

*Progress towards reform
August 2018*

Reimagining Healthcare in Australia

Budget 2018 – Progress
towards reform



Reimagining healthcare: Clear signals to drive system-wide health reform

We believe that Australia has one of the best health systems in the world. But, the challenge facing healthcare systems today are monumental. As people live longer and incidence of non-communicable diseases increases, so does the cost for governments. Customer expectations of health are also changing, shaped by seamless, digital experiences in other sectors.

New pathways are needed to deliver sustainable universal access to affordable and quality healthcare. The health of a population is key to economic productivity and well-being, and the health sector has the potential to be an important contributor to the economy both domestically and in Asia. A “whole-of-government” approach and multi-sectoral partnerships are required to address social determinants of health and promote prevention, facilitate delivery of patient-centric services with more care in the community, develop the workforce and adopt innovative outcome-based financing.

Reforming Australia’s health and care system requires a system-wide approach utilising seven key focus areas to drive reform:

- 1. Consumer empowerment*
- 2. Keeping people healthy*
- 3. Right care, place and time*
- 4. Innovation, digital & analytics*
- 5. Workforce of the future*
- 6. Outcomes based funding*
- 7. Collaboration*

This paper looks at each of these areas and assesses the extent of the progress, based on the recently announced 2018 Federal budget. We also present our point of view on what more needs to be done. When all the announcements in the budget are taken together, our view is that there are clear signals in this budget that health reform is underway. Of course, more needs to be done to really transform what is currently an unsustainable model to meet our future health and care needs. But the path is clear and the progress is clear.

We have reviewed the 2018 budget announcements against the seven PwC reform focus areas, and for each reform element, described the budget announcements and also considered what more needs to be done. We have summarised our perspectives in the following table.



Reimagining Healthcare

Seven focus areas for leaders

Consumer empowerment

Example of 2018 budget progress:

- Child immunisation education campaign

What more needs to be done?

- Use health data to inform consumers on safety and quality

Critical reform questions:

- When will Australians be able to access and use health data to make informed choices?



Keeping people healthy

Example of 2018 budget progress:

- Mental health: million minds research mission and supporting a range of programs
- Vaccinations: Whooping cough and Meningococcal
- Sporting schools program

What more needs to be done?

- Implement a national obesity agenda
- Strengthen the role of the private health insurance in prevention

Critical reform questions:

- When will we challenge ourselves to take on chronic disease; beginning with addressing key preventative measures – healthy eating, regular exercise and addressing social determinants of health, like housing and education?



Right care, place and time

Example of 2018 budget progress:

- Release of more home care packages
- Expanding dialysis access
- Improving health outcomes for Indigenous Australians (vision, hearing, skin conditions)

What more needs to be done?

- Reform MBS and PBS
- Continue to innovate and scale up proven models of care, focusing on out-of-hospital/community programs

Critical reform questions:

- When will we push to take a pathway-based approach to linking up out of hospital and community-based care?



Innovation, digital & analytics

Example of 2018 budget progress:

- Genomics Health futures mission

What more needs to be done?

- Realise the potential from the substantial investment in My Health Record

Critical reform questions:

- How can the My Health Record investment be now realised in benefits to Australians, through providing transparency and insights, “in the users hands”?



Workforce of the future

Example of 2018 budget progress:

- Stronger rural health strategy, with substantial announcements in teaching, training, recruitment and retention

What more needs to be done?

- Ensure clinicians are enabled to work at the top of scope of practice
- Strengthen leadership capability and capacity in health and aged care
- Consider how to best develop the workforce of the future, complemented by AI and robots

Critical reform questions:

- What changes should we make in education and promoting innovation to meet future workforce needs?



Outcomes based funding

Example of 2018 budget progress:

- Provision for new medicines that must show clear evidence, outcomes and benefits before being approved to be listed on the PBS

What more needs to be done?

- Implement the MBS review findings
- Explore new models of care with a strong outcomes focus e.g. Healthcare homes pilot

Critical reform questions:

- How can Australia now accelerate its progress on outcomes-based funding to really drive reform?



Collaboration

Example of 2018 budget progress:

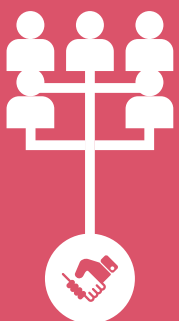
- Public hospital funding reform: 6 of 8 States and Territories have signed
- Aligned reform agenda across the Commonwealth

What more needs to be done?

- Garner full state and territory support of hospital reform
- Broaden collaboration to include private sector and private health insurance

Critical reform questions:

- How can we collaborate to reform the health system, in spite of the complex state/federal/public/private funding and provision of healthcare?



1 Consumer empowerment

Consumer empowerment

Example of 2018 budget progress:

- Child immunisation education campaign

What more needs to be done?

- Use health data to inform consumers on safety and quality

Critical reform questions:

- When will Australians be able to access and use health data to make informed choices?



How the 2018 Budget has supported this theme:

- **Awareness and Transparency for the Consumer:** Initiatives were announced to improve consumer awareness, education and transparency, making it easier for people to make informed decisions about their health and wellbeing.
- For example, the **Child Immunisation Education Campaign**. This campaign will address vaccine misinformation, increase activity in areas of low immunisation rates and promote vaccination for Aboriginal and Torres Strait Islander children.
- There is funding for a similar campaign to **promote healthy pregnancy**, plus the investment to improve the **My Aged Care website** to make it more user friendly with the development of an interactive online check designed for people aged 45 and 65 to support and encourage informed decision making and earlier preparation for healthy ageing. These campaigns and online checks are examples of measures to increase awareness and community engagement in health and wellbeing.
- Supporting and enabling people to make sound and informed decisions about their health and wellbeing is a key element of improving health outcomes and reducing health system costs.

- Ministerial advisory committee on out of pocket costs. This committee was established in early 2018. It will be important to implement the recommendations of this committee to address the large and sometimes unanticipated out of pocket material fees that some patients face. Customers must be better informed before agreeing to treatment.

What more needs to be done:

- **Using health data to drive greater transparency:** Over the coming years there will be a dramatic increase in the volume and quality of health data. For example, in January, the My Health Record will transition from “opt in” to “opt out” – resulting in the generation of millions of health records. The government has a responsibility to protect this data and maintain the community’s trust. However, there is a significant trade-off between privacy and transparency.
- Other countries are doing more to make their health systems transparent and accountable to the public. Transparency in out-of-pocket costs as a first step, with a further step linking to outcomes. Examples would include publishing or making available online, performance data around health providers and facilities.
- An example of this was the \$5 million to develop a **national digital immunisation platform** to replace hard copy records, giving parents the ability to access their child’s health information anytime, anywhere, including vaccination details. It is this concept, on a much bigger scale, that is needed.

2 Keeping people healthy

Keeping people healthy

Example of 2018 budget progress:

- Mental health: million minds research mission and supporting a range of programs
- Vaccinations: Whooping cough and Meningococcal
- Sporting schools program

What more needs to be done?

- Implement a national obesity agenda
- Strengthen role of private health insurance in prevention

Critical reform questions:

- When will we challenge ourselves to take on chronic disease; beginning with addressing key preventative measures – healthy eating, regular exercise and addressing social determinants of health, like housing and education?



How the 2018 Budget has supported this theme:

- **Mental Health:** The government announced a range of mental health initiatives. There was additional funding that supports and strengthens existing programs; BeyondBlue's Way back program and strengthening the Lifeline program.
- In addition, significant funding was allocated specifically to **suicide prevention**. A new Million minds mental health research mission will invest \$125m over 10 years into diagnosis, treatment and research into clinical trials. Mental health is the chronic disease challenge of our times – and focused funding to expand programs that are working and supporting more research and clinical trials are aligned to the keeping people healthy theme.
- **Health and Well-being:** Good health and wellbeing starts in early childhood and at primary school. Education can play a key role in increasing health and wellbeing, through programs delivered in schools.

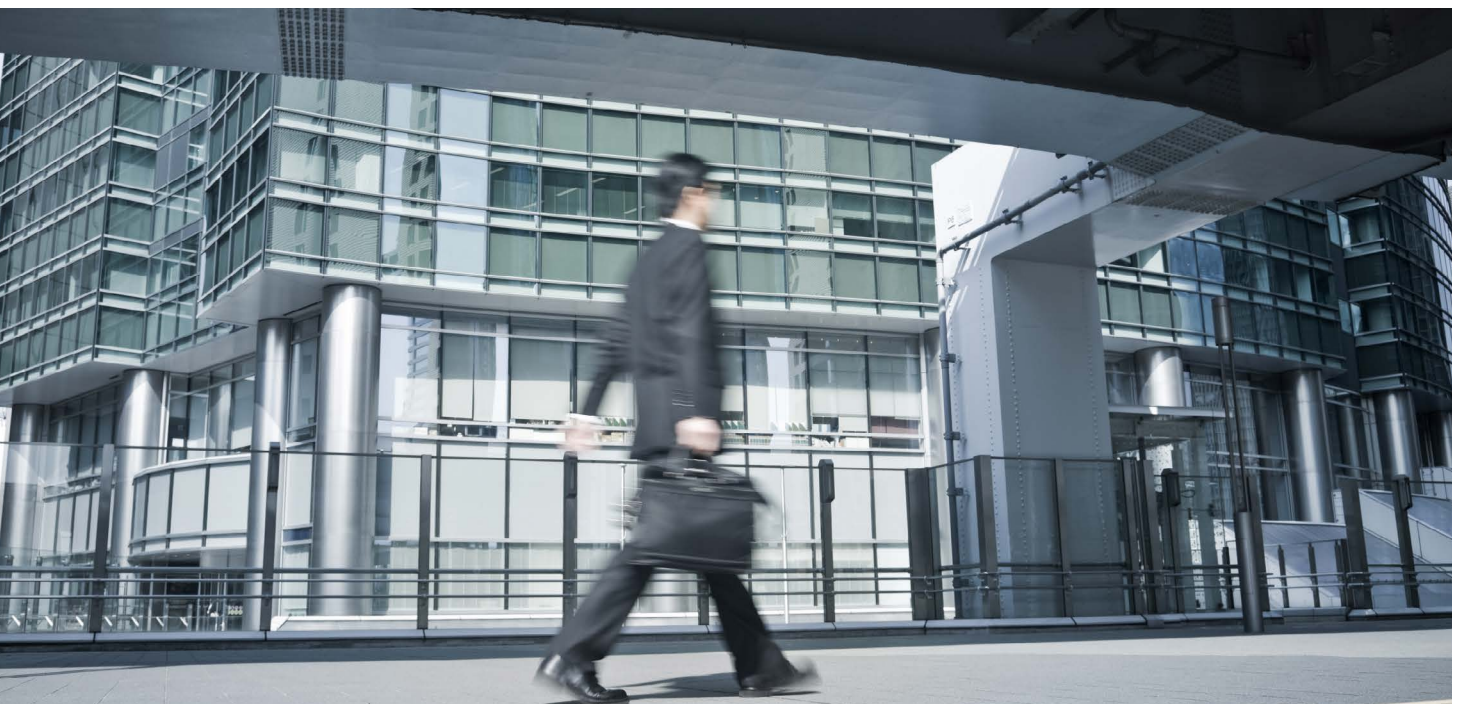
Previous PwC research found that for every \$1 invested in workplace mental health initiatives \$2.30 was returned as benefits. It is reasonable to believe that the proposed investment in mental health will return significant community benefit. We are pleased to see a real focus in the role of sport and physical education in schools being supported in this budget. For example, the Sporting Schools program and the Good Sports program.

- **The Sporting Schools Program** provides opportunities for children to participate in sport, reducing the demand and cost on parents, and helps build a more active culture in Australia. This measure will expand delivery to 500 secondary schools (up from 300), while continuing to provide funding for 5,200 primary schools each year. Funding for secondary schools will continue to focus on girls aged 12–14, and prioritise schools where there is evidence of disadvantaged or large groups of inactive students.

- In addition to these programs, the budget will also **support a range of programs designed to keep people healthy**, prevent injury and accidents and to test/screen for health issues. Specifically, infant and maternal child health programs, research into injury prevention and water and snow safety programs, and support for new tests: 3D breast screening, prostate cancer diagnosis scans.
- **Vaccination:** Support for new vaccines to prevent serious diseases. The Government will invest \$39.5 million to extend the pertussis (whooping cough) vaccine to pregnant women, which will provide newborns with protection against whooping cough ahead of their first vaccination. Nimenrix®, to protect against meningococcal serogroups A, C, W and Y has also been listed under the PBS.
- These vaccines are literally life-saving; if you are reading this, for your children's sake and the community, please vaccinate!

What more needs to be done:

- Prevention is such a critical lever for reducing longer-term health system costs and for improving health outcomes. This is an area where we believe more needs to be done. It is said “you cannot put a ribbon on something that doesn't happen”-but, reducing chronic disease incidence and disease progression is critical.
- **Adopt a national obesity agenda:** Without intervention, the modelling is worrying on the number of Australians are/will become overweight/obese, as is the cost burden of obesity on the Australian tax-payer. The sporting schools program goes some way, but we need to enable adults to be more active and reduce calorie intake. **PwC's recent research on Obesity**, indicates that if no further action is taken to curb the growth in obesity, there will be a total of \$88b in additional direct and indirect costs to Australia accumulated across the 10 years to 2025. We know the interventions that make sense, from both an individual health perspective and a long term cost viewpoint. We believe that a national obesity agenda is critical. It will take focus on a number of interventions – it is just not as simple as putting a tax on sugar.
- **Health Care Homes:** No specific mention of this or on specific support for **chronic diseases**, like obesity. We believe that the health care home concept has potential – but the rollout and information on the program must progress at a pace to make an impact on keeping people healthy.
- **Private Health Insurance:** The budget did not specifically call out Private Health Insurance, after the raft of measures that were announced last year (for more specifics on these announcements, please see the PwC paper on **Private Health Insurance: Progress Towards Reform**. We believe that private health insurers can take a more active role in keeping people healthy, by working together with the government to identify prevention programs that work and to subsidise/make these programs available as part of PHI membership.



3 Right care, place and time

Right care, place and time

Example of 2018 budget progress:

- Release of more home care packages
- Expanding dialysis access
- Improving health outcomes for Indigenous Australians (vision, hearing, skin conditions)

What more needs to be done?

- Reform MBS and PBS
- Continue to innovate and scale up proven models of care, focusing on out-of-hospital/community programs

Critical reform questions:

- When will we push to take a pathway-based approach to linking up out of hospital and community-based care?



How the 2018 Budget has supported this theme:

- **Home care packages:** more choices for a longer life. The government has announced increases in funding, including 14k additional high level packages.
- Close the gap on **Indigenous health.** The government introduced a range of programs to support Indigenous Australians with testing and earlier treatment for health problems that are largely treatable, like vision loss, hearing loss, skin problems. In addition, the government will support culturally safe aged care for Indigenous Australians. These measures are all excellent examples of providing the right care, in the community, and earlier – to prevent more significant problems later.
- **Dialysis access** for very remote areas and additional funding for the Royal Flying Doctors Service. Australia is a very large country and sparsely populated – making equitable access to health services especially challenging. Both these measures are addressing this key issue.

What more needs to be done:

- Trial **better joint working between health providers** to adopt a more integrated approach to securing health and wellbeing outcomes. Pilot the use of pooled funding and outcomes-based models to align incentives and promote shared care and accountabilities. Support these trials to address issues such as joint leadership, governance, funding, technology, commissioning and measurement.

Scale up proven models of care to ensure underpinned access and adoption. Mental health is a good example of a challenging health problem. The solution needs a more joined-up approach to develop better care and outcomes for the community; linking up the health services, health network, not forprofit organisations (like Beyond Blue, Lifeline, Sane), General Practitioners and community care to deliver a more cohesive and connected care pathway.

- More needs to be done on **aged care.** For example; fund an Innovation Accelerator to pilot new models of aged care at a local community level.
- Drive new and more **integrated health care pathways** and allow funders to be more creative. For example, private health insurers are restricted to the existing ‘in-hospital’ models of care. There is the opportunity to explore new care models that take an integrated and community care approach. For example, innovating with new models of care for mental health and rehabilitation, that offer out of hospital care pathways. Across Australia and New Zealand, organisations responsible for workcover/accident cover are already moving to outcome orientated fee structures that pay for a ‘return to health’/return to work outcome. These payment approaches send a message that the quality of the care that produces an outcome is what really matters, and encourages providers to innovate their models of care.

4 Innovation, digital & analytics

Innovation, digital & analytics

Example of 2018 budget progress:

- \$1.3B committed to medical research, through the MRFF (Medical Research Future Fund)
- Genomics Health futures mission

What more needs to be done?

- Realise the potential from the substantial investment in My Health Record

Critical reform questions:

- How can the My Health Record investment be now realised in benefits to Australians, through providing transparency and insights, “in the users hands”?



How the 2018 Budget has supported this theme:

- **Medical Research Future Fund:** Genomic health futures mission. Key elements of this program include; \$500 million of funding over 10 years to help save or transform the lives of more than 200,000 Australians through research into better testing, diagnosis and treatment. The data and analytics aspects of this program include new clinical trials and technology applications allowing Australian patients to benefit from the latest medical research and analytical power backed by national standards and protocols that ensure secure data holdings, access, analysis and sharing to benefit Australians.

What more needs to be done:

- There were no new announcements in the budget about the My Health Record. The Record is moving to ‘opt-out’, meaning that many more Australians will now have a Health Record. It will be important to make this transition as smooth and transparent as possible in particular given the concerns on privacy, cyber security and operational impact. This would include further ongoing engagement with the sector, communicating the benefits to individuals, health practitioners and broader stakeholders, as well as additional legislative protections and allowing sufficient time and resources

to manage the transition (including making it easy for those who choose to opt out). With increasing rates of adoption, the next two challenges are interoperability and securing insights & transparency of information.

- **Interoperability:** it is critical that other health technology systems can share information with the My Health Record. There are many health systems in use today, in hospitals and primary care settings. The **interoperability, authentication and security requirements** are significant – so interoperability is a key requirement to enable the benefits to flow. This is a high priority for the Australian Digital Health Agency and must be progressed – so much depends on it.
- **Insights and Transparency:** With the My Health Record up and running, there will be an abundance of health data generated. **An integrated data hub for data analytics** is important to turn the health data into health insights to support decision making – thereby capturing the full value of the My Health Record investment. This data, the transparency and the insights it generates must be made available to the community – and it must be easy to access and digest, preferably on mobile devices. When this information is in the community’s hands, then the power of transparency, choice and control will be realised.

5 Workforce of the future

Workforce of the future

Example of 2018 budget progress:

- Stronger rural health strategy, with substantial announcements in teaching, training, recruitment and retention

What more needs to be done?

- Strengthen leadership capability and capacity in health and aged care
- Ensure clinicians are enabled to work at the top of scope of practice
- Consider how to best develop the workforce of the future, complemented by AI and robots

Critical reform questions:

- What changes should we make in education and promoting innovation to meet future workforce needs?



How the 2018 Budget has supported this theme:

- A focus on the health workforce was a major focus of this year's budget. There were several measures and programs announced as part of the **Stronger Rural Health strategy**. Key components included:
 - more Doctors for Rural Australia Program
 - teaching, training, recruitment and retention in regional/rural areas
 - the establishment of a national rural generalist pathway for junior doctors
 - a focus on the nursing workforce, including a plan to address possible workforce shortages, through workforce initiative programs
- These measures will support the equality of access for all Australians, irrespective of if they live in the city or in rural/regional areas. We must continue to ensure that access to good healthcare is possible across Australia – not just in our capital cities. These measure will support our health workforces across Australia and recognise their important role in our health system.

What more needs to be done:

- **Workforce of the future:** A recent PwC report highlighted the health workforce challenges that we face from an increasing and ageing population; by 2040, Australia will need an additional 120,000 nurses and over 400,000 aged care workers. This workforce will put additional challenges on the leadership capability and capacity to manage this workforce and to innovate in new models of care. We will need to invest in education and promoting innovation to meet future workforce needs.
- Ensure clinicians are enabled to work at the top of scope of practice and benefitting from new and **emerging thinking in Artificial Intelligence (AI) and Robotics**. Advances in these fields have the potential to improve both the effectiveness and the efficiency of our health system.
- **On effectiveness:** AI decision support tools can help clinicians to make diagnosis, or read and detect changes in scans.
- **On efficiency:** Service robots can move around a hospital, picking up and delivering laundry, consumables, delivering medications – and they can do this 24/7.
- Applications of AI and robotics are moving out of the labs and into our lives, and healthcare needs to trial and prepare for these advances which can deliver tangible benefits.

6 Outcome based funding

Outcomes based funding

Example of 2018 budget progress:

- Provision for new medicines that must show clear evidence, outcomes and benefits before being approved to be listed on the PBS

What more needs to be done?

- Implement the MBS review findings
- Explore new models of care with a strong outcomes focus e.g. Healthcare homes pilot

Critical reform questions:

- How can Australia now accelerate its progress on outcomes-based funding to really drive reform?



How the 2018 Budget has supported this theme:

- The strongest **outcomes-based funding model** we have at the moment is the **PBS** – with particular focus on the approval of new medicines. In the recent budget, the government made provisions for a number of new (and expensive) medicines; \$1.2 billion for new and amended listings on the PBS. New medicines have the potential to prevent the onset of serious disease as well as treat people more effectively. New medicines were approved to **treat cancers, rare diseases and other serious health issues**. This approvals process is the strongest example of outcomes based funding in our health system. New medicines are subject to stringent review – and must be able to show a clear evidence base of improved outcomes, over and above existing treatments before being approved.

What more needs to be done:

- **MBS and PBS reform.** Whilst “unfreezing” is an appropriate first step, the government should be urged on to reform the MBS system. The MBS system remains, in essence, a fee for service model. The evidence and outcomes of each of the MBS items is being reviewed. These recommendations should be rapidly implemented (in particular delisting treatment items that are deemed ineffective and investing more

in those that have clear benefits and outcomes), and pushing towards pathway-based payment models, where there is a clear path from diagnosis to wellbeing, enabling outcome-based payments.

- **Health Care Homes** is making some movement towards more capitated funding but other countries have gone further and faster. Activity based funding is not seen as a tool for securing long term health system value for money or affordability, and certainly does not promote a greater outcome focus.
- But there is much more to be done to really see significant reform on the funding and integration of healthcare. For example, the opportunity exists for the **PHNs to play a stronger and more active role** in hospital avoidance and readmissions. There is also the opportunity to trial some **joint, outcomes based commissioning pilots** for integrated care. These pilots would include key stakeholders, both federal and state government funds, PHNs and the Local Health Networks. This would be a real shift in the way that healthcare is both delivered and funded in Australia. It is vital that this work commences, so that we can reform. For more information on this topic and how Australia could push on with reforming health funding, please see the recent PwC paper Funding for Value.

7 Collaboration

Collaboration

Example of 2018 budget progress:

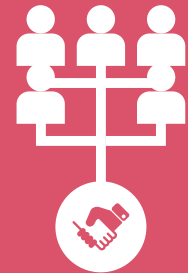
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What more needs to be done?

- Garner full state and territory support of hospital reform
- Broaden collaboration to include private sector and private health insurance

Critical reform questions:

- How can we collaborate to reform the health system, in spite of the complex state/federal/public/private funding and provision of healthcare?



How the 2018 Budget has supported this theme:

- For **public hospital funding**, the government announced that agreement has been reached between the **federal government and six of the eight states and territories**. This is a five-year national reform agreement. In addition, federal and state/territories have reached agreement on **key health reforms** with a joint federal and state collaboration. These are positive steps, given that health funding is a joint responsibility of both the federal government and the state/territory governments.

What more needs to be done:

- Obviously **signing up the remaining two states**, with Queensland and Victoria not signing up to the new agreement, which would start in 2020. One of the reasons is that there is existing tension and disagreements on payments in the existing agreement, which must be resolved. The amounts involved are significant, with hundreds of millions of dollars at stake.

- Get serious about a **national approach to health reform**. The reform agendas are a great start, but given the mixed funding model for health, which is a blend of public, private and out of pocket payments, all the health payers need to be more aligned to really push reform.
- We believe that **collaboration** is required not only at the **state and federal level**, but also to include the private health insurance sector and the private health providers. When new models of care are implemented, the cost of care (which will hopefully be reduced), can be shifted from one funding source to another (e.g. from hospital costs to care in the community costs).
- This cost-shifting needs to be recognised and accounted for to ensure that health payers and providers are willing and encouraged to **trial and implement new models of care**. For worked examples of new care models and the funding implications that demonstrate the importance of collaboration, see our recently published thinking on future care models.

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