

Committee Secretariat  
Standing Committee on Health, Aged Care and Sport  
PO Box 6021  
Parliament House  
Canberra  
ACT 2600

18 April 2017

Dear Committee Secretariat

**Re: Inquiry into the Hearing Health and Wellbeing of Australia – Response to Question on Notice and Supplementary Information**

Thank you for the opportunity to provide evidence at the public hearing held in Sydney on 6 April 2017 to the Standing Committee on Health, Aging and Sport - hearing health and wellbeing of Australia.

IAA was asked by the Committee to provide further information about competitive advantage within the audiology field. Specifically, we were asked to provide evidence that Australian Hearing operates with a competitive advantage over the work carried out by our members.

Australian Hearing is a commonwealth government agency that operates in three major sections: as a provider of the Office of Hearing Services voucher scheme, Community Service Obligations of Australian Hearing (CSO) and the National Acoustics Laboratory (NAL).

The OHS voucher scheme, introduced in the 1990's, allows accredited hearing services providers to deliver services to Australian pensioners. The scheme allows for voucher holders to receive either fully or partially subsidised hearing aids. Partially subsidised hearing aids are "topped up" by the individual pensioner. Top up hearing devices sales can be lucrative and the market for voucher holders has become highly competitive.

Companies (often multinationals) with close links to hearing device manufacturers have set up a number of clinic chains in Australia, all of whom are contracted to government as Hearing Services Providers. Independent practices, some of which are audiologist or audiometrist owned also contract to government as Hearing Services Providers. Australian Hearing is a contracted Hearing Services Provider. Australian Hearing initially served as both regulator and service provider of the voucher scheme but in more recent years is understood to hold a contract with the Office of Hearing Services to provide services to voucher holders which is identical to the contract held with other hearing service providers. Australian Hearing thus competes with other hearing services providers for voucher holders.

Australian Hearing is the only body funded by the federal government to provide services under its Community Service Obligation (CSO) to eligible children (up to the age of 26 years), Aboriginal and Torres Strait Islander Hearing Health programme and Australian pensioners with complex needs. No other provider receives funding for the CSO work carried out by Australian Hearing. Funds for CSO work are capped annually. Australian Hearing recently began to charge fees for some assessments of children that are not specifically covered by their CSO funding – such as the assessment of auditory processing disorders and assessing children’s hearing before their eligibility for CSO funds (based on hearing status) can be determined. The private sector provides the same types of services as Australian Hearing does for children who are not eligible for Australian Hearing, without government subsidy. The private sector provides services for refugees, children on temporary visas, those with non-permanent hearing loss and those with auditory and balance disorders not associated with a measurable loss of hearing sensitivity.

The National Acoustics Laboratories (NAL) describes itself as follows: **The National Acoustic Laboratories** (NAL) is the research division of Australian Hearing, a Statutory Authority under the Commonwealth Department of Human Services. Since 1947, NAL’s research into hearing has opened new ways in which people with hearing loss can be helped.

NAL receives funding from the Commonwealth government through an appropriation from the Office of Hearing Services, and supplements this funding through grants from various funding bodies such as the Co-operative Research Centres (CRC) program, National Health and Medical Research Council (NHMRC), NSW Medical Devices Fund (MDF) and others. Additional funding comes from commercialisation of some inventions and performing contract research in collaboration with organisations from the hearing rehabilitation and hearing protection industries.

NAL has around 40 researchers who, with the help of volunteer participants from the general public, carry out research in the areas of hearing assessment, hearing loss prevention and hearing rehabilitation. The results of this research are published in leading scientific journals, presented at national and international conferences and reported on in this website. Several NAL inventions have been taken up internationally and are used worldwide.” (<https://www.nal.gov.au/about-nal/> ) . The Department of Finance has been investigating future ownership options for Australian Hearing since an announcement made in July 2014. With the option of privatization of Australian Hearing under discussion, revenue and profits have increased very significantly, as shown in the Australian Hearing annual report 2015 – 2016 (<https://www.hearing.com.au/wp-content/uploads/2016/10/Australian-Hearing-Annual-Report-2016-FINAL.pdf> )..

Australian Hearing profits increased from \$4.2 million in 2013 to \$29.7 million in 2016.

As the funding for research and CSO work is not expected to be provided on a for-profit basis, the increased revenue and profit must have derived from top up fees paid by OHS voucher holders and fees charged for services not covered by government funding. Increasing profits seven fold has been achieved through increasing the number of voucher holders who select Australian Hearing as their preferred provider and by encouraging pensioners to select partially subsidised hearing aids so that top up fees can be collected.

Representatives of Australian Hearing informed this inquiry at a public hearing that clinical bonuses are paid to staff, calculated as a percentage of top up hearing aid sales in order to encourage the fitting of partially subsidised hearing devices. A certain target of top up sales is set by Australian Hearing.

Hearing services providers who compete with Australian Hearing have noted aggressive marketing tactics of Australian Hearing in their plight to capture the voucher market, which have occurred within the same time frame as the increase in profits. In many cases, Australian Hearing has adopted marketing tactics that rely on their position as a government agency. By cross referencing their work across their three main sectors, they suggest an ability to provide a level of service quality that cannot be matched by other providers. In fact, standards for the voucher scheme are set by the Office of Hearing Services and all contracted providers are required to follow the same standards. Some examples of where Australian Hearing has been aggressively seeking to increase the number of voucher holders it is responsible for are listed below.

1. Australian Hearing canvasses patients who have opted out of their service to return to them, offering free gifts and lucky draw prizes. *See Attachment 1* – Facebook Post
2. Community hearing advisors are employed by Australian hearing specifically to canvass patients through quasi clinical investigations and screenings, but those advisors are not required to hold formal qualifications in either audiology or audiometry, as is evident from advertisements for those positions that are in the public domain.  
<http://ahcareers.com.au/career-options/hearing-centre/> and  
[https://www.seek.com.au/job/33034671?type=standout&tier=no\\_tier&pos=7&whereid=3000&userqueryid=cfeda2015740b84d5f3d48654ba33c38-2134606&ref=beta](https://www.seek.com.au/job/33034671?type=standout&tier=no_tier&pos=7&whereid=3000&userqueryid=cfeda2015740b84d5f3d48654ba33c38-2134606&ref=beta)  
 The way that the work of community hearing services is promoted to the public can be seen from an article in The Chronicle <https://m.thechronicle.com.au/news/jump-board-toowoombas-hearing-bus/3165155/>
3. Australian Hearing has established an online advisory service that promotes free services and provides advice to the Australian public, not all of whom are eligible for their services. The service was opened by the Minister for Human Services the Hon Alan Tudge MP. As the online advisory service drives potential voucher holders to Australian Hearing, such endorsement of a service provider provides a clear competitive advantage to Australian Hearing. No other provider has the advantage of government endorsement of their marketing programme. *See Attachment 2* – Facebook Post.
4. Australian Hearing offers contracts to General Practitioner practices whereby they can benefit from Medicare claims for the patients who have had their hearing tested, supported by Australian Hearing staff. AH markets this in their “*Partnering with Australian Hearing*” brochure (see attached- especially highlighted text) as offering financial inducements for doing so. <https://www.hearing.com.au/general-practitioners-partnering-australian-hearing/> “*Why Refer to Australian Hearing*” and answers this question -that the ability to bill a screening test under Medicare is a “*commercial benefit to your practice*” and provides “*options for revenue generation*”. Australian Hearing benefits by GPs handing voucher applications directly to them, contravening Office of Hearing Services procedures that individual voucher holders select their own provider. (<https://www.hearing.com.au/general-practitioners-refer-patients-australian-hearing/> ).
5. Australian Hearing is non-discriminate in seeking to offer patients seen in GP clinics benefits and rewards for changing providers, even if they are already attended to by a different hearing services provider. *See Attachment 3* – Promotional material sent to voucher holders who have relocated to other providers.
6. Promoting the General Practitioner programme through ongoing education, Australian Hearing claims “We are the largest government-funded provider of hearing services to the community, with 450 dedicated audiologists and audiometrists. We are uniquely supported in Australia by our research division, the world-renowned National Acoustic Laboratories (NAL)” (<https://www.hearing.com.au/PDSA/> ).

The claim is misleading in that public funding for NAL and their obligation to publish their research means that all Australians (and others around the world) have access to research findings from NAL, along with all other published professional and academic literature.

7. According to advertising and promotion by AH, GPs refer more patients to AH than to other hearing services providers. *Referrals* are not made to hearing service providers, but GPs are required to sign an application for an OHS voucher, which, if issued, allows the voucher holder to choose their own hearing services provider. Children however, are required to be referred to Australian Hearing. Australian Hearing is using its advantage in being the only provider funded for CSO work in claiming that it is the service provider most referred to in Australia. *See Attachment 4 - Facebook Advertising*
8. The Department of Human Services has a direct link to Australian Hearing on its website, stating that they work closely with Australian Hearing (<https://www.humanservices.gov.au/corporate/about-us>). Directory of government services also has information about Australian Hearing, but no other contracted service provider, on its site (<http://www.australia.gov.au/directories/australia/australian-hearing> ). No other hearing services provider who contracts to government is mentioned by a government department.

Australian Hearing has adopted the practice of developing contracts with general practitioners who offer their patients appointments with Australian Hearing, even if they are already under the care of a different provider. Australian Hearing then offers incentives to the voucher holder to change provider. Many voucher holders who are under the care of our members report the public is being confused, coerced and pressured into believing they had to make that change because they were instructed to by a government body, who is also responsible for their pension payments and general well being.

Whilst competition from providers who operate according to similar conditions is of course beneficial in privatised healthcare, Australian Hearing is currently using its position and standing, as well as a reputation built on work with children to which they have an exclusive funding to date, to maximise the number of voucher holders they see in their clinics, where they can encourage them to top up on the subsidy for hearing devices.

We trust that this information serves to explain the competitive advantage that our members believe is currently contributing to Australian Hearing's extraordinary profit margins. The scale of growth in profit recorded in their annual report is extraordinary for a service based healthcare field and far exceeds any amount of growth expected in any ordinary audiology clinic.

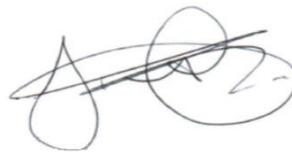
We do hope that this inquiry will be instrumental in government reaching a decision regarding the future ownership of Australian Hearing. Should government retain ownership of Australian Hearing for the purpose of meeting Community Service Obligation responsibilities, we urge that the section of Australian Hearing that competes with other Australian owned practices be privatised so that an even playing field can be assured.

Thank you again for the opportunity to contribute to this inquiry.

Yours sincerely



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## Attachment 1 – Facebook Post

[Australian Hearing](#) shared [Grants Pharmacy's photo](#).

[March 31 at 10:14am](#) · 🌐

Well done Mr Totten on winning the Australian Hearing hamper! If you live near North Ryde in New South Wales, we offer free hearing checks at Grants Pharmacy regularly. 😊:-)



[Grants Pharmacy](#)

[March 30 at 12:15pm](#) · 🌐

Congratulations Mr Totten on winning our Australian Hearing hamper! [Australian Hearing](#) run free hearing tests here in the pharmacy every 3 months, everyone is welcome to have their hearing tested!

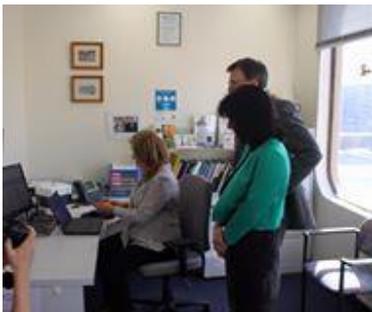
## Attachment 2 – Facebook Post

[Julia Banks MP](#) added [4 new photos](#).

[August 25, 2016](#) · 🌐

With Minister for Human Services the Hon [Alan Tudge MP](#) at [Australian Hearing](#) in Box Hill today where it was particularly special to help launch 'Hearing Help' – an interactive online application to allow people to get hearing checked.

Then popped into one of my favourite Chisholm cafes Vanilla in Oakleigh, and saw the wonderful Eleni, owner of one of Chisholm's best small business success stories.



Attachment 3 – Promotional material sent to voucher holders who have relocated to other providers



Dear Mr [redacted]

It has been a while since you left us so we thought we would check in to see how you and your hearing are going.

We understand you are currently with another hearing provider, however if you feel we are able to assist you in any way we invite you to come back in for a **Free\* Hearing Review**.

At Australian Hearing our staff are highly trained in their technical ability and knowledge, and will create a hearing solution tailored to your lifestyle and budget.

And as a thank you, if you attend a free\* hearing review with us prior to the **27th November 2015**, you will go in the draw for a chance to **win\* a \$800 gift card** to treat yourself to something special (weekend away with a friend, sporting membership or to enjoy a series of concerts).

If you would like to book an appointment, call our customer priority line on **131 797**. With centres conveniently located all across Victoria, we look forward to welcoming you back into the Australian Hearing Family.



\*Conditions apply to clients under the Australian Government Hearing Services Program. Privacy and your personal information is handled in accordance with the Australian Hearing Privacy Policy.  
#Please refer to terms and conditions of the draw located in your local centre. Our privacy policy is available at any Australian Hearing Centre or online at [www.hearing.com.au](http://www.hearing.com.au). If you do not wish to receive future marketing communication from us, please contact us on 1300 963 832.





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