

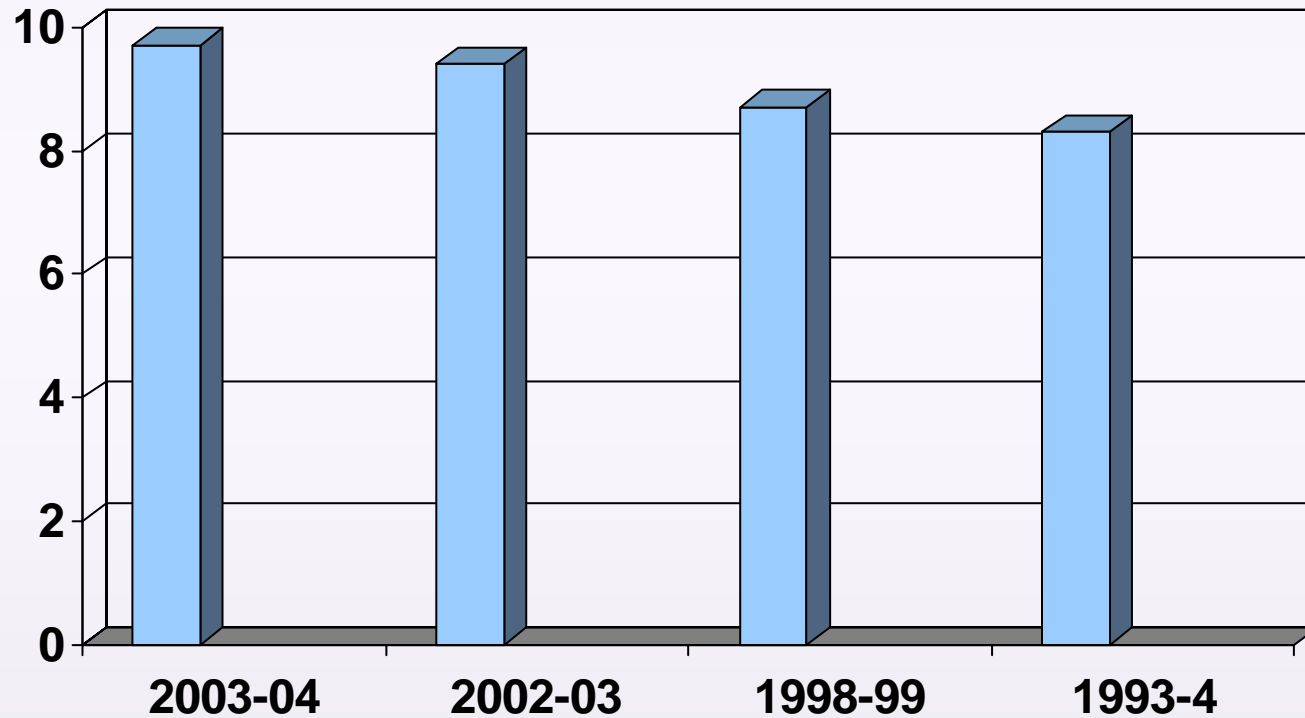
Health as a growing sector of the economy

Australia's Health 2006
21 June 2006

Jane Hall

Health care spending is up!

Health as %GDP



Good news or bad news?

The current level of health care spending is -

- Too high?
- About right?
- Too low?

Health sector contribution to the economy

- Adds \$78.5b to the economy
- Provides over 700,000 jobs
- Continues to grow strongly
- Exploits new technology
- Mostly people feel good about health care

What Australian health care delivers

- Healthy long life
- Reasonable cost
- Universal coverage
- Pro-poor utilisation
- Option value
- Altruistic value

Health care sector drain on the economy

- Takes \$78.5band 700,000 workers
- Predicted to be 15% GDP by mid-century
- Private spending increasing faster than other household budget items
- Increasing proportion of government expenditure
- 8 out of 10 Australians dissatisfied with the system

Health systems – victims of success

- Advances in technology
 - *Not for the good that it will do
But that nothing may be left undone
On the margin of the impossible (TS Eliot)*
- Developments in funding
 - *Universal and affordable access to high quality medical, hospital and pharmaceutical services (Dept Health & Ageing)*

Value for money – the key issue

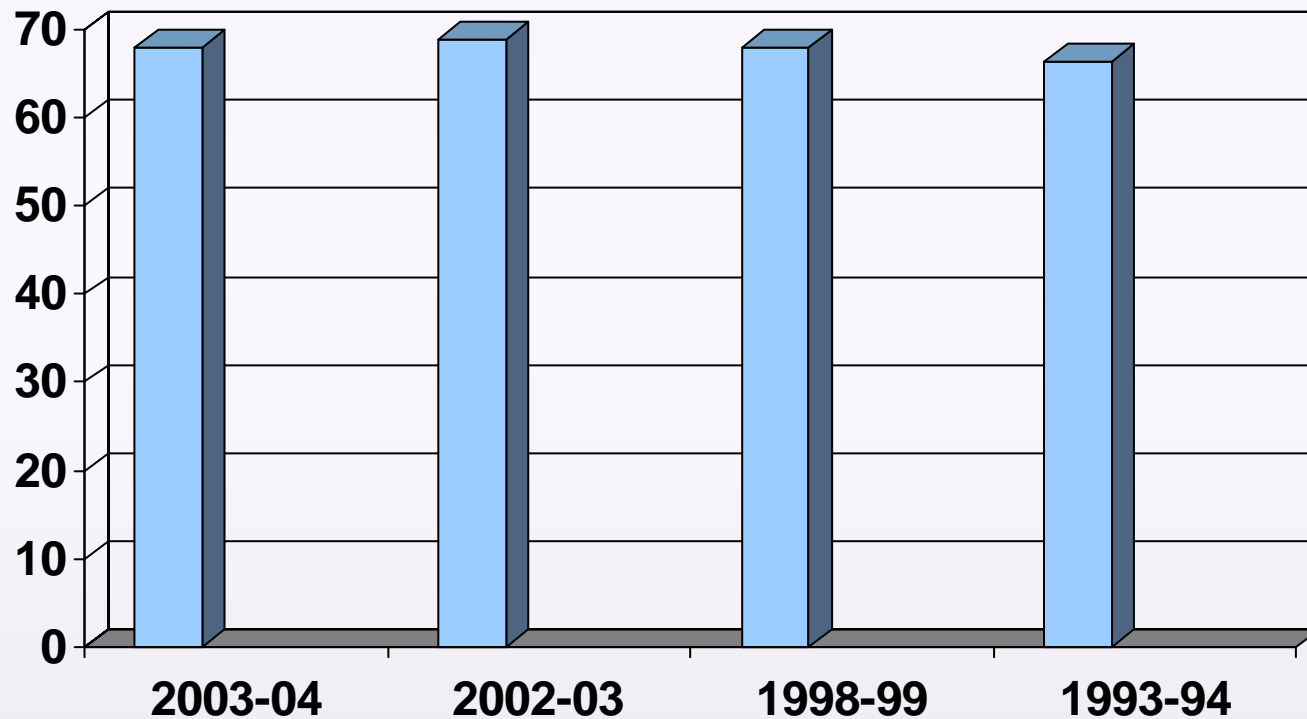
- *Advances in medical technology can induce increased spending – the critical issue is whether increased spending brings benefits that exceed the additional costs (Productivity Commission)*
- *Policy-makers worldwide are on a quest to control national spending for health care and to enhance the value of whatever is being spent on health care (Reinhardt)*

Other news on health care spending

- Public/private shares of funding
- Spending by sector

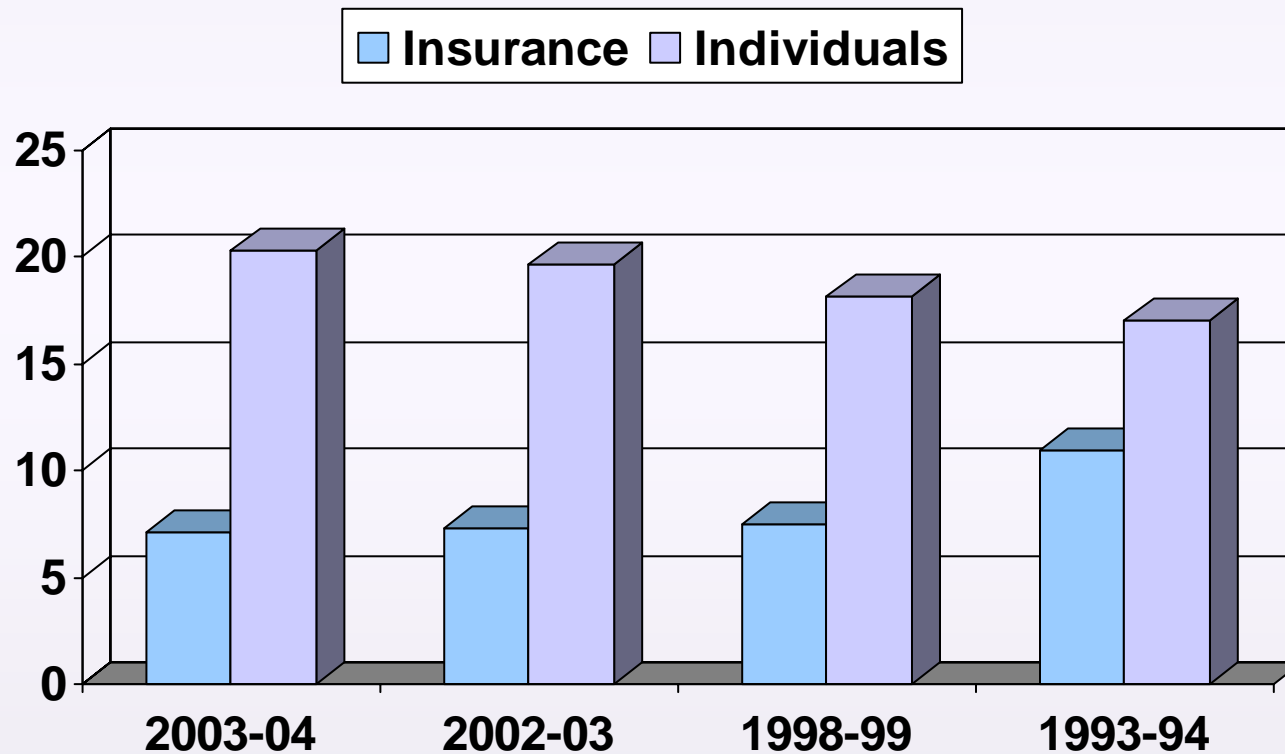
Government share stable

Government share of health funding



Individuals share increasing

Private share of health funding

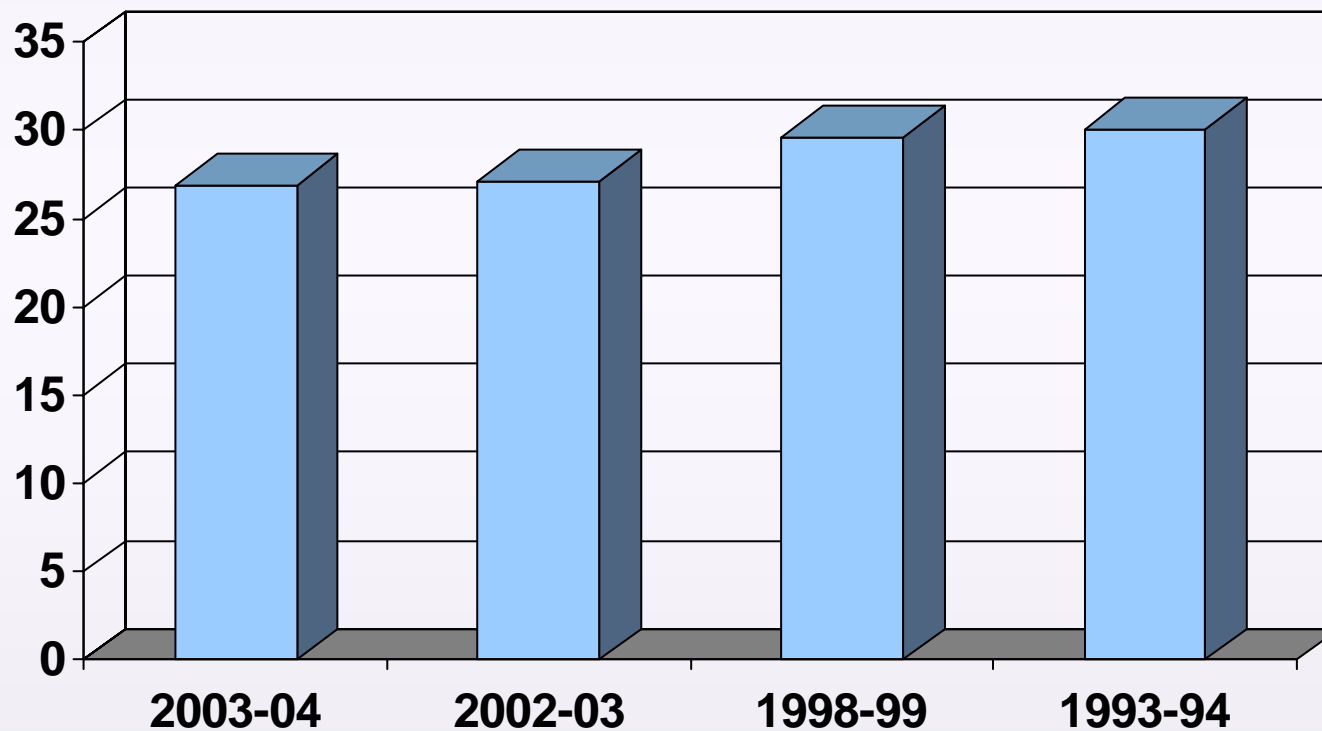


Role of private insurance

- Supplementary
- Only 7% of total funding
- Major policy focus

Public hospital share falling

Public hospital share of health spending



Pressures for health reform

- Australian Government takes all
- Budget holding
- Competitive insurance

Who determines what is spent on health care and how

- Interplay of providers, consumers, patients, funders ...
- Agents respond to incentives
- But not all the same way
- Change incentives or constraints and behaviour changes

Ill considered reform is bad for your health

- Rand study on co-payments (Manning et al, 1987)
- Nursing levels and adverse events (Aitken et al 2002)
- Competition and quality in the NHS (Propper et al, 2004)

As a result ...

- *One area in which there is much opinion but often poor analysis and evidence is health care reform. Reform and research seldom march arm in arm. The challenge for researchers is to slow the rush of politicians' enthusiasms. (Maynard)*

Acknowledgements

- All data from AIHW