

Business Spectator

INTERVIEW

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Treating the health system

Rohan Mead, CEO of health insurance provider Australian Unity, talks to Business Spectator's Isabelle Oderberg from the Future Summit 2009 to explain:

- ***With so many governments involved in health in Australia, the country must consider how it wants to structure its system***
- ***The government must consider whether they are making narrow budgetary decisions in terms of the overall health system and the coming challenges***
- ***Credible projections for the health system suggest it could require up to 20 per cent of GDP to fund it.***

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Isabelle Oderberg: You were involved in a session at the Future Summit on the state of the health system .What is your reaction to the federal budget in this context?

Rohan Mead: Well, my issue with the health system is that we are facing, as Australians, as part of the industrialised world, a very significant challenge as to how we continue to fund and develop our health system against our aging and sickening demographic. As our ill health increases as a nation in proportionate terms, as we age and also have other lifestyle diseases that aggravate that position, how do we sustain and develop our health system in the face of those challenges? We have a very significant funding challenge.

Credible projections around our health system see us needing to fund potentially up to 20 per cent of GDP in relation to the health sector. The health sector currently consumes some 10 per cent of GDP over the next 30 or 40 years. In that context, we have to consider the very very significant impost that this is going to be on the nation's economy. What it would mean, if those numbers are roughly right, is that we'd be allocating some 3 per cent of GDP each decade, in proportionate terms, to health.

Now just to dimension that, we currently spend around 3 per cent of GDP on defence, so in terms of the dimensions and the size and scale of this issue in terms of its consumption of our GDP this is a very big issue and is going to become very significant as a challenge, not only just in raw terms in terms of the overall funding challenge and activity challenge, but also because we have a current system of health which is spread across federal and state bodies, across acute hospital care and also community care and so on. We are going to need to adapt that system to our future needs and we need to ask very serious questions about whether we have the right organization for our health system for our future needs.

IO: As a result of this budget, are you expecting more people to let their private health cover go?

RM: What we have with the budget is we have a set of budgetary measures. My concern with the budget is that when we're dealing with something as complex and as interlinked and as interwoven as the health system, we need to be making conscious system design decisions around health as a global challenge. I think there is a danger in a system as complex as health that if we make narrower decisions rather than broader decisions that we can get perverse effects. You might generate savings which are illusory, you might generate seeming efficiencies which are actually compounding of other inefficiencies across the system so my concern with the budget is really centred on that point which is are we soberly, carefully making health sustainability decisions or are we in danger of making narrower budgetary decisions which may or may not turn out to be the most valuable decisions we could make in terms of the overall health system and the coming challenge.

IO: I assume that what you're referring to is the fact that people would let their private health care go and then put more pressure on the public system. Is that what you're alluding to?

RM: Well there's the potential for that. There's the issue of the economic analysis of whether or not the privately insured population brings net new funding to the sector overall in aggregate so what is the total effect, not just in one year but over many years, of changes in patterns of behaviour in relation to the insured population and what might that mean for the overall funding mix and responsibility mix and finally, it's not just a question of numbers, it's also a question of age.

One of the interesting aspects about health funding is that if your demographics are different your health needs and potential costs are very different as well. So if what we do here is achieve some constant numerical outcome in terms of numbers of lives insured we don't necessarily achieve stable patterns of funding because if for example the insured population was to age more rapidly than it currently is then that could drive very significant growth in outlays and that's very difficult to model, so it's a very complex system to model and to project around. My concern is that we're making decisions in a narrower framework than in a broader framework.

IO: One of the questions that I believe was asked at the session was what should be the role of the public sector but I'd like to turn it around and say what should the role of the private sector be?

RM: Well, the private sector can play a very important role in providing innovation and attempt new models of care and also can be a goad to the system to provide more transparency and visibility so for example the financial aspects of the private health system are readily visible. There are published statistics on the economics of private health in terms of premium numbers, people's coverage, the financial performance of the various entities, but that's only one aspect.

What we don't have is any of that substantial and coherent information across the public sector for policy making decisions. Perhaps more importantly across all of the sectors is how do we get to a valuable information about patient outcomes for the sectors. All of them. And in that regard the private sector has a very significant role to play I believe in trying to support more and more transparency around patient

outcomes and about the quality of health services that citizens receive.

I think the gist of the session, which was important was that the system of the future is challenged by chronic disease. We have a very successful history of health system development but it's dealt largely with acute and infectious disease in historical terms. The challenge of the future is to do still good work in relation to acute disease but do more and more and more with the swamping challenge of chronic disease as lifestyle diseases such as obesity, diabetes, heart disease, renal disease and our aging demographic all interact to create a very significant system for a system that has grown out of an acute disease history and that is a very very significant challenge.

IO: Do you think that the government is trying to address these issues or do you think that they're providing more impediments than they are you know, assistance.

RM: We've got seven or eight governments involved in health in Australia. We have a range of sectors and I think one of the things that we need to do is think very carefully about what is our governance structure for our health system in a nation of 20 million people facing these enormous challenges in the future.

IO: Too many cooks spoiling the broth? [Laughter]

RM: I think we need to think clearly about exactly what is the most effective and efficient system that we might have in coming decades.

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