Australian Health Insurance Association Annual Conference

Todd Harper – CEO VicHealth

October 9, 2007

VicHealth

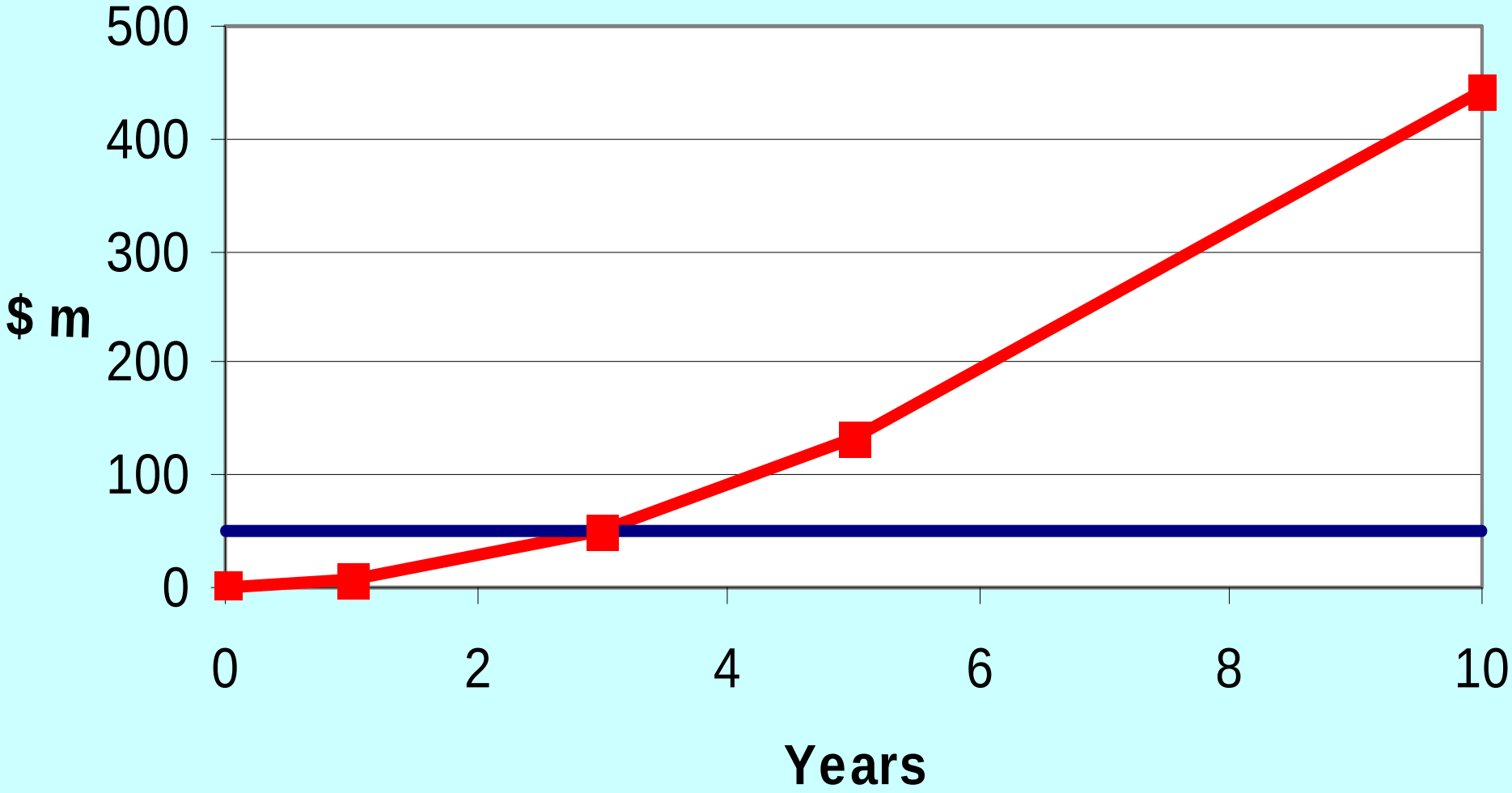
Prevention is better than cure, right?

VicHealth

If we invest $50 million in a new, intensive National Campaign, and smoking prevalence drops by 5%, how long will it take to recoup the campaign cost through health care cost savings?

VicHealth

QBM: Predicted cost savings for hypothetical campaign producing a 5% drop in smoking prevalence (5% pa discounting)



The Economics of Prevention

- **3000 heart attack hospitalisations** and over **1000 stroke hospitalisation** could be avoided and over **$60 million in health care costs** saved in the short-term, if smoking rates fell by **1%** every year for the **next 5 years**
- **1% reduction** in smoking rates in the first year would ensure that almost **1000 hospitalisation from heart attack**, and about **350 hospitalisations from stroke** are avoided in the following 7 years.

Medical Journal of Australia 2005, 2006

VicHealth

The opportunities from health promotion

- Adding healthy years to life – as much as 10 healthy years
- Economic benefits – improved productivity
- Improving the health of the most disadvantaged –Indigenous life expectancy 17 years less than non-Indigenous
- Reducing pressure on rising healthcare expenditure?
- Some challenges to unleash the potential of health promotion

VicHealth

Adding healthy years to life – as much as 10 healthy years

- We can achieve an additional 10 years of healthy and productive life by 2050 through actions which include health promotion and disease prevention approaches in:
  - smoking,
  - diet,
  - physical activity, and
  - alcohol misuse

Promoting healthy ageing in Australia. Prime minister's science, engineering and innovation council 2003

VicHealth

Obesity

- In 2004-05 more than half (54%) of all adults in Australia (7.4 million people) were either overweight or obese an increase of 45% (5.4 million adults) since 1995.
- People living in areas with greatest relative disadvantage have higher rates of obesity

Source: ABS Australian Social Trends Report - 2007

VicHealth

Alcohol

- The proportion of 12-15 year old Victorian school students who drink at harmful levels has doubled from 10% in 1984 to 22% in 2005

VicHealth

Fruit and vegetable consumption

- Almost 90% of Victorians did not meet the healthy eating guidelines for vegetables[1]
- Increasing fruit and vegetable levels in Australia by just one serve a day would save between $8.6million and $24.4 million per year in direct health care costs relating to cancer; and $150 million in direct health costs associated with cardiovascular disease[2]

[1] Department of Human Services - Victorian Population Health Survey (2005)

[2] Department of Health & Ageing (ACT) – "Chronic Illness: Australia's health challenge – The economic case for Physical Activity and Nutrition in the Prevention of Chronic Disease." Australian Chronic Disease Alliance (2004)

VicHealth

Condition	Behavioural				Biomedical		
	Poor diet	Physical inactivity	Tobacco use	Alcohol misuse	Excess weight	High blood pressure	High blood cholesterol
Coronary heart disease	✓	✓	✓	✓	✓	✓	✓
Stroke	✓	✓	✓	✓	✓	✓	✓
Lung cancer			✓				
Colorectal cancer	✓	✓			✓		
Depression		✓	✓	✓	✓		
Diabetes	✓	✓			✓		
Asthma			✓		✓		
Chronic obstructive pulmonary disease			✓				
Chronic renal diseases	✓				✓	✓	
Oral diseases	✓		✓				
Osteoarthritis		✓			✓		
Osteoporosis	✓	✓	✓	✓			

Source Australian Institute of Health and Welfare (AIHW) *Chronic diseases and associated risk factors. Canberra, AIHW, 2002*

Relationships between various chronic diseases, conditions and risk factors

VicHealth

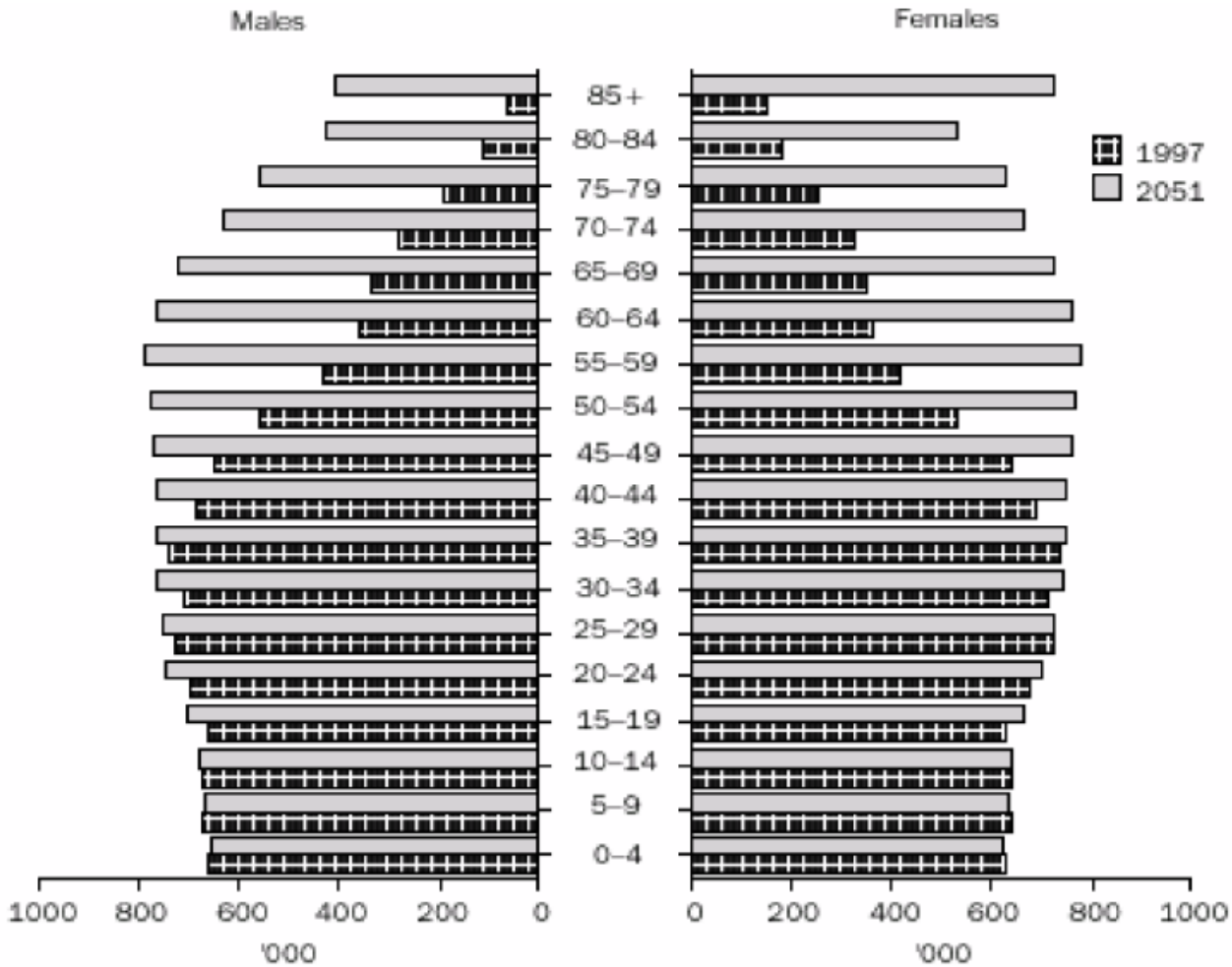
Economic benefits – improved productivity

- Australia's population is ageing
- Older people have lower labour force participation rates relative to younger people,
- Victoria's aggregate LFPR is expected to decline from around 64 per cent in 2003-04 to 54.4 per cent in 2041-42. The expected decline in aggregate LFPR is of broadly similar magnitude across Australia.

Victorian Department of Treasury and Finance. Addressing impacts of population ageing on labour force participation. Preliminary Report. May 2005, www.dtf.vic.gov.au

VicHealth

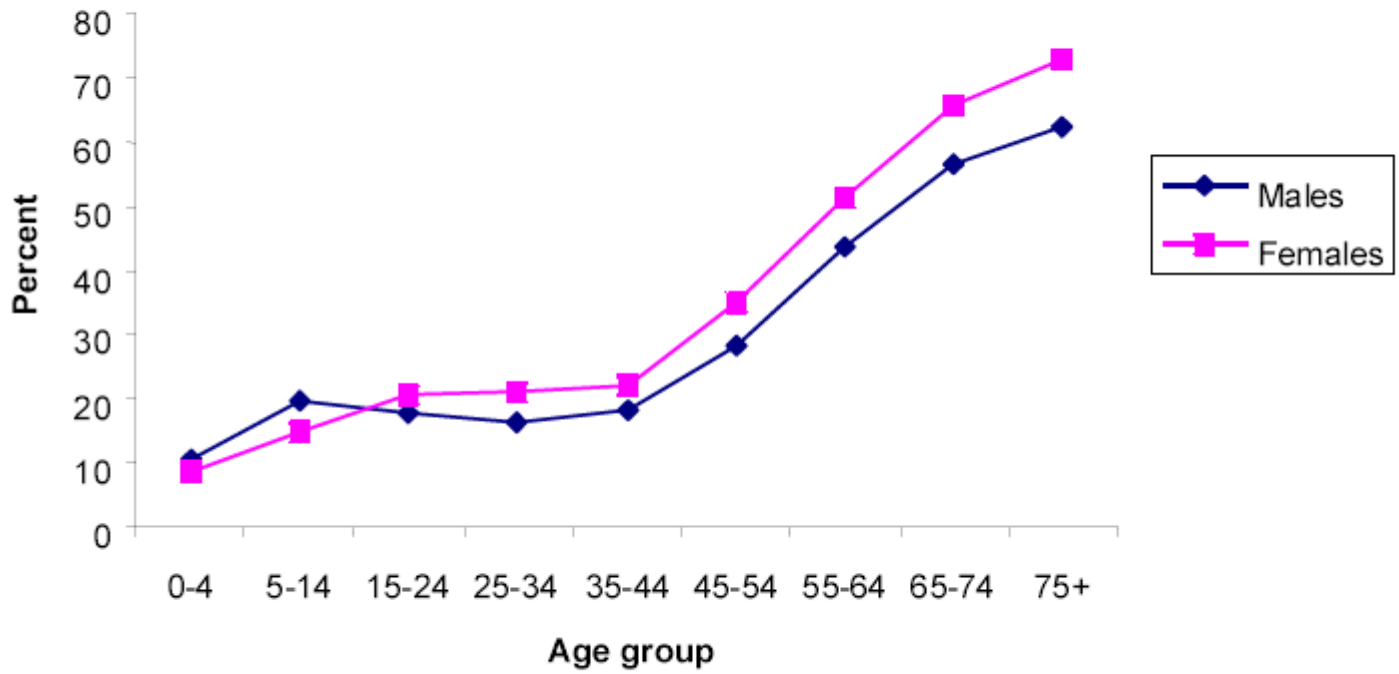
Figure 1: Comparison of Australia's Population Pyramid, 1997 and 2051



Source: ABS Population Projections 1999-2101 Catalogue 3222.0

VicHealth

Figure 3: Persons reporting one or more chronic conditions, by age group



Source: ABS National Health Survey 2001, unpublished data

Chronic conditions include: diabetes, ischaemic heart disease, stroke, asthma, bronchitis/emphysema, kidney disease, arthritis, osteoporosis, lung cancer, colorectal cancer. Excludes depression.

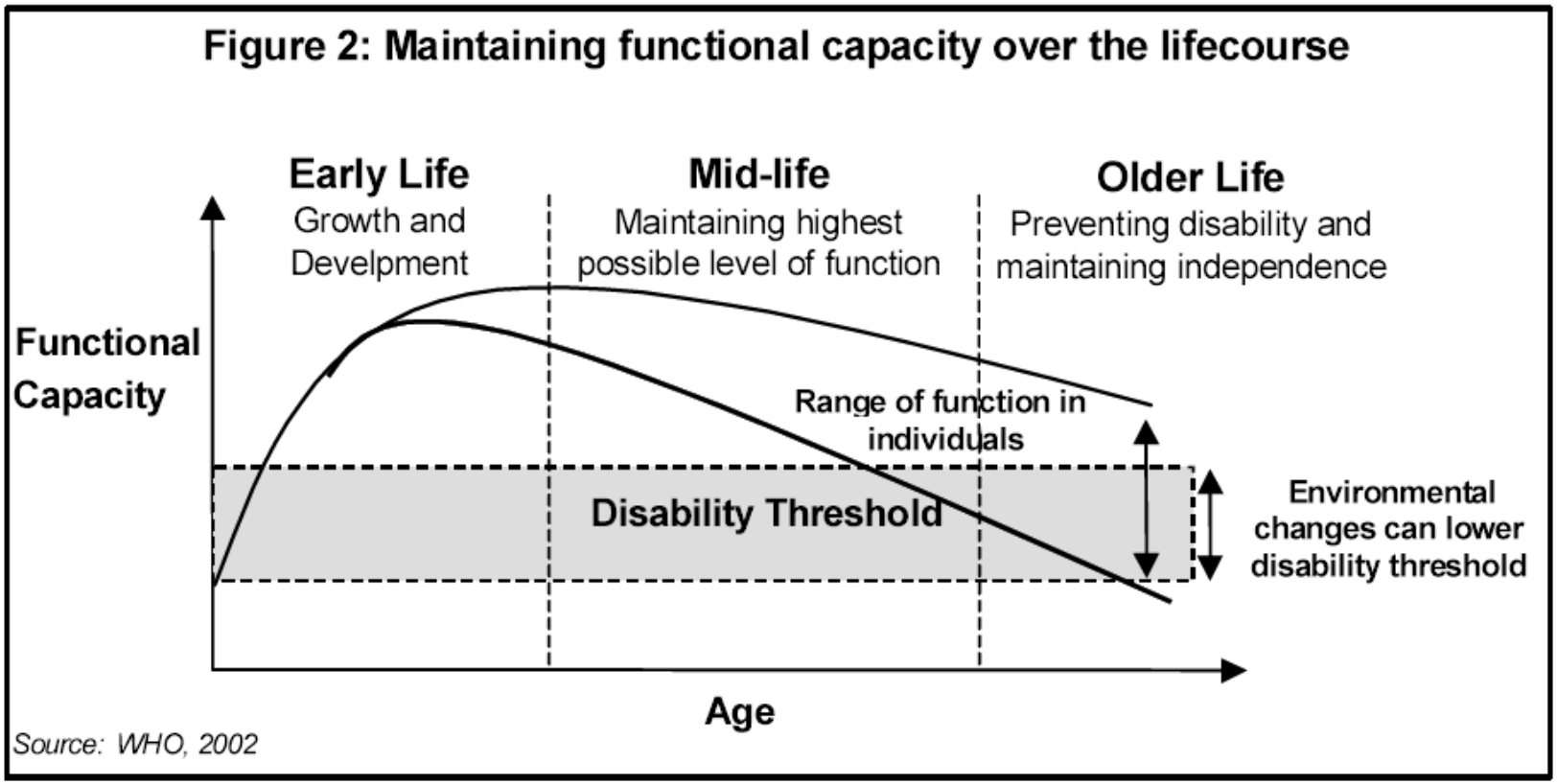
VicHealth

Reducing pressure on healthcare expenditure

- About 60 % disease burden (and costs) are from preventable diseases
- Current expenditure about 1.7 per cent of healthcare budget on health promotion
- Unrealistic expectation that health promotion should be cost saving – it is for some interventions in smoking, sun safety, nutrition
- Our economic evidence in health promotion is limited needs to developed– about 10% of economic studies, often one to one rather than population interventions

VicHealth

Figure 2: Maintaining functional capacity over the lifecourse



Source: WHO, 2002

VicHealth

It only takes small gains to make a difference…

- But we all tend to focus on the ‘bit that is our responsibility’ – my employees, my patients, my clients however….
- The biggest gains will be made by population approaches supporting more targeted prevention interventions such as those offered by the Health Insurance Industry
- For example, strategies to make healthy food more affordable, making active transport the easy option, bans on junk food advertising, restrictions on 24-hour liquor licences…

VicHealth

The challenges

- Our health budgets are limited – about 1.7 per cent of healthcare expenditure
- Responsibilities split between Commonwealth and State
- Limited ‘property rights’ – who has the incentive to invest in health promotion programs and R&D?
  - ➔ How do we overcome the ‘free rider’ which provides little incentive for the beneficiaries of better health outcomes, to contribute to the bigger picture, eg populations strategies

VicHealth

Opportunities for the future

- Increased investment in experimentation in health promotion to develop economic evidence base
- Built environment - land use, transport, public spaces: to make healthy choices the easy choices
- Work environment – creating a health promoting workplace that includes, but goes beyond, OH&S

VicHealth

Opportunities for health insurers

- Partnerships with Government and health promoting organisations to provide leadership on prevention

- How do we build on the targeted, individual strategies to create an environment that promotes at a population level, to benefit all stakeholders?

  - ➔ eg business, health insurance, healthcare system, individuals with poorest health outcomes, etc

VicHealth

Health Promotion / Health insurance partnership?

Swiss Approach:

- Population: 7.5 million
- Total Cost: Health care is about $6000 pa per person
- Invests about about 2% for prevention and health promotion

⇨ receives from each person (mandatory insurance) a small amount (US$1.80/year) to invest in health promotion

VicHealth

Prevention is better than cure?

VicHealth