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Is Medicare sustainable?

and, Is this question helpful or not?

Stephen Duckett

AHHA Roundtable
30th Anniversary of Medicare
Canberra
January 2014

Agenda

- Policy memes
- Some facts about costs and health status
- Some non-solutions
- Some solutions

The problem

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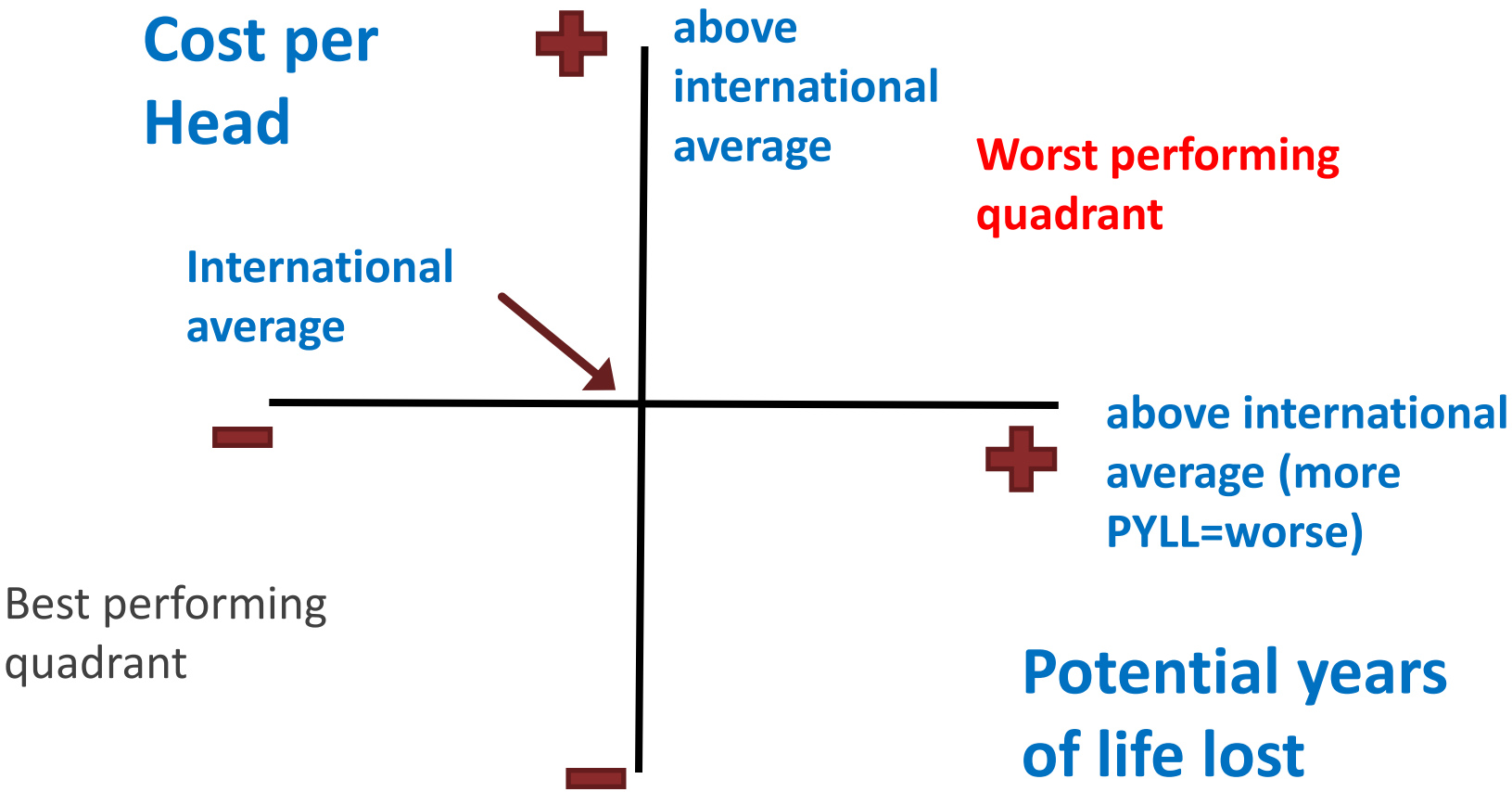
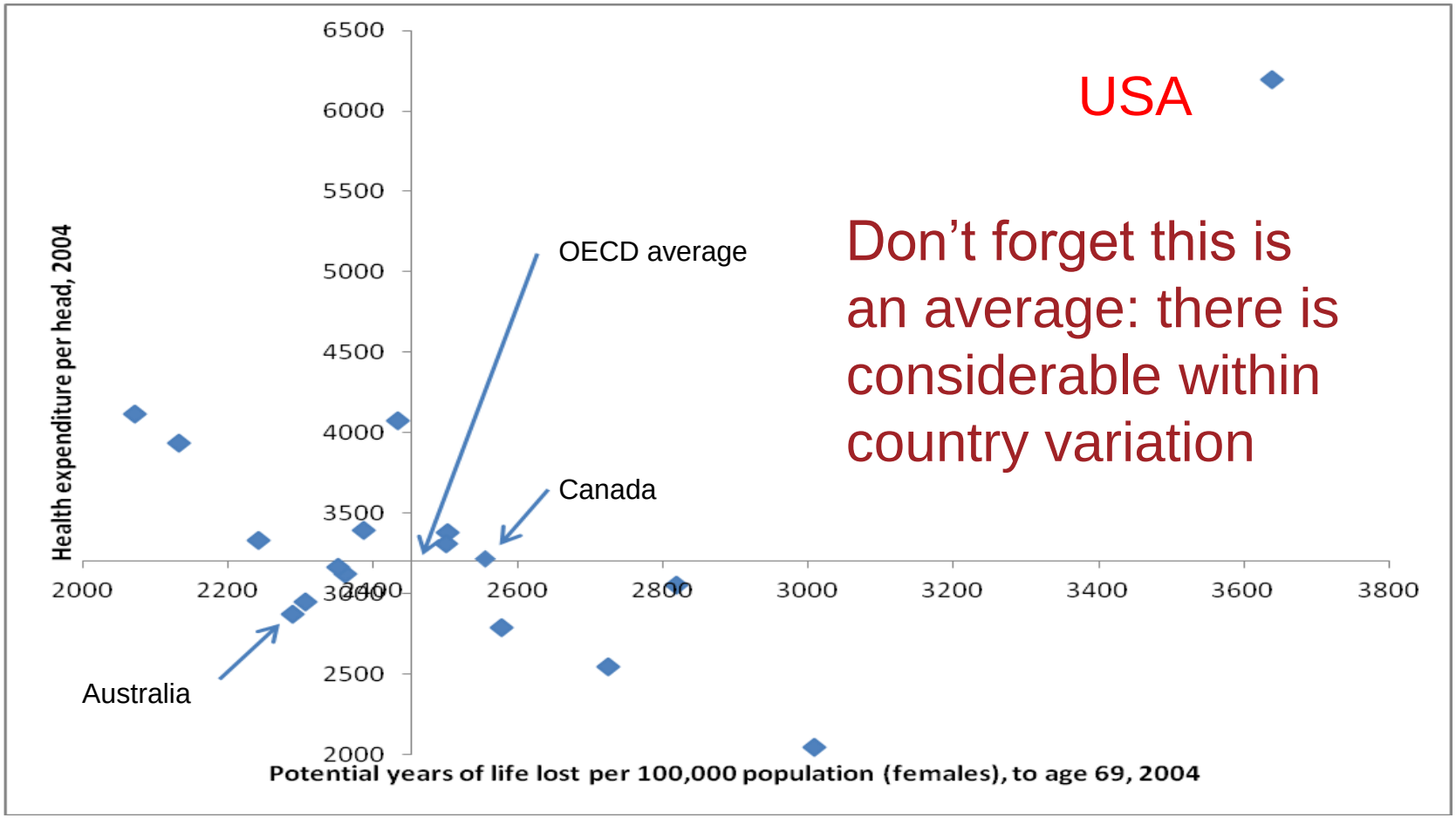
- ‘Health spending is unsustainable’
- ‘Health costs are out of control’

- Or are they?

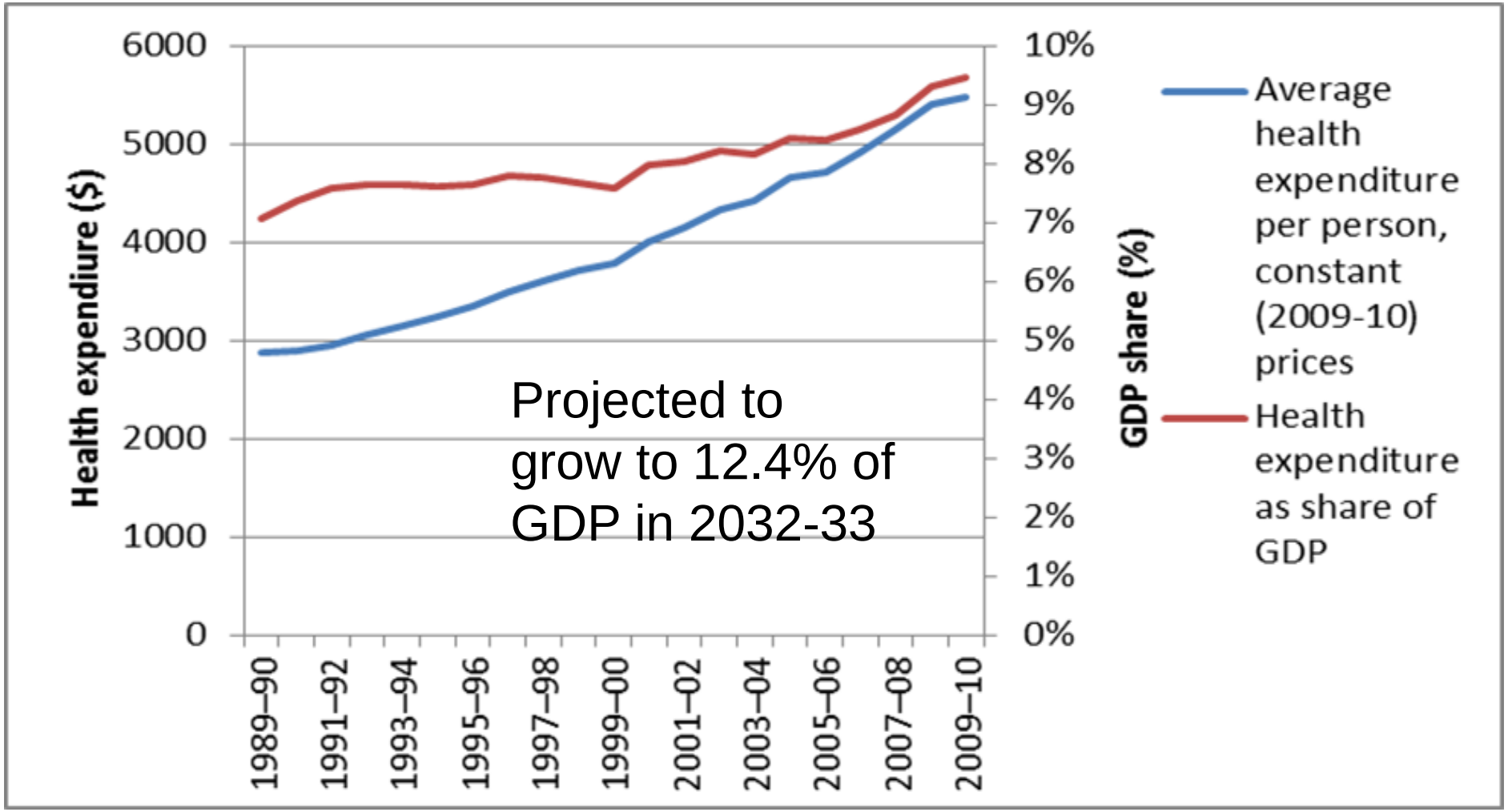

Cost per Head
above international average
Worst performing quadrant
International average
above international average (more PYLL=worse)
Best performing quadrant
Potential years of life lost

Australia is in the good quadrant



Don't forget this is an average: there is considerable within country variation

Initially stable, health care now increasing as GDP share



Health major component of government spending (and spending growth)

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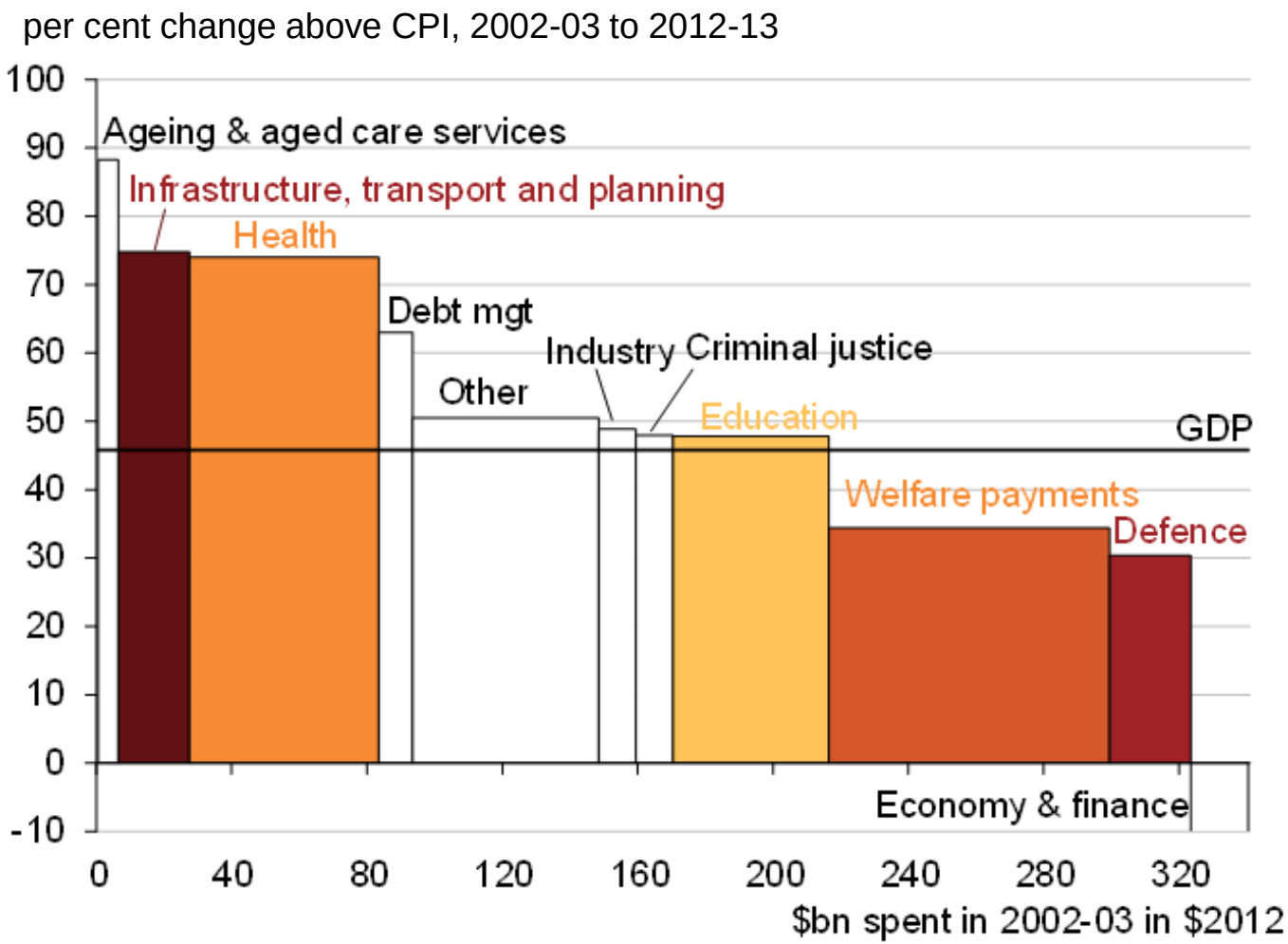

Hospitals major component of public health spending (and spending growth)

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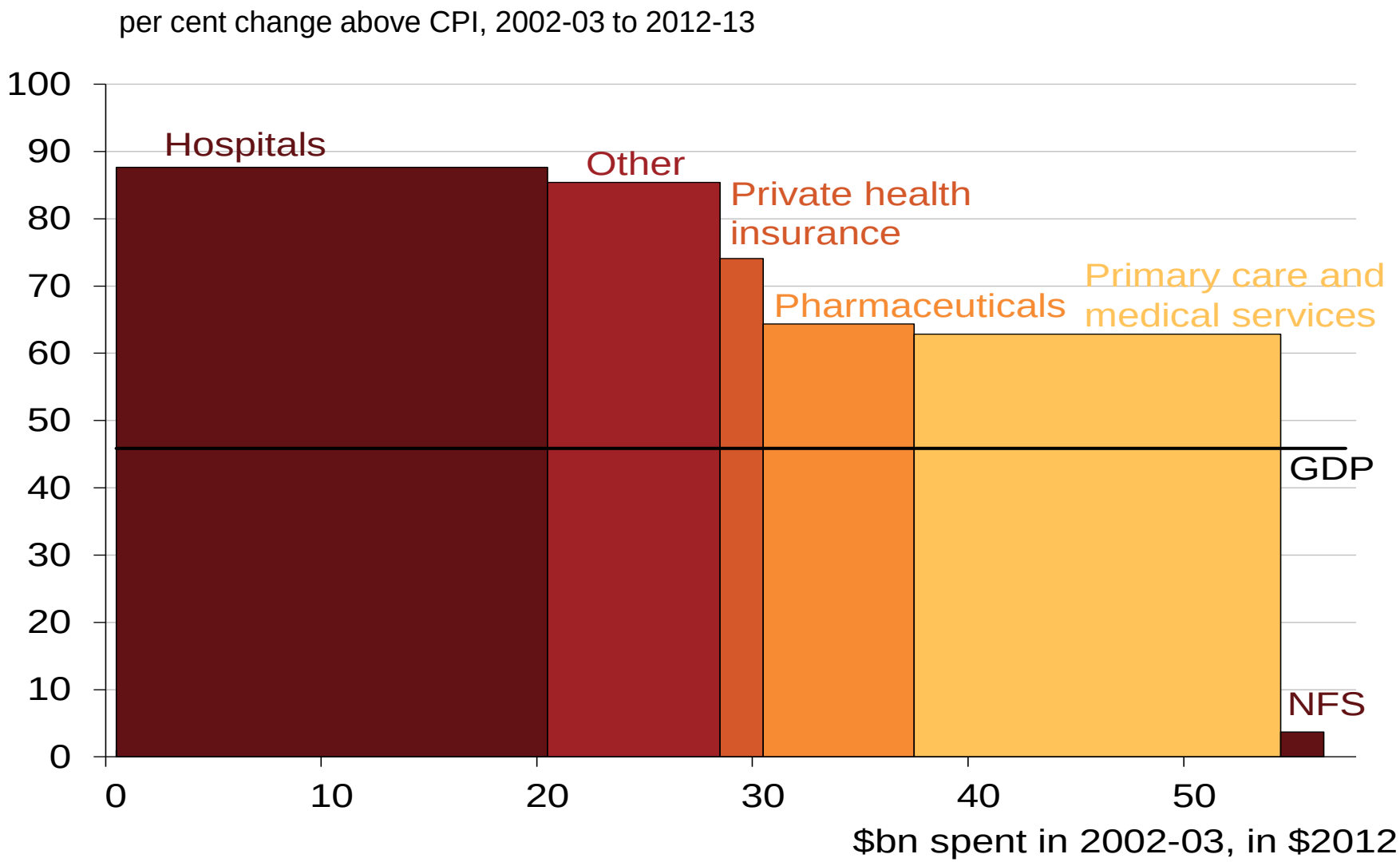

Almost 2/3rds of real health spending increases came from factors other than population growth, ageing, and inflation

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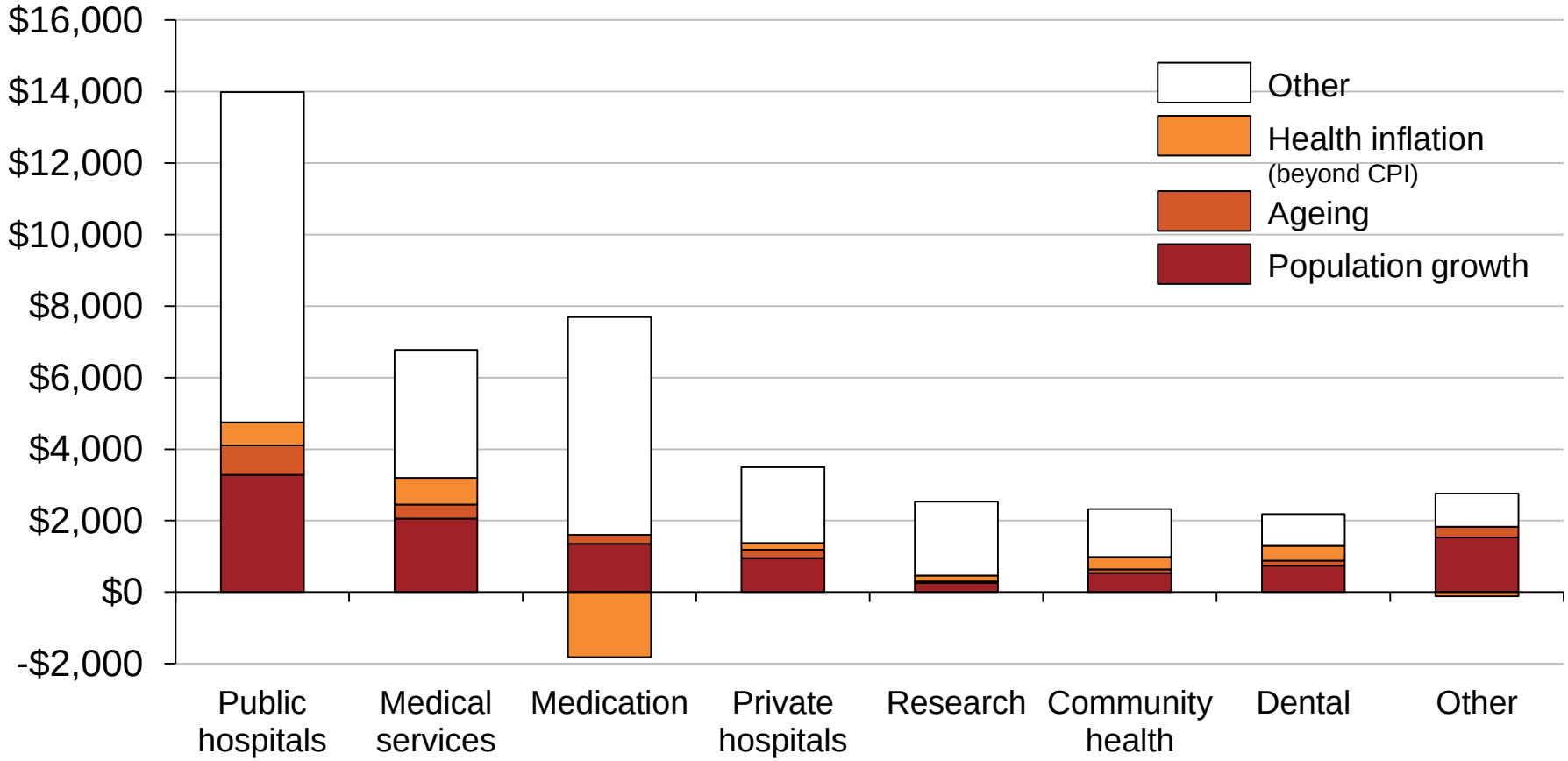
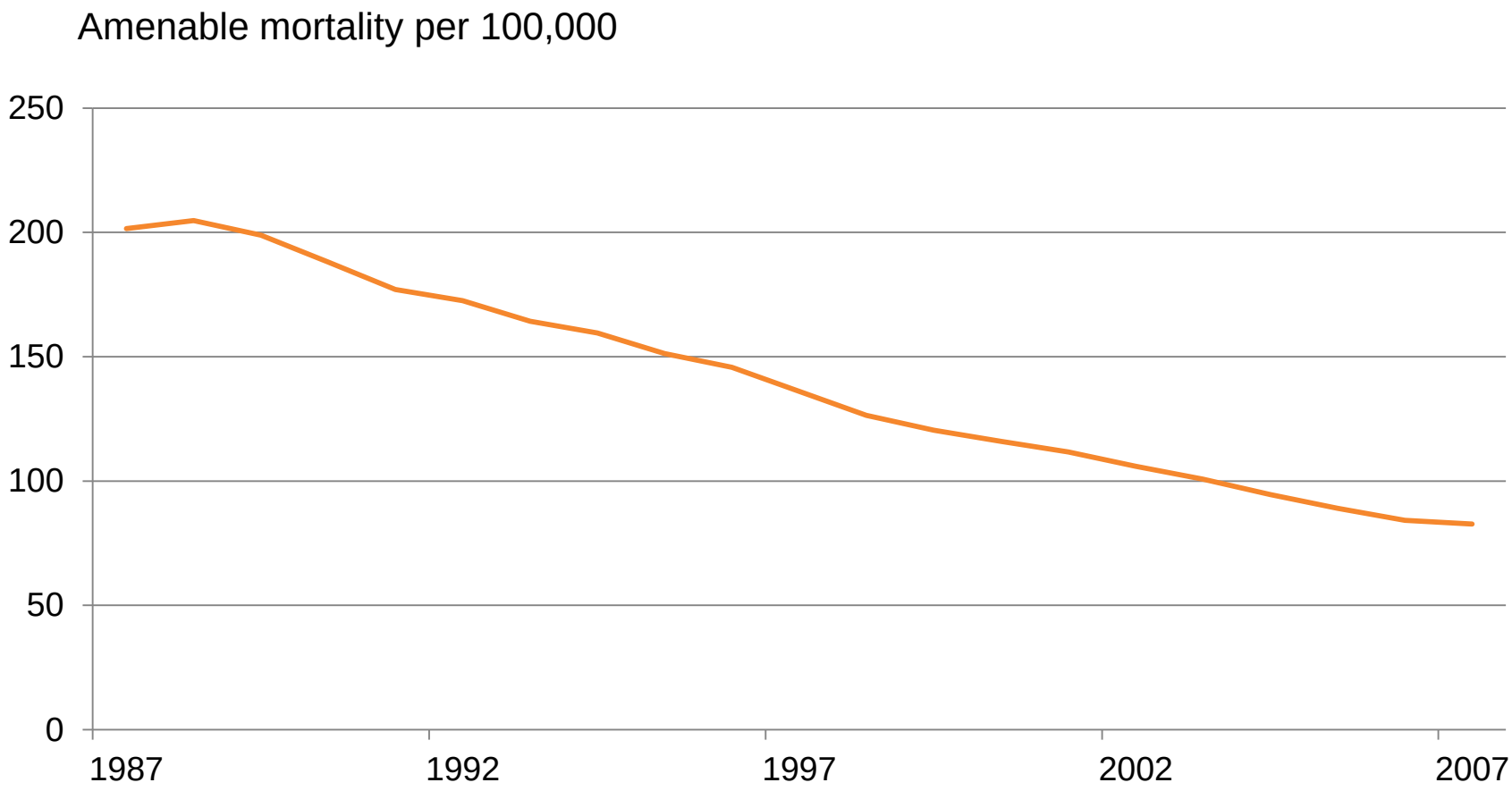
Breakdown of total real spending growth in health (2003-4 to 2010-11)

Millions of 2010-11 dollars



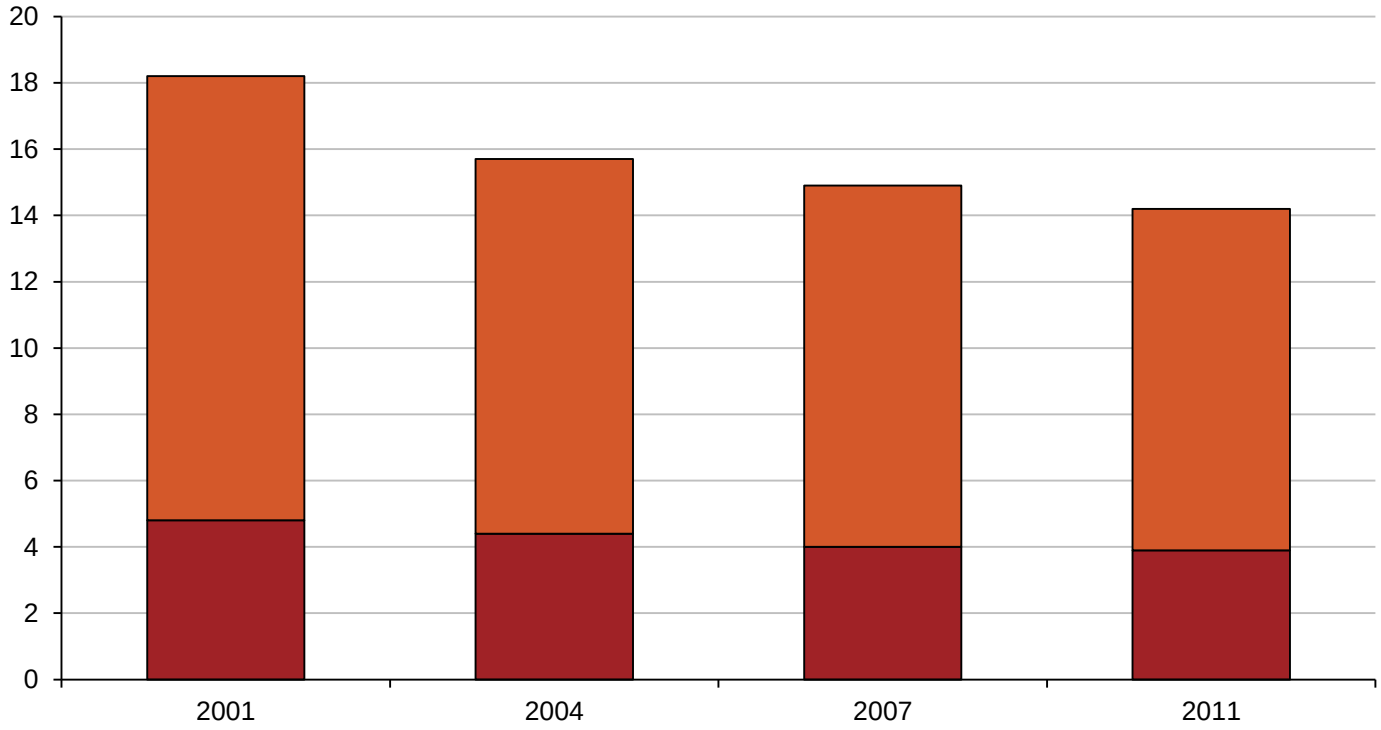
Sources: AIHW; ABS; DOHA

Death rate for conditions amenable to health interventions is going down



Self reported health status is improving

Per cent of population reporting fair or poor health status



Sustainability panic

- Is a distraction, avoiding dealing with the inevitable
- Often leads to ‘panic type solutions’

The story so far

- Health spending is increasing as share of both GDP and government budgets
- We are getting something in return

- Should we do something or nothing?

The story so far

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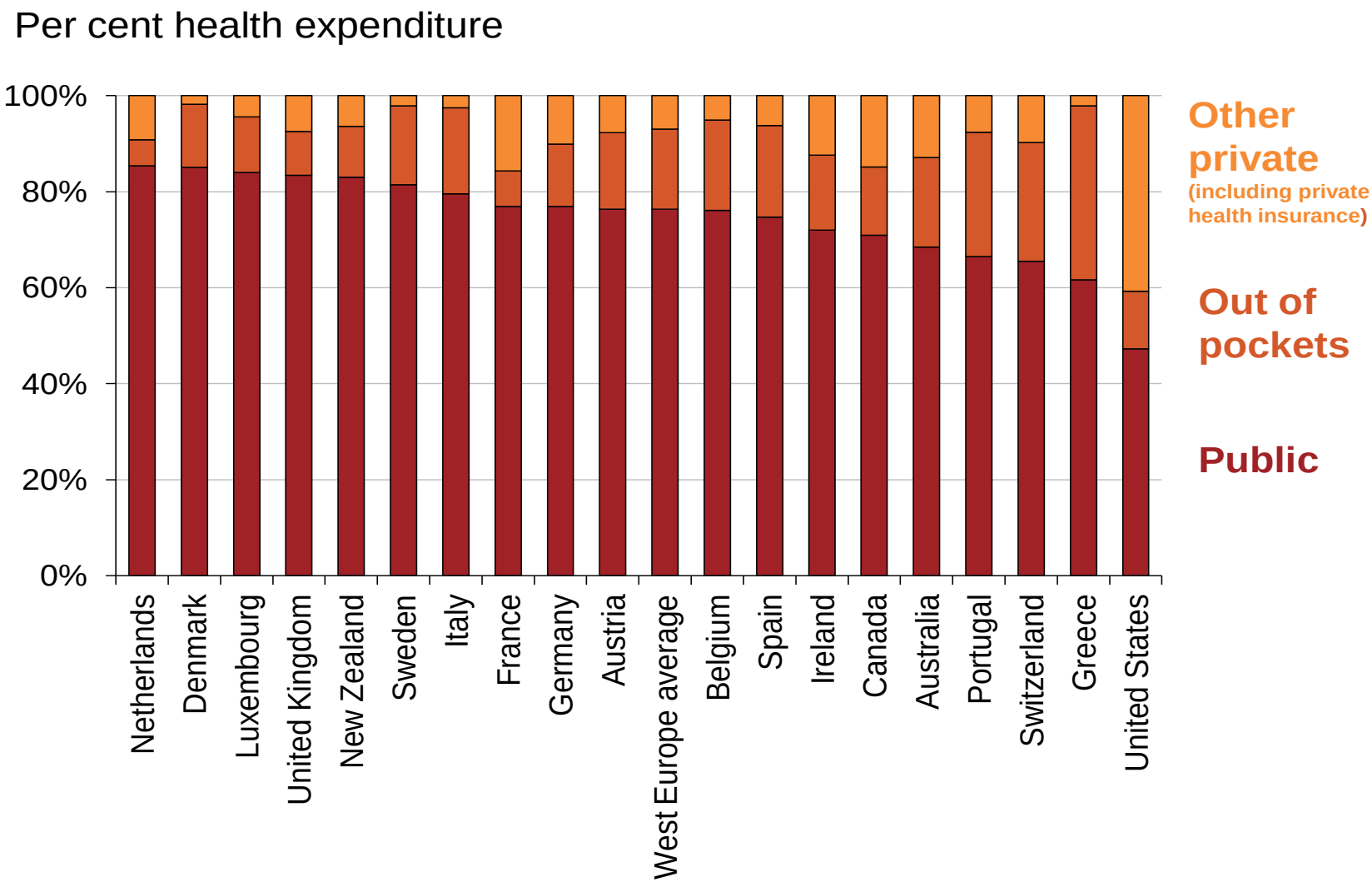
- Health spending is increasing as share of both GDP and government budgets
- We are getting something in return

- Should we do something or nothing?
- But a glacier not a tsunami: careful changes are what is needed not big bang shifts

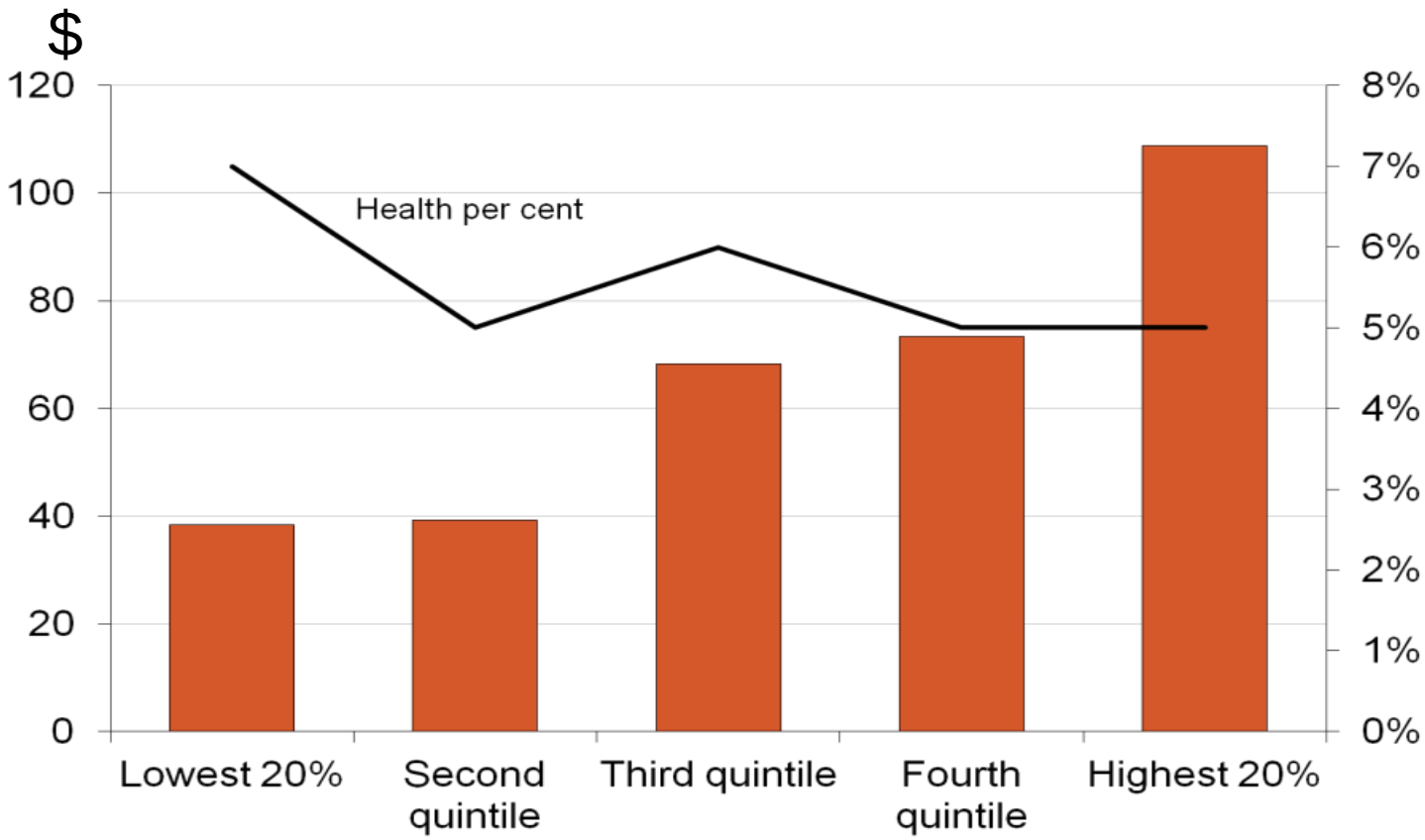
Some non solutions

- Shift costs to consumers
- Privatise or perish
- Reduce services

Australia is already at the high end in terms of out-of-pocket share

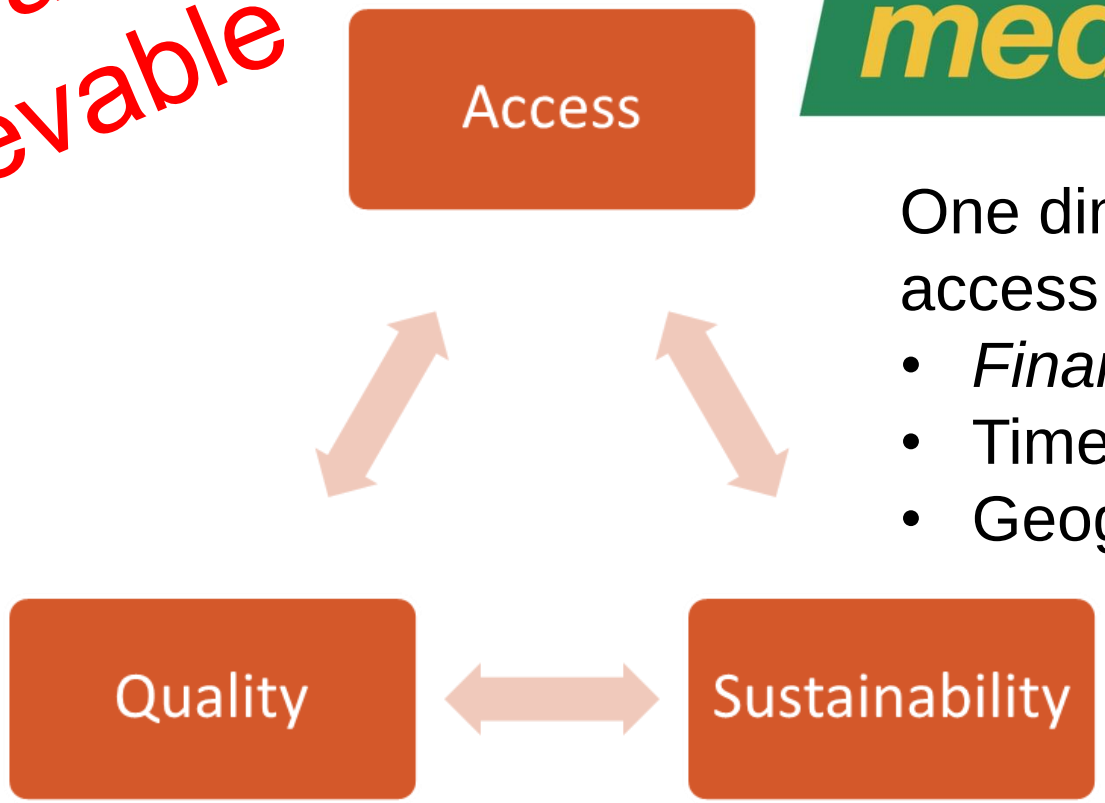


Low income households spend a higher proportion of income on health than high income households



The objects of policy

Note: all three are achievable

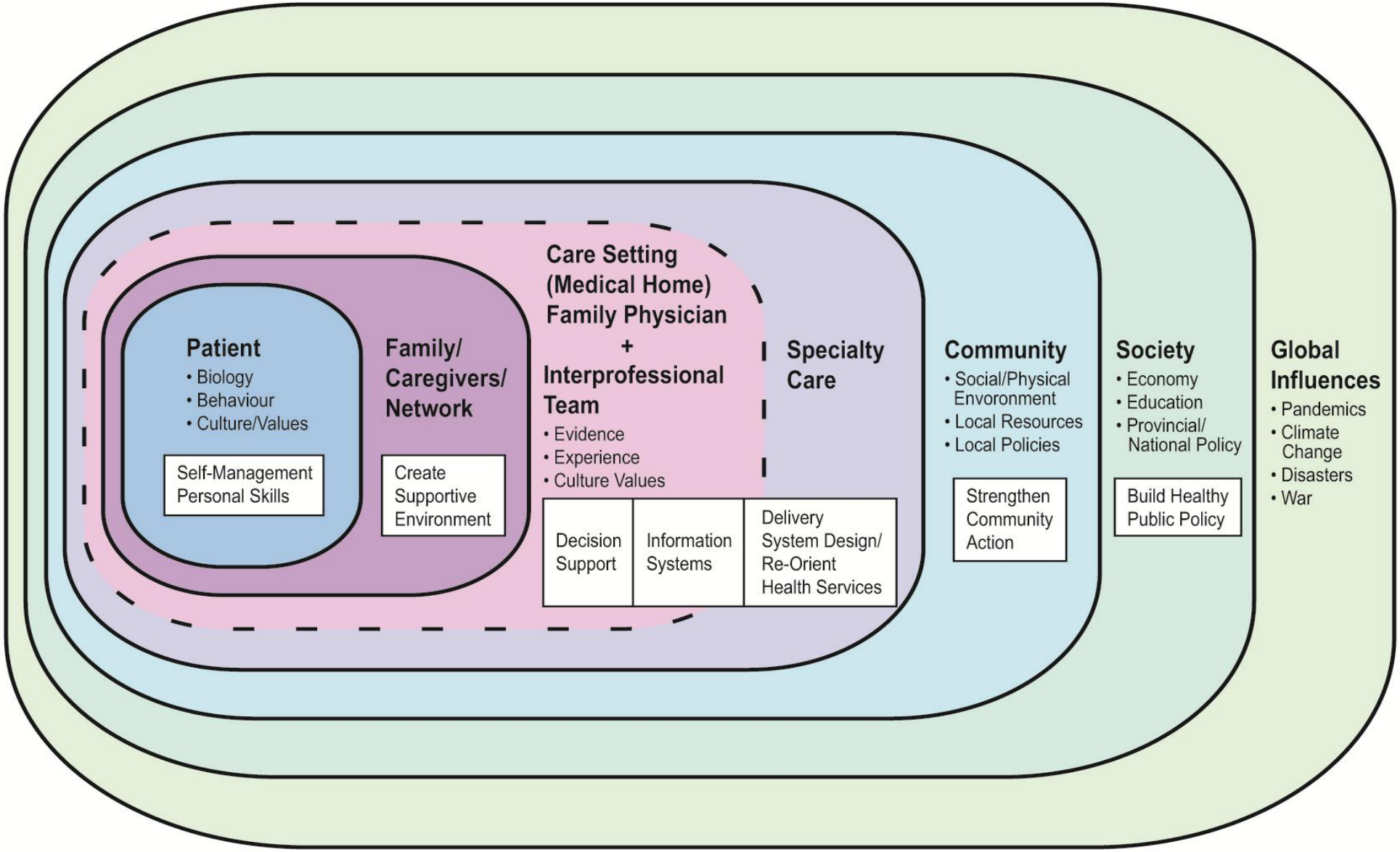


One dimension of access

- *Financial*
- Timely
- Geographic

Sensible solutions

- Reorienting the system
- Eliminating waste
- Focussing on efficiency
  - which isn't the same as budget cuts, especially in the context of unmet demand
  - Efficiency means both 'technical efficiency' and social efficiency – doing things right and doing the right things
- Aligning incentives


Patient
• Biology
• Behaviour
• Culture/Values
Self-Management Personal Skills
Family/ Caregivers/ Network
Create Supportive Environment
Care Setting (Medical Home) Family Physician + Interprofessional Team
• Evidence
• Experience
• Culture Values
Decision Support
Information Systems
Delivery System Design/ Re-Orient Health Services
Specialty Care
Community
• Social/Physical Envoronment
• Local Resources
• Local Policies
Strengthen Community Action
Society
• Economy
• Education
• Provincial/ National Policy
Build Healthy Public Policy
Global Influences
• Pandemics
• Climate Change
• Disasters
• War

There is a significant difference in revision rates for different prostheses

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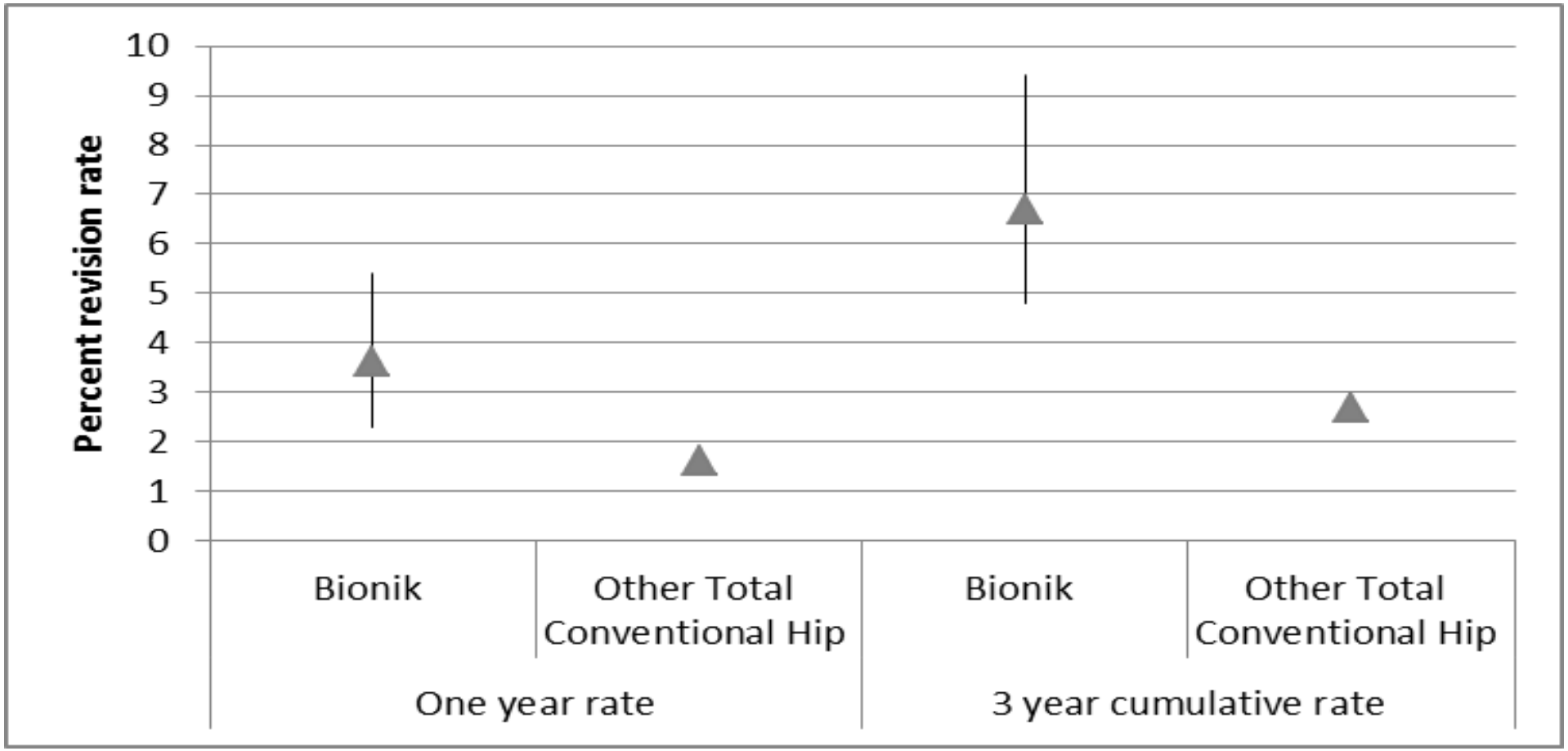

Data source: Australian Orthopaedic Association. National Joint Replacement Registry
http://www.dmac.adelaide.edu.au/aoanjrr/publications.jsp

21

Simple benchmarking suggests cost variations could be large

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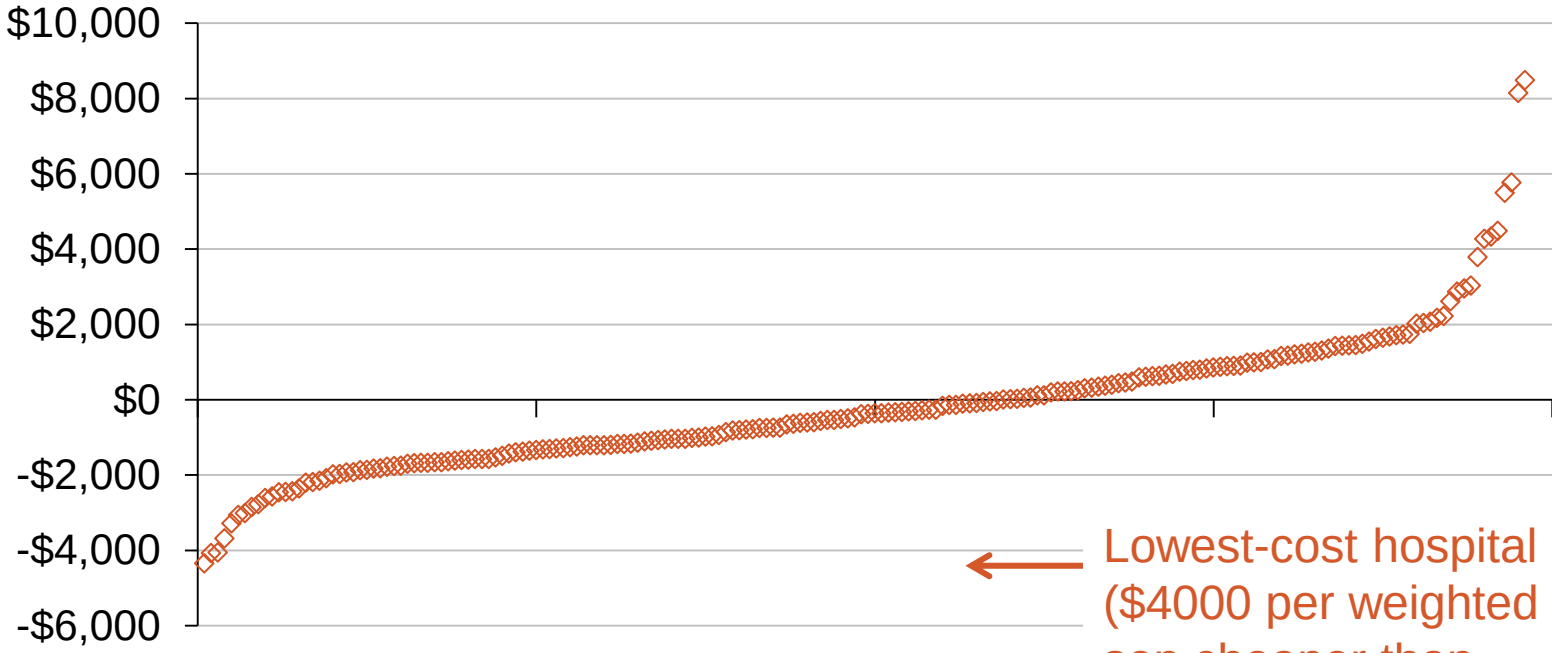
Draft results

Deviation in cost per separation
(weighted by DRG)

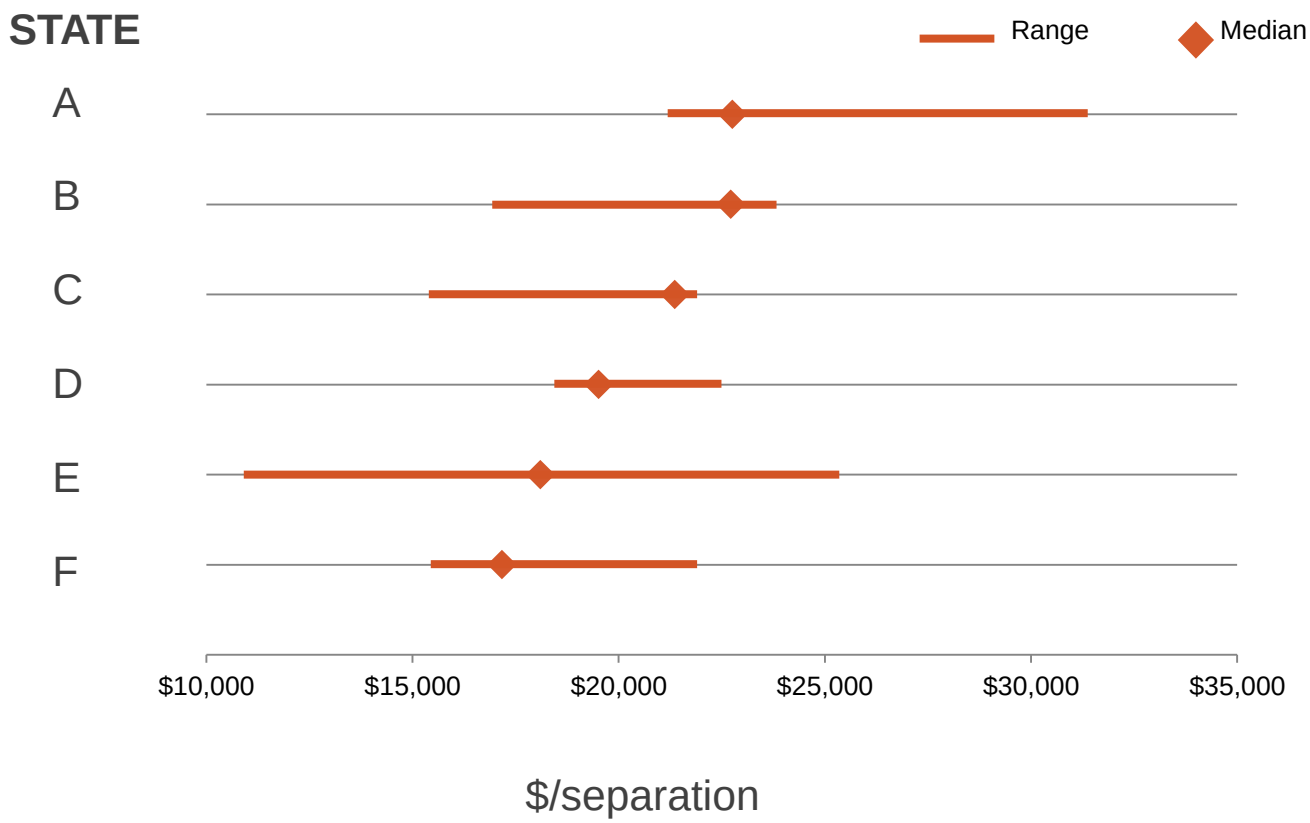


Lowest-cost hospital ($4000 per weighted sep cheaper than average)

Benchmarking hip replacements 1: state comparisons

Average cost of hip replacements by hospital, 2010-11

Draft results



>$10,000 difference between average cost in best and worst performing State

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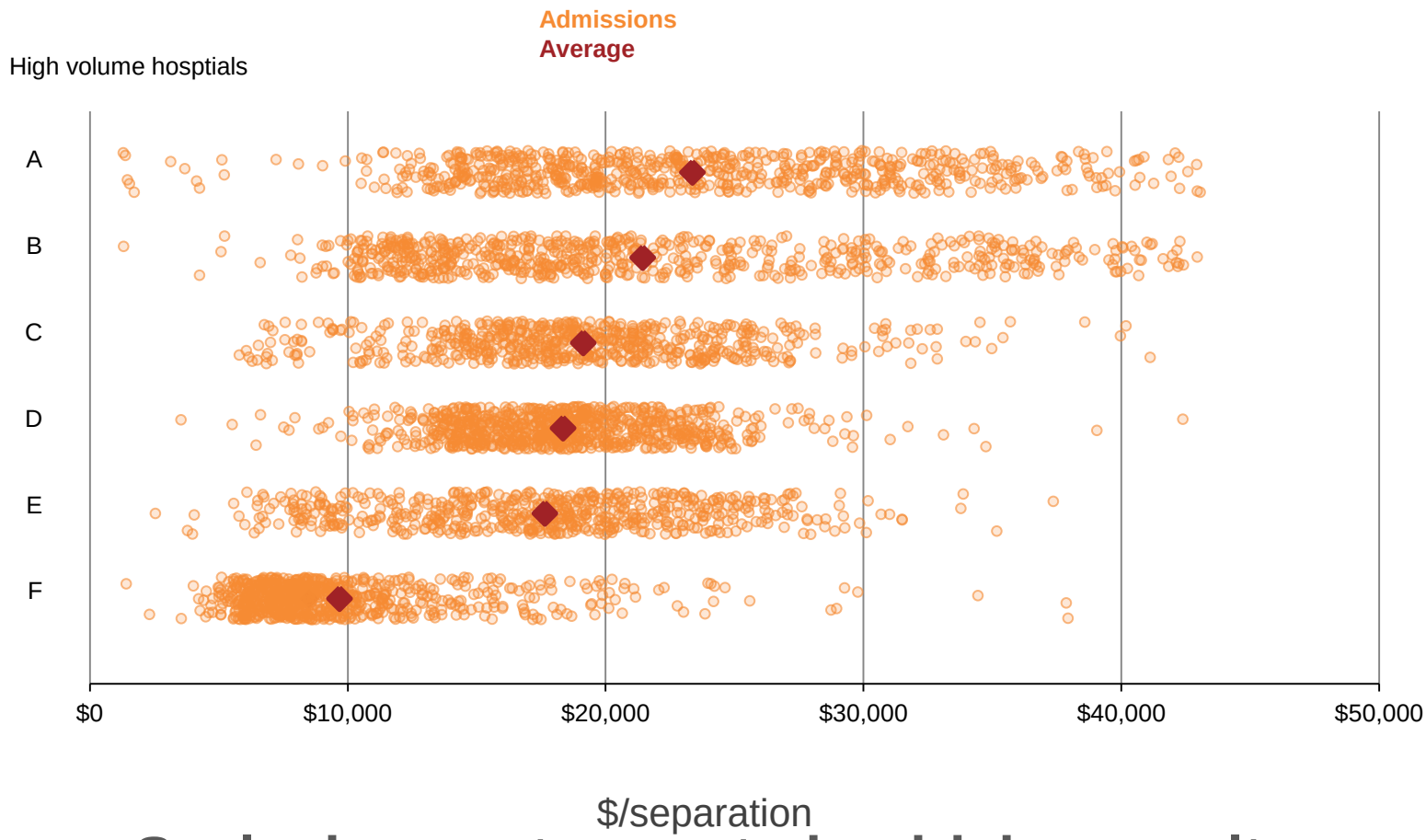
Cost of hip replacements in the six highest-volume hospitals, 2010-11

Draft results



Scale does not seem to be driving results

So where to from here?

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- Sustainability panic vs hard yards: where you start might determine where you end up
- Australia has a good health system in international terms
- That doesn't mean that we can't improve it
- 'Improvement' means just that
  - sensible change
  - sensibly implemented
- With this, Medicare will be sustainable

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