



**Australian Government**  
**Productivity Commission**

# Reaping broader economic benefits from an effective healthcare system:

## A visual lens



**Presented by**

**Michael Brennan**  
**Chair**

Canberra Health Summit: 24 July 2019

INQUIRY REPORT NO. 84

# SHIFTING THE DIAL

5 YEAR PRODUCTIVITY REVIEW

3 AUGUST 2017

1% of the NSW population account for  
46% of hospital bed days

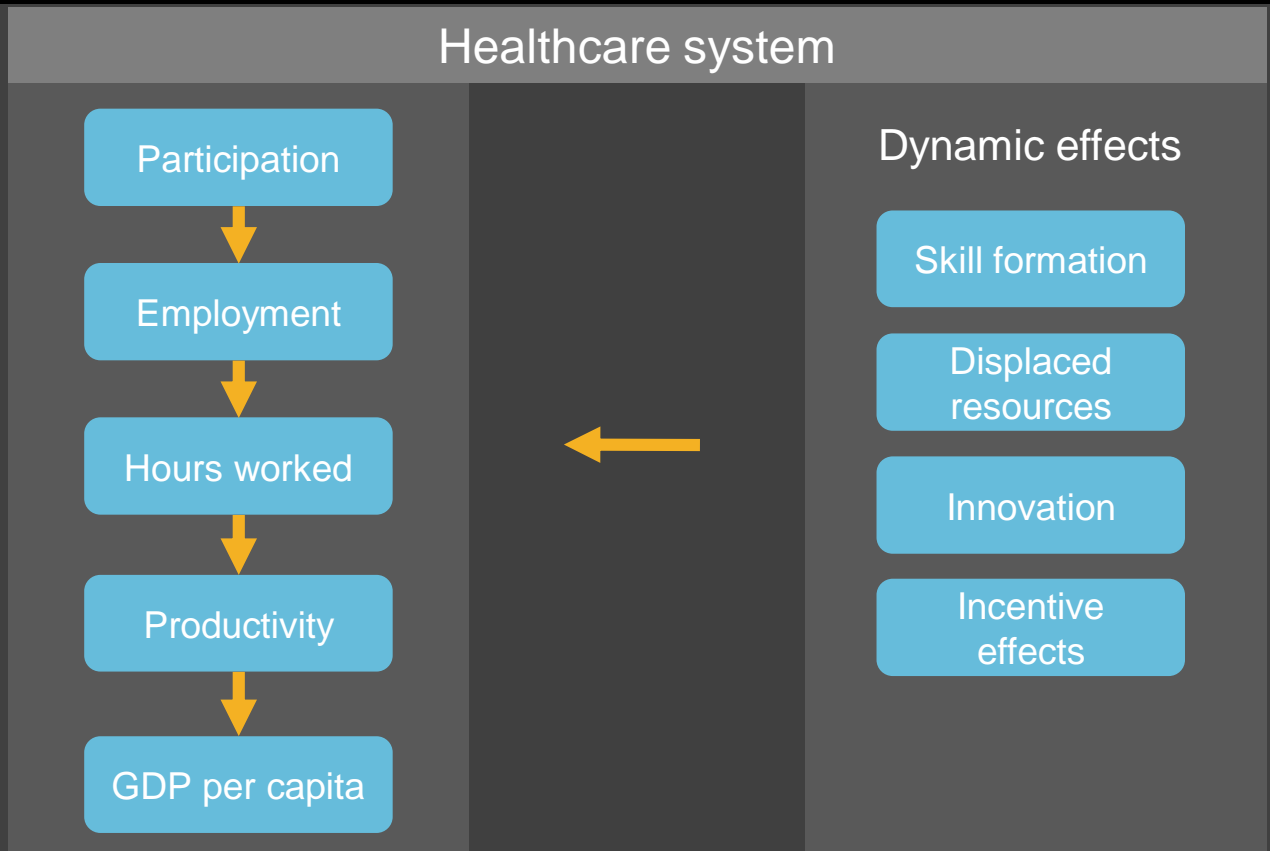
The cost of waiting - \$900 million annually

75% of Australians over 75 years have  
inadequate health literacy

66% of obese Australians have no  
discussion with their GP about their  
weight

Take up of computers- 96% of GPs but  
22% of surgeons

# ➤ Economic impacts – the mechanisms



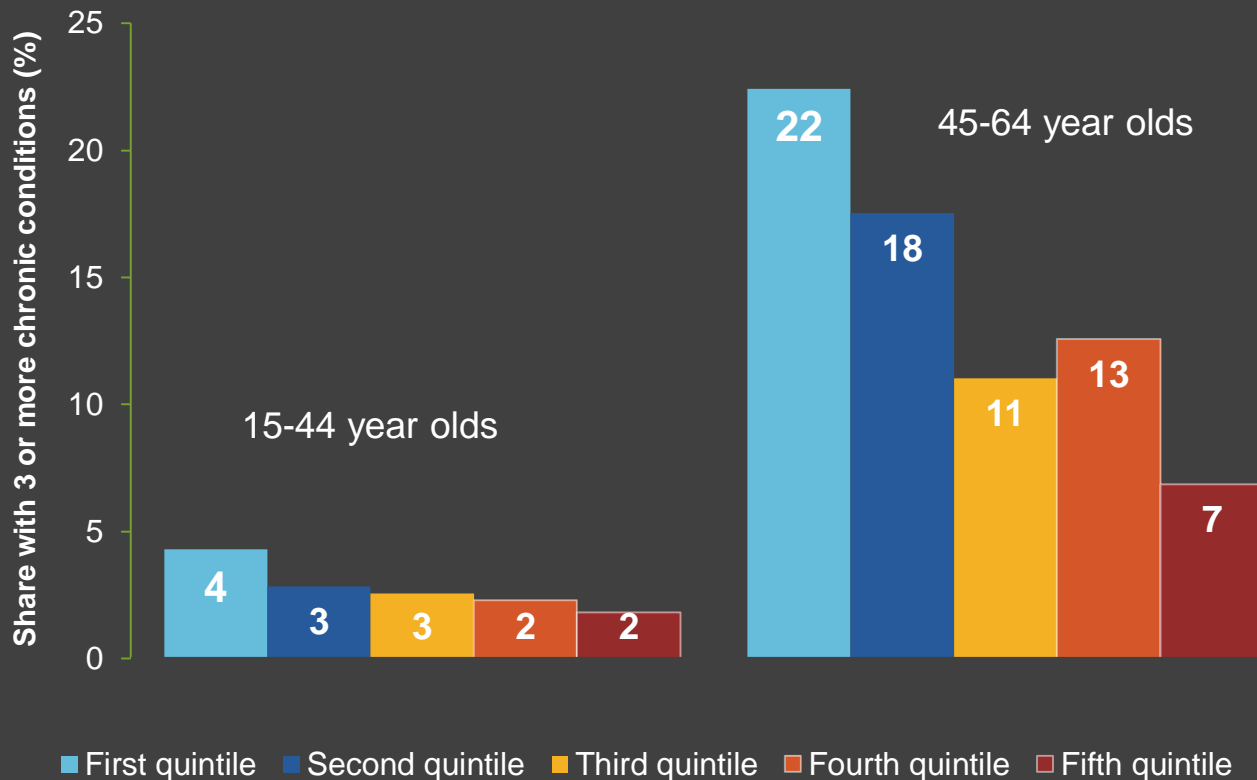
## ➤ Australia gets fairly good outcomes for its spending



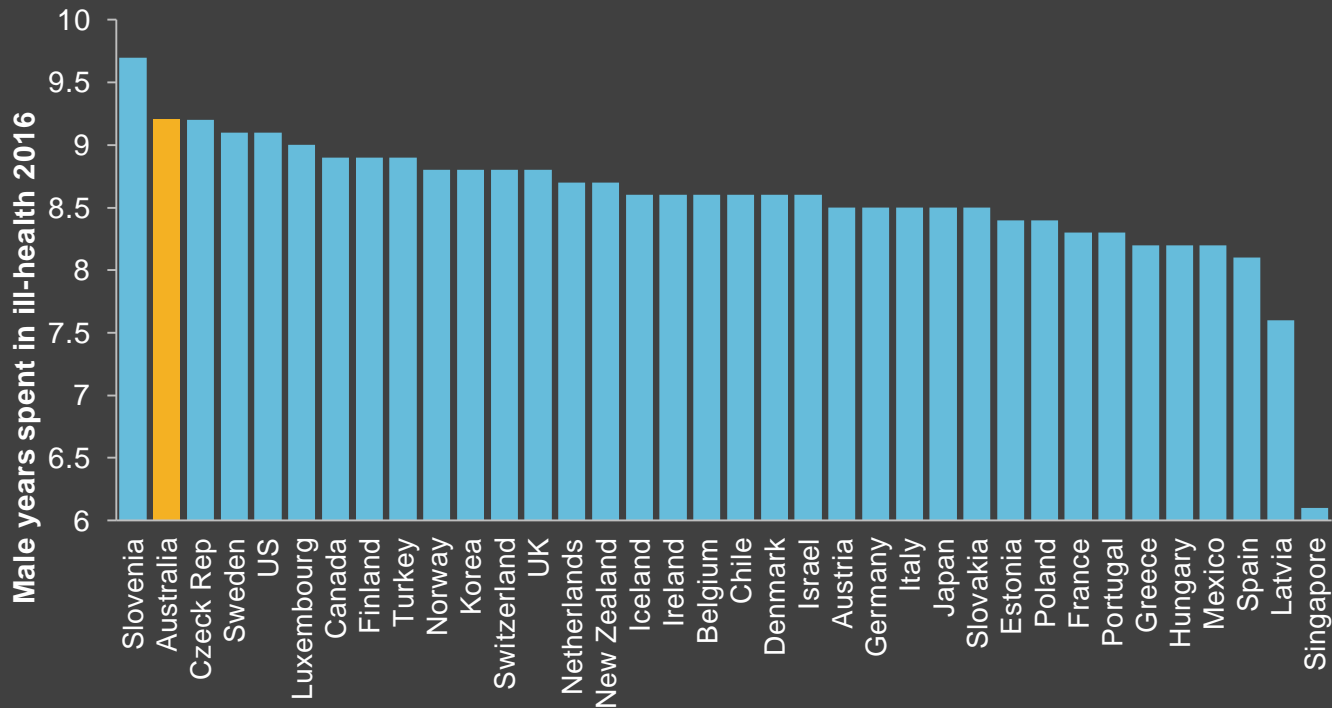
➤ **Australia's principal health challenge is managing chronic illness**

<b>Selected condition</b>	<b>Number of Australians 2017-18</b>	<b>Share of Australian population</b>
Diabetes	1.2 million	4.9%
Mental and behavioural problems	4.8 million	20.1%
Chronic obstructive pulmonary disease	0.6 million	2.5%
Heart, stroke and vascular disease	1.2 million	4.8%

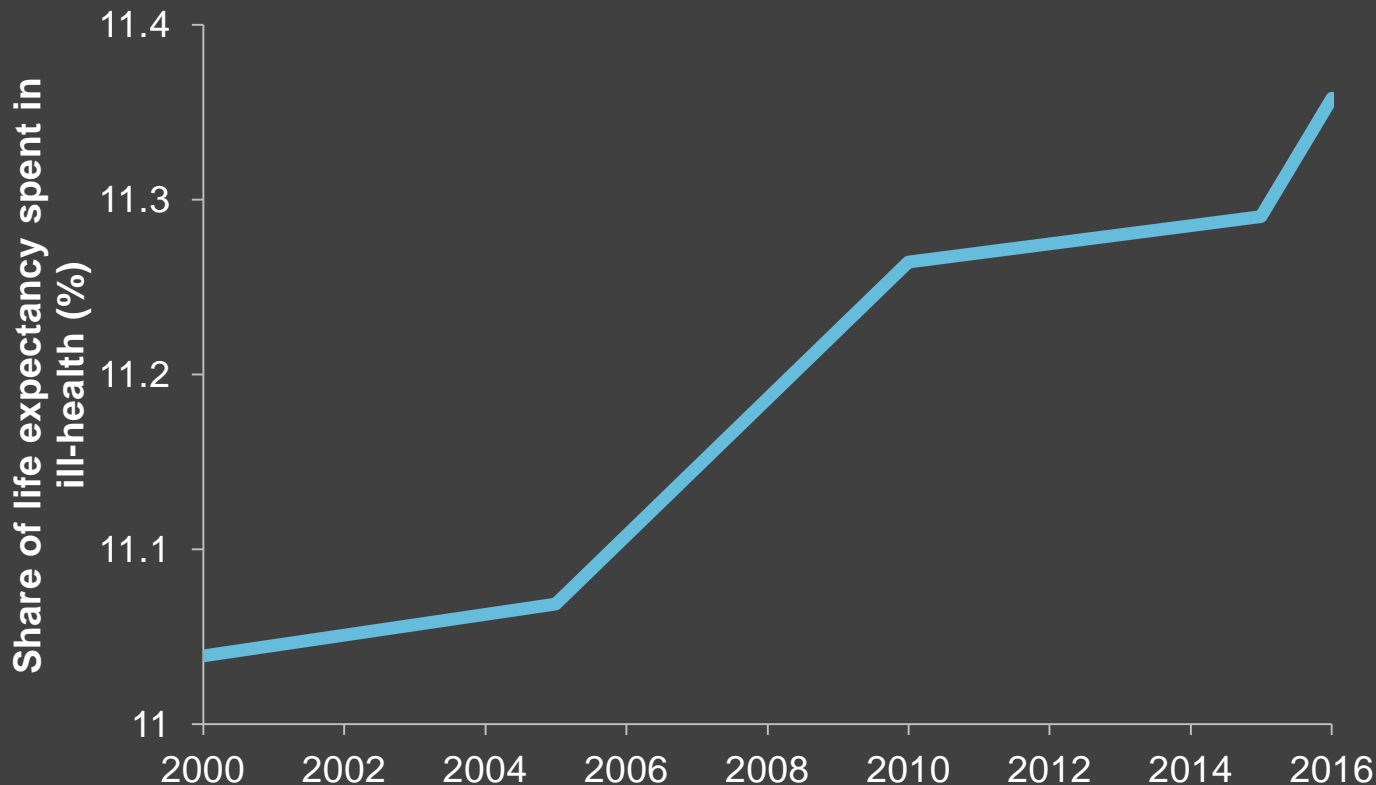
## ➤ Time is not a great healer



## ➤ Ill-health is relatively enduring in Australia

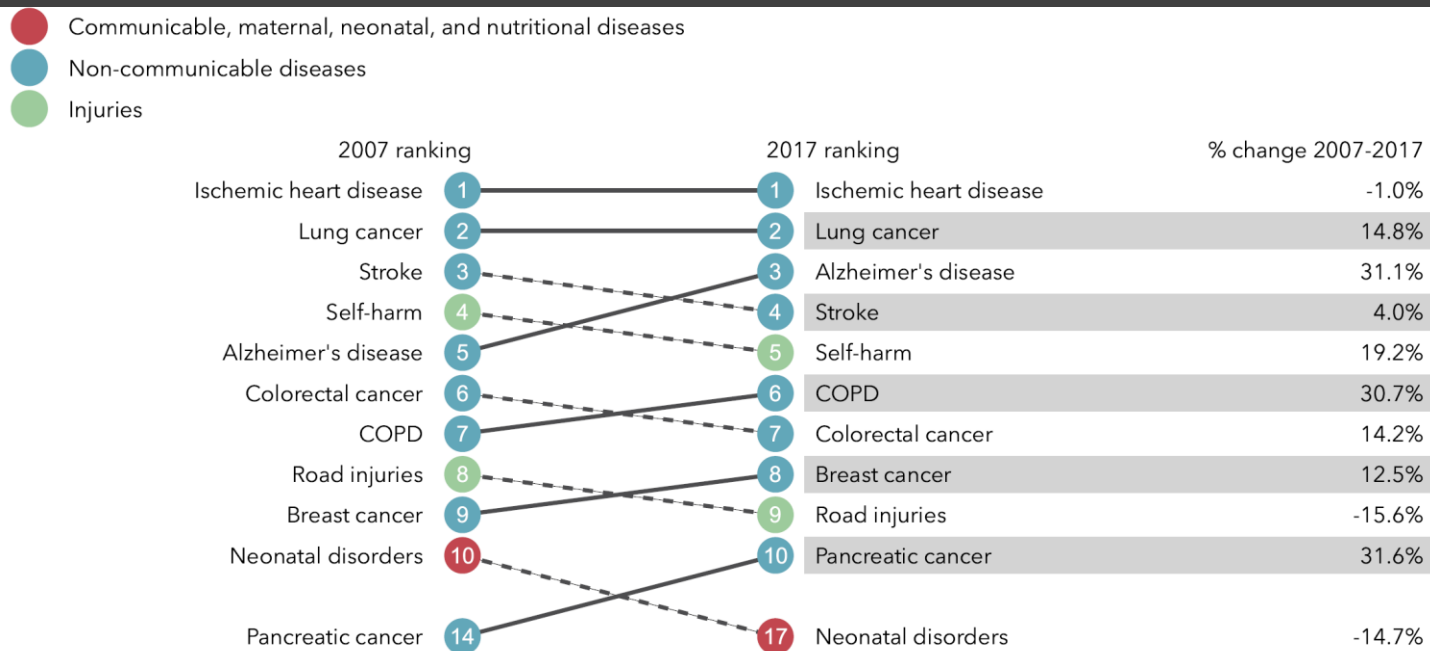


## ➤ The share of life spent in ill-health is rising

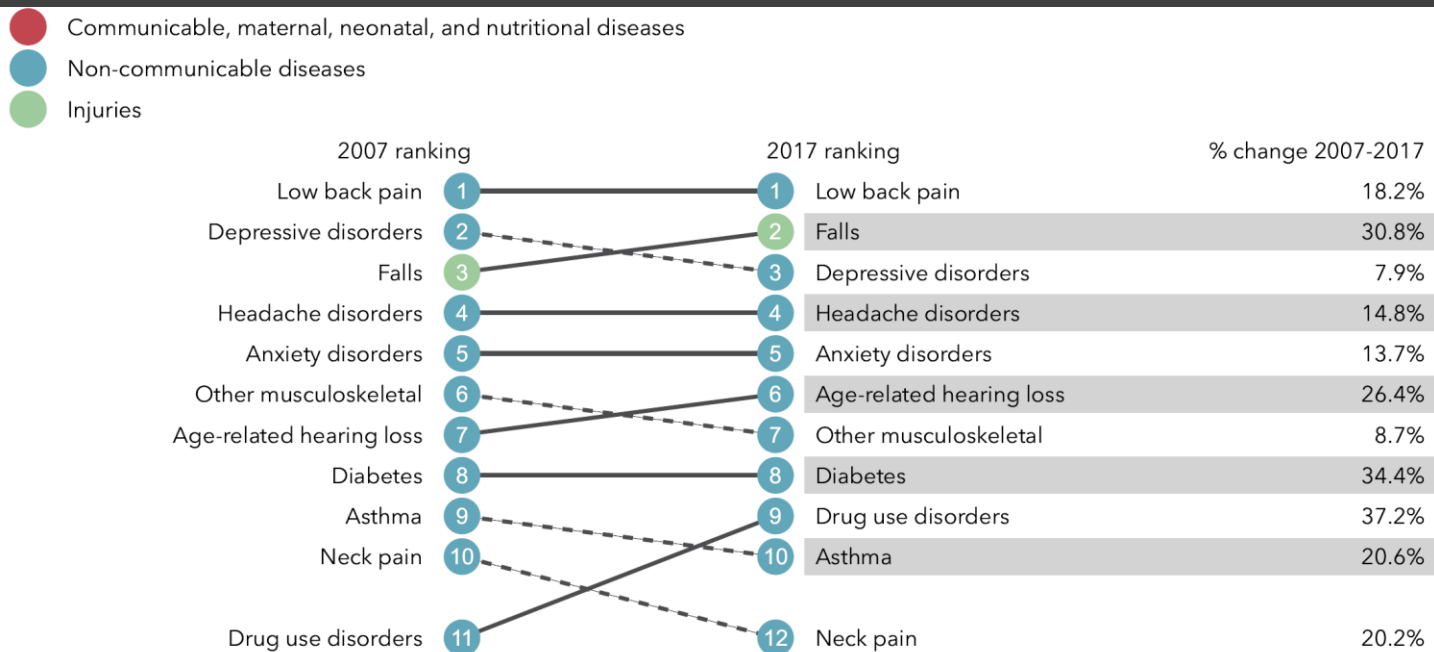




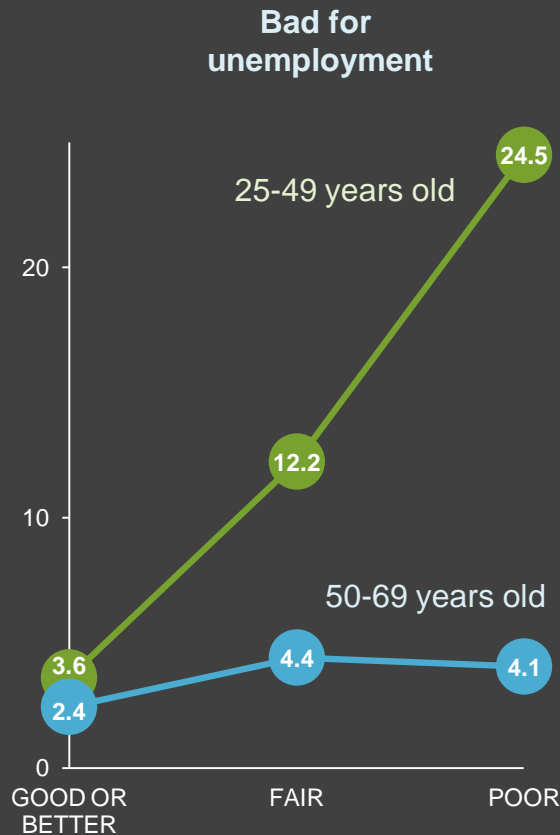
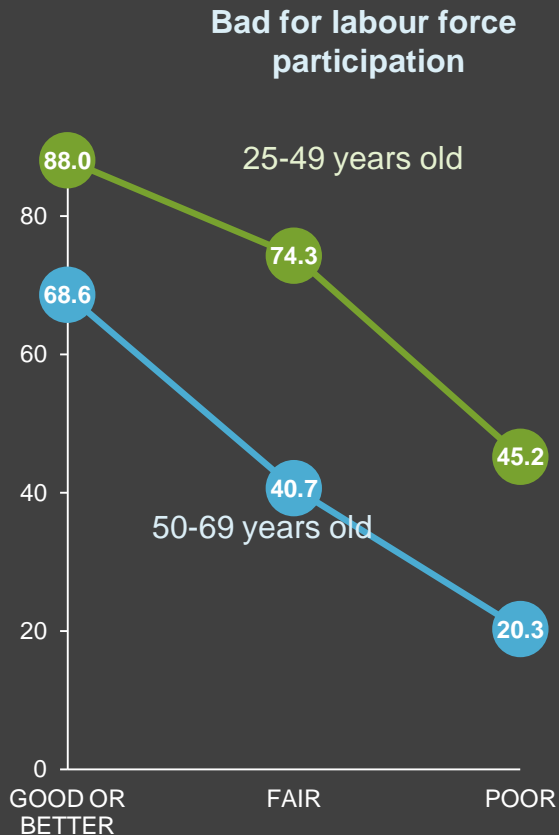
# ➤ What causes the most premature death?



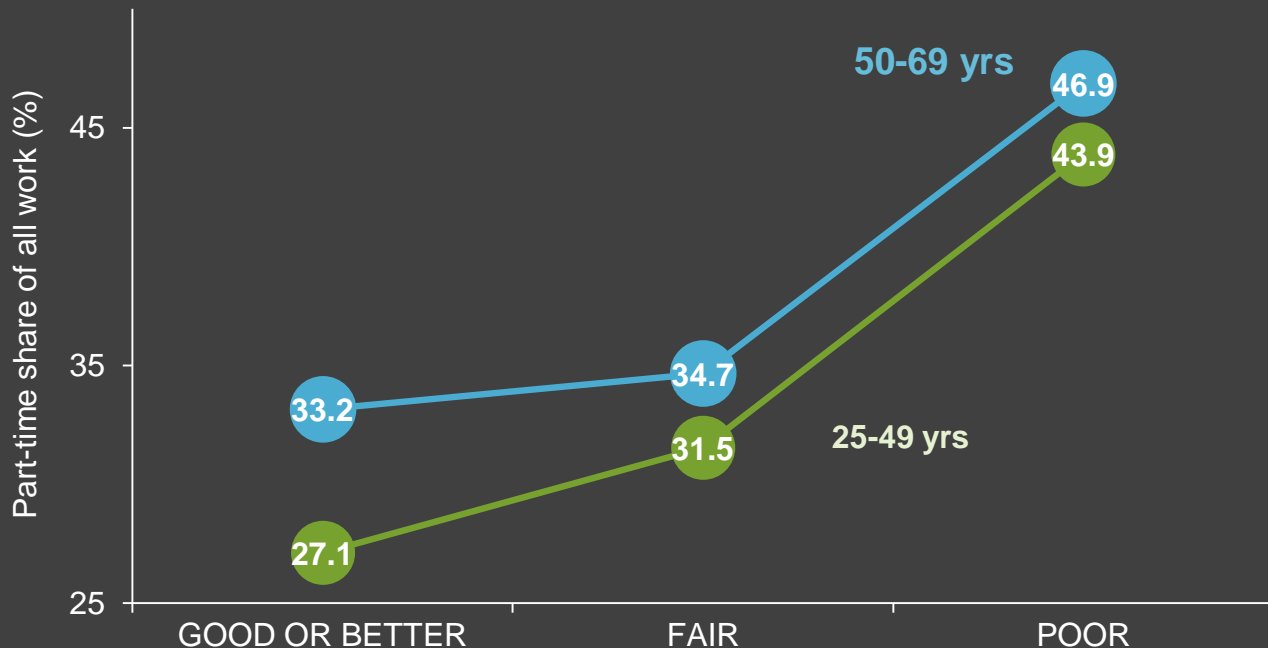
# > What causes the most disability?



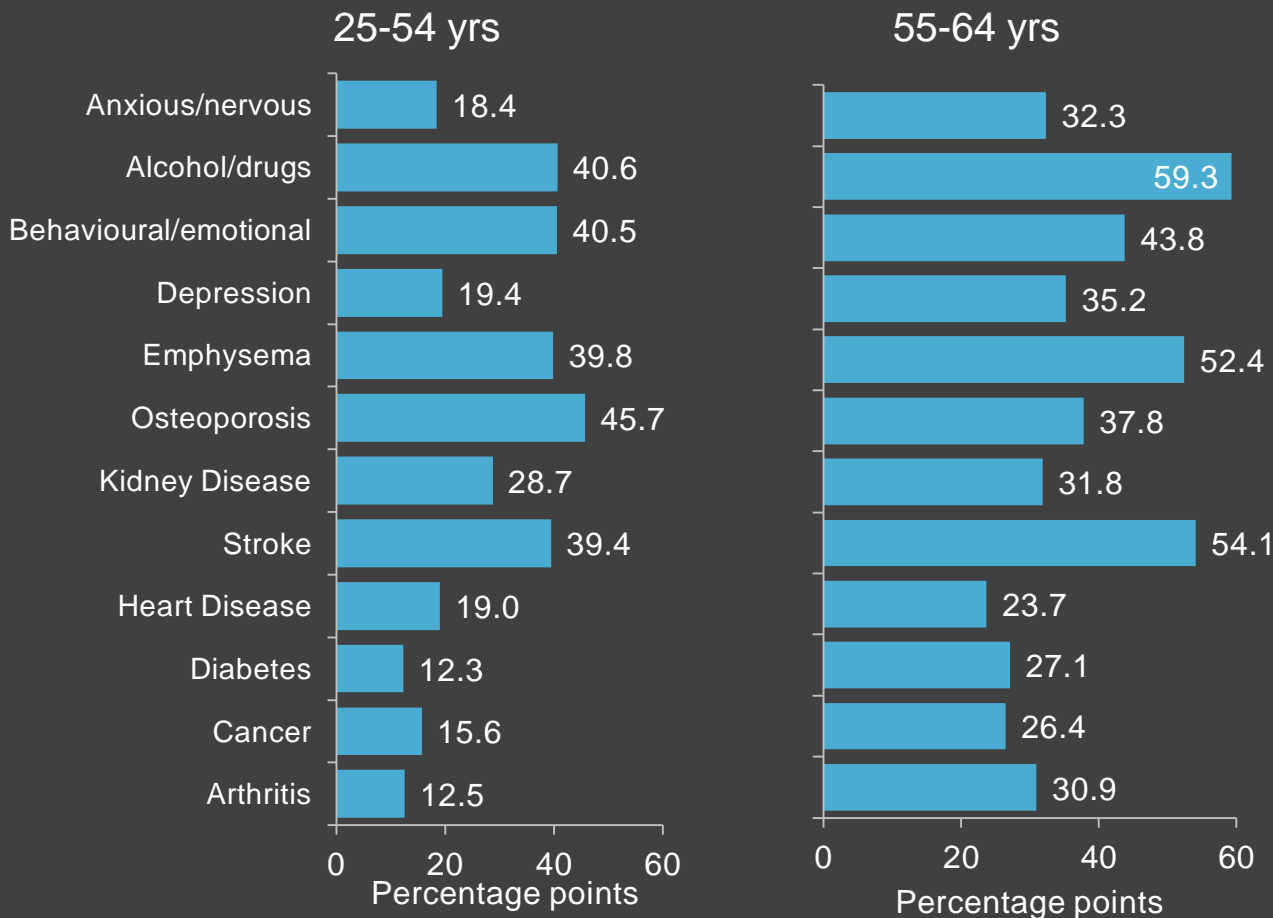
## ➤ Poor health – lower participation and higher unemployment



## ➤ People in poorer health tend to work fewer hours



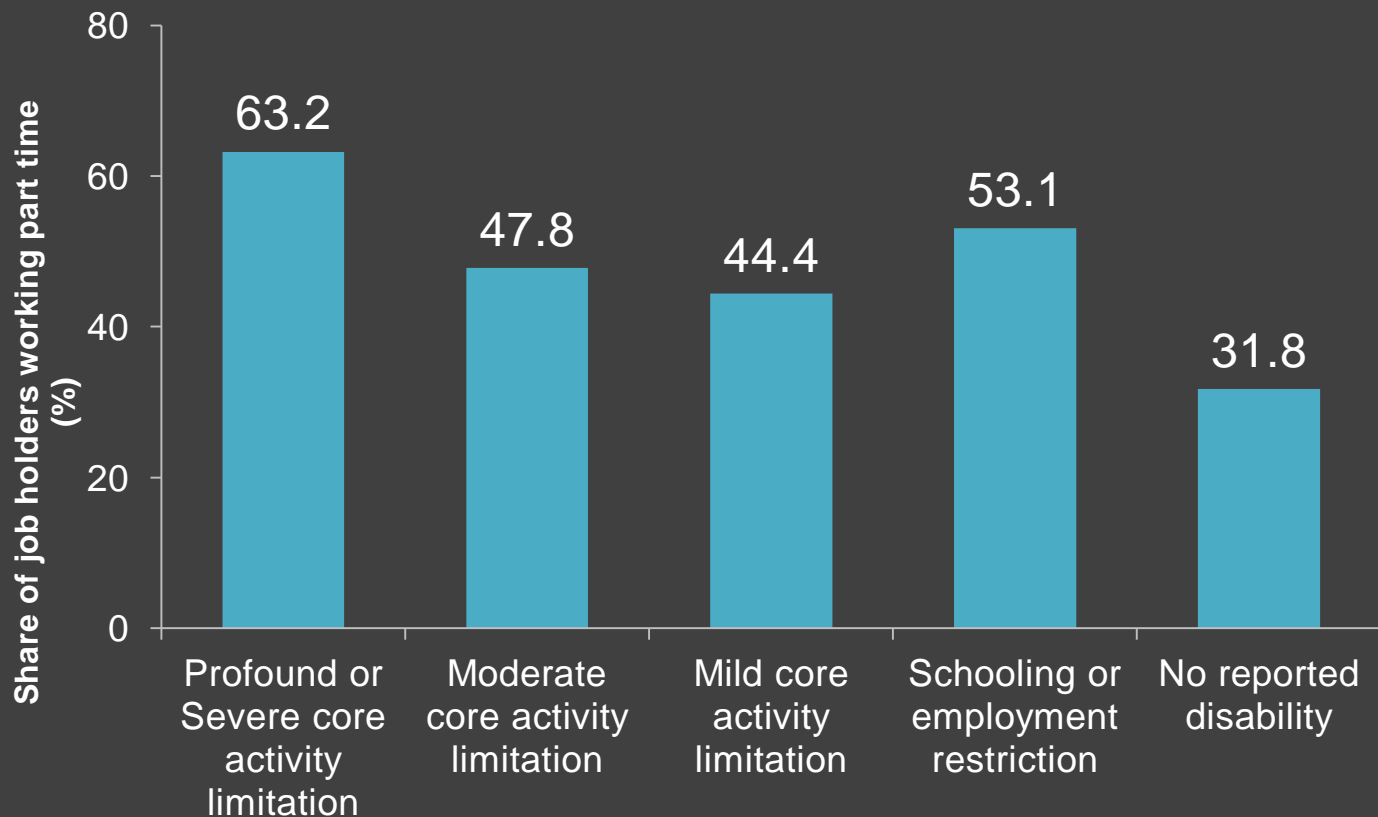
## > The labour force participation 'deficit' of disease



## ➤ Disability also produces bad labour market outcomes

	Participation rate	Unemployment rate
Profound/severe core activity limitation	25.0	14.5
Moderate core activity limitation	47.4	7.7
Mild core activity limitation	58.9	8.3
Schooling/employment restriction	<b>45.0</b>	<b>12.1</b>
No disability	<b>83.2</b>	<b>5.1</b>

## ➤ Of those employed, disability reduces hours worked



# ➤ The impacts of psychological disability



Participation  
rates

Employment restriction and  
psychological disability

28.9%

Employment restriction and  
other disability

52.5%

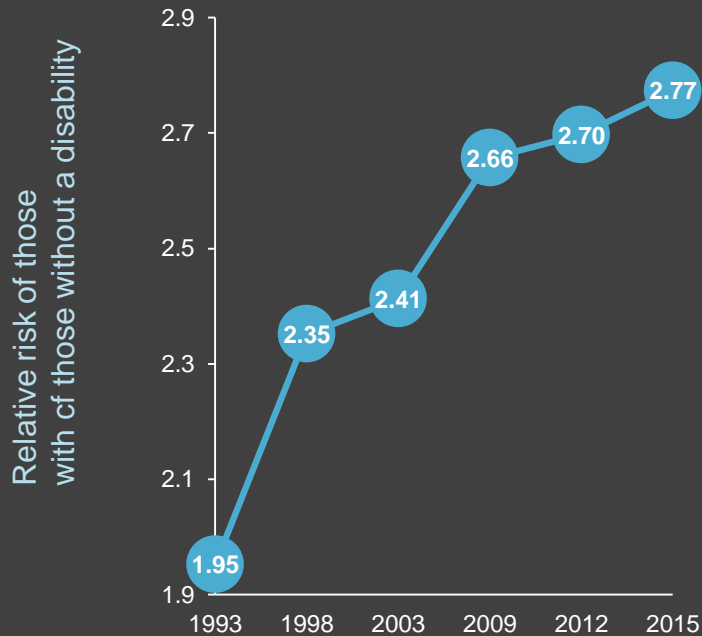
No reported disability

83.2%

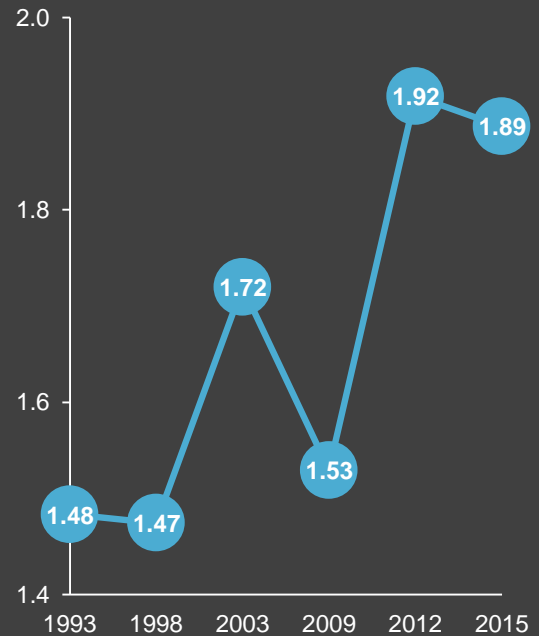


## ➤ Labour markets are increasingly unreceptive to disability

### Not in the labour force



### Unemployed



## > Other aspects of labour market experience are equally negative

- Higher absenteeism - people with disabilities or long-term illnesses take **50%** more sick days
- People in very good health earn an hourly wage **18%** higher than those in poor or fair health
- **46.3%** of early retirements due to sickness/injury/disability and a further **8%** due to caring  
Poor health in the previous year increases retirement probabilities by **4.1%** in the next year
- People with poor mental health and disabilities much more likely to be on enduring welfare
- Premature preventable death is the ultimate loss to an economy

# > Labour market outcomes for carers

	Participation rate	Main source of income is social transfers
Primary carer	56.3%	42.7%
Not a carer	80.3%	11.3%


## ➤ Indirect effects

Displaced  
resources


Health spending in 2016-17 was \$181 billion

10.3% of GDP

Incentive  
effects



Funding system does not encourage wellness or sustaining work

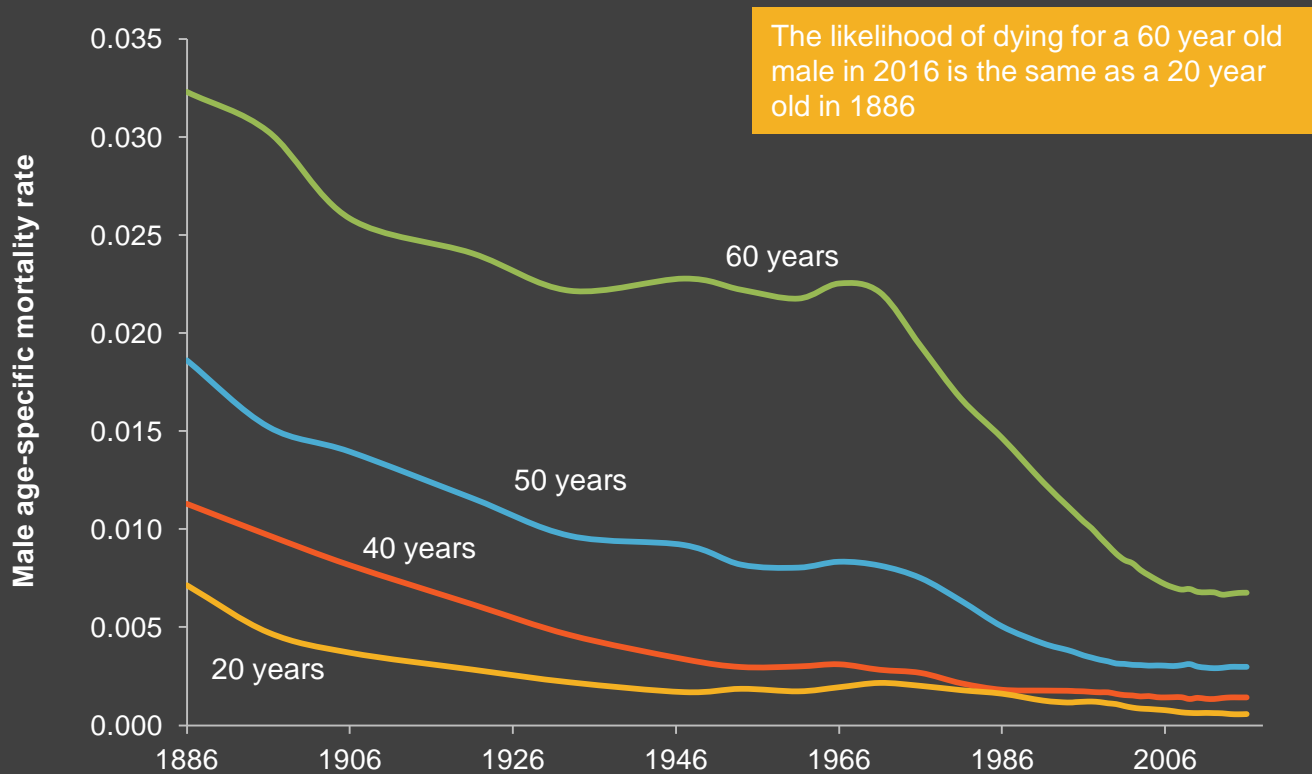


Financing budget creates its own resource costs (could be around 45 billion annually)

## ➤ The scope for policy reform

- Evidence-based technological developments in health produce dividends

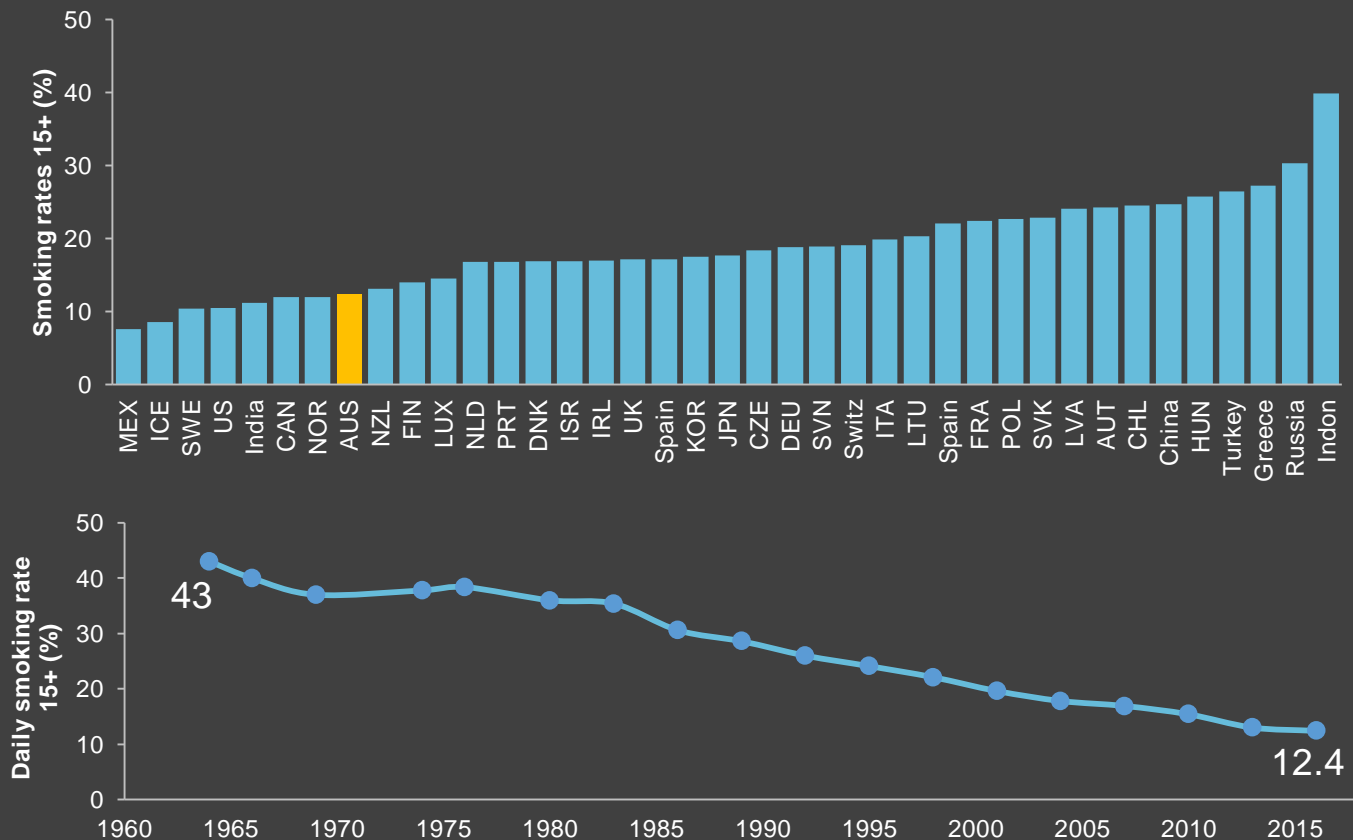
## ➤ Death and labour market activity are incompatible bedfellows, but there is good news ...



## ➤ The scope for policy reform

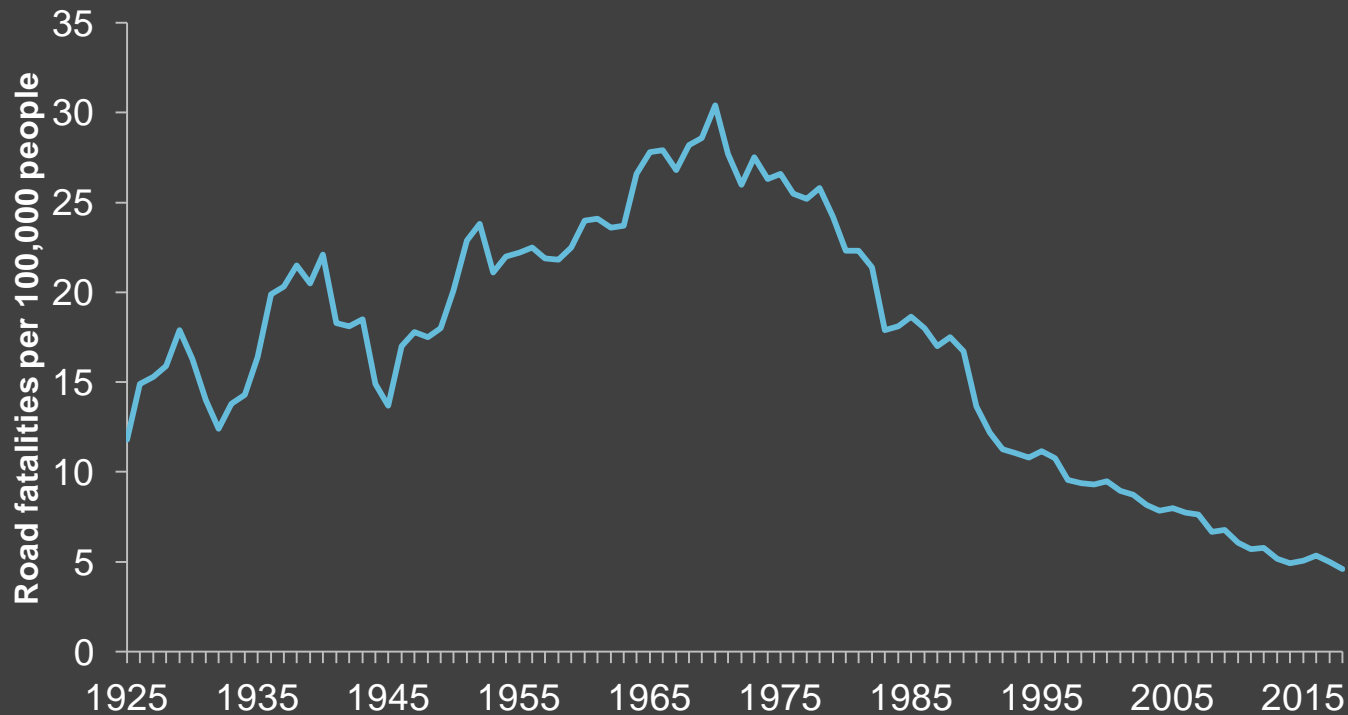
- Evidence-based technological developments in health produce dividends
- Preventative strategies have a lot of scope

## ➤ Reduced smoking rates – a great success story



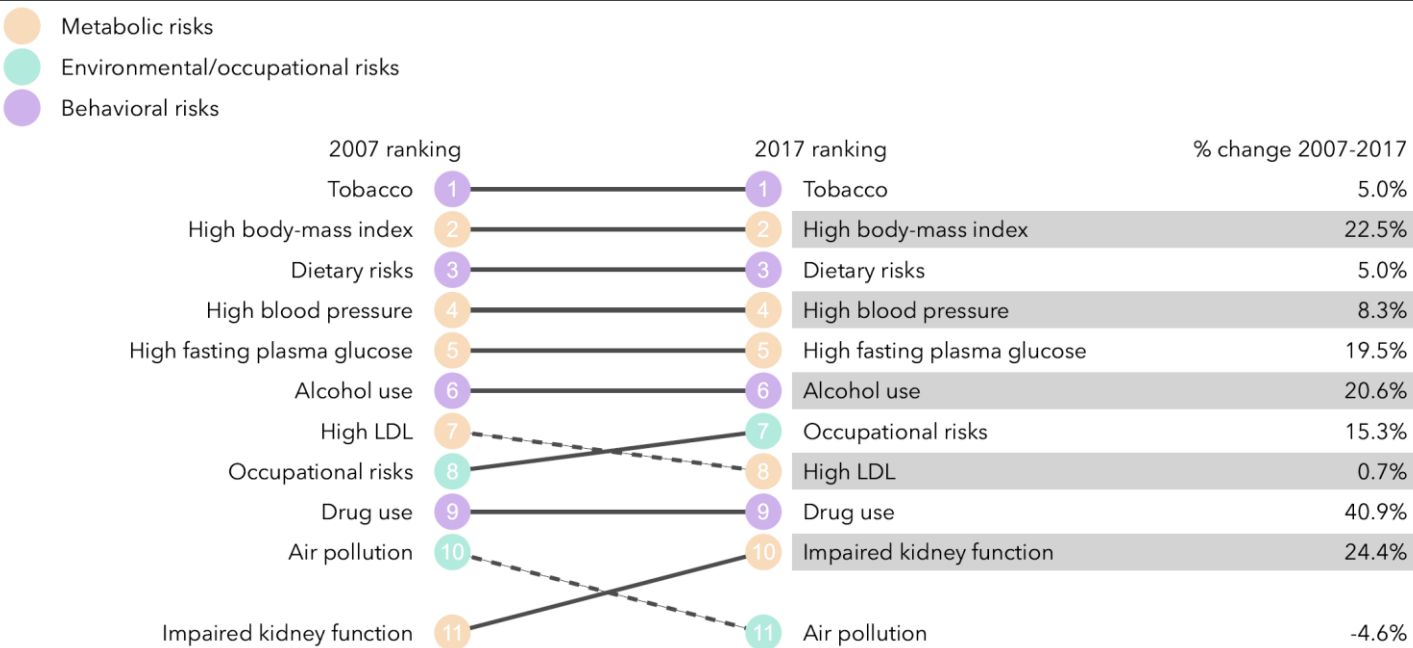


## ➤ Road fatality rates, 1925-2018

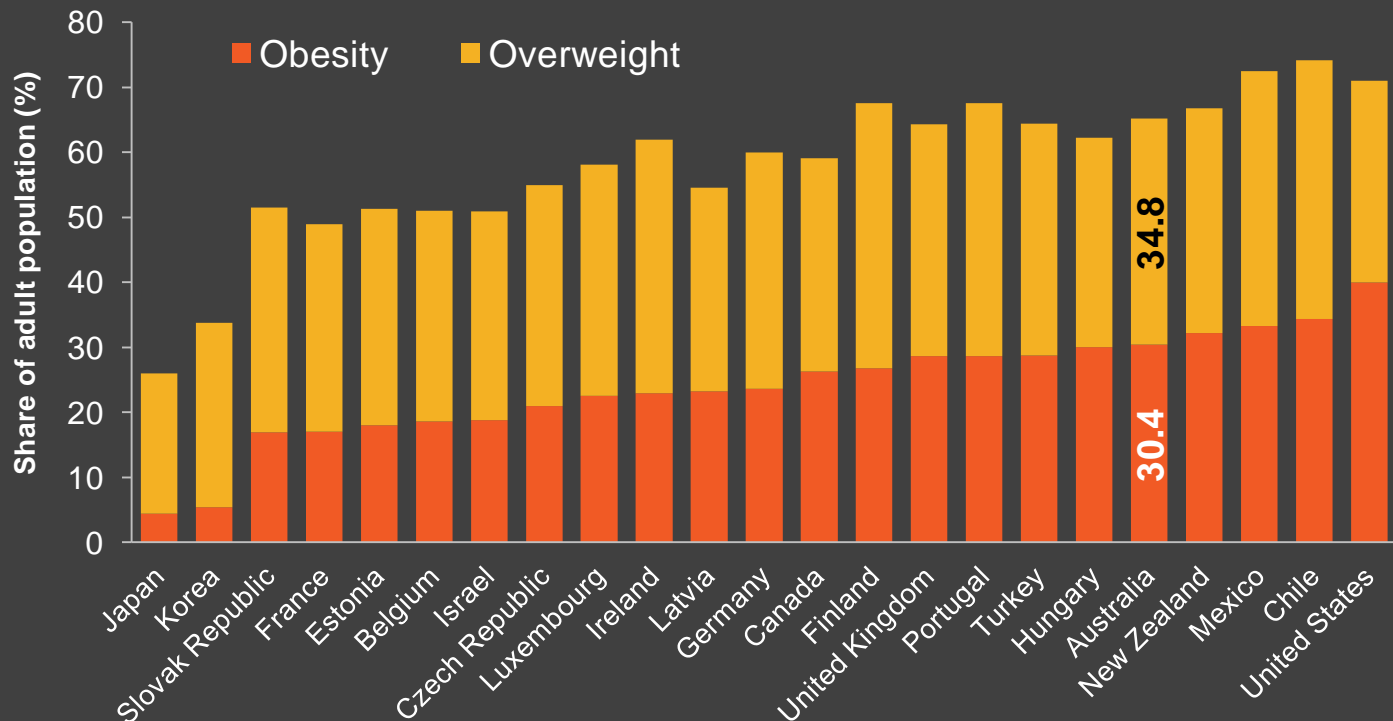




# What risk factors drive the most death and disability combined?



## ➤ Country risk factors are clearly at work



## ➤ Mental health concerns are rising

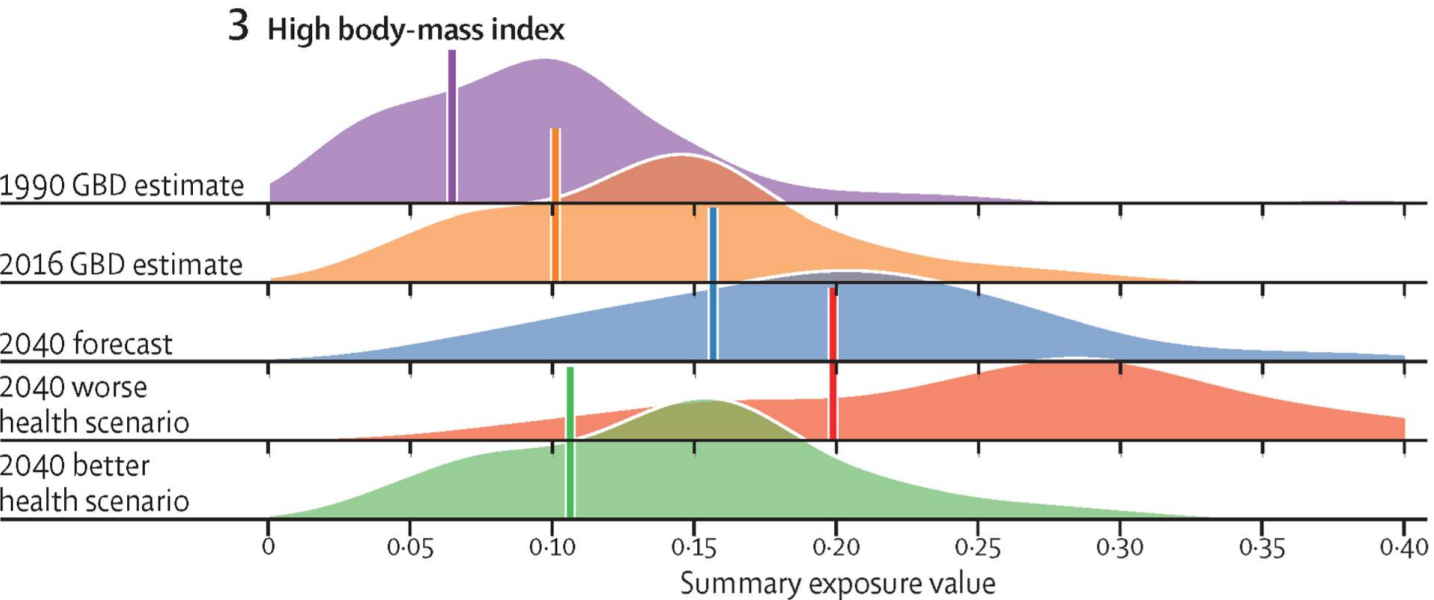
**4.2 million people** received mental health-related prescriptions in 2017-18

**\$9.1 billion** was spent on mental health in 2016-17

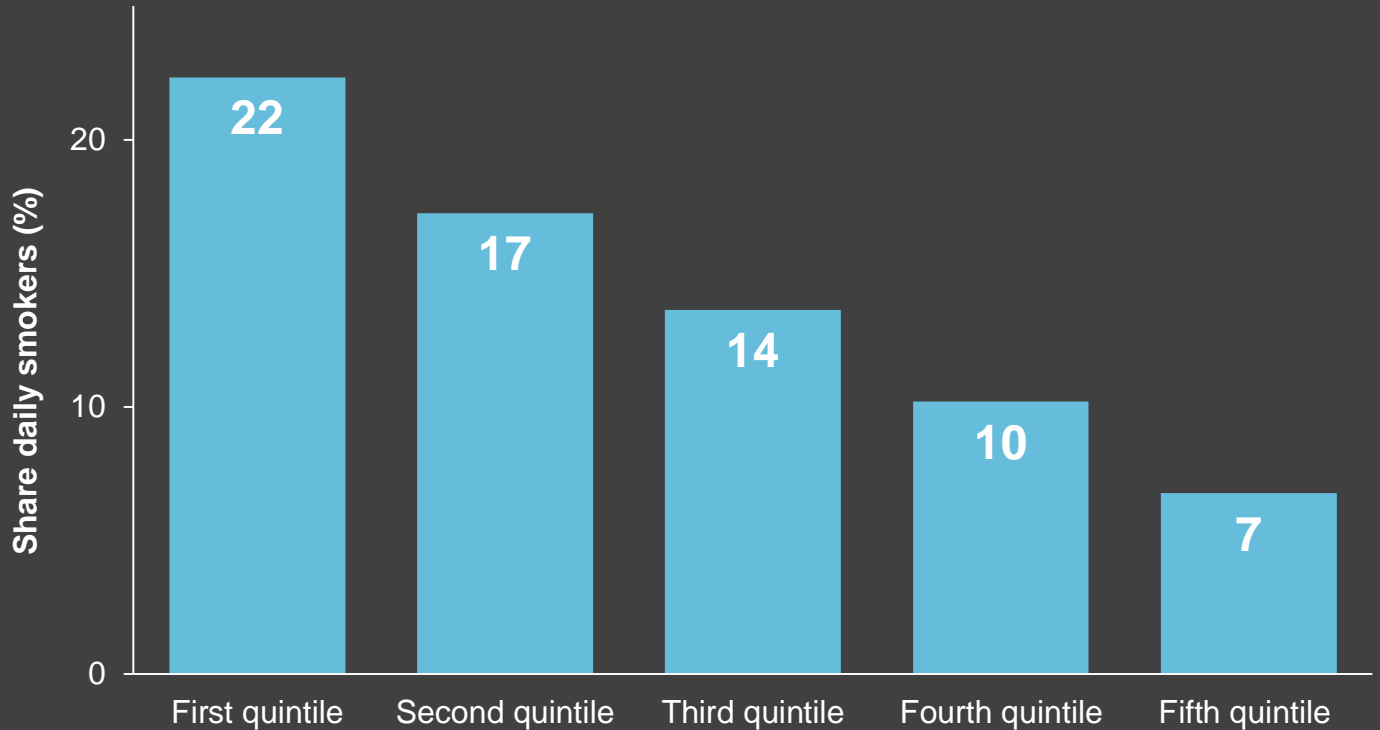
**260 000** overnight hospital separations in 2016-17

**45%** of Australians will have a common mental disorder in their lifetime

## > What goes up, can come down



## ➤ Environmental risk drivers vary with income



## ➤ The scope for policy reform

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- Fill gaps in under-provision

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- Evidence-based technological developments in health produce dividends
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- Fill gaps in under-provision
- A patient-centred integrated health system produces better outcomes inside and outside the healthcare system



## Person-centred



- Clinical mindsets
- Health literacy
- Knowledge
- Self-management
- Choice
- Shared decisions

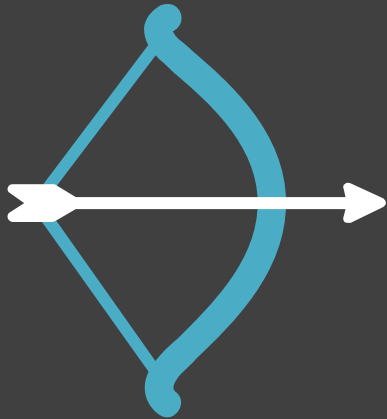
## Seamless lifetime care



- Thick linkages (within and without the health system)
- Clinical team ethos
- Proper incentives
- Preventative health
- Data
- Accountability
- Time and money

## > The essential ingredients of integrated care ...

### Dynamic efficiency



- Innovation
- Learning & diffusion

## **Outcomes**



- **Better Health**
- **Quality of lives**
- **Patient empowerment**
- **More efficient health system**
- **Potential savings**
- **Broader economic benefits**

## ➤ The scope for policy reform

- Evidence-based technological developments in health produce dividends
- Preventative strategies have a lot of scope
- Fill gaps in under-provision
- A patient-centred integrated health system produces better outcomes inside and outside the healthcare system
- Improve labour market involvement of people with disabilities

## ➤ A broad policy perspective

- Productivity matters to the health industry
- Health matters for economy-wide productivity
- Think broadly not narrowly