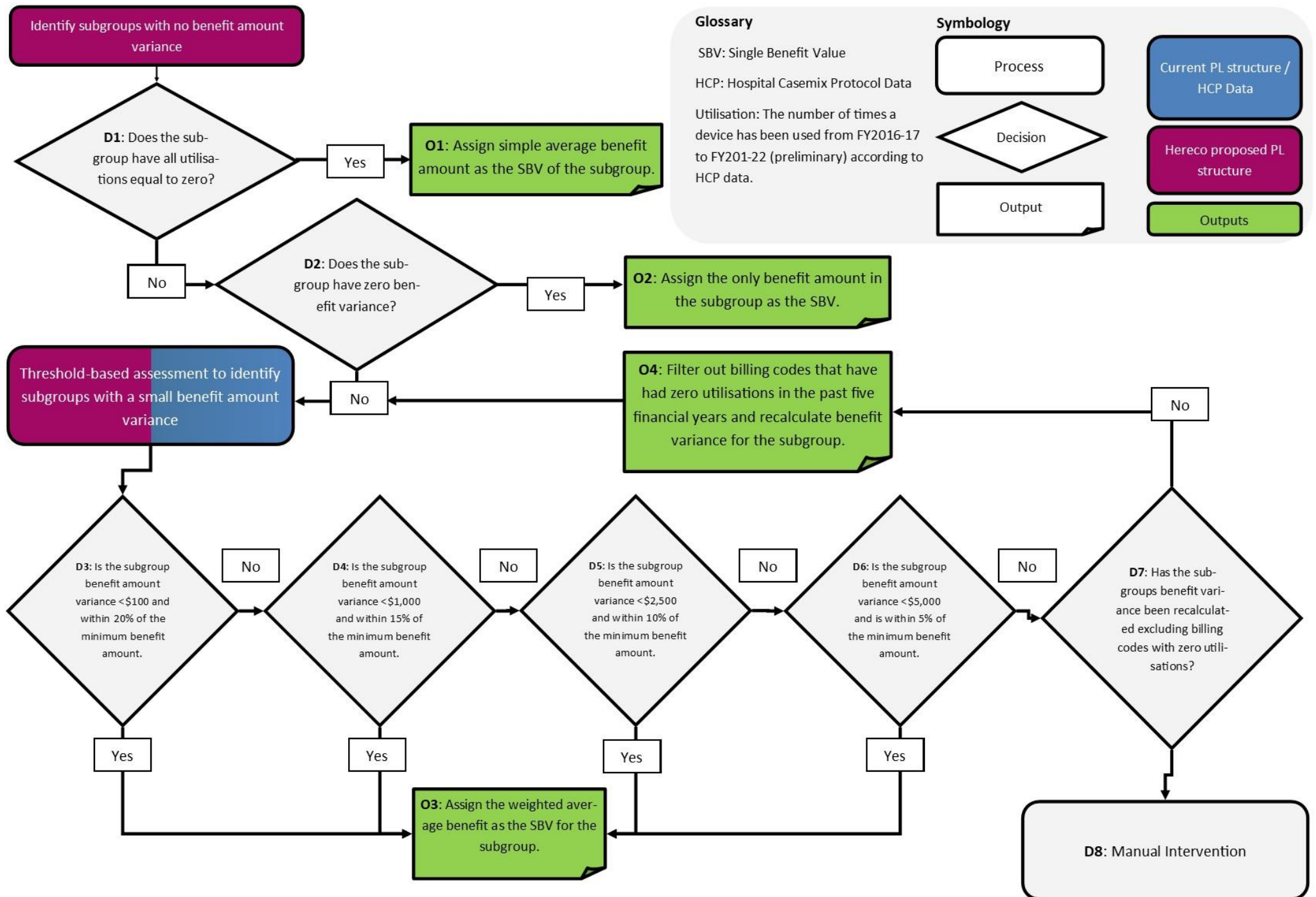
Proposed Category	Proposed Sub Category	Proposed Group	Proposed Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
					Minimum	Maximum	Benefit Variance
01 - Ophthalmic	01.01 - Cataract	01.01.01 - Intraocular	01.01.01.01 - Monofocal IOLs	81	\$126	\$634	\$508

Guiding principles for setting a SBV for mixed benefit groups

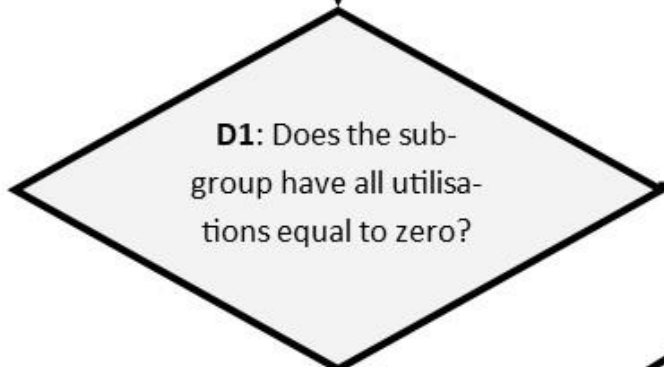
- Maintaining the integrity of hereco's proposed structure (at the category and subcategory levels)
- Applying a series of threshold tests to identify the subgroups that need manual intervention
- Minimising the manual interventions required by triaging the results of hereco's proposed structure
- Relaxing subgroups to minimise the benefit variance and then assigning a weighted average benefit.

How did we approach these mixed benefit groups?

Objective: assigning a single benefit value (SBV) with minimum benefit variance to all proposed groups



Identify subgroups with no benefit amount variance

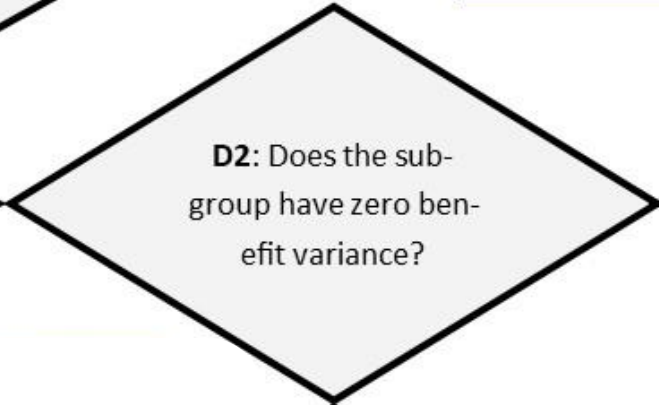


D1: Does the subgroup have all utilisations equal to zero?

Yes

O1: Assign simple average benefit amount as the SBV of the subgroup.

No

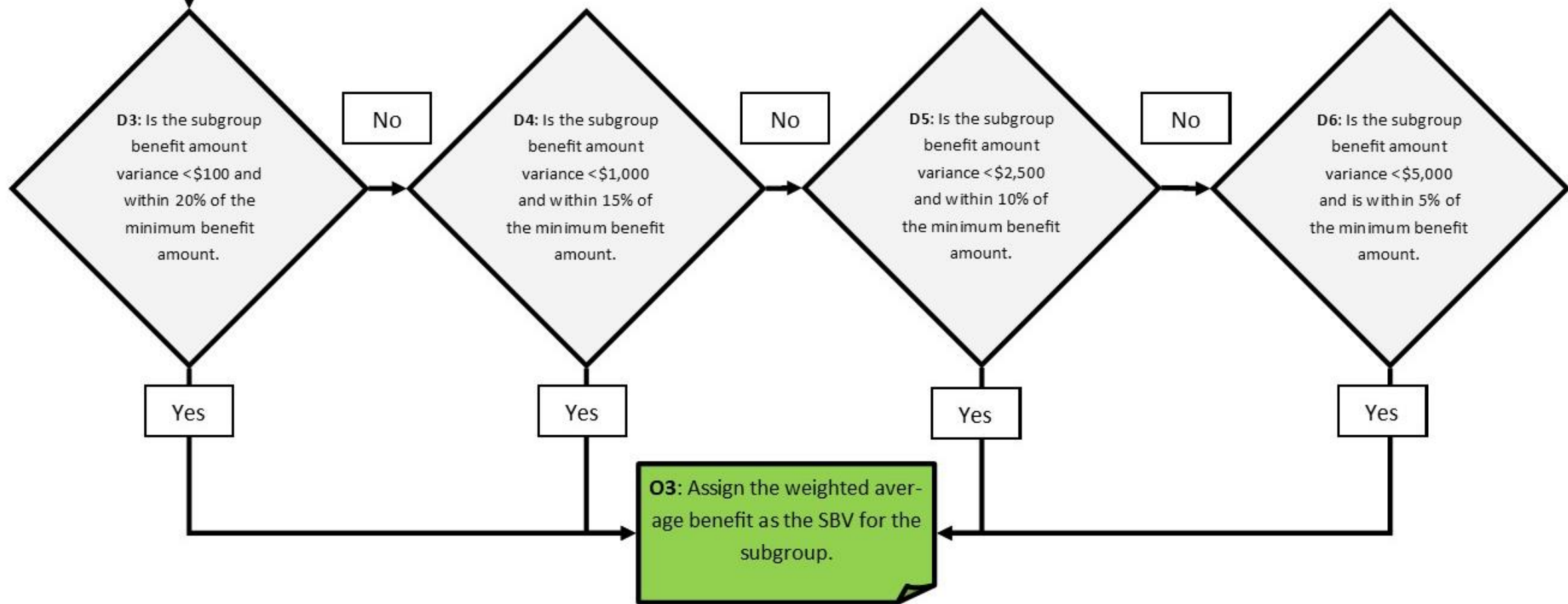


D2: Does the subgroup have zero benefit variance?

Yes

O2: Assign the only benefit amount in the subgroup as the SBV.

Threshold-based assessment to identify subgroups with a small benefit amount variance



Threshold-based assessment to identify subgroups with a small benefit amount variance

No

O4: Filter out billing codes that have had zero utilisations in the past five financial years and recalculate benefit variance for the subgroup.

No

D7: Has the subgroups benefit variance been recalculated excluding billing codes with zero utilisations?

D8: Manual Intervention

Outcomes of the mixed benefit approach

Hereco Proposed Groups	457
Low/no benefit amount variance	225
Manual intervention	232
The 232 groups were manually assessed and split into additional subgroups.	~500
Low/no benefit amount variance	~300
Manual intervention (with lower variance than in the original split)	~200
The adjusted Prostheses List will have approximately 720 distinct groups as a result of this process.	

3. Worked example

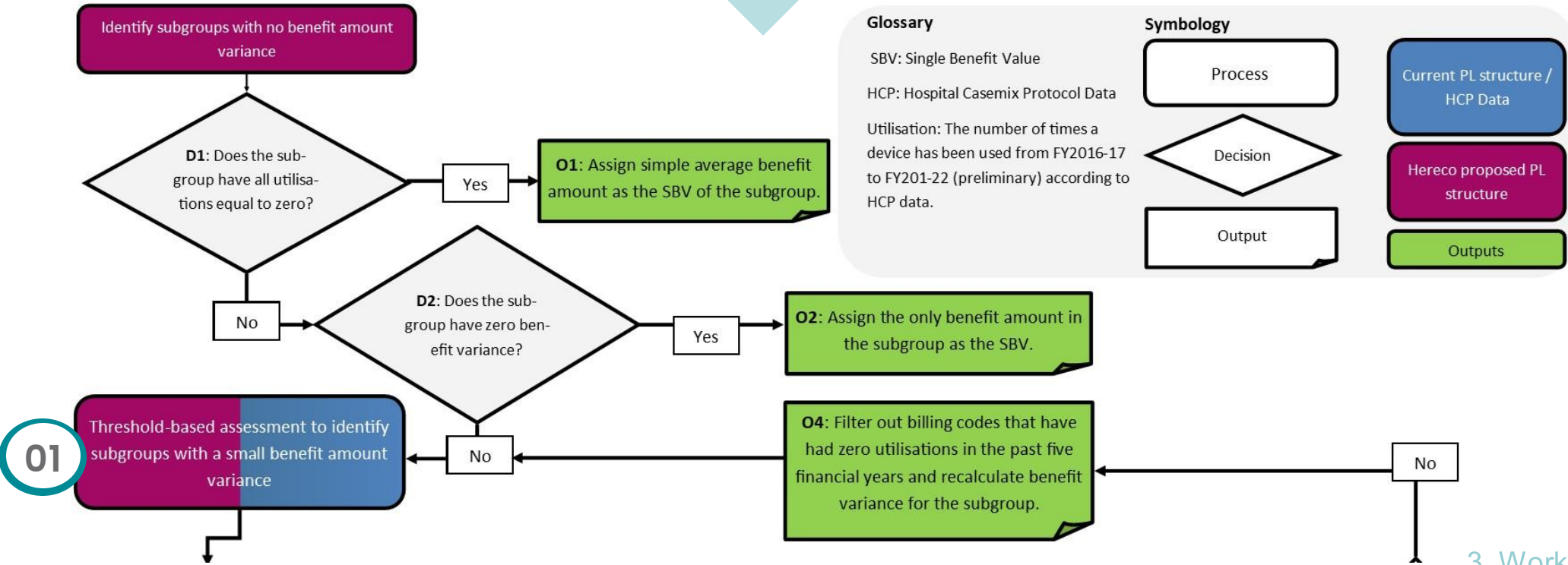


Example – 01.01.01.01 Monofocal IOLs

Proposed Category	Proposed Sub Category	Proposed Group	Proposed Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
					Minimum	Maximum	Benefit Variance
01 - Ophthalmic	01.01 - Cataract	01.01.01 - Intraocular	01.01.01.01 - Monofocal IOLs	81	\$126	\$634	\$508

01

The variance in the benefits listed for this proposed subgroup is \$508 which means it does not meet the ‘no benefit amount variance’ criteria, and cannot go to **D1** or **D2**. It will be assessed under the ‘Threshold-based variance assessment’.



02

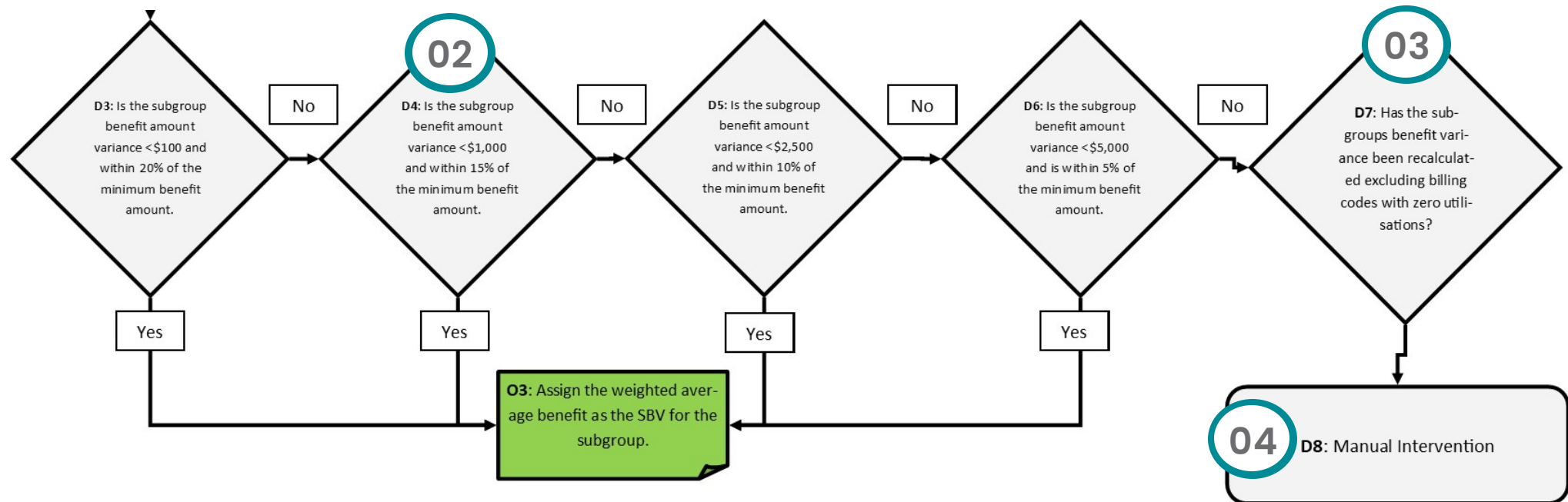
Since the benefit amount variance is \$508, it will be tested against **D4**: variance <\$1,000.

03

The percentage of the minimum benefit amount is 403% (\$508/\$126). This falls outside of the 15% threshold of **D4**, and will be passed to **D7** (without assigning an SBV).

04

Removing the billing codes with zero utilisation has no impact on the outcome. This subgroup is now moved to **D8** manual intervention.



The proposed *subgroup 01.01.01.01 - Monofocal IOLs* comprises 7 sub groups (from November 2022 Prostheses List). The proposed subgroup could be split into two separate subgroups, based on similar benefit amounts (highlighted in blue vs white) and the current structure.

The red **\$634** benefit amount refers to a single billing code, which had zero utilisations during the FY2016/17 to FY2021/22 period. As per the approach, this billing code was removed from the calculations.

Sub Category	Product Group	Product Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
				Minimum	Maximum	Benefit Variance
01.01 - ANTERIOR CHAMBER INTRAOCULAR LENSES	01.01.01 - Aphakic	01.01.01.01 - Rigid	3	\$126	\$203	\$77
	01.01.02 - Phakic	01.01.02.01 - Rigid	1	\$552	\$552	\$0
		01.01.02.02 - Foldable	1	\$565	\$565	\$0
01.02 - POSTERIOR CHAMBER INTRAOCULAR LENSES	01.02.01 - Rigid		1	\$126	\$126	\$0
	01.02.02 - Foldable	01.02.02.01 - Microincision	8	\$233	\$270	\$37
		01.02.02.03 - Edge modification	63	\$217	\$292	\$75
	01.02.03 - Pseudo-phakic, piggy-back	01.02.03.01 - Monofocal	4	\$262	\$634	\$372



Through manual intervention by relaxing *01.01.01 Monofocal IOLs*, two subgroups are created:

- *01.01.01.02 - Monofocal IOLs (Phakic Rigid, Phakic Foldable)* – benefit variance \$13
- *01.01.01.01 - Monofocal IOLs* – benefit variance \$170

The variance has now been shifted from \$508 to \$13 and \$170 respectively, based on the two new proposed subgroups.

06

Proposed Category	Proposed Sub Category	Proposed Group	Proposed Sub Group	Revised Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
						Minimum	Maximum	Benefit Variance
01 - Ophthalmic	01.01 - Cataract	01.01.01 - Intraocular Lenses (IOLs)	01.01.01.01 - Monofocal IOLs	01.01.01.02 - Monofocal IOLs (Phakic Rigid, Phakic Foldable)	2	\$552	\$565	\$13
				01.01.01.01 - Monofocal IOLs	79	\$126	\$296	\$170

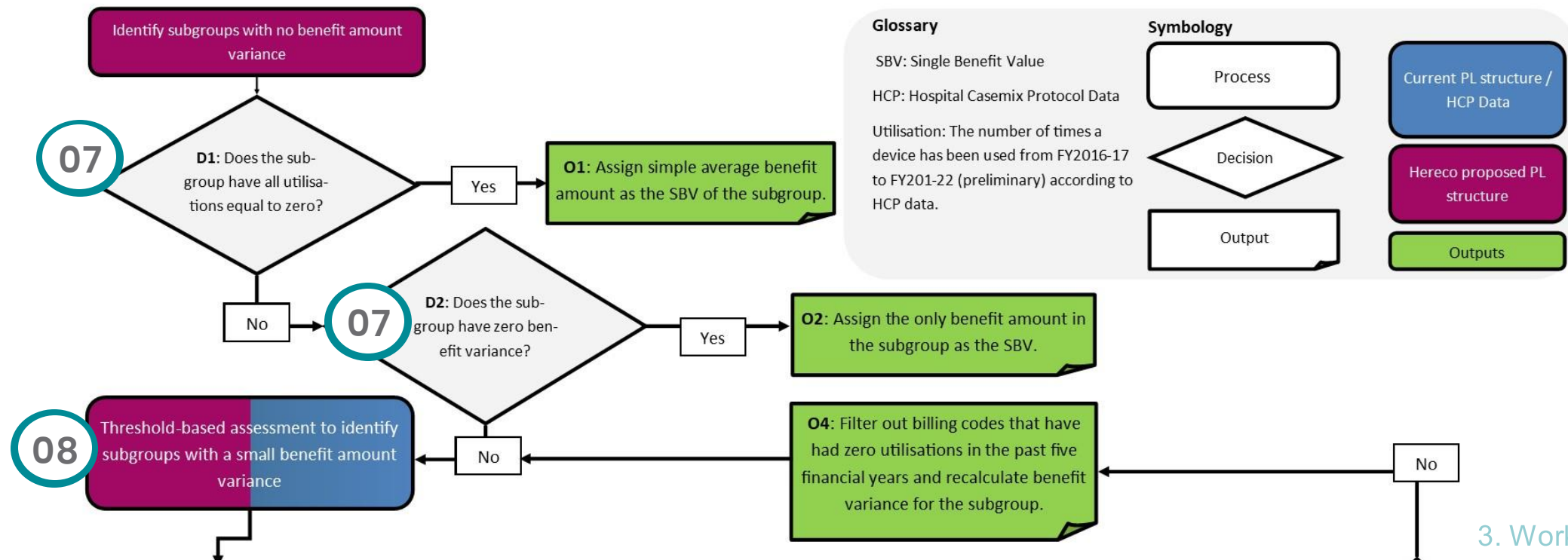


07

These two subgroups are passed through **D1/D2** again to see if a SBV can be assigned automatically.

08

With utilisations and benefit amount variance > 0 in both subgroups, we move to 'Threshold-based assessment'.

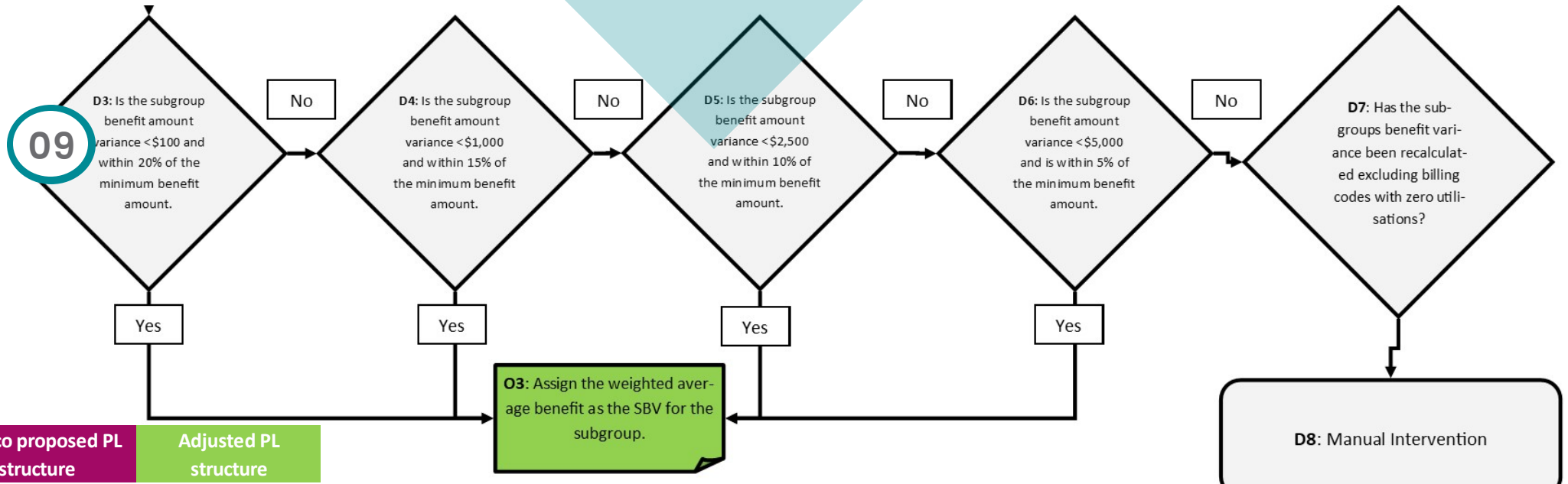


01.01.01.02 - Monofocal IOLs (Phakic Rigid, Phakic Foldable) subgroup

09

Proposed Category	Proposed Sub Category	Proposed Group	Proposed Sub Group	Revised Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
						Minimum	Maximum	Benefit Variance
01 - Ophthalmic	01.01 - Cataract	01.01.01 - Intraocular Lenses (IOLs)	01.01.01.01 -	01.01.01.02 - Monofocal IOLs (Phakic Rigid, Phakic Foldable)	2	\$552	\$565	\$13
				01.01.01.01 - Monofocal IOLs	79	\$126	\$296	\$170

The variance is \$13, so it will be tested against **D3** – where the variance is less than \$100 and is within 20% of the minimum benefit amount. The percentage based on the minimum benefit amount is 2% ($\$13/\552) which is within the 20% threshold and therefore will be assigned the weighted average as the SBV. The **weighted average** for this new sub group is **\$552**.

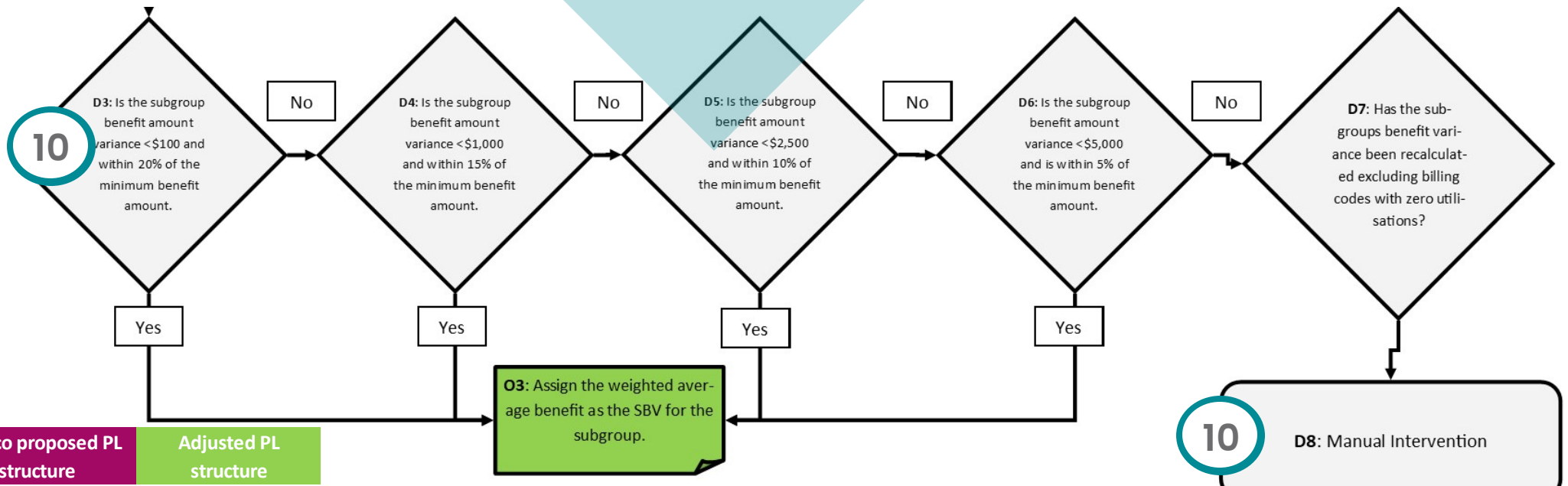


01.01.01.01 - Monofocal IOLs subgroup

10

Proposed Category	Proposed Sub Category	Proposed Group	Proposed Sub Group	Revised Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount		
						Minimum	Maximum	Benefit Variance
01 - Ophthalmic	01.01 - Cataract	01.01.01 - Intraocular Lenses (IOLs)	01.01.01.01 - Monofocal IOLs	01.01.01.02 - Monofocal IOLs (Phakic Rigid, Phakic Foldable)	2	\$552	\$565	\$13
				01.01.01.01 - Monofocal IOLs	79	\$126	\$296	\$170

The variance is \$170, so it will be tested against **D4** – where the variance is less than \$1000 and is within 15% of the minimum benefit amount. The percentage based on the minimum benefit amount is 135% ($\$170/\126) which is outside the 20% threshold and will be passed for manual intervention **D8**.



Manual intervention shows that items in the *subgroup 01.01.01.01 - Monofocal IOLs* have high utilisation (>350,000), with the majority of the utilisation being in the *01.02.02.03 - Edge modification subgroup*.

As there is a clear utilisation majority in this new subgroup, the weighted average value of **\$253** is assigned as the SBV for this subgroup.

Sub Category	Product Group	Product Sub Group	Number of Billing Codes	Adjusted July 2023 benefit amount			(Rounded %) Utilisation (FY2016-17 to FY2021-22 (Preliminary))
				Minimum	Maximum	Benefit Variance	
01.01 - ANTERIOR CHAMBER INTRAOCULAR LENSES	01.01.01 - Aphakic	01.01.01.01 - Rigid	3	\$126	\$203	\$77	0%
01.02 - POSTERIOR CHAMBER INTRAOCULAR LENSES	01.02.01 - Rigid		1	\$126	\$126	\$0	0%
	01.02.02 - Foldable	01.02.02.01 - Microincision	8	\$233	\$270	\$37	10%
		01.02.02.03 - Edge modification	63	\$217	\$292	\$75	90%
	01.02.03 - Pseudo-phakic, piggy-back	01.02.03.01 - Monofocal	4	\$262	\$296	\$34	0%

Final proposed outcome for 01.01.01.01 Monofocal IOLs

Proposed Sub Group	Min	Max	Number of Billing Codes	Single Benefit Value	Product Sub Group	Min	Max	Number of Billing Codes		New DoHAC proposed structure	Min	Max	Number of Billing Codes	Proposed Single Benefit Value
01.01.01.01 - Monofocal IOLs	\$ 126	\$ 634	81	\$ 253	01.01.01.01 - Rigid	\$ 126	\$ 203	3		01.01.01.01 - Monofocal IOLs (Phakic Rigid, Foldable)	\$552	\$ 565	2	\$ 552
					01.01.02.01 - Rigid	\$ 552	\$ 552	1						
					01.01.02.02 - Foldable	\$ 565	\$ 565	1		01.01.01.02 - Monofocal IOLs	\$126	\$ 292	79	\$ 253
					01.02.01 - Rigid	\$ 126	\$ 126	1						
					01.02.02.01 - Microincision	\$ 233	\$ 270	8						
					01.02.02.03 - Edge modification	\$ 217	\$ 292	63						
					01.02.03.01 - Monofocal*	\$ 262	\$ 634	4						
					*In 01.02.03.01 - Monofocal, the only billing code with a benefit of \$634 has had zero utilisation in the last 5 years. It therefore would have been excluded from the benefit calculation for the DoHAC proposed structure									
					01.01.01.02 - Monofocal IOLs									



Final proposed outcome for Ophthalmic Category

Summary of Regrouping and adjustment

- Hereco achieved a 74% reduction of the 01 - Ophthalmic category (81 reduced to 21)
- The adjusted reduction is 67% (81 reduced to 27)

Current PL subgroups mapped to 01 - Ophthalmic	81
Hereco Proposed 01 - Ophthalmic subgroups	21
Adjusted 01 - Ophthalmic subgroups to minimise the benefit range (accessories were assigned their own subgroups)	27

What is the weighted average, and how is it different from the simple average?

Simple average

Billing Code	Benefit Amount
XX121	\$910
XX122	\$1,619
XX123	\$2,241
XX124	\$2,241
XX125	\$2,241
XX126	\$3,790
XX127	\$4,459
XX128	\$4,791

SBV based on simple average
\$2,787

Weighted average

$$\frac{\text{Sum of the Weighted Benefit Amount}}{\text{Sum of Utilisation}}$$

		Scenario 1 - Utilisation		Scenario 2 - Skewed utilisation toward lower benefit value		Scenario 3 - Skewed utilisation toward higher benefit value	
Billing Code	Benefit Amount	Utilisation	Weighted Benefit Amount ¹	Utilisation	Weighted Benefit Amount ¹	Utilisation	Weighted Benefit Amount ¹
XX121	\$910	12	\$10,920	859	\$781,690	12	\$10,920
XX122	\$1,619	585	\$947,115	802	\$1,298,438	74	\$119,806
XX123	\$2,241	802	\$1,797,282	741	\$1,660,581	280	\$627,480
XX124	\$2,241	741	\$1,660,581	585	\$1,310,985	519	\$1,163,079
XX125	\$2,241	519	\$1,163,079	519	\$1,163,079	585	\$1,310,985
XX126	\$3,790	280	\$1,061,200	280	\$1,061,200	741	\$2,808,390
XX127	\$4,459	859	\$3,830,281	74	\$329,966	802	\$3,576,118
XX128	\$4,791	74	\$354,534	12	\$57,492	859	\$4,115,469
Totals		3,872		3,872		3,872	

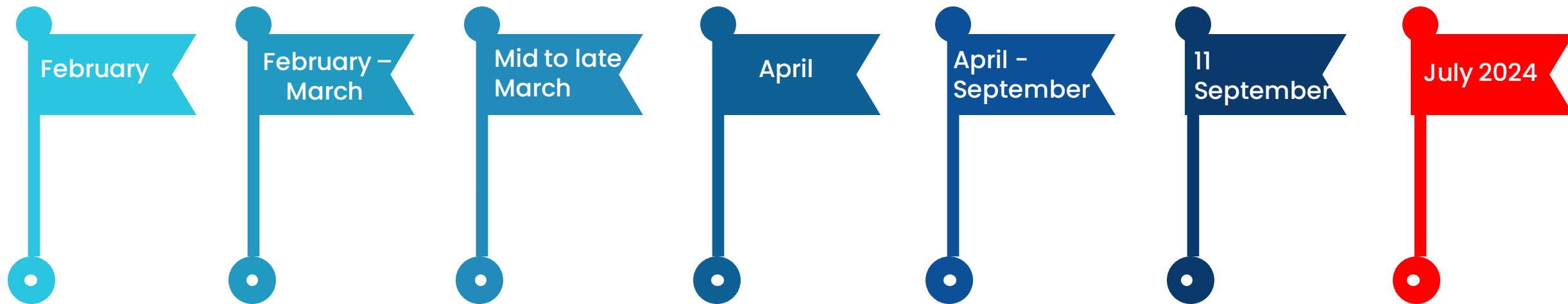
¹Weighted Benefit Amount = Utilisation * Benefit Amount

SBV based on weighted average	
Scenario 1	\$2,796
Scenario 2	\$1,979
Scenario 3	\$3,547

4. Next steps



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Sponsors receive billing codes and benefits under adjusted PL structure.

Opportunity for sponsors to provide justification for alternative options (sponsors of groups that were subject to manual intervention).

Interactive workshops will be organised with sponsors where required.

The Department to consider outcome of workshops and consultation and amend adjusted PL structure where required.

Final PL structure approved by CIRG. Final PL structure starts to be built into Health Products Portal.

Final PL structure built into Health Products Portal (HPP).

Final PL structure published ahead of applications opening in September.

Applications open in HPP under the final (new) PL structure.

First PL update under final (new) PL structure.

4. Opportunity for stakeholders to ask questions

*Please note that out-of-scope questions (i.e. not related to the approach to address mixed benefits) will not be answered at this webinar.



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Getting in touch with us

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Reforms

prosthesesreform@health.gov.au

Post-listing reviews

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Compliance

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Health Products Portal (HPP)

hpp.support@health.gov.au

Bundling arrangements for General Use Items (IHACPA)

enquiries.ihacpa@ihacpa.gov.au



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