Submission to the Productivity Commission on the Inquiry into Quality Care

Valuing Health, Wellbeing, and Social Infrastructure

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Executive Summary

Australia's health, aged care, and social services are vital to national wellbeing, yet rising costs, workforce shortages, and fragmented delivery undermine their resilience. Addressing these challenges through a productivity lens requires shifting away from reactive, volume-based care towards prevention, integration, and workforce reform. By learning from international experience, Australia can build a health and care system that is more efficient, resilient, and person-centred.

Context

Health expenditure continues to grow faster than GDP, placing pressure on public finances. Workforce shortages in nursing, aged care, and allied health constrain service delivery. Chronic and preventable conditions such as diabetes, obesity, and cardiovascular disease account for a large share of spending, yet prevention remains underfunded. The current system is fragmented across primary, hospital, aged care, and disability services, resulting in duplication and inefficiency. Funding models often reward activity and volume of care rather than long-term outcomes.

Furthermore, in the United States, the median annual salary for Registered Nurses was around US$92,566 in 2024 (≈A$144,000). In Australia, base pay for Registered Nurses typically ranges from A$85,000 to A$95,000 before penalties and superannuation. While penalty rates and the 12% superannuation rate narrow the gap, the headline salary signal remains less competitive. Mid-career professionals comparing options are therefore unlikely to pursue a nursing pathway without additional incentives.

Lessons from Global Leaders

Several international models show how productivity in health and care can be improved without compromising quality:

- Scandinavia demonstrates the benefits of integrated digital records and home-based aged care, reducing hospital demand.

- Singapore's 'Healthier SG' program pays GPs to keep populations healthy, rebalancing incentives towards prevention.
- The UK's NHS pilots use AI triage and remote monitoring to free capacity and reduce hospital admissions.
- In the United States, value-based care contracts reward providers for reducing long-term costs and improving outcomes.
- Japan emphasizes community-based elder care to limit reliance on institutional care.

Recommendations

To build a more productive health and care system, Australia should:

1. Transition to outcome-based funding by piloting bundled payments and value-based care contracts, aligning incentives with patient wellbeing rather than service volume.
2. Integrate digital health systems by mandating interoperable electronic health records, expanding telehealth, and enabling secure data-sharing between providers.
3. Address workforce bottlenecks by expanding domestic training pipelines, providing subsidies for reskilling, and leveraging skilled migration in critical areas such as nursing and aged care.
4. Invest in prevention by scaling early screening programs, nutrition incentives, and physical activity initiatives, reducing the future burden of chronic disease.
5. Support ageing in place through community and home-based care models, reducing reliance on costly institutional care.
6. Establish a national pay benchmark for nursing, ensuring total remuneration remains clearly above comparable trades and shift work occupations.
7. Introduce salaried 'earn-while-you-learn' nursing apprenticeship programs, modelled on the UK Registered Nurse Degree Apprenticeships, integrating university study and clinical placements.
8. Guarantee employment at graduation for Commonwealth-supported nursing places, tying a portion of university funding to in-field graduate employment within 3–12 months.
9. Provide HECS debt forgiveness or bonuses for nurses committing to service in high-need specialties or rural/remote regions, mirroring US and NZ bonded service schemes.

10. Ensure safe staffing ratios are legislated nationally and expand team-based supports to improve retention.
11. Expand rural workforce incentive packages, harmonised across states and aged care providers, to prevent internal competition and churn.
12. Simplify and fast-track mid-career entry pathways with recognition of prior learning and modular bridging courses.

Productivity Benefits

Nursing shortages will not be solved by training volume alone. The Productivity Commission should recommend a comprehensive package that lifts headline pay, pays students during training, and guarantees jobs upon graduation. These changes would create a clear value proposition for mid-career Australians to retrain into nursing and allied health, ensuring the sustainability of Australia's health and aged care systems.

Reforming health and care systems delivers broad productivity benefits:

- Healthier populations mean higher workforce participation and fewer lost workdays.
- Integrated digital systems reduce duplication and administrative burden.
- Prevention reduces long-run fiscal pressure, freeing resources for other priorities.
- A resilient workforce ensures service continuity and supports demographic ageing.

By shifting to prevention, integration, and outcome-based models, Australia can improve quality of care while maintaining fiscal sustainability and boosting productivity.

About the Author

David Lee is an engineer and energy professional with more than a decade's experience in complex systems delivery for the Australian Department of Defence. David has since completed a Master of Sustainable Energy at the University of Queensland to focus on climate and energy transition challenges. He now works in the Australian energy industry, specialising in grid connection, system security, and policy reform to accelerate renewable integration. His work combines technical expertise with a systems-level perspective on market design, regulation, and sustainability.