Smart choices, better health. What can governments do?

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Outline

- Why the stakes are high
- What types of choices do we need to make?
- What role can governments' play?

Why the stakes are high

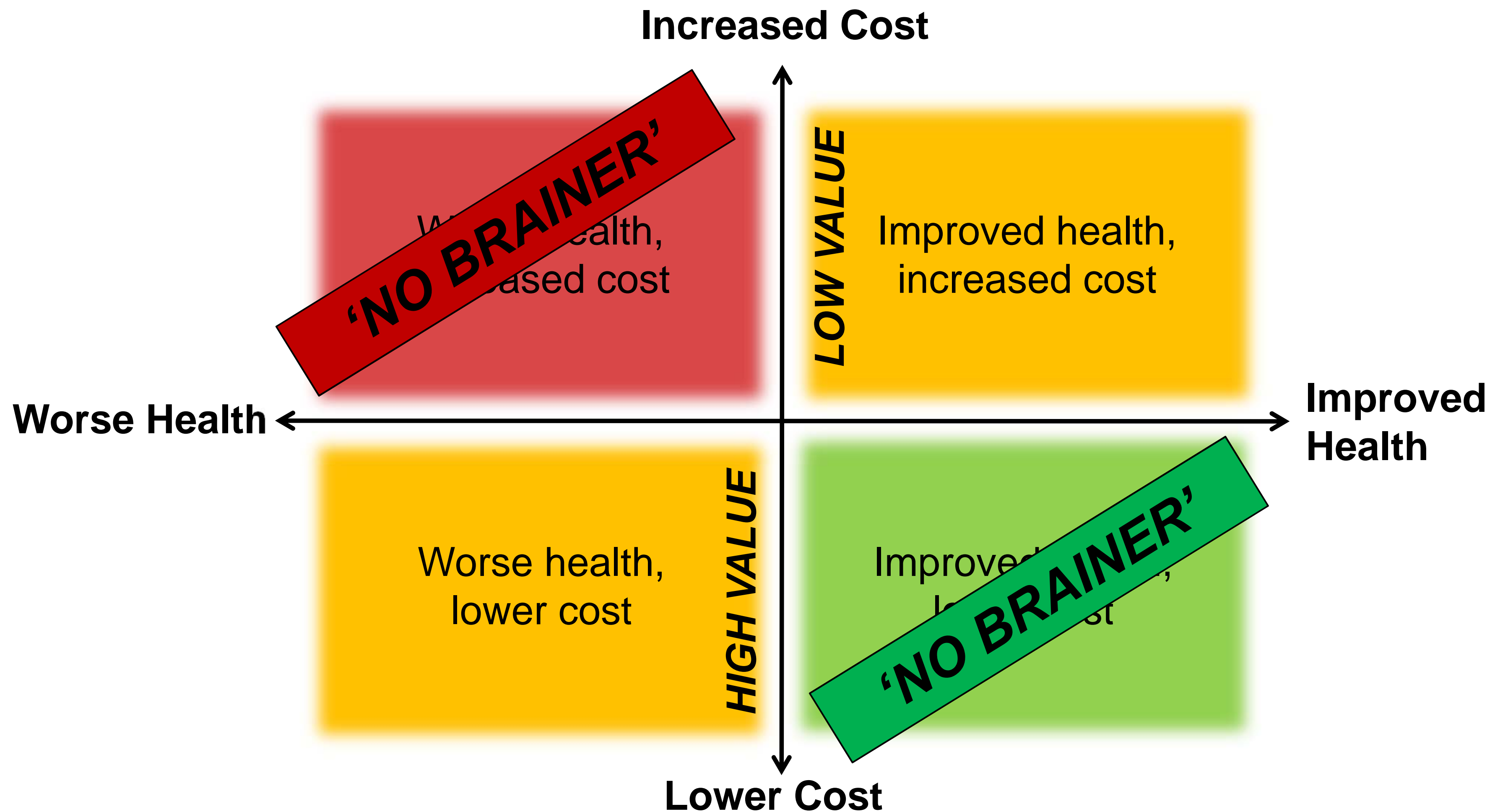
- Health care expenditure will place the greatest pressure on the Australian economy.

- Inefficiency means that more people will die or be ill than is necessary.
  - At least 20% of health expenditure has no value (US)

- Lack of major reform in Australia
  - willing to accept the inefficiency in the health care system, and accept that it is a bottomless pit of expenditure dominated by vote-winning lobby groups and a dangerous lack of evidence on what works.

- Inefficiency means that the health care system will need to be propped up by the rest of the economy, which does not bode well for future economic growth or our tax burden.

Smart choices: value-based funding



‘No Brainers’ – worse health, higher cost

- ‘Never’ events, medical errors, adverse events, hospital acquired infections

- What can governments do?
  - Inclusion in hospital performance reporting
  - Provider bears costs of mistakes
    - Do not fund – no DRG payment (US and UK)
    - Impose fines/penalties as incentives to improve processes
    - Incentives within medical negligence law

- Evidence
  - No evaluations of whether penalties for never events change behaviour

‘No Brainers’ / high value – same/improved health, lower cost

- Governments’ are often single purchaser but do not use this market power to keep prices low

- What can goverments do?
  - Negotiate lower prices
    - Pharmaceuticals
      - Paying $1.3 billion too much.
      - Price reductions for off-patent and generic drugs

    - MBS rebates and improvements in technology and productivity (eg reduced prices for cataract surgery)

‘No Brainers’ / high value – same/improved health, lower cost

- Reducing private health insurance rebates

- Evidence - Cheng (2013)
  - Removal of rebates generates savings that more than offset any increase in public hospital cost by a factor of 2.5

  - 10% reduction (30% to 27%) could save $215m

  - 25% reduction (30% to 22.5%) could save $550m

Low value – uncertain/low health gains, higher cost

- Overuse and over-diagnosis
  - Emerging consensus amongst medical profession internationally on low value interventions
  - US – 'Choosing Wisely' lists
    - five things physicians and patients should question (10 specialties)
  - Australia
    - 156 MBS items "potentially ineffective or unsafe" (Elshaug, 2012)

- What can governments do?
  - reduce or remove MBS payments

Issues

- Governments' role
  - Funding and price negotiations
  - Performance/accountability frameworks and public reporting
- Other objectives determine decisions
  - equity / votes
  - need to be made explicit
- More research that evaluates costs and benefits of governments' policy
  - policy design and evaluation
  - disinvestments that save lives

Conclusions

- Stakes are high
- Smarter choices (reducing costs) can save lives
  - Value-based funding and low hanging fruit
- Governments' policy alone will not change behaviour