



Australian
Competition &
Consumer
Commission

Issues around the sale of hearing aids

Consumer and clinician perspectives

3 March 2017

Executive summary

The Australian Competition and Consumer Commission (ACCC) was alerted to potential consumer protection issues in the hearing aid industry through ABC RN's Background Briefing program, *Have I got a hearing aid for you*.

To better understand the issues, the ACCC conducted enquiries with consumers and industry participants.

As a result of these enquiries, three key issues relating to the sale of hearing aids were identified:

1. Sales may be driven by commissions and other incentives rather than consumer need
2. Cost and performance of hearing aids, and
3. Treatment of vulnerable consumers.

We are concerned about sales-based remuneration arrangements and performance frameworks, which create incentives for clinicians (audiologists and audiometrists) to supply hearing aids that are unnecessary or more expensive than a consumer needs. This has the potential to cause widespread consumer detriment, especially for consumers who are vulnerable or disadvantaged.

We recognise that not all clinics or clinicians engage in the kind of conduct that was brought to our attention. Some consumers indicated positive experiences dealing with hearing clinics and clinicians.

The survey

The ACCC conducted a survey in the latter half of 2015 to obtain information from consumers and industry about the nature and extent of consumer protection issues in the hearing clinic industry. We asked for information to assist the ACCC to assess whether there were broader issues within the hearing clinic industry, rather than to resolve individual concerns.

The ACCC received 85 survey responses: 59 from consumers and 26 from industry.

We contacted a number of survey respondents to obtain further information about their experiences.

The ACCC also contacted the 10 largest hearing clinic operators¹ to obtain information about their sales practices.

Key issues raised in the survey

1. Sales may be driven by commissions and other incentives rather than consumer need

The survey and subsequent discussions indicated that sales commissions and incentives are commonly used to motivate clinicians to sell hearing aids, particularly in clinics run by major operators. Commissions can be as much as 15 percent and may be calculated in a number of ways, including by gross profit margin or net fees paid by consumers. More expensive hearing aids generally attract higher commissions.

¹ By combined total of permanent and temporary clinic locations.

Commissions and other incentives are generally not disclosed to consumers during consultations. If disclosure does occur, it is often in the terms and conditions of sales receipts that are only available to the consumer after a decision has been made to purchase a particular hearing aid and the transaction is completed.

Some major clinics provide sales training to clinicians and set sales performance measures. These measures may include average selling price per hearing aid, number of hearing aids sold, number of assessments that result in sales, number of high end devices sold, and number of “top ups” for consumers with vouchers to purchase subsidised hearing aids as part of the Australian Government Hearing Services Program.

Clinicians expressed a range of concerns, including:

- several of the large hearing clinic operators in Australia are owned by hearing aid manufacturers
- some hearing aid manufacturers offer inducements to clinicians to sell their products, including all-expense paid travel to overseas conferences and consumer electronics
- some clinicians consider their employers are more focussed on sales than providing independent advice, with some choosing to change employers to avoid the pressure to sell hearing aids
- some hearing clinics focus on sales and profits at the expense of consumers’ best interests and devices may be recommended based on commissions rather than consumers’ needs
- the failure of clinicians to meet sales targets or key performance indicators may result in performance management up to, and including, termination of employment
- sales performance, including underperformance, is regularly reported at staff meetings, and
- hearing clinic operators encourage clinicians to display their qualifications and to reinforce their professional experience when dealing with consumers in order to encourage consumers to rely on their professional advice.

Consumers raised a different set of concerns, including:

- feeling pressured into purchasing hearing aids or more expensive hearing aids
- feeling they could not trust clinicians to provide independent advice and recommendations
- being left with the impression that clinicians were more interested in selling hearing aids than providing independent healthcare advice
- being advised to purchase hearing aids and later learning that their hearing impairment was the result of an undiagnosed, treatable medical condition, and
- being unable to independently verify clinicians’ advice and recommendations.

2. Cost and performance of hearing aids

Hearing aids range in price from around \$1,500 to over \$15,000 per pair. During the survey we heard debate around the extent of additional benefits offered by high end devices. We also found dissatisfaction among consumers with the performance of hearing aids across the price range.

Some consumers identified price as a barrier to purchasing hearing aids. Some clinicians expressed concern about older consumers re-mortgaging their homes or entering into finance plans to pay for high end hearing aids.

In addition to concerns about price, a number of consumers indicated that the performance of their hearing aids did not meet their expectations. Several consumers reported that their hearing aids were difficult to use, uncomfortable to wear, and required recurrent adjustments. Some consumers reported that high end hearing aids were of limited assistance in noisy environments, such as in restaurants. Several consumers indicated that they do not use their hearing aids due to dissatisfaction with their performance.

Several clinicians stated that the key difference between the prices of hearing aids is software that can provide extra functionality to consumers. For example, a consumer who enjoys live music may prefer hearing aids with software that offers certain features over basic ones. However, a number of clinicians noted that many older consumers do not lead a lifestyle that requires the increased functionality of high-end hearing aids.

Clinicians indicated that the information relied on to recommend that a consumer purchase high-end hearing aids is often scant. A number of clinicians expressed concerns that consumers are not provided with adequate information to make an informed choice about which hearing aid is appropriate for their needs and budget.

Both clinicians and consumers raised concerns about consumers being offered only one or a limited selection of suitable hearing devices during consultations.

There was also a suggestion that hearing aids are more expensive in Australia than in other countries. Consumers outlined difficulties in having hearing aids that were purchased online from other countries, such as the United States, fitted and serviced in Australia, despite being the same models as sold here.

3. Treatment of vulnerable consumers

Our enquiries revealed that consumers who purchase hearing aids are often vulnerable as a result of their hearing impairment, age, age-related health issues, disability, income level, or a combination of these factors. Such consumers may be more vulnerable to persistent sales techniques and methods.

The treatment of vulnerable consumers is of particular a concern in the context of the Australian Government Hearing Services Program, which is intended to provide eligible people with access to a range of fully subsidised hearing services. People who are eligible for assistance under the program are generally vulnerable due to their age, health or income level.

The ACCC heard many stories from family members of vulnerable consumers about their experiences in dealing with unscrupulous clinicians.

In one instance an elderly and disabled resident of an assisted living home was visited by a clinician and sold hearing aids with no one else present during the consultation or sales transaction. The clinician's visit was arranged by the assisted living home. A family member later helped the consumer obtain a refund.

In another instance, an older consumer with dementia attended a free seminar run by a hearing clinic operator at a local community organisation. The consumer, who receives a government pension, subsequently purchased a pair of \$13,000 hearing aids through a two year finance plan from the hearing clinic operator. The hearing aids are unsuitable for the consumer's needs and abilities, and are not used. Despite the efforts of the consumer's family member, the finance plan could not be cancelled.

ACCC assessment

Hearing tests and the sale of hearing devices take place in a private healthcare setting with clinicians. As with other healthcare professionals, consumers expect that these clinicians will provide independent and impartial advice and have as their primary consideration the wellbeing and best interest of the consumers they are consulting.

However, commissions, incentives and other mechanisms designed to drive sales can create a conflict with clinical independence, professional integrity and the primary obligation to consumers. This conflict is particularly troubling in the sale of hearing aids, given that consumers who require hearing devices are often disadvantaged or vulnerable due to their hearing loss, age, other medical conditions, disability, income, or a combination of these things.

Remuneration arrangements based on rewarding clinicians for more or higher value sales, and performance measures linked to the sale of hearing aids, create incentives for clinicians to supply hearing devices that are unnecessary or more expensive than a consumer needs. During the survey the ACCC heard several anecdotal examples from both consumers and clinicians about this form of upselling. Further, sales techniques and payment plans may only reinforce the sales-driven nature of the service provided by clinicians.

Rather than being a clinical consultation by an independent healthcare provider, the interaction between the clinician and the consumer may take on the characteristics of a sales exercise. This type of environment is more likely to encourage, rather than discourage, unscrupulous conduct by clinicians.

Consumers are generally not made aware of the factors that may be influencing clinicians' advice and recommendations, and are not aware of the financial benefits that accrue directly to the clinicians who have sold them particular devices.

What will the ACCC do?

Based on the information gathered during its inquiries, the ACCC is concerned about a range of business practices in the hearing services industry.

We are particularly concerned about sales-based remuneration arrangements for clinicians that create incentives for clinicians to supply hearing devices that are unnecessary, or more expensive than a consumer needs. This has the potential to cause widespread consumer detriment, especially for consumers who are vulnerable.

The ACCC has communicated directly with industry participants to encourage further consideration of commissions and sales practices in the context of the Australian Consumer Law. We have requested hearing clinic operators review their incentive programs and performance measures to ensure that they do not create a conflict between independent healthcare advice and sales.

The ACCC has developed information to help consumers make an informed choice when purchasing hearing aids and devices, which is available on the [ACCC's website](#).

Having placed the industry on notice, we encourage consumers and clinicians to contact the ACCC Infocentre on 1300 302 502 to report any specific consumer protection concerns about the sale of hearing aids. The ACCC will assess these reports on a continuing basis, and where we assess there to be misleading or unconscionable conduct we may take enforcement action as a result, including legal proceedings.