

Australia's health system is enviable, but there's room for improvement

Written by Stephen Duckett, Director, Health Program, Grattan Institute

This article is part of our global series about health systems, examining different health care systems all over the world. Read the other articles in the series [here](#).

Australia's health system is unique – much like its fauna. It has been shaped by the nation's colonial history – the first hospitals were provided by the colonial administrations – and, of course, politics. It's a curious blend of public and private funding and delivery of health care, with the Commonwealth (national) and the state governments both having significant roles in what has been described as an example of “[marble cake federalism](#)”.

In brief, all Australians are covered by the universal, national, tax-financed health insurance scheme, Medicare, which provides rebates against the cost of medical fees.

About 80% of GP visits incur no out-of-pocket costs because the bill is paid directly by the government. But doctors are allowed to charge what they like, with no real cap on fees. And out-of-pocket costs remain a significant problem, with many people saying they [defer going to a doctor because of the out-of-pocket expenses involved](#).

All Australians are eligible to be treated in a public hospital without charge. The major academic medical centres in Australia are all public hospitals. State governments are the “system managers” for public hospitals, given their role in planning, regulation, funding and governance of public hospitals.

All states pay for public hospital care using “activity-based” funding, where a price is set for each type of care based on the patient's condition, diagnosis and procedures. The Commonwealth (national) government funds 45% of growth in the number of hospital admissions and other types of public hospital activity. A national body, the Independent Hospital Pricing Authority, sets a [national price](#) for each type of care, both within and outside of hospitals.

Australia's health system is enviable, but there's room for improvement

Written by Stephen Duckett, Director, Health Program, Grattan Institute

Just under half of all Australians have private hospital insurance, which provides cover toward the cost of private hospital treatment. The Commonwealth government provides a [subsidy](#) of up to 27% of the cost of insurance for low-to-middle-income people under 65, and imposes tax penalties on middle-to-high-income people who do not have insurance.

Read more: [New Zealand's health service performs well, but inequities remain high](#)

Private hospitals are primarily focused on elective procedures, and more than half of elective work is performed in private hospitals and private "day facilities".

Australia also has a national Pharmaceutical Benefits Scheme that provides extensive subsidies in a bid to ensure people are not discouraged from buying drugs they need based on price. There are compulsory co-payments for each prescription – with lower co-payments for people who hold social-security concession cards, and safety nets for those who are prescribed a lot of drugs. These co-payments cause about [8% of Australians to defer getting or filling prescriptions because of cost](#).

It's an untidy structure, but the Australian health care system has good outcomes compared to the OECD average. Cost outcomes are good, marginally above the OECD average in terms of the share of national wealth (GDP) spend on health care, but marginally below the spending for countries with similar wealth. The [Commonwealth Fund's International Health Policy survey](#) ranks Australia's as the second best health system (after the United Kingdom) among 11 nations. And it ranks Australia best on efficiency and health outcomes.

It's a good system, but it's not perfect. As the table shows, outcomes for Indigenous Australians are lamentable, with a life expectancy for Aboriginal and Torres Strait Islander people about a decade shorter than for non-Indigenous Australians. On equity, the Commonwealth Fund ranks Australia seventh among the 11 nations.

How to make Australia's system better still

In addition to the problems with Indigenous health, the Australian system should be more accessible and more efficient.

First, out-of-pocket costs are unacceptably high, leading to some people not getting the care they need when they need it most.

About 12% of Australians report they did not seek [specialist medical care because of cost](#) . A significant contributor to out-of-pocket costs is dental care, which is not covered by the national universal health care system (although there is a rag bag of targeted dental programs, including for children and people with low incomes).

Second, waiting times for elective procedures in public hospitals are too long in most states. In 2015-16, about 2% of the 712,000 patients admitted for elective procedures in Australia [waited longer than a year](#) , and in Tasmania the figure was 15%. Some 4% of orthopaedic patients across the nation waited longer than a year, with about 50% waiting more than two months.

Read more: [How healthy is the French health system?](#)

Third, like most first- and second-world countries, Australia is facing the challenge of increasing prevalence of chronic disease. A few means of managing chronic diseases have been added to the list of items subsidised by the government. But the payment system for general practice is still predominately fee-for-service, when international best practice shows that a more “blended” payment model would remove the financial incentive for GPs to see patients more often than necessary.

Australia's health system is enviable, but there's room for improvement

Written by Stephen Duckett, Director, Health Program, Grattan Institute

The Commonwealth government collects little information on what happens in general practice. This inhibits its ability to design a system that rewards general practice for good management of patients with multiple chronic conditions.

The complexity of Commonwealth/state relations acts as a barrier to designing good care for people with chronic conditions in order to reduce the number of preventable hospital admissions.

Finally, there are many areas of inefficiency and waste in the Australian health system:

- Australia pays international pharmaceutical manufacturers [too much for drugs](#)
- [hospital](#) and [pathology](#) (laboratory medicine) services can and should be more efficient
- the skills of staff in [hospitals](#) and in [rural and remote health care services](#) could be better used
- some parts of Australia have very [high hospital admission rates](#) for conditions which might have been prevented with public health interventions or good primary care
- obesity rates are increasing, yet Australia has not followed other countries in imposing a [tax on sugary drinks](#)
- there are problems with the safety and quality of hospital care. All states have had hospital quality scandals, most recently [Victoria](#).

Australians are rightly proud of their health system and value Medicare highly. But this is not to say they see the health system through rose-coloured glasses. Health care regularly rates as

Australia's health system is enviable, but there's room for improvement

Written by Stephen Duckett, Director, Health Program, Grattan Institute

one of the top three issues of concern to voters.

The general directions of policy in Australia are similar to international trends – more efforts to establish better relationships between hospitals and family doctors; more emphasis on rewarding health care providers for improved outcomes; and implementing new methods to pay doctors for managing the care of people with chronic conditions.

But core to all reform proposals in Australia is a commitment to maintain universal access and tax-based financing.

Grattan Institute began with contributions to its endowment of \$15 million from each of the Federal and Victorian Governments, and \$4 million from BHP Billiton. In order to safeguard its independence, Grattan Institute's board controls this endowment. The funds are invested and Grattan uses the income to pursue its activities.

Authors: Stephen Duckett, Director, Health Program, Grattan Institute

Read more <http://theconversation.com/australias-health-system-is-enviable-but-theres-room-for-improvement-81332>