

The scope of health economics



Presentation to Comview20 Victorian Commercial Teachers Association November 2020



health economics is not merely an application of the economist's tools to the specific area of health or medical care, but is a distinct intellectual tradition that discusses specific issues (such as the nature of demand for health care or demand for health insurance) and develops specific tools to address these issues.

Grignon, Michel, et al., 2018. "Moral Hazard in Health Insurance." *Œconomia*. *History, Methodology, Philosophy (8-3):367-405*.



The scope of health economics

Understand the huge variety of topics

And what Grattan works on

How good is Australia?

- Something about comparing our health system performance
- And the trick I am about to pull

Some Grattan Reports

- Private Health Insurance
- Dental
- Sugar Sweetened Beverage tax

Health economics in recent public debate (aka COVID)

- A Health vs economy trade-off?
- QALYs to the fore

Grattan Health themes



Prevention

 Death is a certainty: we're not immortal. But to what extent can we improve life expectancy in Australia, and especially, years lived in good health? Whose lives are foreshortened? Who experiences a relatively greater burden of ill-health? What policies in the health sector or in other policy fields might help to improve life expectancy and/or reduce the future burden of ill health? What are the costs of failing to invest in prevention?

Access

 The Australian population is ageing and growing. New types of health treatments are becoming available regularly. Is our health system adapting appropriately to these changes? Are there gaps in the health system where needs are not being met for some or for all? Will we have the right mix of personnel to meet new and emerging needs? Could different policies provide better ways to meet care needs?

Waste

 In 2010-11, Australia spent more than \$130 billion on health, about 9.3% of Gross Domestic Product. Every person who works in the health sector has examples of money misspent. But how much waste is there in health care in Australia? And can this waste be released to meet new needs?



Factors influencing disease and illhealth



Scope of health economics

Culyer, Anthony J. and Newhouse, Joseph P. (2000), 'Introduction: The state and scope of health economics', in A.J. Culyer and J.P. Newhouse (eds.), *Handbook of Health Economics (Amsterdam: Elsevier Science BV)*.



Broader measurement of outcomes



Patient Reported Outcome Measures (PROMs)

They can be generic (EQ5-D or condition specific)

In England collected for

- Hip and knee replacements
- groin hernia (no condition specific measure) and
- varicose veins

How should the outcomes of care influence payment?





Street, A., et al. (2014) 'Variations in outcome and costs among NHS providers for common surgical procedures: econometric analyses of routinely collected data', *Health Services and Delivery Research*, 2(1),



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Australians live long lives at a low cost



Health expenditure as a percentage of GDP (per cent) and life expenditure at birth (years) 20 Average life expectancy ŲS 15 Average health Germany Sweden spending Canada •Netherlands Japan Don't forget this is an Australia NZ average: there is South Korea considerable within country variation 80 82 84 78 Life expectancy (years) Notes: Life expectancy refers to life expectancy at birth for the total population.

Source: OECD Health Statistics 2018

Older people use hospitals more













Real increase in health expenditure 2003-2013, \$2012 billion

Source: Grattan Institute, Budget Pressures 2014

As health spending increased, life expectancy improved





Life expectancy at 65 years of age

Source: Grattan Institute analysis of ABS (2008) cat no 3105.0.65.001 Table 7.6

Expected life quality for 65-year-old

years



Death rate for conditions amenable to health interventions is going down



Amenable mortality per 100,000





Per cent of population reporting fair or poor health status





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A recent report





1. More than one in four Australian adults are obese



2. Third-party costs of adult obesity were around \$5.3 billion in 2014/15

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\$ billions, 2014/15



Notes: 'Foregone' tax includes foregone income tax from lower employment rates, and foregone company tax from absenteeism/presenteeism. 20 Sources: Grattan analysis based on PwC (2015)



4. Our recommendation: tax sugary drinks

- There is strong evidence that SSBs contribute to weight gain, obesity and associated health problems
- Most SSBs have no nutritional value ('empty calories') and contribute to a large share of added sugar consumption, especially among young people
- Minimises taxing of 'healthy' ingredients
- Simple, easy to categorise SSBs, and administratively easy

Premiums are becoming increasingly unaffordable



Cumulative real growth in average PHI premiums and weekly wages, since 2010-11, per cent



All series deflated using the Consumer Price Index. PHI increase is the industry weighted average per year. Wages series is the average weekly ordinary time earnings of full-time adults in the year to the November quarter



... and so people are dropping out



Source: APRA Membership Trends

... and dropping their level of cover





Proportion of hospital treatment policies, per cent

Notes: Policies with an excess require a payment by the contributor towards their hospital admission. A policy with exclusions designates certain treatments or procedures which are not covered by the policy. Source: APRA Data and Grattan Analysis.

7% of inpatient medical bills account for 89% of all medical gaps, 2018-19



Share of total gap and total services in each fee bracket relative to the MBS schedule fee



Source: APRA Medical Gap Statistics for the 2018-19 financial year

A lower public share of activity is associated with longer median waits





selected procedures, all states except Tasmania, 2013-14, Logarithmic fit F=10.2, p=.002,



Poorer people skip care due to cost more often

People who missed or delayed care at least once in the past 12 months, as a proportion of people who needed care, by equivalised household income



After relative stability in last two decades, health insurance coverage has started to decline





Notes: 'MLS' refers to Medicare Levy Surcharge; 'PHIIS' is the Private Health Insurance Incentive Scheme. There is a series discontinuity; prior to 1996 the figures refer to private insurance for public hospital care. Source: APRA (2018)



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From a similar position to Victoria, many countries lost control entirely GRAIAN

Daily new COVID-19 cases (rolling 7-day average)



Note: All figures are rolling 7-day averages to smooth substantial day-of-week variation in reporting from some countries. Source: Our World in Data (2020).

Among places where case numbers have so far remained low, Victoria and Singapore are clear outliers



Daily new COVID-19 cases (rolling 7-day average)



Note: All figures are rolling 7-day averages to smooth substantial day-of-week variation in reporting from some countries. Sources: Department of Health and Human Services collated by pappubahry/AU_COVID19; Our World in Data (2020).

Outdoor is safer than indoor, low occupancy is safer than high, and masks are safer than no masks



Risk of transmission for different types of activity

		Low occupancy		High occupancy		
Type and duration of activity	Outdoors and well ventilated	Indoors and well ventilated	Poorly ventilated	Outdoors and well ventilated	Indoors and well ventilated	Poorly ventilated
Masks, brief						
Silent						
Speaking						
Shouting, singing						
Masks, long						
Silent						
Speaking		*		*		
Shouting, singing						
No masks, brief						
Silent						
Speaking						
Shouting, singing						
No masks, long						
Silent						
Speaking						
Shouting, singing						

Risk of transmission: Low Med High

Notes: *Borderline case that is highly dependent on quantitative definitions of distancing, number of individuals, and time of exposure

Source: Jones, Nicholas R, et al. (2020), 'Two metres or one: what is the evidence for physical distancing in covid-19?', BMJ, 370, 33 m3223.

Countries with the worst death tolls have had the worst economic outcomes





Source: Deloitte Access Economics.

'QALY' quality of life pandemic argument is intellectual malpractice



For our free coronavi	OPINION		
By Richard Holden, Emil Bruce Preston September 24, 2020 – 1	Putting a lower value on older lives is unethical		
💭 Save 🅕 Shari	For our free coronavirus pandemic coverage, <u>learn more here.</u>		

By Toby Hall and Daniel Fleming	
September 22, 2020 – 11.33pm	

National Coro



Last week, a chorus of celebration broke out across Melbourne as 100-year-old Roy Bartlett walked out of St Vincent's Private Hospital after winning his six-week battle with COVID-19.

