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# The Special Commission of Inquiry into Healthcare Funding

Medical Technology Association of Australia

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## Introduction

The Special Commission of Inquiry into Healthcare Funding in New South Wales (NSW) represents a significant milestone in the ongoing pursuit of healthcare provision. This inquiry is a testament to the commitment of the NSW Government and healthcare community to address critical issues, assess existing funding mechanisms, and seek innovative solutions to meet the evolving needs to patients and future patients. The Medical Technology Association of Australia (MTAA) welcomes this opportunity to contribute to the Special Commission of Inquiry into Healthcare funding in NSW.

At every step of our journey through life, medical technology (MedTech) is essential. From detecting, diagnosing, treating, and managing healthcare conditions, MedTech supports patients across New South Wales to improve their health and wellbeing. From implantable devices such as pacemakers, personal devices for the management of diabetes, X-ray machines and MRI scanners to uncover cancer, or surgical robots to aid surgery, to personal technologies that enable patients to effectively manage their chronic disease, the devices and equipment used in healthcare ensure Australians can live their life to its fullest. These medical devices are used in all settings from the smallest rural clinic to the largest multi-site hospitals.

While MedTech is critical to improving the health of Australians, it is the integration of this timely diagnosis and treatment of these healthcare conditions into standard clinical care that ensures effective use of healthcare expenditure. For example, between 1 July 2020 and 30th June 2021, over 185,000,000 pathology and diagnostic services – or over 500,000 on average per day – were delivered to detect and diagnose conditions such as cancer, cardiovascular disease, stroke, and diabetes<sup>1</sup>, allowing often critical treatment to commence sooner, delivering the best opportunity to improve patient outcomes and maximise health expenditure.

Our submission firstly provides an overview of the existing funding arrangements for medical technology. The submission then addresses elements of the **Inquiry's Terms of Reference (E & H)**, focusing particularly on opportunities to improve NSW Health funding and procurement, including through encouraging new models of care, and technical and clinical innovations which can enhance hospital performance and improve patient outcomes.

## About the MTAA

The Medical Technology Association of Australia (MTAA) is the national association representing companies in the MedTech industry. MTAA works in partnership with governments across the nation to effectively deliver the benefits of contemporary, innovative and reliable MedTech to the Australian community.

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<sup>1</sup> Nous Group: Value of MedTech report, pg 3

The MedTech industry is critical it also contributes a significant benefit to the broader Australian economy. The MedTech industry contributes a total of \$5.4 billion GDP to the Australian economy and the sector supports over 17,000 direct and 51,000 total jobs. Australian MedTech export \$1.95 billion overseas, contributes to over 4,000 manufacturing jobs, and has been experiencing revenue and employment growth over the past 3 years, which is projected to continue.<sup>2</sup>

## Executive Summary

MTAA considers this Inquiry to be a once in a generation opportunity to fundamentally re-think how healthcare is funded and innovation nurtured to resolve the variety of issues facing the sector outlined in this submission, which ultimately effect patient outcomes, quality of care and cost efficiency.

The primary recommendation the MTAA makes in this submission is that the Inquiry should recommend a long-term best practice approach centered on Value Based Health Care and Value Based Procurement.

Value-based healthcare is a care delivery model that measures health outcomes versus the total costs of delivering healthcare: it aims to improve both patient outcomes and healthcare efficiency. Value-based healthcare ensures the entire patient pathway is considered, with the patient at the centre of the equation. Value-based procurement ensures health outcomes are the primary determinants for purchasing and procurement decisions<sup>3</sup>.

MTAA's submission outlines the benefits of this approach and how it should be implemented, focusing on three key areas the Inquiry should consider:

1. Value Based Healthcare and Value Based Procurement activities involving government and industry - (section 1.1 to 1.6 of this submission);
2. Leveraging Digital Health Technologies to provide Value Based Healthcare (sections 2.1 to 2.2 of this submission); and
3. Reviewing and refining existing procurement processes (sections 3.1 of this submission).

Although MTAA considers that a broad value-based approach should be the strategic priority of ongoing reform, it is also important for the Inquiry to consider the opportunity to simultaneously improve existing procurement processes over the shorter term namely,

- Adopting MTAA's guiding Procurement Principles; and
- Examining and improving the HTA process in NSW for medical technologies.

Improving these procurement processes over the shorter term would save costs across the healthcare system and prevent New South Wales patients from continuing to miss out on life-saving innovations that other states and territories have access to.

<sup>2</sup> [Nous Group: Value of MedTech report, pg.68](#)

<sup>3</sup> [Alira Health: Value Based Procurement in Australia Report](#)

MTAA's recommendations are as follows:

*1. Value Based Health Care and Value Based Procurement (section 1.5)*

- *Recommendation* : that NSW Health commits to a procurement stream in its VBHC program, and leads the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

*1. Digital Health (Section 2.1 and 2.2)*

- *Recommendation* : NSW government continues to invest in digital health programs because high quality data will drive value-based health care to deliver savings and a more efficient system in the long term
- *Recommendation*: MTAA recommends the NSW Government to develop key principles for value-based procurement of digital health technologies.

*2. Improving Procurement Processes (Section 3.1)*

- *Recommendation*: NSW Government to review MTAA's Procurement Principles and gradually adopt these into routine practice.
- *Recommendation*: Review and update existing NSW HTA processes for evaluating novel medical technologies and provide financial incentives to procure newer medical technologies.

## Background: How medical technology is funded in NSW Health

The Australian healthcare sector relies on a complex interaction between governments, healthcare providers and the MedTech industry with the ultimate goal of better health outcomes and improving patient lives.

The NSW health system is co-funded by the NSW and Commonwealth governments, with the Commonwealth contribution a combination of activity-based funding governed by the National Health Reform Agreement (NHRA), block funding and public health funding. Most medical technology used in hospitals is acquired from Local Health District (LHD) budgets from activity-based funding that covers entire procedure costs.

However, in NSW, LHD purchasing of MedTech is often governed by contracts established by HealthShare NSW through a procurement and tender process. Where it works effectively, this helps to ensure safe, high quality, and cost-effective technology is available for patients. However, as noted below, procurement is often not sufficiently focused on value to the whole healthcare system and the patient, but only the device itself.

There are several stages that occur in the procurement process. Firstly, for a medical device to be available for supply in Australia, it needs to be assessed for safety and efficacy by the Therapeutic Goods Administration (TGA) after which is placed on the Australian Register of Therapeutic Goods (ARTG). After regulatory approval, medical technologies used in the public health system are obtained through public sector procurement.

The procurement process involves identifying which medical devices are required. Specifications are then developed including technical and performance requirements. A tender is then issued to which suppliers respond with proposals. The proposals are assessed against criteria such as cost, quality, and regulatory compliance. Following supplier selection, a contract is awarded to the successful suppliers which includes a specific price or prices for supply to LHDs. LHDs must purchase according to these contracts wherever one exists for that specific technology. Otherwise, they can make their own purchasing decisions within NSW Health policy guidelines.

Separately to procurement, in some cases, health technology assessment (HTA) may be used to determine utilisation of specific costly technologies. HTA is a systematic process using evidence to assess the cost-effectiveness of a technology and its place in appropriate care after it has been approved for use by the TGA. It may be combined with a procurement process.

States and territories may make their own decisions to maximise cost-effectiveness of technology through a state based HTA. However, in practice, states may make cost-effectiveness decisions based upon the HTAs already undertaken by the Medical Services Advisory Committee (MSAC) for federal schemes especially the Prescribed List or Medicare Benefits Schedule. Additionally, it is a stated long-term goal of the National Health Reform Agreement 2020-2025, that federal and state governments improve alignment on approaches to health technology assessment to encourage value in technology use.

### 1.1 Value-Based Healthcare (VBHC)– The Answer to Funding Sustainability Issues

The NSW inquiry into healthcare funding comes at a time of systemic challenges facing the entire Australian healthcare system, including increasing challenges to provide high quality and safe care, whilst remaining financially sustainable. In response to these challenges impacting NSW and other states and territories, the National Health Reform Agreement Strategic Roadmap clearly articulates the need to look beyond traditional funding arrangements which are cost/price focused to models that capture value.

‘Value’ according to the NHRA Roadmap is ‘achieving outcomes that matter most to patients, relative to the cost of delivering these outcomes’<sup>[1]</sup>. With this in mind, the NSW health system has an opportunity to embrace more **value-based healthcare** approaches for future funding arrangements. MTAA is aware that NSW has undertaken a range of value-based activities but there is an opportunity to partner with industry to increase its impact.

Every year Australia spends \$11.4 billion on medical devices, representing 5.2% of total healthcare expenditure, and VBP is a way health system can achieve better value for this spending. As part of progressing a value-based healthcare approach across NSW, MTAA proposes the NSW Government consider engaging in more Value-Based Procurement (VBP) activity as one lever to encourage more value-based healthcare in NSW.

## 1.2 What is VBHC and VBP?

VBHC refers to improved health outcomes for patients versus the total costs of delivering care. Importantly, this is a patient-centric measurement, that spans the entire care pathway for a patient<sup>4</sup>.

In contrast VBP represents the *purchasing decisions* across a VBHC care pathway. Spending may be determined by Policy Makers through a holistic budget, payers determine funding, coverage, and access in accordance with stakeholder input, and procurement purchases the items required for care. Therefore, VBP represents the purchasing decisions that consider the *same health outcomes and total cost considerations* as the VBHC care pathway.

With this distinction between the two concepts and how they are interrelated, it is important to think about what is required to implement both VBHC and VBP approaches.

## 1.3 What elements are required to implement Value Based Healthcare

As the [Deeble Institute](#) has described the solution to financial pressure on Australia's health system is to implement value-based healthcare and to build financial arrangements that support this<sup>5</sup>. However, this won't be quick or easy as it involves substantial system changes. This includes innovative models of care, better data collection and use, and provider training. MTA recommends that the focus of this Inquiry should be on those building blocks to achieve this. Cost cutting without a value-based healthcare model will simply result in worse patient outcomes and unanticipated expenditure increases through knock-on effects. The path to sustainability may require more initial investment, not less.

VBHC can only be successfully implemented if healthcare providers are appropriately incentivised to take responsibility for the health of the populations they serve. This will promote models of care that are provided in a timely way in the right setting, rather than waiting for costly hospital admission. However, the danger of a narrow focus on funding only in this inquiry is that improved patient outcomes and quality of care may be secondary in any recommendations.

<sup>4</sup> [Alira Health: Value Based Procurement in Australia Report](#)

<sup>5</sup> <https://ahha.asn.au/publication/health-policy-issue-briefs/deeble-issues-brief-no-49-roadmap-towards-scalable-value>

## 1.4 Value Based procurement activities currently in NSW Health

NSW Health is a leader in respect to VBHC implementation. Driven by former NSW Health Secretary Elizabeth Koff AM, and continued under its current Secretary, Susan Pearce AM, examples include the Leading Better Value Care and Commissioning for Better Value program. NSW Health have also commenced an initiative with a Value Based Procurement focus, with the HealthShare NSW procurement team having developed a statewide orthopaedic hips and knees contract, that came into effect on March 1, 2022<sup>6</sup>. The procurement team collaborated with clinicians, service managers and suppliers aiming for NSW Health to have the greatest value products and services available to support best patient outcomes and experience.

However, medical device suppliers have noted there is little engagement with the medical technology industry on NSW Health's VBHC initiatives. Furthermore, industry members have also reported there is little awareness among LHDs and public hospitals of the value-based offerings in HealthShare NSW's hips and knees contract. Even though the opportunity is published on the NSW health website, this has not translated to adoption at the LHD level. Recently there have been media statements by the co-chair of the Surgical Care Taskforce, Prof Neil Merrett, that the Taskforce is trying to reduce the time spent in hospital for patients undergoing joint replacement procedures<sup>7</sup>. Given there is already a statewide contract with this offering available for public hospitals to take up, there is an opportunity to use a valued based procurement approach to address this challenge, but it would require engaging with the LHDs and the medical technology industry to help the Taskforce achieve its objectives.

As an additional point, NSW Health should also examine opportunities to use real world evidence gathered from existing health registries as sources of health outcomes data for value-based procurement activities. An example would be the Australian Orthopaedic Association National Joint Replacement Registry (AOANJRR) which collects a defined minimum data set allowing for outcomes to be determined on the basis of patient characteristics, prosthesis type and features, method of prosthesis fixation and surgical technique used.

Given the fact that NSW Health is a leader in the VBHC space, it means it can adopt a comprehensive procurement stream into its VBHC program to examine opportunities to apply value-based procurement approaches. This would involve systematically integrating VBHC into the purchasing process to achieve improved patient outcomes as well as help eliminate waste and inefficiencies in the system.

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<sup>6</sup> Value Based Healthcare Case study: Embedding value based healthcare in procurement of orthopaedic hips and knees statewide contract: <https://www.smh.com.au/national/nsw/joint-replacements-could-become-day-surgeries-to-cut-down-on-backlog-20231025-p5eetf.html>

<sup>7</sup> Joint replacements could become day surgeries to cut down on backlog, <https://www.smh.com.au/national/nsw/joint-replacements-could-become-day-surgeries-to-cut-down-on-backlog-20231025-p5eetf.html>



## 1.5 Establishing a Value Based Procurement Community of Practice

For Value Based Procurement to maximise its success in the NSW context, there needs to be a clear directive and authorisation for NSW Health to be more open to collaborating with the medical technology sector to co-delivering solutions that address ongoing structural health system challenges.

In October 2023, the MTAA launched a first of its kind report into Value Based Procurement<sup>8</sup>. Developed by Alira Health, who have supported VBP initiatives in Europe, the report looks at how value-based procurement (VBP) can be used to achieve better value for the spending the health system invests into medical technology to improve patient outcomes and help eliminate waste and inefficiencies. A copy of the report has been attached to this submission.

A key recommendation of the VBP report is the establishment of a VBP Community of Practice, which is a multi-stakeholder collaboration that shares best practices and develops healthcare pilot programs that emphasise the measurement and improvement of health outcomes and total cost analyses.

The mission of the Community of Practice would be to enable a multistakeholder Australian health procurement environment that ensures health-related outcomes are the primary criteria for tendering decisions. The tendering decision-making process should draw input across all key stakeholder groups, including clinicians, healthcare providers, patient groups, payers, policy makers, industry, and procurement leaders.

In accordance with all procurement and anti-competition law considerations, the activities of the Community of Practice will enable knowledge sharing among all stakeholders. This can be done through learning sessions from VBP Pilot Programs, information sessions in the form of online webinars, face-to-face mini-workshops, other knowledge-sharing sessions and conferences, and the creation of tools and materials to guide VBP dialogue.

**Recommendation:** That NSW Health commits to a procurement stream in its VBHC program and leads the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

<sup>8</sup> [Alira Health: Value Based Procurement in Australia Report](#)

## 1.6 Healthcare solutions that could be incentivized using Value Based procurement

A government led Community of Practice will allow the sharing of examples where value-based procurement is being implemented and resulting in financial savings to the healthcare system. MTAA have provided two examples that illustrate the types of healthcare services that could be procured using a value-based approach.

### Case Study 1: Care4today program

The Care4today program was a partnership between Johnson & Johnson MedTech at St Vincent's Hospital which aimed to reduce hospital length of stay (LOS) while maintaining patient health outcomes<sup>1</sup>. This was especially important given the backlog of elective surgeries in Australia due to the pandemic. The program included pre-operative and post-operative education, assessing and addressing the inefficiencies present in the management of procedures with the clinical team, simplifying at-home patient care, and standardising wound closure product to ensure optimal support of the surgical site incision to reduce the risk of infection.

The primary outcome of the program was the average hospital LOS for total knee replacement surgery reduced from 3.95 to 2.75 days, and 5.41 days to 3.44 days for total hip replacement surgery. The program has been found to reduce hospital stays by 1.2 fewer days for total knee replacement surgery and 1.97 fewer days for hip replacement surgery. The value the program generated came from financial savings from reduced hospital LOS, reduced risk of complications, and post-operative rehabilitation.

Part of the program's success was because it was part of a long-term partnership between the hospital and the MedTech supplier. J&J didn't simply write the orthopaedic department a report with recommendations but worked with the clinical team and were invested in achieving the same goals as the hospital.

More efficient processes through programs such as Care4today means patients can go home earlier, and patients waiting for procedures will be able get treated faster. The more suppliers and hospitals can support clinicians to free up their time which they can spend with patients, that's delivering value beyond the product

While a small sample size, the results of this program present an opportunity for further expansion of initiatives where MedTech suppliers and hospitals are able to work together to achieve agreed outcomes that deliver improved outcomes for patients and improve system efficiency.

## Case Study 2: Preventing surgical site infections

Healthcare providers are always looking at ways to reduce patient safety risks associated with clinical procedures. An example of how a value-based approach to procurement could contribute to achieving that objective is through measuring the impact of adopting medical technology that reduces the occurrence of surgical site infections.

Surgical Site Infections (SSI) account for about 15% of all healthcare-associated infections<sup>1</sup>. This is consistent with IHACPA's National Benchmarking Portal<sup>1</sup> which reported 12% of NSW's 10,700 Healthcare associated infections in 2020-21 were surgical site infections. SSIs result in patients spending more time in hospital, more time in pain and discomfort, more time away from their families and work, and they cost the health system for the extra time and treatment needed as part of their avoidable and extended hospital stay.

Australian and international guidelines recommend the use of antimicrobial sutures to improve outcomes for patients and surgeons by reducing the risk of SSIs, including the National Health & Medical Research Council, and the World Health Organisation. A single hospitalisation involving an SSI can cost up to \$42,102 (AUD) in extra costs<sup>1</sup>.

The Grattan Institute has found that a patient's risk of developing a complication varies significantly depending on which hospital they go to. If all hospitals were as safe as the safest 10 per cent, Grattan found there would be savings of \$1.5 billion off the health spend every year<sup>1</sup>.

A VBP approach to purchasing wound closure products, therefore, could include an outcomes based activity, where suppliers are invited to demonstrate how their products and services (including training) could, for instance, reduce SSI rates to a level ensuring all hospitals are as safe as the safest 10 per cent, and then held accountable for achieving the outcome in the contract. Rather than simply purchasing wound care products, this would enable hospitals to monitor and measure the impact on the use of a medical technology to deliver safer surgical procedures, and measure the benefit to patients, hospitals and reducing the overall healthcare spend.

## 2.1 Digital health's role in Value-Based Healthcare

As recognised in the recently released MTAA digital health report “[Digital Health: Breaking Barriers to Deliver Better Patient Outcomes](#)” digital health is a strategic priority for MTAA, which will help overcome existing funding challenges and unlock value-based approaches within the NSW health system.

Medical technology innovation has evolved rapidly, and traditional medical devices have combined with a range of technologies including next generation robotics, advanced imaging and visualization, data and analytics, artificial intelligence and machine learning.

This means that medical technology is enabled to deliver value beyond the traditional medical device product for health services, including pre-procedure planning and patient risk stratification, and being embedded more in the efficient running of health services, including being involved in case management and scheduling.

The benefits and opportunities of using digital health in healthcare delivery were evident during the pandemic with the rapid adoption of telehealth services. These types of services are useful for preventative management and rehabilitation of patients in non-acute settings that have chronic conditions. The ability to treat patients out of hospital long term unlocks value by reducing the public hospital admission load while giving patients the option of being cared for at home, enhancing their quality of life for patients and their families.

To deliver the promise of digital health and connected technology, it is imperative that NSW Health continues to invest in its digital health agenda, and works closely with MedTech companies to ensure there is robust connectivity with, and between, all elements of the healthcare ecosystem with a seamless, interconnected network that meets surgeons workflow needs, improves patient outcomes and experiences, and makes healthcare and surgery much more efficient and cost effective.

## 2.2 Opportunities for NSW Digital Health to support Value Based Healthcare

There are currently initiatives already underway in NSW that can help in the adoption of Value Based Healthcare. One example involves eHealth and the service delivery arms of NSW Health. As they mature in their digital journeys, the dedicated AI & data analytics team could promote their capabilities and work with LHDs to deliver desired programs. As service needs change to meet population changes (ageing, increasing chronic disease) so must the data analytics needed to meet the specific challenges faced by LHDs. Having a centralised AI & Data Analytics Team will ensure that where possible, process and data can be reused. E.g. using AI to predict patient populations at risk allows service delivery to change as needed.

Another example is the NSW Health Digital Front Door app for employees. This is an integrated system that includes a parking access card, meals payment, security access, rostering requests and changes, leave requests, rotation requests and other self-service tools, including training due, registration reminders and other legal requirements (e.g. Working with Children).

Another opportunity involves the NSW government investment in critical digital health infrastructure. A recent example of this is the NSW Health signing of a contract with Epic Systems to develop the Single Digital Patient Record (SDPR). The SDPR will deliver a state of the art, secure digital record keeping platform that will transform the digital systems that NSW Health staff use every day to deliver care. These types of investments will enable the provision of Value Based Healthcare by having infrastructure that collects and analyses data enabling clinicians to adjust treatment pathways to ensure that ultimately patient outcomes are improving.

Value is also created through equity of healthcare with the removal of physical distance barriers for access to providers and removing the burden for large rural & remote population. Going forward, there is a need to continue investing in digital health technologies and infrastructure to help facilitate uptake of value-based healthcare models.

Procurement processes by hospitals and institutions are a critical factor in whether digital health technologies are effectively paid for. Frequently bought and lower cost items are typically part of routine contracting and tender arrangements. Digital health technologies are less likely to be in the latter category and so are not often purchased in a routine way<sup>9</sup>.

Procurement issues can be broadly grouped into two categories – a focus on cost rather than value, and processes that are difficult to navigate. There are several drivers for the cost over value mindset, including pressure for savings, lack of capability to undertake value assessments or contract for value, funding models that reward lower costs not better patient outcomes, and systemic inertia. While these factors impact purchasing of all products, digital health technology is particularly vulnerable because it is often new, may take many different forms, and often requires integration into wider healthcare delivery and patient management<sup>10</sup>.

The difficulty in navigating processes falls harder on digital health for the same reasons. Purchasers are often creating the process as they undertake the purchase. Furthermore, knowledge of digital health technologies is often low, particularly among procurement groups. Purchaser responses are often slow, which is a particular issue given the short cycle times in digital health technology. This means patients miss out on improved outcomes, while healthcare systems lose efficiencies that are sorely needed in the current climate<sup>11</sup>.

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<sup>9</sup> Digital Health: Breaking Barriers to Deliver Better Patient Outcome

<sup>10</sup> Ibid

<sup>11</sup> Ibid

**Recommendation:** NSW government continue to invest in digital health programs because high quality data will drive value-based health care to deliver savings and a more efficient system in the long term

**Recommendation:** MTAA recommends the NSW Government to develop key principles for value-based procurement of digital health technologies.

### 3.1 Improving existing procurement processes

While embracing new value-based health care models and leveraging digital health will help address the ongoing financial challenges within the health system, these are longer-term approaches. In the short term, this Inquiry should also look at improving existing procurement processes. By improving these processes, this will ease existing financial pressures, unlock value in the healthcare system, and help support the transition to more value-based healthcare approaches going forward.

#### MTAA Procurement Principles

Having an efficient public procurement environment is vital to ensure that all Australians accessing healthcare in the public system have access to world class devices. Improved public procurement processes can reduce the pressure on health budgets, deliver increased value, and foster development of high-quality products and innovation in local public hospital markets. To achieve this, reforming the current tender processes can unlock significant benefits for hospitals, clinicians and suppliers.

NSW Health has been quite engaged with suppliers in terms of addressing procurement challenges. For example, in our 2023 MTAA Procurement Survey, NSW scored the highest amongst states and territories in terms supplier experience managing variations, with 43% of respondents sighting a positive experience. However, respondents did note that over the next 12 months they were keen for MTAA to work with NSW Health to increase transparency and feedback around awarded tenders.

To support healthcare procurement leaders, the MTAA have developed guiding principles to guide all state and territory health procurement agencies towards procurement policy and process reform that puts patient outcomes at the centre of public health procurement. The MTAA Procurement Forum, made up of public health procurement experts from MTAA member companies, developed the principles. The principles which are attached to this submission, are based around four headings, which are:

At high level the principles are:

1. Professionalise procurement to ensure the highest standards of procurement practice.
2. Focus on value and outcomes for patients, healthcare professionals and the health system.
3. Pursue genuine partnership between industry and government.
4. Support an environment for healthcare innovation to thrive.

### Health Technology Assessment

Another procurement process that should be examined and improved involves the application of Health Technology Assessment to new medical technologies.

Health Technology Assessment (HTA) is a critical feature of a healthcare system that is endeavoring to invest in high value care and disinvest in low value care. HTA is related, but not the same as Value Based Healthcare which typically requires a more pragmatic approach to assessment and will usually have assessment of outcomes built into its use. However, in practice they can merge.

The NSW New Technologies and Specialised Services Guideline provides a welcome directive to NSW Health services on how to evaluate new technologies at the local level or, where required, at the state level. However, while good in theory, MTAA is concerned that there continues to be examples of important health technologies which could save money and improve health outcomes that are not being taken up within the NSW health system. For example, NSW lags the rest of the country and comparable healthcare systems in adopting Transcatheter Aortic Valve Implantation (TAVI) as a low-risk alternative to open to treat aortic heart valve disease, a condition that 97,000 Australians live with<sup>12</sup>. TAVI is a procedure to replace a damaged aortic valve using minimally invasive techniques. The procedure reduces strain on hospital resources due to shorter procedure length, minimal resources relative to open heart surgery, freeing up hospital operating theatres and staff for more complex procedures<sup>13</sup>.

While the NSW government did announce an additional \$21.6 million funding<sup>14</sup> towards patients with debilitating aortic heart valve disease that can't undergo open heart surgery through the High-risk TAVI Supra-LHD Service, NSW patients with severe heart valve disease but with low to moderate surgical risk are not eligible. This is a missed opportunity to improve patient outcomes and save costs across the system, given MBS items now exist to treat patients of all risk profiles with severe symptomatic aortic stenosis in the private sector.

<sup>12</sup> Nous Group: Value of MedTech report pg.87

<sup>13</sup> Nous Group: Value of MedTech report pg.88

<sup>14</sup> [NSW Government: Media Release - \\$21.6 million to build specialist cardiac capacity for patients across NSW](#)

Furthermore, there is some evidence that the process of new technology assessment has stalled. The [New health technologies nominations and updates page](#) shows no updates since 2019 and reference to several further actions related to assessment that have no evidence of having progressed. It is short sighted to not assess and encourage adoption of innovation -this process needs to be reinvigorated. Furthermore, recommendations for adoption of new technology should clearly come with new funding so that the services are empowered to use the technology and deliver the system-wide savings and improvements to health outcomes on offer.

NSW Health cannot rely on the Independent Hospital and Aged Care Pricing Authority New Health Technology Policy process which is only a change to classification system not a guide to using the most effective technology. New technology is likely to lead to interventions that cannot fit statistically into the current classification systems for activity-based funding. These kinds of new technologies and interventions are relatively rare, as shown by the small number of accepted new technologies in recent years. In the last two years only four new technologies were recommended for new classifications, all in gene therapy or gene sequencing. All other innovation is deemed to fall within existing classifications.<sup>15</sup>. However, many important new technologies add significant value within current interventions and are not captured by IHACPA updates. Furthermore, the IHACPA process for recognising and effectively delivering payments suitable to new interventions is very slow, with the new funding taking years to be realised.

**Recommendation:** NSW Government to review MTAA's Procurement Principles and gradually adopt these into routine practice

**Recommendation:** Review and update existing NSW HTA processes for evaluating novel medical technologies and provide financial incentives to procure newer medical technologies

## Conclusion

The MTAA, as the national peak body representing medical technology companies, is in a unique position to provide the technology and expertise to support the public health system to improve patient outcomes, achieve greater value from the NSW Government's investment and help eliminate waste and inefficiencies in the health system.

We see this Inquiry as a once in a generation opportunity to significantly re-think how healthcare is funded, and innovation nurtured. We know what a difficult environment it is for public health systems with workforce shortage challenges and increasing demands. We know hospitals want to implement initiatives that are data driven and evidenced based, that deliver efficiencies and enhance patient care.

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<sup>15</sup>IHACPA communication



As an industry we seek to work with the NSW government to address these funding challenges to improve patient outcomes, quality of care and cost efficiency.

We have put forward a range of practical suggestions to support that objective. We strongly suggest the Inquiry recommends further implementation of the building blocks for a VBHC/VBP approach. NSW Health has not fully embraced value based procurement, and if it does, NSW could enjoy improved outcomes for patients, more efficient healthcare spending which benefits the overall system. That is why it is a strong recommendation from the MTA that all stakeholder groups have a seat at the table to enable the shift to VBHC including the MedTech industry, physicians, patients, providers, payers, policy makers, and procurement leaders.

A value-based healthcare approach, particularly when coupled with appropriate digital health initiatives, can deliver better models of care that are provided in a timely way in the right setting, rather than waiting for costly hospital admission.

There is further opportunity to increase patient access to new innovations and deliver financial savings for the healthcare system by implementing value-based procurement as evidenced by the case studies outlined in the body of this submission, and in the attached VBP Report.

Although a broad value-based approach should be the strategic priority, it is also important for the Inquiry to consider the opportunity to simultaneously improve existing procurement processes over the shorter term by:

- Adopting MTA's guiding Procurement Principles; and
- Examining and improving the NSW HTA process for new medical technologies, and financial incentives to encourage procurement of novel medical technologies.

Improving these procurement processes could save costs across the healthcare system and prevent New South Wales patients from continuing to miss out on life-saving innovations that other states and territories have access to.

Finally, MTA again commends the Government's commitment to improving healthcare for New South Wales patients and we look forward to continuing to play a role in this Inquiry.



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