AHES Inc.

AUSTRALIAN HEALTH
ECONOMICS SOCIETY
Affiliated with *i*HEA

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About the Australian Health Economics Society

The Australian Health Economics Society (AHES) was established in 1978. The aim of the Society is to promote the study, practice and development of the field of health economics in Australia, and the role of health economics analysis in informing policy and health practice in Australia and internationally. Its members are drawn from across Australia, New Zealand and other countries around the world. The majority of academic health economists as well as those employed in the health industry, in policy, planning and funding are members of the Society.

AHES welcomes the opportunity to contribute to the inquiry of the Senate Standing Committee on Community Affairs into the Medical Research Future Fund Bill 2015 and related matters.

Research to be funded by the Medical Research Future Fund

AHES supports, in principle, the establishment of a Medical Research Future Fund (MRFF) but considers that the Bill to establish the Fund, the Explanatory Memorandum and the Treasurer's Second Reading Speech, leave many questions unanswered.

This submission addresses the following questions in particular:

- Will broader health system policy research issues be prioritised, as well as medical research and medical innovation?
- Will the Commonwealth make its administrative data more readily available such that researchers can deliver contemporary evidence-based findings?
- Will the MRFF adequately support the development of the health economics and health services research workforce?
- What are to be the MRFF governance arrangements for the identification of priority areas of research and the selection of specific research proposals?

Areas of research to be funded

The substance of the Bill before Parliament is concerned with establishing, operating, and investing the proceeds of, the MRFF and the MRFF Special Account. However, the purposes to which the funds of the MRFF are to be applied get little attention in the Bill.

The Bill refers to support for 'medical research and medical innovation'. This has become the public perception of the fund (saving lives through medical innovation). Given that the object (Clause 5) is 'to improve the health and wellbeing of Australians', the focus on medical breakthroughs is overly narrow in its scope.

It is only in the definitions in Clause 5 that a somewhat broader interpretation can be found.

> *medical research includes research into health.*
>
> *medical innovation means the application and commercialisation of medical research, and the translation of medical research into new or improved medical treatments, for the purpose of improving the health and wellbeing of individuals.*

The Treasurer's Second Reading Speech (Hansard 27 May 2015) provides a little further clarification, making general references to health and medical research, medicines and technologies and investment 'across the research spectrum'.

AHES is concerned that, in the absence of a clear statement of research scope from the Government, and its more complete incorporation into the legislation (beyond a minor reference in the definitions section), an inappropriately narrow medical interpretation of research priorities could become entrenched.

Health care is more than the development of new medical interventions. Australia's health system is the largest sector of the economy and government programs such as Medicare and the PBS continue to outstrip growth in the CPI. There is an urgent need for more research into the health care system as a whole and the role of Medicare and other government programs within it. The debate on the GP co-payment in 2014 highlighted just how little is known about the responses of patients and doctors to changes in Medicare rebates, financial incentives and price signals. The history of Medicare 'cost blowouts' for new items and changes to safety nets is further evidence of the need for greater health systems research.

Elimination of waste, unnecessary practice variations, low value care and overdiagnosis are essential to improving efficiency, but there is very little known about how this can be achieved. Better use of resources can have marked and immediate improvements on population health.

More specifically, health economics and health services research are fundamental building blocks of an efficient and effective health system. There is an ongoing need for recognition that achieving better outcomes across the health system requires a focus on the role of financing and incentives, on access and equity, on utilisation of health care, on the behaviour of agents in the health system (be they

consumers, providers, institutions, funders or policy makers), and on the impact of institutional arrangements and incentives created by the funding and organisation of health services.

A case in point, within health economics, is the importance of high quality health technology assessment. Quite simply, while new medical technologies can offer ground-breaking health benefits, they cannot properly contribute to an efficient health system unless they are funded and delivered in a way that facilitates their uptake and provides incentives for their appropriate use. The focus of MRFF research should not just be on the effectiveness of medical interventions but also on cost-effectiveness and on understanding how health system architecture (including funding and delivery arrangements), provides incentives for the efficient provision of services.

The research priorities funded through the MRFF need to be able to support the resolution of the major policy issues confronting Australia's health system. For example, the recently established MBS Review Taskforce is likely to propose a number of changes to Medicare rebates to try to encourage a more value-based Medicare funding model, building on the current work of MSAC and PBAC that use cost-effectiveness criteria to inform funding decisions. Health economics and health services research is essential for an understanding of these issues and their impact on costs, health outcomes and access to health care.

The 2013 McKeon Review of Health and Medical Research is the latest in a succession of reports on these issues (witness the Wills Health and Medical Research Strategic Review for the University of Sydney and the 2008 Nutbeam Report of the Review of Public Health Research Funding in Australia).

McKeon, for example, highlighted the important role for health economics research and health services research. It recommended that the Commonwealth build capacity in disciplines such as health economics that will deliver health system impact (recommendation 8) and that efforts should be focussed on capacity building and new schemes in health services research and health economics, in part to understand, assist and evaluate clinical translation (recommendation 13).

Availability of administrative data

Access to high-quality data is an essential component of the infrastructure required for soundly based health economics and health services research. There is also a need to continue the fledgling investment in linked data across an increasing range of sources. In particular, there is a need to be able to link data on inputs (health professionals, hospitals and GP practices, for instance) to outputs (volume of services provided, performance indicators) and health outcomes. There are currently significant administrative barriers to accessing linked data, making the extraction of what little there is available both costly and time consuming. This significantly reduces the potential for the health system to benefit from the existing investment in data collection.

Other countries such as the US and UK have allowed health care administrative records to be extensively used by academic researchers in health economics and health services research to the benefit of the public good. Australia lags behind in this regard and consequently has a poorer health economics research infrastructure. MRFF research funding should explicitly recognise the costs incurred in

accessing high quality data, and the Commonwealth should, within its own sphere of influence, reduce those costs and expand the availability of its data bases.

Developing the health system research workforce

Health economics can very easily fall between the interests of health and medical research and mainstream economics and there are still relatively few dedicated health economics programs within Australian universities. Unlike independent Medical Research Institutes, there are no health economics research centres funded directly by federal or state government. This means that the type of research that is conducted on health economics in Australia is patchy, not strategic, and not sustained.

AHES considers that there remains a significant gap between Australia's demand for high quality research and its research workforce capacity. There is an even bigger gap between capacity and the significant contributions that health economics could make to both the design and evaluation of policies and programs, and to specific areas such as health technology assessment.

Governance arrangements

The Bill provides for funding, by way of directions by the Finance Minister, to States and Territories, to medical research institutes, universities, corporate Commonwealth entities and to corporations, to undertake research. The Bill does not establish any governance arrangements that will determine the areas of research to be funded, or the selection of specific research proposals directed to those areas of research. To this end, there is only the Treasurer's assurance in his Second Reading Speech that:

> *The government will establish an advisory board to provide strategic advice to the government on medical research priorities and expenditure of the disbursements from the fund. This advice will inform how the new medical research funding is allocated in each budget cycle.*

AHES contends that there is a need for a consultative process that will ensure that the governance arrangements properly reflect a capacity to meet the health system research priorities that will indeed deliver on the objective of improving the health and wellbeing of Australians.

Conclusion

In summary AHES believes that there is a strong role for health economics and health services research to play that could have a significant impact on promoting a value-based health care system for Australia. Such research has the potential to substantially reduce health expenditures and increase health outcomes. Governance arrangements that will recognise this broader remit for the MRFF, including perhaps the establishment of an independent national centre for health care financing and health technology assessment, would make a significant impact on the future health of Australians.