

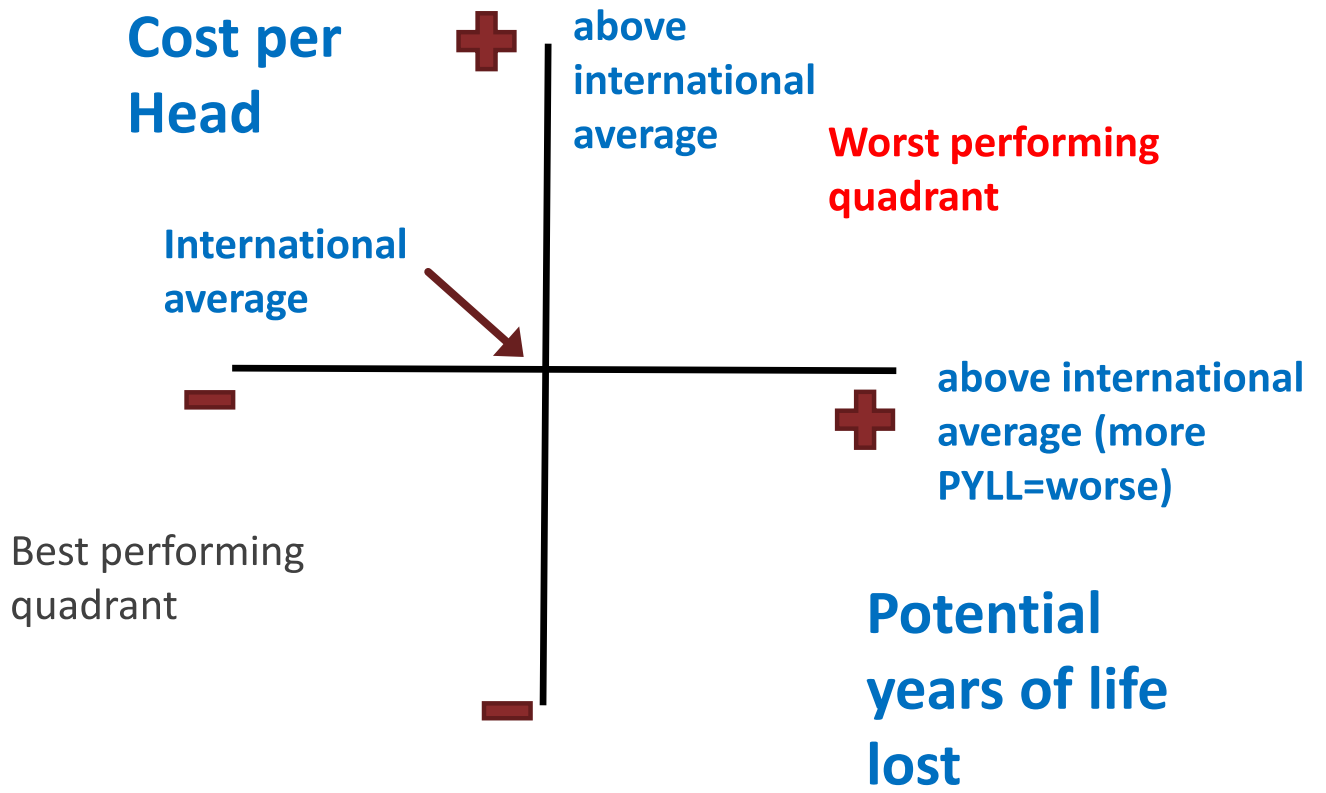
Australia: a directionless system that somehow got its act(s) together

Stephen Duckett

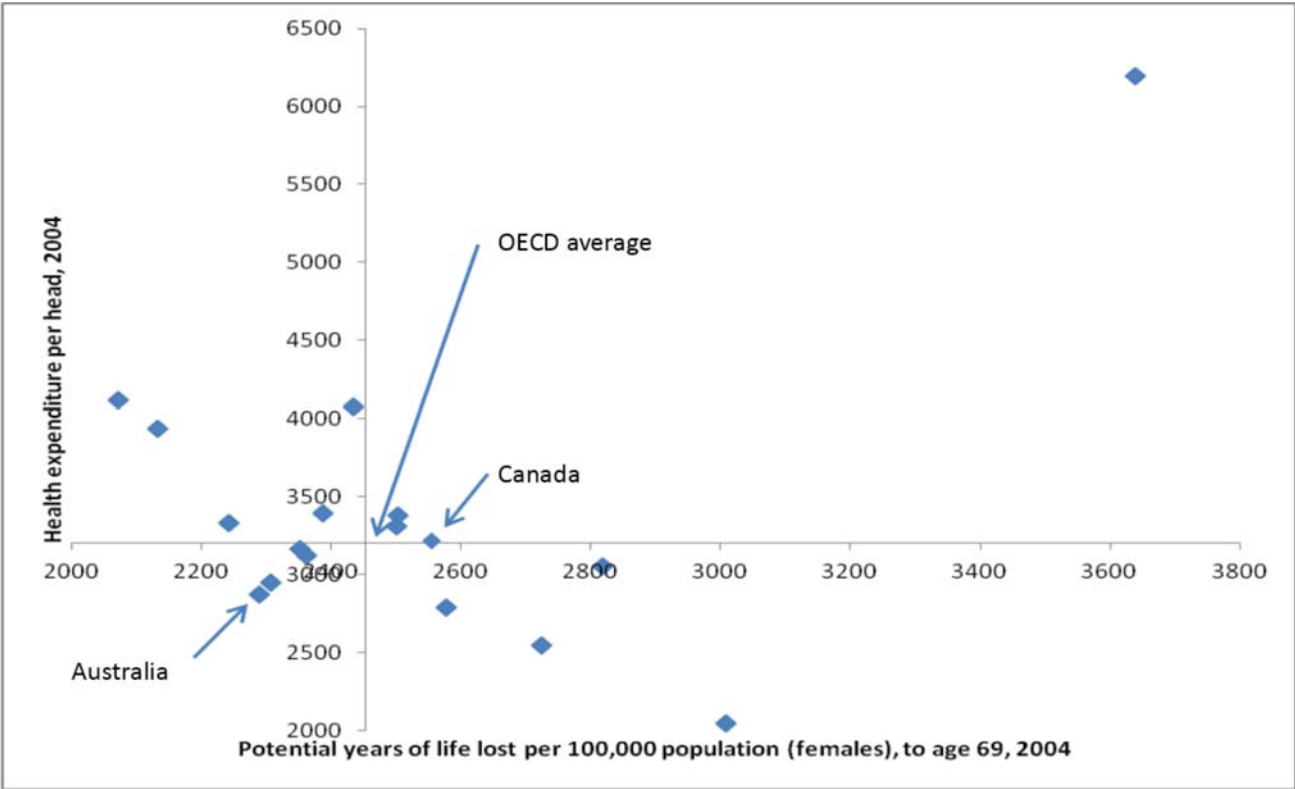
Presentation to conference on

Bending the cost curve in health care

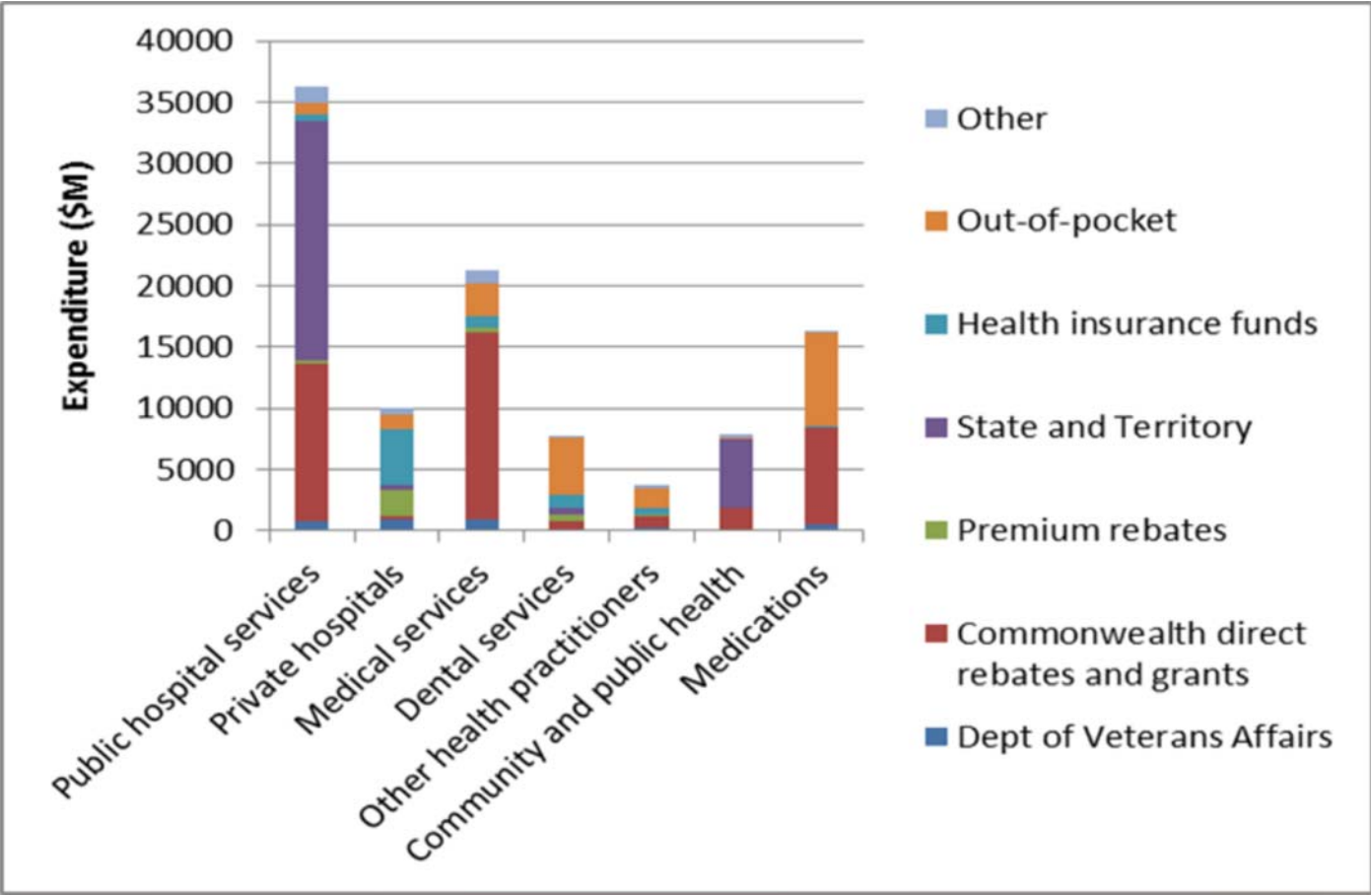
Saskatoon, SK: 27 September 2012



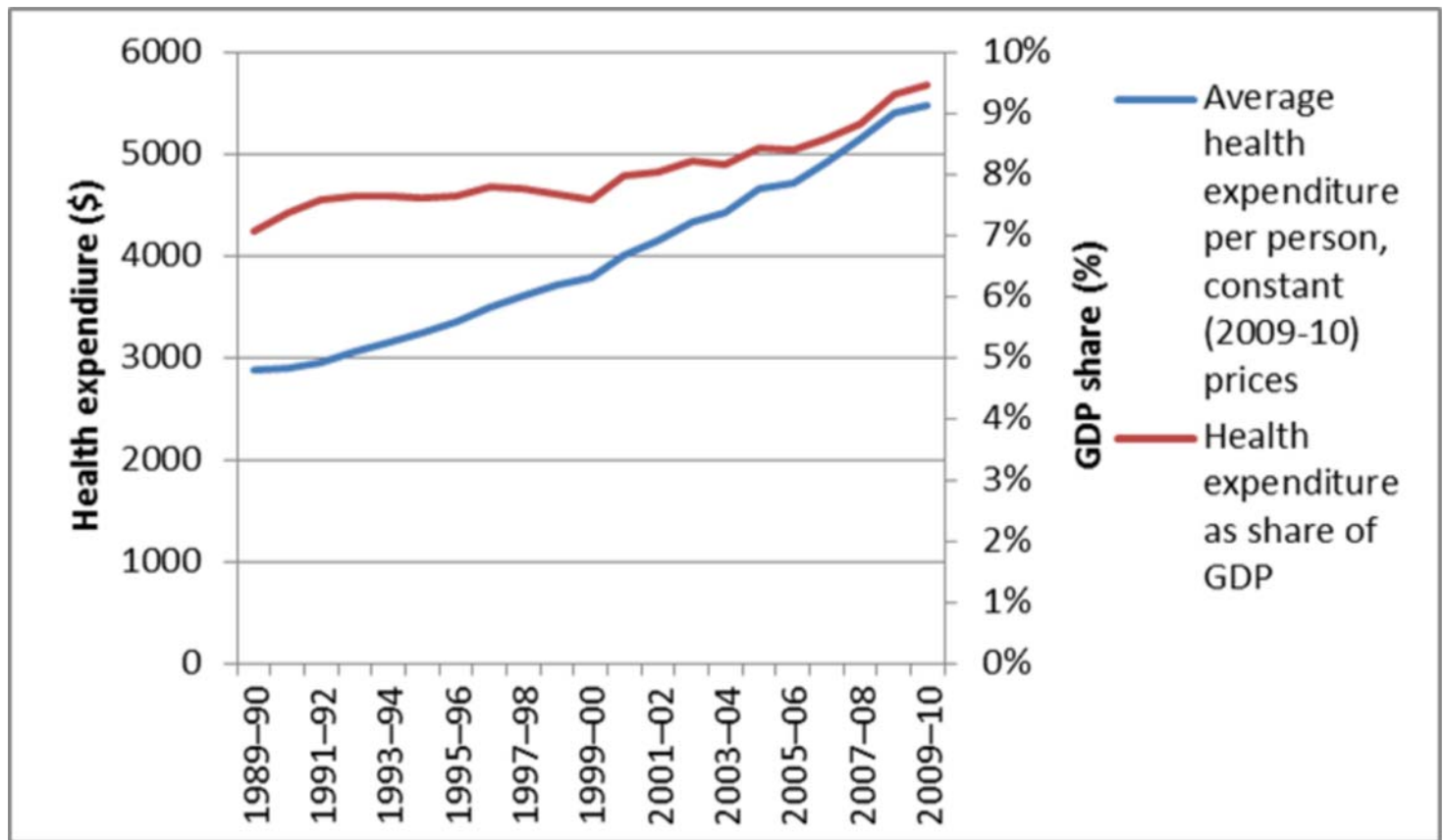
Australia is in the good quadrant



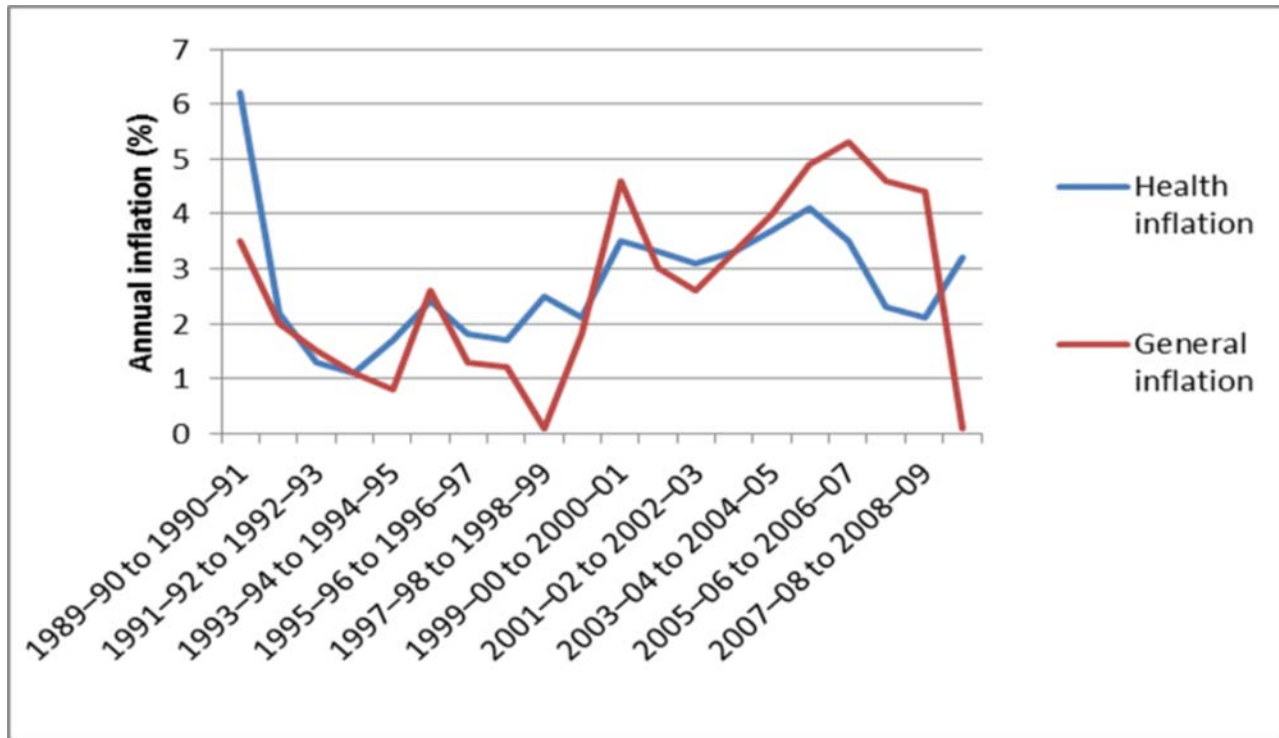
Health care is shared responsibility: Commonwealth and state governments focus on different things



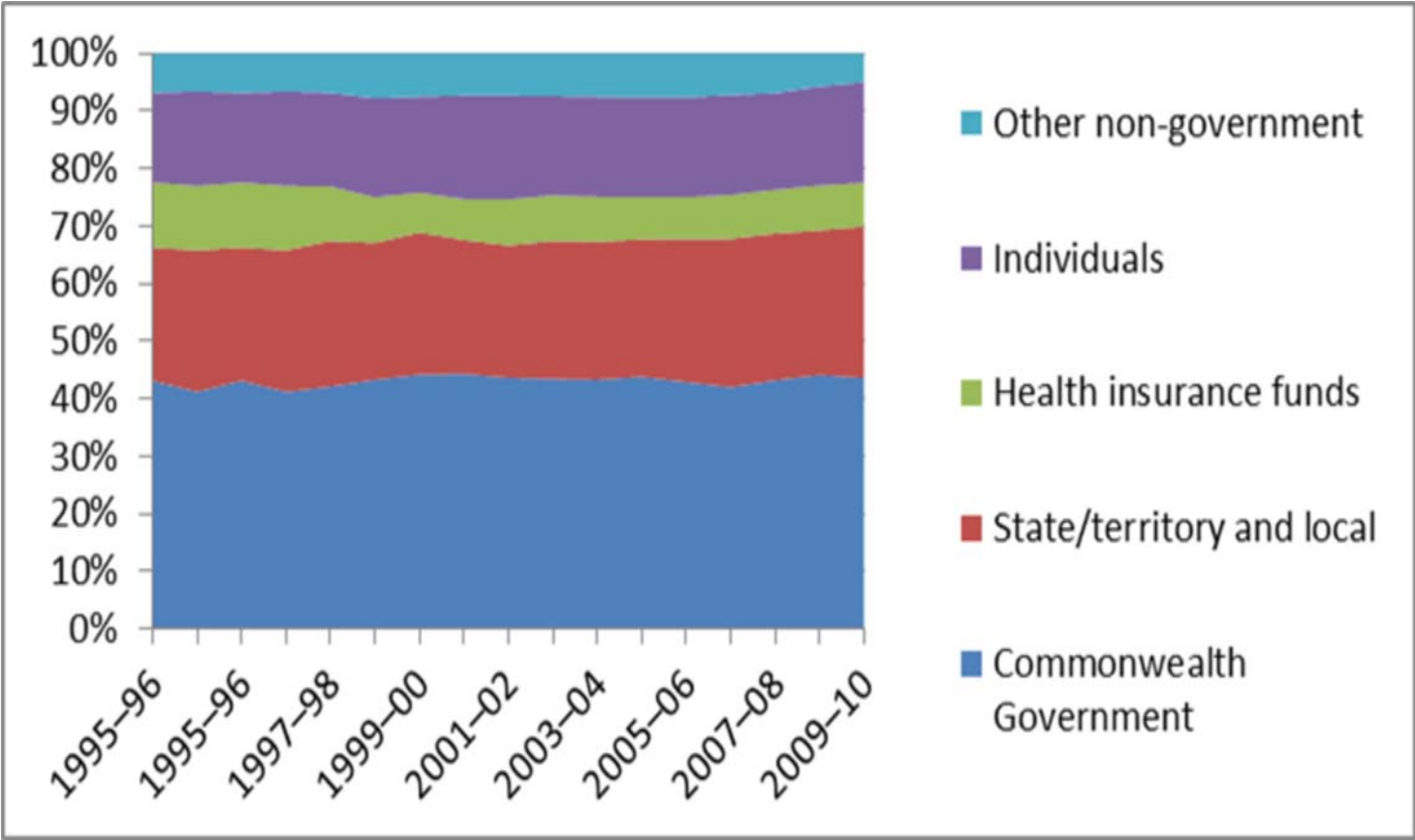
Initially stable, health care now increasing as GDP share



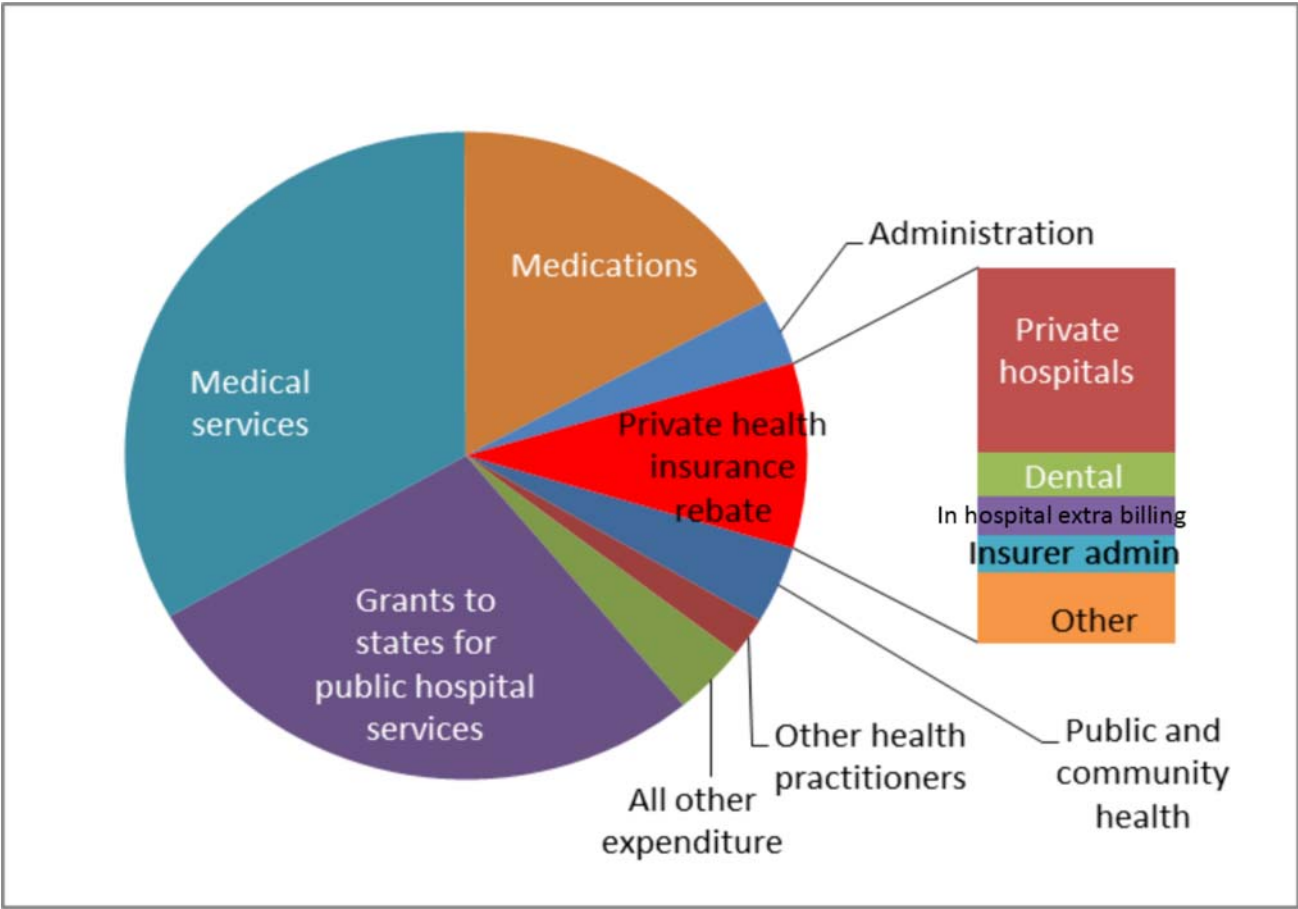
The problem is not inflation (Ps)



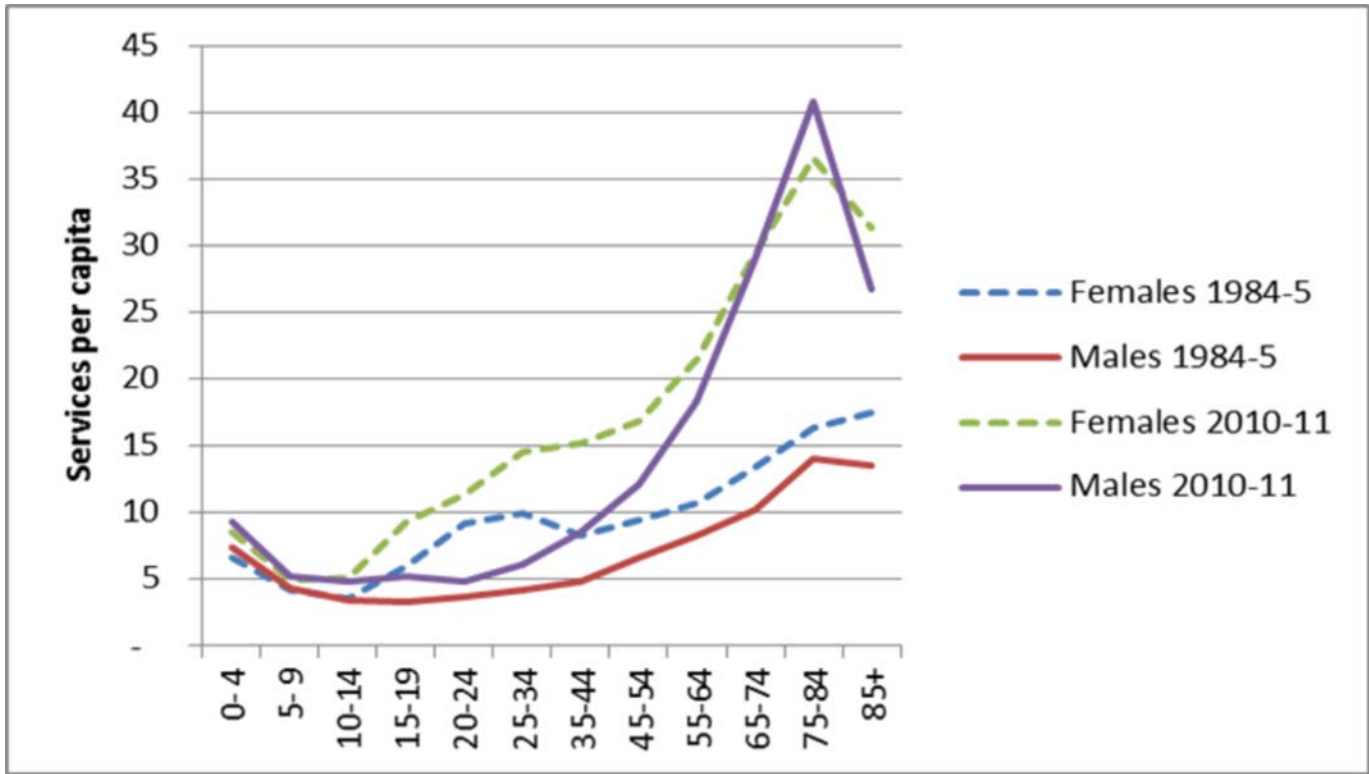
Australia has a relatively large share of expenditure met by out-of-pockets



90% of Commonwealth government expenditure on four functions



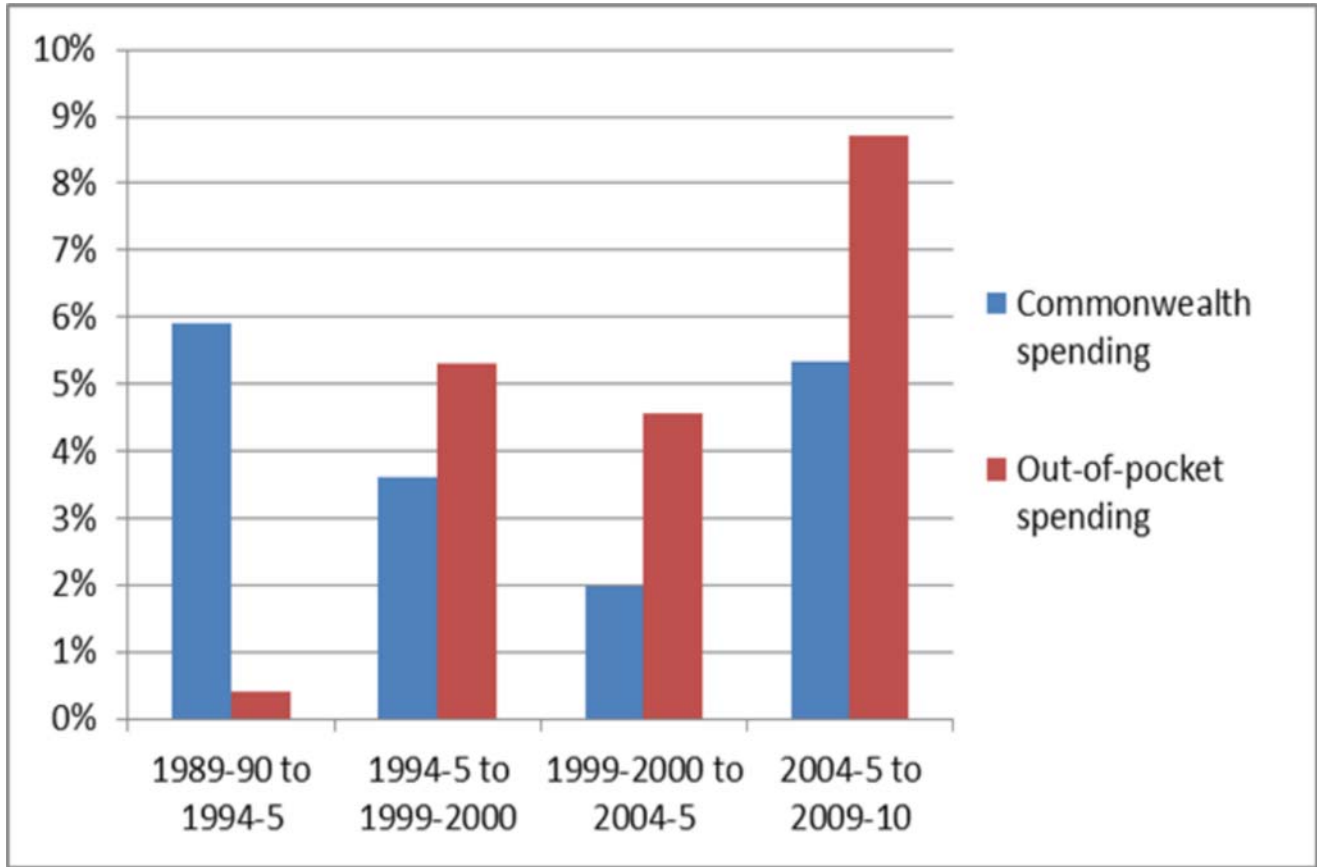
OK on the Ps, but mind the Qs



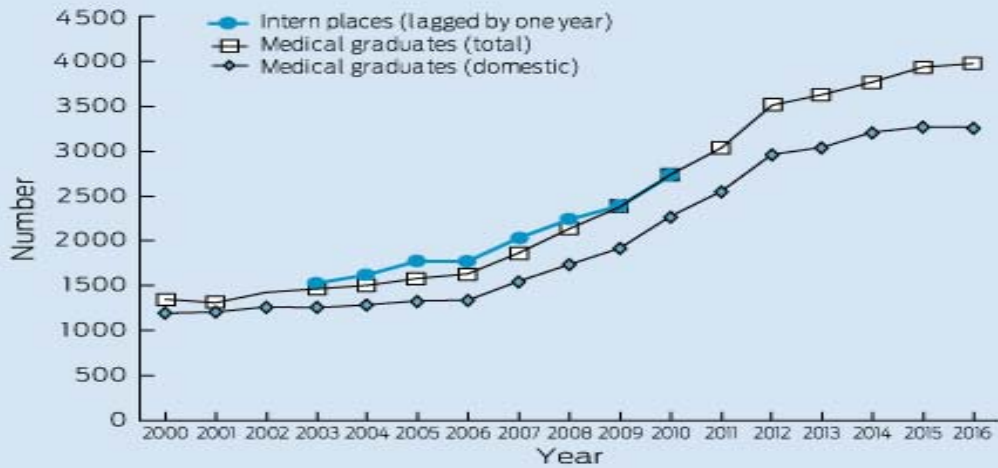
Targets of medical services cost control

	Demand side	Supply side
Price	<ul style="list-style-type: none">• Use of price signals on consumers	<ul style="list-style-type: none">• Control of rebates to medical practitioners• Control of total outlays (e.g. lab)
Volume	<ul style="list-style-type: none">• Control of new items on fee schedule• Primary care reform	<ul style="list-style-type: none">• Control of number of medical practitioners

Out-of-pockets and government spending have both gone up

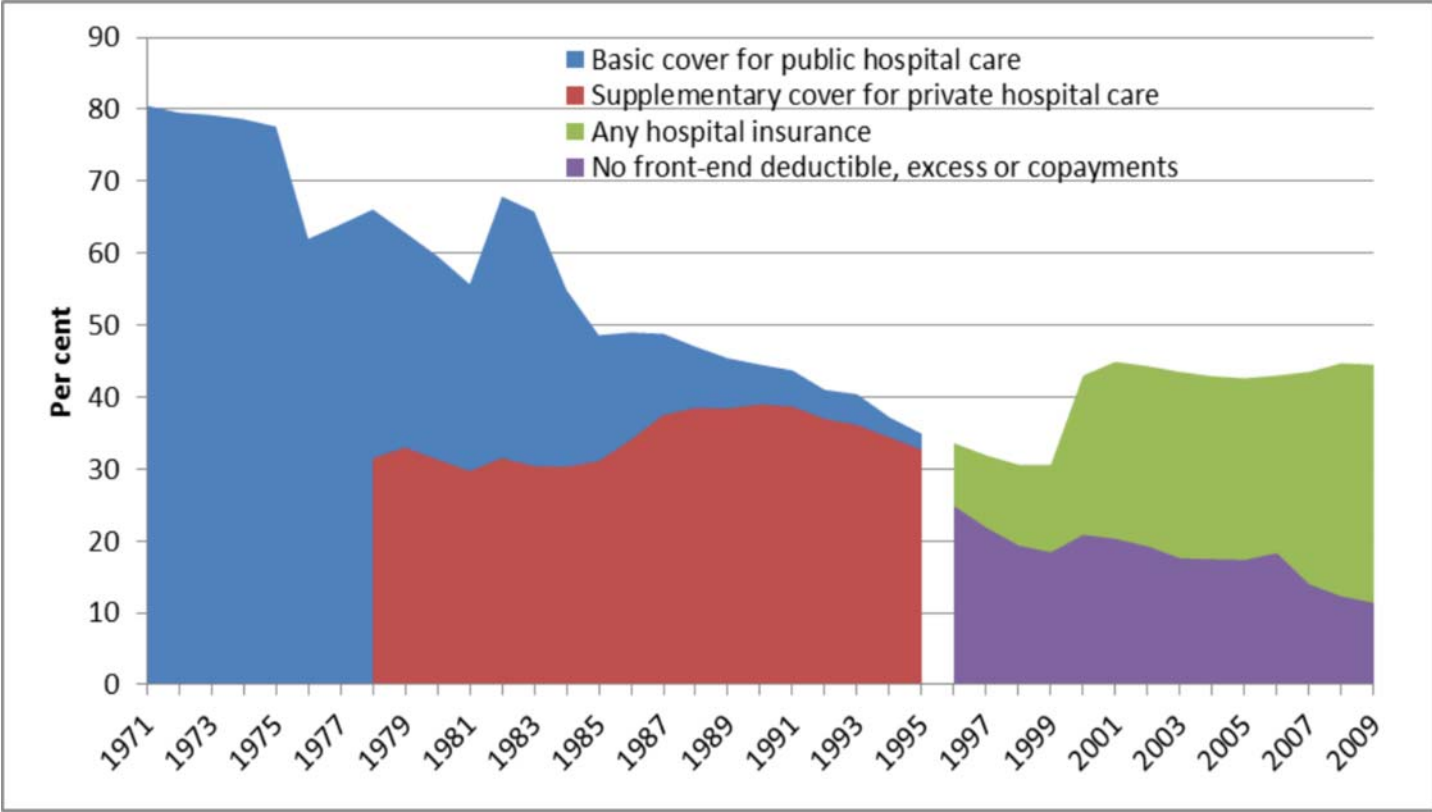


Domestic medical graduations were stable, but will double between 2006 and 2016



Source: Joyce, C. (2012). "The medical workforce in 2025: what's in the numbers?" *Medical Journal of Australia* 2(Supplement 1): 6-9.

Coverage of private health insurance is a big issue in Australia (especially with Liberal (aka conservative) Party)



Carrots and sticks to encourage private health insurance

	No change	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or less	\$84,001 - 97,000	\$97,001 - 130,000	\$130,001 +
Families	\$168,000 or less	\$168,001 - 194,000	\$194,001 - 260,000	\$260,001 +
Private health insurance rebate				
Contributor aged under 65	30%	20%	10%	0%
65 - 69	35%	25%	15%	0%
70+	40%	30%	20%	0%
Medicare Levy Surcharge (tax penalty for those without private health insurance)				
All ages	0.0%	1.0%	1.25%	1.5%

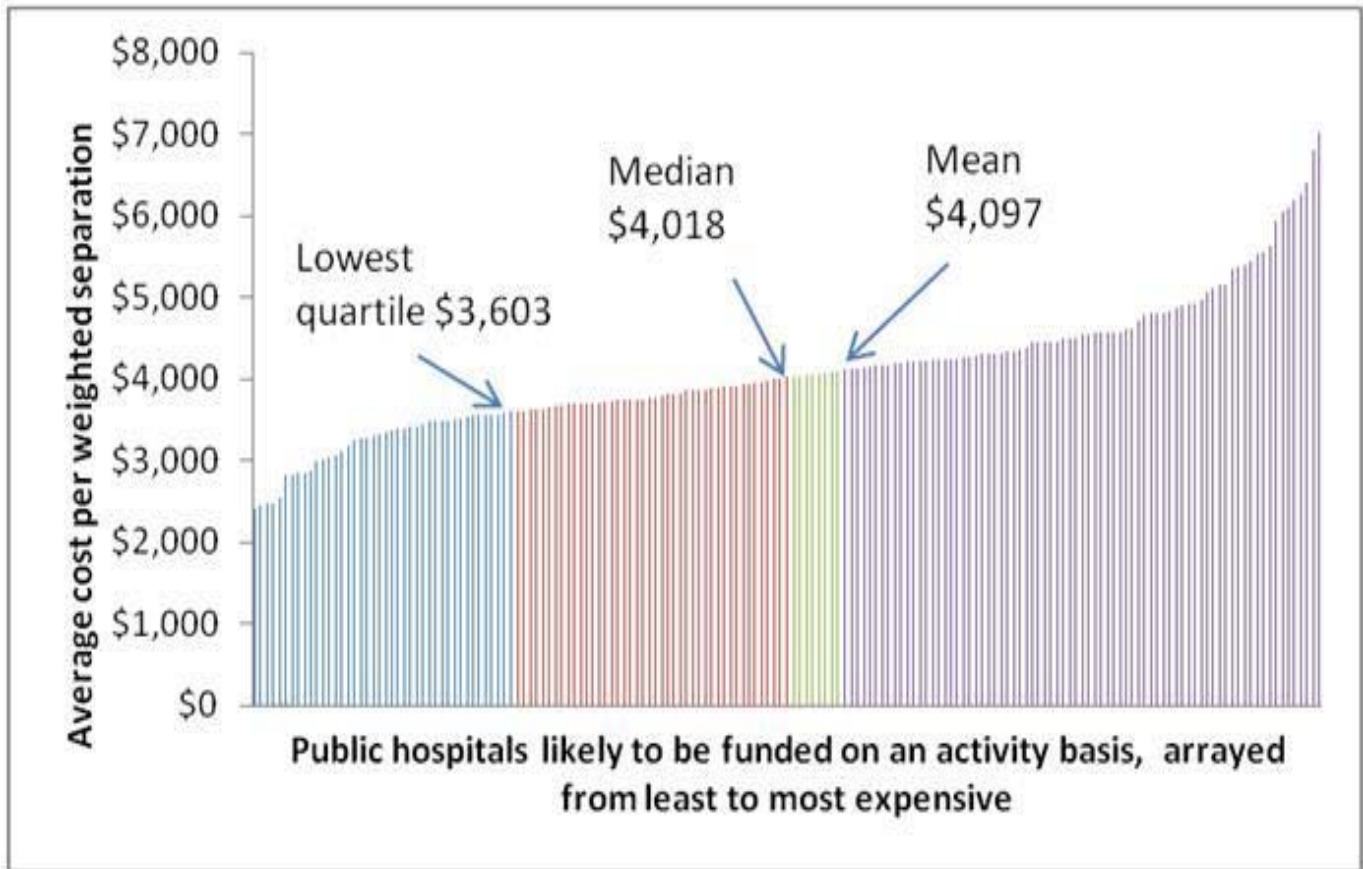
Targets of medication cost control

	Demand side	Supply side
Price	<ul style="list-style-type: none">• Patient co-payments• Encourage prescription of generic (non-brand name) drugs	<ul style="list-style-type: none">• Negotiate prices based on lowest in other countries• Negotiate 'risk-sharing' arrangements with suppliers: as volume increases, price declines
Volume	<ul style="list-style-type: none">• Prior approval scheme	<ul style="list-style-type: none">• Limit inclusion on the approval list (including through use of cost-effectiveness analysis)• Provide education program to pharmacists, doctors

State government strategies

- Mostly about hospitals
- Fiddling with structures
 - Regionalization (other than SA and Victoria)
- Local service redesign initiatives
 - NSW, SA
 - National Demonstration Hospitals Program
- Activity Based funding
 - SA (since 1994) and Victoria (since 1993)
 - Now national phase-in

Variation in public hospital costs, 2008/09



Thank you

- Australia has controlled health inflation
- Costs still rise because of demographic factors and changes in practice patterns (more services per patient).
- Multiple strategies are pursued, by multiple players, across multiple sectors.
 - including targeting price and volume, acting on demand and supply.
- Australian pragmatism: there's no ideological obsession with either demand or supply side strategies, and price incentives have a recognised, but somewhat managed, place