AAPM Position Paper:

Better wound care will save federal government $166 million each year

Australian Association of Practice Management Ltd
excellence in healthcare management

AAPM believes the federal government can save significant taxpayer funds and improve patient care by supporting better wound management. Cost savings to the health system of at least $166 million annually are achievable,[1] along with better care and improved health outcomes for patients in general practice.

- Around 450,000 Australians, particularly elderly patients and those with chronic conditions, currently suffer with chronic wounds.
- Chronic wound care is costly for the health system, with annual costs estimated at $3 billion and rising.
- Good wound management practice can improve both the incidence and outcome of chronic wounds, improving overall health outcomes for patients. However, many patients are currently missing out on modern wound care dressings, paying too much to access them or being forced to travel to hospitals for treatment increasing costs and disrupting continuity of care.
- Economic cost savings of $166 million per year – a saving of more than $6,000 per patient – are achievable simply by ensuring that all eligible patients with venous leg ulcers are treated with compression bandages and stockings. It was calculated that investment of approximately $21 million would achieve this saving of $166 million in the healthcare budget[2].

These savings can be achieved through the following measures:

- A national subsidy scheme is needed to enable general practices to provide modern wound care dressings at no cost for disadvantaged patients.
- While this scheme is being developed, as an interim measure practices should be able to charge bulk-billed patients at wholesale rates for the cost of dressings provided at the time of the consultation.

These measures would bring huge benefits including better health outcomes and quality of life for patients, and reduced costs to the health and aged care systems due to fewer unnecessary hospitalisations and the ability for patients to live successfully in their own homes for longer.

[1] KPMG Health Economics (2013). *An economic evaluation of compression therapy for venous leg ulcers.* http://www.woundsaustralia.com.au/news/news91.php

[2] http://www.abc.net.au/local/stories/2013/03/18/3718036.htm

Background

Chronic wounds and wound care in Australia

Chronic wounds are traumatic and debilitating for those experiencing them.
Approximately 450,000 Australians currently suffer with chronic wounds – that is, wounds which take more than three months to heal, fail to heal by conventional medical or surgical means, or are recurring. Some people can have painful and debilitating wounds that can weep and smell for more than 15 years. The causes are varied, but wounds are most prevalent in the aged and in people with diabetes, obesity, and cardiovascular disease, all of which are increasing in the community. The cost of wound management in Australia is conservatively estimated at $3 billion per year, or 2% of total national health care expenditure; and these costs are expected to rise as our population ages.[3]

There is good evidence that wound management practice and quality of care, including proactive interventions, impacts the incidence of chronic wounds. Identifying and implementing cost-effective wound management intervention strategies is critical in improving the quality of life for patients, as well as managing the economic burden on the health care system and on patients.[4]

While a high proportion of hospital inpatients have one or more wounds,[5] most chronic wound care is now managed in the community rather than the hospital setting. Unfortunately, there is evidence both from Australia and internationally that inconsistencies in wound management practice and outdated methods of practice contribute to high costs and poor patient outcomes.[6] Although evidence-based wound care is correlated with major health improvements and cost savings, the majority of Australians with chronic wounds still do not receive evidence-based treatment due to a combination of high initial treatment costs, inadequate reimbursement, poor financial incentives to invest in optimal care, and limitations in clinical skills.[7]

Issues in wound care in Australian general practice

It is generally accepted that reimbursement in Australia for treating chronic wounds in general practice is insufficient,[8] and this has been confirmed through Australian research which has found that in most cases general practices are not recouping the direct costs of wound care as measured

[3] Wound Management Innovation CRC. *Chronic Wounds: The Hidden Epidemic.* http://www.woundcrc.com/assets/wmicrc_infosheet.pdf; Graves N and Zheng H (2014). Modelling the direct health care costs of chronic wounds in Australia. *Wound Practice and Research,* 22:1 (March), pp 20-33.
[4] Graves N and Zheng H (2014). Modelling the direct health care costs of chronic wounds in Australia. *Wound Practice and Research,* 22(1), March: 20-33.
[5] Cited by Wound Healing Institute Australia. https://www.whia.com.au/research-publications/wound-prevalence-research/
[6] Whitlock E, Morcom J, Spurling G, Janamian T, Ryan S (2014). Wound care costs in general practice: A cross-sectional study. *Australian Family Physician,* 43(3), March: 143-6.
[7] Norman RE, Gibb M, Dyer A, Prentice J, Yelland S, Cheng Q, Lazzarini PA, Carville K, Innes-Walker K, Finlayson K, Edwards H, Burn E, Graves N (2016). Improved wound management at lower cost: A sensible goal for Australia. *International Wound Journal*, 13(3), June: 303-16.
[8] Wound Management Innovation CRC. *Chronic Wounds: The Hidden Epidemic.* http://www.woundcrc.com/assets/wmicrc_infosheet.pdf.

by clinician time and dressing materials. Almost all practice income for wound care is from MBS billing items, and while GP care and time is the largest single contributor to costs, ***the cost of products contributes almost 30% to the direct costs of wound care in general practice***.[9]

General practices are already taking action to improve both the quality of wound care, particularly through education and training for clinicians; and to develop viable business models for wound care, particularly through increased deployment of general practice nurses, often operating specialist wound care clinics. Enhanced education and appropriate financial incentives in primary care will improve uptake of evidence-based practice in wound care.[10]

However, given that product costs make up nearly 30% of the costs of delivering wound care, and given that the product cost varies considerably per episode of care and can be very significant in some cases, general practice is left with little option but to look to wound care materials as one means to improve the net financial outcome of wound care. The options are currently to charge patients for products, which presents potential access barriers; or to use less expensive dressings which may be less effective and may not support best practice wound care.[11]

The current MBS rules which came into effect in 1973 are based on the assumption that the cost of consumables was included in the consultation fee. While this may have been a fair assumption at the time, when wound dressings were very basic and ineffective, it no longer applies more than four decades later, with the availability of far more effective – but more expensive – modern wound dressings. General practice is no longer able to absorb the increasing cost of providing modern wound care dressings, and patient care will suffer if this situation is not addressed.

Impact of the current situation on patients in general practice

The cost of wound dressings is increasing significantly as new technologies are introduced. Because general practices – particularly those with high proportions of patients who are older and/or have chronic conditions – ***are unable to absorb the rising costs of modern wound care dressings***, they are currently resorting to a range of strategies to enable patients to access these dressings.

Currently, general practices are not permitted to charge patients a fee for consumables provided at the time of a consultation, if the patient is bulk-billed. The strategies general practices are now being forced to resort to include advising the patient to purchase the dressing at a community pharmacy and bring it to the consultation; charging the patient a fee for the consultation, rather than bulk-billing, so that the dressing can also be charged for; requesting the patient to attend the practice at another time, separately to the consultation, to purchase the dressing; or referring the patient to another provider, such as a community health centre.

[9] Whitlock E, Morcom J, Spurling G, Janamian T, Ryan S (2014). Wound care costs in general practice: A cross-sectional study. *Australian Family Physician,* 43(3), March: 143-6.
[10] Norman RE, Gibb M, Dyer A, Prentice J, Yelland S, Cheng Q, Lazzarini PA, Carville K, Innes-Walker K, Finlayson K, Edwards H, Burn E, Graves N (2016). Improved wound management at lower cost: A sensible goal for Australia. *International Wound Journal*, 13(3), June: 303-16.
[11] Whitlock E, Morcom J, Spurling G, Janamian T, Ryan S (2014). Wound care costs in general practice: A cross-sectional study. *Australian Family Physician,* 43(3), March: 143-6.

It is clear that this situation is not optimal for patients. If patients are required to purchase consumables from community pharmacy, they must pay the retail price, which is an out-of-pocket cost to the patient; and the trip to the pharmacy represents an added barrier for patients who may have mobility issues. If the general practice chooses to provide the consumable and charge only the wholesale price to the patient, which represents a lower out-of-pocket cost, either the patient must make a separate visit to the practice to purchase the dressing, or the practice must also bill the patient for the consultation, and the patient must then make a Medicare claim – presenting potential barriers to access. Finally, the referral of the patient to another provider such as a community health centre, if indeed such a provider is available in the area, undermines continuity of care and makes care harder to access for elderly or chronically ill patients. All of these strategies are clearly sub-optimal "work-arounds", and do not represent a lasting solution to the problem.

The economic case for subsidising modern wound dressings

More expensive dressings are often in fact cost-effective compared with less expensive dressings. For example, some of the newer products require less frequent dressing changes, reducing trauma for patients; deliver clinical benefits including reduced infection risk; and offer economic benefits through reduced need for hospitalisation and reduced nursing time to change dressings.[12] It has been shown that the use of less expensive dressings at the outset actually increases costs in the long term, due to the requirement for more dressing changes and the increased risk of complications.[13]

One study found that economic cost savings of $166 million per year – a saving of more than $6,000 per patient – are achievable if all eligible patients with venous leg ulcers were treated with compression bandages and stockings. Compression therapy enables most wounds to heal within a benchmark period of 12 weeks, nearly twice as quickly as without compression therapy, meaning less use of general practice, community care, and hospital services. The study found that the major barrier to best-practice use of compression therapy was the high cost, which most Australian patients must pay for personally. As patients with venous leg ulcers are mostly elderly and of limited means, most are not receiving the recommended care due to financial access barriers.[14]

Elderly and chronically ill patients are not being well served by the current system

Modern wound dressings, appropriately used, are extremely effective in the management of problems such as ulcers in elderly patients, enabling the patient to be treated in the community setting and stay out of hospital. This clearly brings considerable savings to the overall health care system, yet there is currently no funding available to meet the costs of the dressings themselves. Although some states have provided limited access to subsidised modern wound care dressings through home nursing visits or other trials, there is no consistent national subsidy scheme.[15]

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[12] Smith & Nephew Australia. The economic cost of wounds. http://www.smith-nephew.com/australia/about-us/what-we-do/advanced-wound-management/economic-cost-of-wounds/

[13] Kerstein et al, cited in Graves N, Finlayson K, Gibb M, O'Reilly M, and Edwards H (2014). Modelling the economic benefits of gold standard care for chronic wounds in a community setting. *Wound Practice and Research*, 22(3), September: 163-8.

[14] KPMG Health Economics (2013). *An economic evaluation of compression therapy for venous leg ulcers.* http://www.woundsaustralia.com.au/news/news91.php

[15] Medical Technology Association of Australia (2010). *Caring for older Australians: Productivity Commission Issues Paper.* Submission July 2010, pp 9-10. http://www.pc.gov.au/inquiries/completed/aged-care/submissions/sub187.pdf

Proposed approach for improving access to modern wound dressings in general practice

AAPM proposes a two-staged approach to enable modern wound care dressings to be efficiently provided to patients in general practice.

Stage 1: Allow practices to charge bulk-billed patients at wholesale rates for the cost of consumables provided at the time of the consultation

Allowing the general practice to charge a fee for consumables provided as part of the consultation, including for bulk-billed patients, would enable a one-stop-shop approach to providing care, enhancing continuity of care. As well as reducing physical barriers to accessing care, this approach would also somewhat reduce the financial barriers to access, as general practices would be able to charge the lower wholesale price rather than the higher retail price charged in the pharmacy setting; and general practices would not be required to bulk-bill disadvantaged patients. The fee for consumables should be relatively straightforward to introduce, as it would be presented in a separate invoice to the bulk-billed service. It is suggested that similar arrangements to those used to provide Hepatitis B vaccine free of charge under the National Immunisation Program[16] could support the speedy and efficient introduction of this approach.

This approach reduces but does not eliminate the financial access barrier for needy patients. AAPM views this as a useful interim arrangement while a broader subsidy system is developed and implemented.

Stage 2: Introduce a Federal Government subsidy to enable general practices and other primary health care providers to provide modern wound care dressings at no or low cost for eligible patients

AAPM strongly urges that the Federal Government introduce a subsidy to enable general practices and other primary health care providers, such as community health services and home nursing services, to provide modern wound dressings to patients with health care cards or with equivalent concessional status, at no or low cost to the patient. This would help support the provision of high quality wound care for all patients, leading to better health outcomes and quality of life for the patient, and reduced costs to the health and aged care systems due to fewer unnecessary hospitalisations and the ability for patients to live successfully in their own homes for longer.

We note previous calls by the Australian Wound Management Association, now Wounds Australia, for a Federal Government subsidy for the cost of compression therapy to help patients with venous leg ulcers. It was calculated that investment of approximately $21 million would save in the order of $166 million in the health budget.[17] AAPM supports this proposal.

[16] http://www.immunise.health.gov.au/internet/immunise/publishing.nsf/Content/immunise-hepb
[17] http://www.abc.net.au/local/stories/2013/03/18/3718036.htm

We also note a previous proposal by the Medical Technology Association of Australia (MTAA) for the Federal Government to establish an Essential Care List scheme to fund consumable medical care items including modern wound care dressings and several other categories of consumables.[18] The objective was to enable chronically ill or incapacitated patients in the community setting to have access to products and technologies that would improve their quality of life, decrease inappropriate emergency room and hospital admissions, and enable people to live independently in their own homes for longer. This proposal was based on consultation with a wide range of health organisations, but has not been implemented. AAPM supports the intent of this proposal, and views the introduction of a subsidy for modern wound care dressings as being consistent with this broader proposal.

The United Kingdom has an established system for the subsidy of wound care dressings and other consumable medical items through the Drug Tariff, and this may provide a valuable model for Australia. [19]

The system for the provision of items to veterans in Australia through the Repatriation Pharmaceutical Benefits Scheme may also prove a useful starting point. A number of wound dressings are subsidised for Department of Veterans' Affairs Health Care Card holders.[20] Extending eligibility for these products to other Australian Health Care Card holders, through the same arrangements including supply chains, may represent an administratively simple means of ensuring all needy Australian have access to modern wound dressings.

Conclusion

This paper has cited evidence that current financial arrangements for wound care in general practice are inadequate. Action is needed to ensure that the increasing number of older and chronically ill Australians with chronic wounds have access to high quality wound care, including modern wound care dressings. While the modern dressings are more effective and ultimately more cost-effective, needy patients cannot afford to pay out-of-pocket for these dressings, and the rising cost of dressings is a key factor threatening the viability of wound care in general practice. AAPM urges the Federal Government to take a two-staged approach to addressing the problem by immediately introducing measures to enable practices to charge bulk-billed patients at wholesale rates for the cost of dressing provided at the time of the consultation; and over time, introducing a nationally consistent subsidy scheme for the provision of modern wound care dressings through general practice and primary care. A Federal Government subsidy for modern wound care dressings represents an investment that will reap significant benefits, including improved quality of life for patients, and reduced overall costs to the health and aged care systems through reduced hospitalisations and delayed admissions to residential aged care.

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[18] Medical Technology Association of Australia (2010). *Caring for older Australians: Productivity Commission Issues Paper.* Submission July 2010. http://www.pc.gov.au/inquiries/completed/aged-care/submissions/sub187.pdf

[19] Medical Technology Association of Australia (2010). *Caring for older Australians: Productivity Commission Issues Paper.* Submission July 2010. http://www.pc.gov.au/inquiries/completed/aged-care/submissions/sub187.pdf

[20] http://www.pbs.gov.au/info/browse/rpbs/rpbs-repatriation-dressings

About AAPM

The Australian Association of Practice Management (AAPM) is the professional association for business managers of all healthcare practices including general practice, specialists, dentists and allied health as well as multi- disciplinary clinics. Our Vision is to improve the efficiency and effectiveness of healthcare practice management for better patient outcomes.

AAPM provides education, support, advice and advocacy for healthcare practice managers. Our aim is to ensure that they are able to effectively manage healthcare practices, that they are able to have the infrastructure and systems in place to provide a high quality health services to the Australian community, and that they are up to date with changes in the health sector. Consequently, AAPM is ideally placed to assist in implementing the government's primary healthcare reforms.

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