

11 June 2025

Australian Government Productivity Commission

Via: 5pillars@pc.gov.au

Dear Commissioners,

RE: Letter of Support – Submission to Pillar 4: Delivering Quality Care More Efficiently

Health prevention is one of the smartest and most impactful investments a nation can make. That is because good public health policy is good economic policy. Every dollar invested in prevention can return up to \$14 in avoided healthcare and productivity costs.ⁱ Accordingly, VicHealth welcomes the opportunity to respond to pillar 4 – “a national framework to support government investment in prevention” as part of the Productivity Commission’s inquiry into “Delivering quality care more efficiently”.

As Victoria’s peak statutory health promotion agency, VicHealth has been at the forefront of prevention for almost four decades. Our commitment is grounded in the evidence that preventing illness and promoting health is ethically sound, fiscally responsible and economically smart. Investing in prevention reduces long-term demand on the healthcare system, improves population wellbeing, and delivers outsized social and economic returns. That’s why VicHealth’s 10-year strategy commits to delivering at least \$1 billion in health and economic benefits for Victoria by 2033 through targeted prevention initiatives.

In 2018–19, \$24 billion of Australia’s total health system spending was due to potentially avoidable risk factors, a third of which was due to overweight, obesity and tobacco use.ⁱⁱ Ample evidence exists regarding the effectiveness of prevention initiatives to reduce such risk factors. Yet, Australia only invests around 2% of total health expenditure in prevention – well below the OECD average.ⁱⁱⁱ Australia’s spending is half the level of the United Kingdom’s and a third the level of Canada’s.^{iv} Such under-investment is holding back our nation’s productivity and prosperity.

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To close this gap, VicHealth supports full implementation of the National Preventive Health Strategy, including allocating at least 5% of health expenditure to prevention by 2030.

A healthier population not only reduces pressure on our health system but also supports national productivity by reducing days lost to work from chronic disease. Prevention is the pathway to both these goals. We agree with our public health colleagues who highlight the critical role of prevention in improving productivity by reducing the burden of chronic disease and enabling healthier communities. This aligns closely with VicHealth's strategic priorities and the *National Preventive Health Strategy*, which provides an evidenced-based roadmap for prevention that could be achieved by funding and empowering the Australian Centre for Disease Control to lead and monitor implementation.

To overcome short-term political and budget cycles, siloed decision-making, and failure to account for cross-portfolio benefits, Australia needs a national framework that drives prevention-focussed action. This framework should embed shared accountability, long-term funding, and integrated policy tools. By doing so, it will enable more strategic, coordinated, and sustainable investment in prevention.

As well-respected Australian economist and former federal Treasury Secretary, Ken Henry, also notes a more holistic approach to productivity and progress is required, where community and planetary wellbeing are considered alongside economic growth.^v As a step towards this outcome, VicHealth welcomes the federal government's launch of the national framework, *Measuring What Matters* which broadens Australia's definition of progress, and has the potential to integrate wellbeing, equity, and sustainability into Australian public policy. This presents a vital opportunity to introduce formal mechanisms to hardwire health and wellbeing outcomes to budget decision-making.

The Victorian Government's *Early Intervention Investment Framework* also provides promising progress and a useful starting point to guide funding decisions based on the potential of programs to deliver measurable outcomes and long-term cost savings across government. Ongoing, systematic monitoring is an essential component of these frameworks which will help strengthen their long-term impact.

Prevention must be a core pillar of a productive, sustainable care economy. We urge the Commission to recommend funding for the full implementation of the *National Preventive Health Strategy* by empowering the Australian Centre for Disease Control with a prevention focus and adopting tools to embed prevention into budget and policy decisions.

VicHealth stands ready to partner across governments, communities and sectors to support a national prevention framework that will deliver a healthier, more productive and equitable society and sustainable health care system.

Thank you for the opportunity to provide this letter of support.

Yours sincerely,



Professor Anna Peeters
Chief Executive Officer

References

ⁱ Australian Government, Department of Health and Aged Care, *Budget 2023–24 – Health Protection, Preventive Health and Sport* (Canberra: Australian Government, 2023) <https://www.health.gov.au/sites/default/files/2023-10/health-protection-preventive-health-and-sport-budget-2023-24.pdf> [accessed 4 March 2025].

ⁱⁱ Australian Institute of Health and Welfare, *Health System Spending per Case of Disease and for Certain Risk Factors* (Canberra: AIHW, 2022) <https://www.aihw.gov.au/reports/health-welfare-expenditure/health-system-spending-per-case-of-disease/contents/about> [accessed 4 March 2025]

ⁱⁱⁱ Alan Shiell et al., 'How Do We Fund Public Health in Australia? How Should We?', *Australian and New Zealand Journal of Public Health*, 48.5 (2024), 100187 <https://doi.org/10.1016/j.anzjph.2024.100187> [accessed 4 March 2025]

^{iv} OECD, *OECD Health Statistics* (Paris: OECD, 2024) <https://www.oecd.org/en/data/datasets/oecd-health-statistics.html> [accessed 4 March 2025]

^v Holmes, D., 'Ken Henry: "Humans are species specialists at plunder"', *The Mandarin*, 1 July 2024, <https://www.themandarin.com.au/249590-ken-henry-natural-capital/>