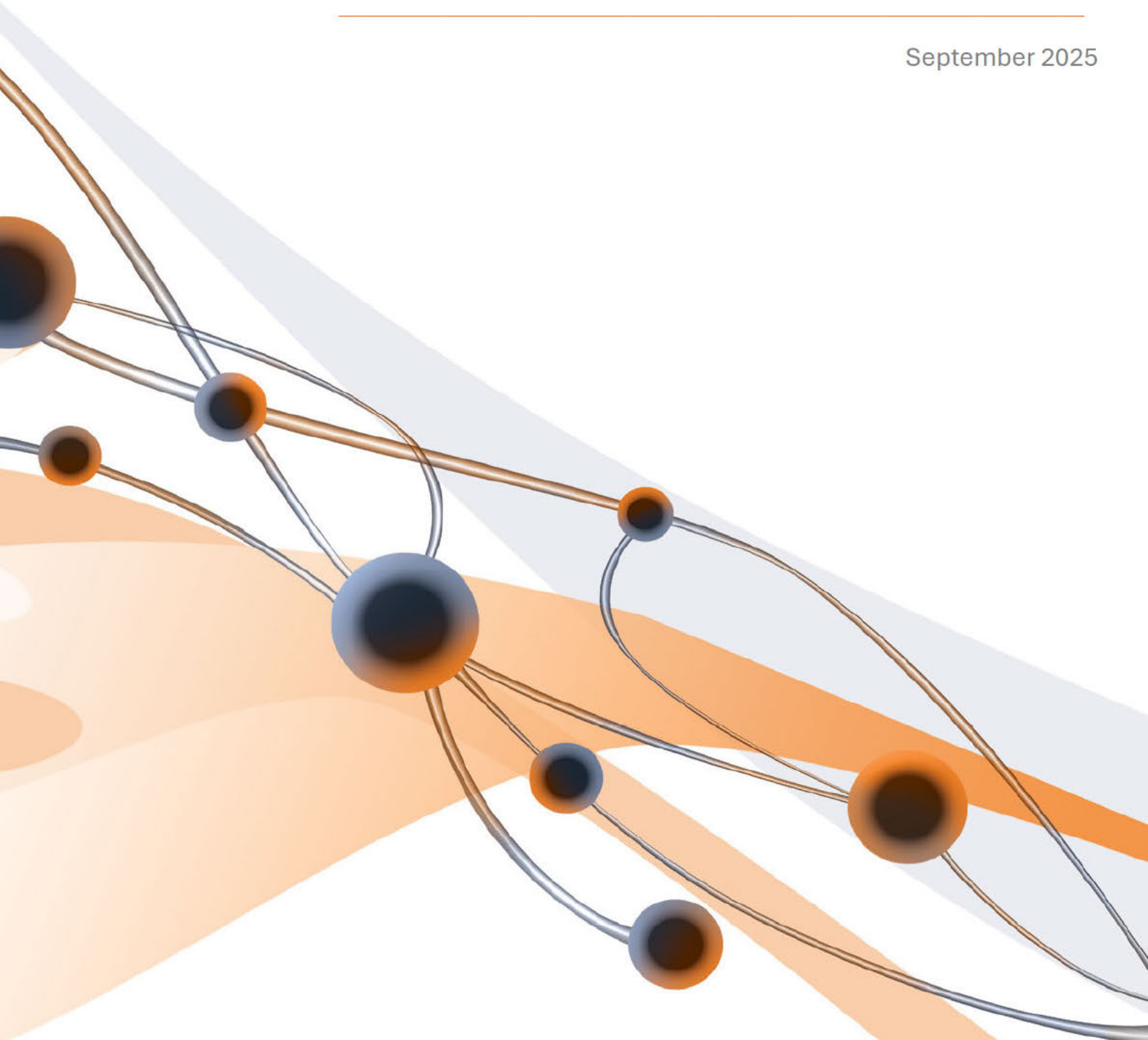


Creating a dynamic and resilient economy

Interim Report Submission

September 2025



**RESEARCH
AUSTRALIA**

*Championing
Australian health
& medical research
& innovation*

Background

Research Australia, as the national alliance and peak body for health and medical research and innovation, welcomes the opportunity to respond to the Productivity Commission's (PC) *Creating a more dynamic and resilient economy* interim report, by way of a written submission.

Research Australia is deeply committed to the government's focus on productivity. We recognise health and medical research, development and innovation not merely as a contributor to productivity, but a fundamental cornerstone of Australia's productivity agenda, driving economic diversification, resilience, growth and budget sustainability. The health and medical research and innovation sector contributes to both a healthy nation, and a healthy economy.

It is well established, investing in health and medical research is budget positive and economically generative – every dollar invested in Australian health and medical research yields close to \$4 to the Australian economy¹, however, it is likely to be much more. Let's take arthritis and musculoskeletal conditions as an example - affecting 7 million Australians, accounting for 13% of disease burden; forcing over 50,000 Australia's out of the workforce (the second leading cause of early retirement) and costing the health system \$16 billion annually². In a Research Australia cost benefit analysis, the return of investment of a \$100 million, 10-year research mission dedicated to arthritis and musculoskeletal conditions, would see a return of every \$1 invested generating \$4.61 back to the Australian economy³. It would also contribute to productivity through a 2.2x reduction in burden to the health system; potential \$361million net return to the Australian economy; and support over 60 research jobs per annum⁴.

In a typical year, poor health reduces global GDP by 15 percent⁵. Better health could add \$12 trillion to global GDP in 2040, an 8 percent boost that translates into 0.4 percent faster growth every year⁶. The health and medical research, development and innovation sector is a vital component in improving the health and wellbeing of Australians and maximising the economic gains associated with doing so. Beyond immediate health benefits, the sector drives job creation, supports high-value industries, and improves workforce participation by reducing the burden of disease. Australia's economic future hinges on ensuring the health and medical research, development and innovation sector is prioritised and supported to flourish.

National prioritisation of health and medical research, development and innovation within the productivity agenda will position Australia as a leader in health outcomes, global innovation, enhance economic diversification, and respond to demographic and healthcare system pressures with evidence-driven solutions. In order to achieve cost neutral, we have to continue to invest, even modestly, in order to drive economic diversification, resilience, growth and budget.

¹ KPMG. (2018). 'Economic Impact of Medical Research in Australia'. KPMG.

² Research Australia. (2025). 'Call for an Arthritis and Musculoskeletal Medical Research Future Fund (MRFF) Mission: Recovery'. See https://researchaustralia.org/wp-content/uploads/2025/09/RA-x-AA_MRFF-Communique.pdf

³ Ibid.

⁴ Ibid.

⁵ McKinsey Global Institute. (2020). 'Prioritizing health: A prescription for prosperity'. McKinsey & Company.

⁶ Ibid.

Health and Medical Research Quick Facts

- For every \$1 invested in medical research, at least \$4 is returned to the Australian economy^{7 8}
- Chronic conditions account for around \$82 billion (or 48%) of all disease spending⁹
- Around a quarter (24%) of all Australian Research and Development (R&D) is spent on HMR¹⁰
- 2.9% of the \$252.5 billion spent on health is on HMR¹¹

The productivity potential of the health and medical research, development and innovation sector to all of the government's 5 pillar productivity agenda is extensive:

A more dynamic and resilient economy: Health and medical research, development and innovation improves population health; lowers healthcare costs; and supports economic growth by advancing disease prevention, diagnosis, and treatment through local industries and global investment.

Investing in the net zero transformation: Contributing to climate goals by reducing the healthcare system's carbon footprint, developing sustainable technologies, and informing policy on climate-related health risks, aligning climate, health and productivity agendas.

Building a skilled and adaptable workforce: A healthier population underpins a productive and innovative workforce across every sector. Specifically, expanding the health and medical research, development and innovation sector offers career pathways in emerging fields like MedTech and digital health, fostering a highly skilled domestic workforce, contributing to our knowledge economy.

Harnessing data and digital technology: Australia's ability to boost productivity is closely linked to its adoption of digital and data innovation, where the benefits of technological and digital transformation are nowhere more evident than in digitally and AI enabled healthcare system which realises the potential of health data as a critical national asset.

Delivering quality care more efficiently: The health and medical research, development and innovation sector drives improvements in healthcare delivery by embedding innovation into clinical practice, informing evidence-based policy, and supporting real-world and consumer-led research. These activities reduce health disparities, improve outcomes, and contain costs to the health system, contributing to a more efficient, sustainable and value-based healthcare system aligned with national productivity goals.

⁷ KPMG. (2018). 'Economic Impact of Medical Research in Australia'. KPMG.

⁸ Research Australia. (2025). 'Call for an Arthritis and Musculoskeletal Medical Research Future Fund (MRFF) Mission: Recovery'. See https://researchaustralia.org/wp-content/uploads/2025/09/RA-x-AA_MRFF-Communique.pdf

⁹ Australian Institute of Health and Welfare (AIHW). 'Health system spending on disease and injury in Australia 2022–23'. Accessed 4 September 2025

¹⁰ Research Australia Analysis of ABS. (2025). 'Research and Experimental Development, Businesses, Australia Dataset'. See <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-businesses-australia/2023-24>. Accessed 1 September 2025.

¹¹ AIHW. (2024). 'Health expenditure Australia 2022–23'. See <https://www.aihw.gov.au/reports/health-welfare-expenditure/health-expenditure-australia-2022-23/contents/overview/total-health-spending>. Accessed 4 September 2025.

About Research Australia

Setup by government following a landmark review in 2000, Research Australia is the national peak body for the health and medical research and innovation sector. Our membership is drawn from the whole pipeline of health and medical research and innovation, from universities and medical research institutes to charities and patient groups, and health care providers and companies commercialising new health technologies. Our priorities include a whole of systems approach to health and medical research and innovation, smarter investment, workforce and advancing prevention. Underpinning these priorities are equitable health outcomes; collaboration; AI and digital health, data and data linkage.

Research Australia offers the following insights and recommendations, drawing upon our expertise and previous work as the collective voice of the HMR&I ecosystem, to inform the finalisation of the Productivity Commission's report. This submission also draws on a recent Research Australia Health Economics Symposium, which convened more than 100 policymakers, health economists, clinicians, researchers, consumer peak organisations and industry leaders. Held at a critical moment of national policy reform, the Symposium reached clear consensus that if we harness our research strength, apply health economics to policy making and invest in health services research, we can strengthen our health systems and build a healthier population and a more productive, competitive Australia.

Research Australia remains committed to progressing the recommendations and broader insights from our membership across the ecosystem.

Summary of Recommendations:

Position HMR&I as Central to a Dynamic and Resilient Economy	• <i>Elevate the critical role of health and medical research, development and innovation in a dynamic and resilient economy.</i> • <i>Build a national culture of health and medical research, development and innovation excellence to enhance productivity.</i> • <i>Increase health economist and health service researcher involvement in policy design and development to broaden understanding and evidence outcomes relating to investment in better health outcomes and healthcare models.</i>
Invest in a Future-Focused Health and Medical Research Ecosystem	• <i>The Productivity Commission must highlight and work across Government portfolios and engage with key reforms such as the National Health and Medical Research Strategy and Strategic Examination of R&D (SERD) to ensure the HMR&I sector has the necessary investment and coordination to achieve a truly dynamic and resilient economy.</i> • <i>Establish a measurable path to 3% GDP investment in Research & Development.</i> • <i>Utilise MRFF underspent funds to strategically invest in health and medical research and innovation, with a focus</i>

	<i>on strengthening the enabling systems and infrastructure that support research translation and innovation.</i> • <i>Define a pathway to fund the full cost of research, in a rational and sustainable way, including infrastructure.</i> • <i>Increase funding for discovery science, recognising it underpins Australia’s global academic standing and future productivity gains.</i> • <i>Diversify International funding streams, including Horizons Europe.</i> • <i>Better coordination and transparent, monitoring and evaluation of funding.</i>
Bolster High-Value Economic Activity Through HMR&I	• <i>Bridge translational funding gaps through targeted health innovation funds, including translational and commercialization funds, to support pilot trials, scale-up studies, and technology validation.</i> • <i>Develop an Australian equivalent of the US Biomedical Advanced Research and Development Authority (BARDA) to unlock Government procurement power.</i> • <i>Grow the venture capital and commercialisation pipeline.</i>

Introduction

The Productivity Commission's interim report rightly emphasises the importance of a dynamic economy that enables firms and individuals to invest, learn, innovate, and thrive¹². Research Australia acknowledge the raft of measures outlined in the Productivity Commission’s report and support reforms that encourage investment and reduce organisational burdens, especially as they pertain to the HMR&I sector.

While changes to the company tax system and the way government regulates have merit and potentially significant impacts in terms of investment, national GDP and productivity, the report does not recognise the critical role of the health and medical research, development and innovation ecosystem in underpinning a dynamic and resilient economy. Research Australia contends that a strong and innovative HMR&I sector is not merely a beneficiary of such an economy but a fundamental prerequisite for its existence and sustained growth.

Investing in HMR&I not only improves population health but also lowers healthcare costs and supports economic growth by advancing disease prevention, diagnosis, and treatment through local industries and global investment. As mentioned above, investment in HMR&I yields significant returns, therefore this submission will focus on providing the necessary insights and recommendations to elevate and develop the sector to achieve a truly dynamic and resilient economy.

Position HMR&I as Central to a Dynamic and Resilient Economy

¹² Productivity Commission. (2025). ‘Creating a dynamic and resilient economy – Interim Report’. Productivity Commission. Pg 1.

Australia ranks 99th in the Economic Complexity Index, behind countries like Morocco, Uganda, and Senegal and our economy is projected to grow slowly due to a lack of export diversification¹³. The HMR&I sector offers a clear pathway to address this, contributing to economic diversification, skilled employment, and the stimulation of future industries. For every dollar invested in medical research, at least \$4 is returned to the Australian economy. The benefits and dividends of a strong HMR&I sector are multifaceted and significant, therefore, as a starting point, the Productivity Commission must position the HMR&I sector at the forefront of debates around creating a dynamic and resilient economy.

Furthermore, the burden of disease is a significant contributing factor to Australia's sluggish productivity. In 2022–23, spending on chronic conditions accounted for around \$82 billion (48% of all disease spending)¹⁴. Many chronic conditions are preventable or manageable through better research and care models. Previous analysis highlighted if action were taken to address the wider determinants of health, then it is estimated that 170,000 extra Australians could enter the workforce, generating \$8 billion in extra earnings, annual savings of \$4 billion in welfare support payments, and 60,000 fewer people would need to be admitted to hospital annually resulting in savings of \$2.3 billion in hospital expenditure¹⁵. HMR&I plays a vital role in addressing these challenges by advancing knowledge and products for disease prevention, diagnosis, and treatment. By reducing the burden of disease, innovative research lowers barriers to stable employment, decreases workplace absenteeism, alleviates reliance on unpaid carers, and ultimately reduces healthcare costs. A healthier population is a more engaged and productive workforce, which is the very foundation of a dynamic and resilient economy.

As well as elevating and building a national culture around health and medical research, development and innovation as a key enabler of productivity and economic activity, the Productivity Commission should also seek to enhance the role of health economics and health services research in policy design and development. Health economists and health service researchers play an essential role in identifying areas of health investment to maximise productivity, as well as identification of the changes required to withstand shocks and mobilise resources for recovery and broader societal benefit modelling. By bolstering evidence-based policy design and development and research translation into healthcare, future investments will be more strategic and have broader impact assessment, ensuring Australia achieves a dynamic and resilient economy.

Recommendations:

- *Elevate the critical role of health and medical research in a dynamic and resilient economy.*
- *Build a national culture of health and medical research, development and innovation excellence to enhance productivity.*

¹³ Harvard University Growth Lab, Centre for International Development. 'Atlas of Economic Complexity - Australia Profile'. Accessed 15 April 2025.

¹⁴ Australian Institute of Health and Welfare (AIHW). 'Health system spending on disease and injury in Australia 2022–23'. Accessed 4 September 2025.

¹⁵ Brown L, Thurecht L, and Nepal B. (2012). 'The cost of inaction on the social determinants of health'. National Centre for Social and Economic Modelling, University of Canberra.

- *Increase health economist and health service researcher involvement in policy design and development to broaden understanding and evidence outcomes relating to investment in better health outcomes and healthcare models.*

Invest in a Future-Focused Health and Medical Research Ecosystem

For Australia to truly realize its potential as a dynamic and resilient economy, comprehensive investment in the HMR&I ecosystem is paramount. Despite significant investment (approximately \$10 billion) on health and medical research in Australia each year¹⁶, policy frameworks and funding are often not cohesive, leading to duplications, gaps, and a reactive focus rather than preparing for the future. Research Australia notes the National Health and Medical Strategy and Strategic Examination of Research & Development (SERD) are currently in development in tandem with the Productivity Commission's inquiries. Together, they offer a unique and highly important opportunity for reform. The Productivity Commission must highlight and work across Government portfolios to ensure the HMR&I sector has the necessary investment and coordination to achieve a truly dynamic and resilient economy. It is imperative this stretches across the whole research pipeline; from basic science through to translation and / or commercialisation.

Australia's R&D expenditure as a percentage of GDP has declined over the past 15 years to 1.68%¹⁷. In addition, Australian government investment in R&D is at a historic low, with Government underinvesting in R&D by \$1.8 billion per annum compared to the OECD average¹⁸. Research Australia submits that Government must commit to increasing R&D investment to at least 3% of GDP, with a dedicated focus on HMR&I, which accounts for over a quarter (26%) of Australia's R&D. We also note that there were no changes to forecast expenditure for medical research through the MRFF in the 2025-26 budget, despite the Future Fund's Board of Guardians announcing in October 2024 that an extra \$405 million was available in addition to the \$650 million annual stipend for new medical research projects¹⁹. The current MRFF underspend highlights the opportunity to invest these funds strategically back into the sector. Within the MRFF's growth-focused model, this investment should target strengthening the enabling systems and infrastructure that support research translation and innovation. By directing underspend into these areas, the sector is better positioned to thrive, maximise impact, and deliver long-term benefits.

A further critical long-term issue relating to investment is the need to define a pathway to fund the full costs of research, including essential infrastructure. The National Collaborative Research Infrastructure Scheme (NCRIS) requires new and ongoing funding beyond current allocations to support valuable research infrastructure, alongside better coordination and transparent, monitoring and evaluation of funding across all streams. In addition, sustained and increased funding for research through international funding streams and discovery science

¹⁶ See <https://researchaustralia.org/australian-research-facts/>

¹⁷ Australian Academy of Science. (2025). 'Australian Science, Australia's Future: Science 2035'. Australian Academy of Science.

¹⁸ Ibid.

¹⁹ See <https://www.finance.gov.au/sites/default/files/2024-12/mada-mrff-29-october-2024.pdf#:~:text=Pursuant%20to%20section%2034%281%29%20of%20the%20Act%2C%20and,%24I%2C055m%20is%20available%20for%20grants%20of%20financial%20assistance.>

through the NHMRC and ARC is fundamental as it is the precursor to all further research activity and underpins Australia's global academic standing and future productivity gains.

Recommendations:

- *The Productivity Commission must highlight and work across Government portfolios and engage with key reforms such as the National Health and Medical Research Strategy and Strategic Examination of R&D (SERD) to ensure the HMR&I sector has the necessary investment and coordination to achieve a truly dynamic and resilient economy.*
- *Establish a measurable path to 3% GDP investment in Research & Development.*
- *Utilise MRFF underspent funds to strategically invest in health and medical research and innovation, with a focus on strengthening the enabling systems and infrastructure that support research translation and innovation.*
- *Define a pathway to fund the full cost of research, in a rational and sustainable way, including infrastructure.*
- *Increase funding for discovery science, recognising it underpins Australia's global academic standing and future productivity gains.*
- *Diversify International funding streams, including Horizons Europe.*
- *Better coordination and transparent, monitoring and evaluation of funding.*

Bolster High-Value Economic Activity Through HMR&I

Australia is a country rich in research outputs. As of 2025, Australia produces 2.1% of the world's scientific publications despite having only 0.3% of the global population, ranking sixth among OECD nations for publications per capita/per million people²⁰. Despite being ranked in the top 10 globally for health research outputs, Australia is outside the top 20 for commercialization outcomes²¹. There is a well-known "valley of death" between early-stage research (supported by NHMRC and MRFF) and late-stage private investment. Australia needs targeted health innovation funds, including translational and commercialization funds, to support pilot trials, scale-up studies, and technology validation.

Closing this gap would not only support sovereign capability but also drive high-value economic activity and skilled jobs across the life sciences sector. A highly developed HMR&I sector attracts both local and global investment, fostering job creation and attracting top-tier talent, thereby bolstering Australia's global reputation and national prosperity. The COVID-19 pandemic starkly highlighted Australia's reliance on global supply chains for essential medical products, underscoring the need for increased self-reliance through domestic production of medicines and medical technologies, an area where HMR&I is critical.

Furthermore, leveraging government's significant procurement power can activate Australian innovation and manufacturing in health. Research Australia proposes developing an Australian equivalent of the US Biomedical Advanced Research and Development Authority (BARDA). This model would enable the Australian Government, as a major purchaser of healthcare products

²⁰ Ibid.

²¹ Keneally B, Arculus R and Lim W. (2023). 'Realising Australia's Biomedical Potential with Targeted Capability Attraction'. BCG.

and services, to drive the development and domestic manufacture of new medical products identified as priority national needs, particularly for public health protection and emergencies. This, alongside efforts to grow the venture capital and commercialisation pipeline, would ensure supply of essential medical products, and build sovereign capability, preventing over-reliance on international supply chains, as experienced during COVID-19.

Recommendations:

- *Bridge translational funding gaps through targeted health innovation funds, including translational and commercialisation funds, to support pilot trials, scale-up studies, and technology validation.*
- *Develop an Australian equivalent of the US Biomedical Advanced Research and Development Authority (BARDA) to unlock Government procurement power.*
- *Grow the venture capital and commercialisation pipeline.*

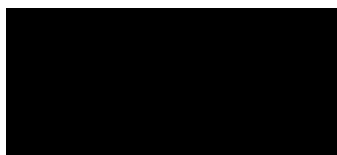
Conclusion

Research Australia submit that health and medical research and innovation is not merely an important sector, but a central, cross-cutting driver of the economic dynamism, resilience, and productivity Australia seeks. By strategically positioning and investing in HMR&I and unlocking high-value economic activity through commercialisation and sovereign capability development, Australia can unlock significant economic and social dividends. These actions will not only improve the health and wellbeing of Australians but also stimulate high-value industries, create skilled jobs, diversify our economy, and enhance our national security and global standing.

Research Australia looks forward to further engagement with the Productivity Commission and the Australian Government to ensure that HMR&I is recognized and leveraged to its full potential in building Australia's healthy and prosperous future.

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Warm regards,



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