



**Senator the Hon Fiona Nash  
Assistant Minister for Health**

**SPEECH**

**Johnson and Johnson  
Productive Ageing – The State of Australia's Health System  
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I am delighted to represent the Prime Minister at this forum hosted by Johnson and Johnson.

**Acknowledgements:**

- Gavin Fox-Smith, Managing Director, Johnson & Johnson Medical Australia
- Chris Hourigan, Managing Director, Janssen ANZ
- Gary Mitchell, Vice President, DePuy Synthes Australia
- Members and Senators, ladies and gentlemen

Productive ageing is a vital topic for the nation, as it is for developed nations around the world.

The essence of productive ageing is healthy ageing. If Australians are not staying in good health as they age, they cannot be productive.

So I will focus on the current state of our health system and the changes that the Government is making to assure its future.

At present, Australians as a whole enjoy better health and longer lives than ever.

Our health statistics are the envy of many other nations.

But the big question is whether our health system can continue to provide us with quality affordable services, as the population ages and demand for services increases.

Between 2010 and 2050, the number of Australians over 85 years is projected to almost quadruple.

This will have an impact on health services as older people are more likely to suffer from chronic diseases and co-morbidities.

But ageing is only one of the challenging factors in our health environment.

Widespread obesity and other lifestyle risk factors are contributing to a rise in non-communicable disease, including diabetes and kidney disease.

It is essential that we – as a government and as a nation – take action **now** to fine-tune our health system.

Of course, calls for change are often met with resistance.

But we don't accept the same technology, standards or rules in our cars and road rules now as we did 30 years ago.

Same goes for our health system.

New medical technologies and medicines offer new hope for patients, but they come at significant cost.

Commonwealth spending over the past decade on health has more than doubled.

It currently represents 4 per cent of GDP, but in its Intergenerational report, Treasury projects that this would rise to 7 per cent of GDP by 2050 without changes.

Ten years ago we were spending \$8 billion a year on Medicare; today it's \$19 billion, and in ten years' time, it's forecast to be more than \$34 billion.

These trends have been known for some time but no effective action has been taken. If the cost of our health system is allowed to continue at this rate, it will become an unbearable burden on the Commonwealth budget.

It's not just about ageing. Consumer expectations have risen; and in some areas, the system has become inflated with inefficiency and duplication.

If we continue down this path, we as a nation will no longer be able to afford Medicare or the PBS.

This Government is committed to protecting these programs by making them affordable into the future.

This is the only way to ensure that future generations can continue to get the benefits of a world-class health care system.

The Government's Budget contains decisions which were needed, which are fair, right and responsible for the nation.

They start the process of change to modernise health financing, streamline bureaucracy, and secure our health future through medical research.

The Budget provides a substantial but controlled **increase** in spending on health – including Medicare, the Pharmaceutical Benefits Scheme, public hospitals and other programs – over the four year period.

This increase amounts to \$10 billion, or 16 per cent.

Within that spending, we have freed up more money for effective health services.

The \$7 GP copayment that we propose will help to slow the growth in Medicare's costs – putting a firmer base under Medicare so that it can endure through the coming decades of population ageing.

Waste and inefficiency in the health system also need to be addressed through a range of strategies.

These include reducing duplication and ensuring that funding goes to front-line services – for example replacing the 61 Medical Locals with a smaller number of Primary Health Networks.

A number of agencies set up by the previous government will be closed with their key functions reverting back to the Department of Health.

And looking to the future, we have set up a Deregulation Unit in the Health Department to continue to review regulation and ensure that we have effective standards without an unreasonable paperwork burden on health care providers.

It is time to review and revise other health practices and processes that were developed 30 years ago in a different era.

The Government intends to work with the private sector at all levels of health to improve productivity and health outcomes.

The Productivity Commission estimates some public hospitals are up to 20 per cent less efficient than best practice.

In many cases, we will be looking to the private sector to provide the lead and also to provide the innovation needed to improve the way things are done.

The private sector can also play a much greater role in managing Australians' health.

Private health insurers, who cover 11 million Australians, can encourage greater use of more preventive health services and chronic disease management – helping people to avoid health crises and stay out of hospital.

Another priority area for greater collaboration with the private sector is the development of our health and medical research sector.

The \$20 billion capital-protected Medical Research Future Fund announced in the Budget is a truly forward-thinking government initiative.

The Fund will be an investment in healthier futures and especially, healthier ageing for the coming decades.

Medical research can improve our health outcomes, improve our economic and social wellbeing by allowing us to remain productive as we grow older, and reduce the cost of the health system.

Every \$1 spent on health and medical research is estimated to generate more than \$2 in health benefits.

There are huge opportunities for research in fields such as illness prevention and early intervention as well as treatment.

The Medical Research Future Fund will start next January, and will start providing dividends for medical research from 2015-16.

When fully mature, it will add \$1 billion every year to the resources available for medical research in this country – driving research in priority clinical areas.

It will enable potential breakthrough discoveries to progress to clinical trials, rather than sitting on scientists' desk for years waiting for a sponsor.

It may open up commercial opportunities for potential private sector co-investors – whether superannuation and pension funds or companies such as J and J.

Health and medical research doesn't only improve health outcomes, it also directly provides jobs and contributes to the economy.

The sector is currently worth around \$6 billion a year and is one of our fastest growing export industries.

The Medical Research Future Fund will allow this value-adding industry to continue to grow with benefits for all Australians.

In conclusion, The Government is committed to looking forward and ensuring that the future is secure for all Australians, despite the challenges presented by our ageing population.

The changes we announced in the Budget will adapt our overburdened health system, designed more than 30 years ago, to today's health needs.

Our aim and our commitment is an efficient and effective health system that delivers quality care for consumers now and into the future.

In making this transition, we will be looking to the private sector for input and collaboration.

We welcome ongoing dialogue with organisations such as Johnson and Johnson. On behalf of the Prime Minister, thank you for your deep interest in our nation's health.

THANK YOU