15 September 2025

Productivity Commission
GPO Box 1428 Barton
CANBERRA ACT 2600
Email: 5pillars@pc.gov.au

Dear Commissioners,

The National Rural Health Alliance (the Alliance) is pleased to provide a submission to the Productivity Commission's interim report on the inquiry into *Delivering quality care more efficiently*. The Alliance's response builds on its initial submission to this inquiry on 6 June 2025.

As part of its advocacy to improve health access and equity in regional, rural and remote (hereafter rural) Australia, the Alliance recently published *The Forgotten Health Spend: A Report on the Expenditure Deficit in Rural Australia*. The Report, undertaken by NOUS Group, provides an updated analysis of government health expenditure and access across rural Australia, covering but not limited to, health care, pharmaceuticals, aged care, and NDIS expenditure. The Report highlights the gap in health expenditure for the Rural Australian population which makes up 30% of Australians.

The underspend is most pronounced in rural to remote areas (MMM 5–7), where the annual per capita expenditure is now **$4,701 lower than in metropolitan areas.** The report underscores that while targeted programs improve access in some regions, systemic issues such as service shortages, workforce challenges, cost and limited infrastructure continue to drive inequity, pointing to the need for coordinated, regionally tailored solutions.

Reform of quality and safety regulation to support a more cohesive care economy

Draft recommendation 1.1: The Australian Government should pursue greater alignment in quality and safety regulation of the care economy to improve efficiency and outcomes for care users

The Alliance supports re-alignment of quality and safety regulation across health, disability and aged care. In rural Australia, this re-alignment must leverage the full capacity of the health workforce to deliver safe, high-quality services, and crucial support for those already on the ground, while ensuring public safety standards are maintained.

Australians living in rural areas experience a higher burden of disease compared to their urban counterparts and have poorer access to essential health services. Workforce shortage is the single greatest barrier to delivering high-quality aged care outside of major cities.

In addition, barriers to working to full scope of practice and lack of support and higher costs contribute to workforce shortages, as they prevent the most effective use of existing health professionals while potentially deterring efforts to attract and retain the workforce. Over time, these barriers influence the sustainability of the workforce in rural and remote locations. Indeed, it affects the fabric on which viable and vibrant rural towns are built on.

The *Unleashing the Potential of our Health Workforce – Scope of Practice Review* highlighted that the health professional regulation scheme has a significant and restrictive impact on health professionals' ability to work to their full scope of practice. For example, state and territory drugs and poisons legislation can inconsistently impact scope of practice across locations and borders. The Review also noted that there are opportunities to improve the legislative and regulatory

environment impacting health professional so that they are more responsive to the pace and outcomes of healthcare innovations. (Cormack, M 2024)

The health professional regulation scheme is not the only barrier to delivering quality and safe services in rural and remote Australia. For example, for participants of the National Disability Insurance Scheme (NDIS), the Alliance notes the feedback heard during the provider workshops held by the NDIS Quality and Safeguards Commission on regulatory functions, processes and requirements in the NDIS.

While providers supported the shared aim of providing quality and safe supports to NDIS participants, of note are the examples they gave to demonstrate the inefficient regulatory processes that were impacting on their ability to deliver services to participants. These include the effects of reporting and the administrative "excessive red tape" burden associated with regulatory requirements. Providers proposed improvements such as allowing them to have greater visibility of all their regulatory information and data to enable compliance and continuous improvement. (NDIS Quality and Safeguards Commission 2023)

In this regard, the Alliance supports the recommendation made by the NDIS Review to "develop and deliver a risk-proportionate model for the visibility and regulation of all providers and workers, and strengthen the regulatory response to long-standing and emerging quality and safeguards issues." This would allow individuals that receive low to no support, to access some support.

In addition, a harmonised quality framework would reduce the reporting and administrative burden for the care economy.

From a scope of practice perspective, it is also essential to address the barriers faced by health professionals seeking to work across the health, disability and ageing sectors and foster a more flexible system that allows greater integration across sectors to maximise the available resources. These include allowing workforce mobility and skills portability to support health professionals' ability to balance their workload or make up a full time equivalent in rural locations, particularly where the market is thin or failing.

Embed collaborative commissioning to increase the integration of care services

Draft recommendation 2.1: Governments should embed collaborative commissioning, with an initial focus on reducing fragmentation in health care to foster innovation, improve care outcomes and generate savings

The Alliance supports this recommendation and urges governments to agree to governance and funding arrangements in the next addendum to the National Health Reform Agreement, specifically to allow better collaboration between Local Hospital Networks (LHNs), Primary Health Networks (PHNs) and Aboriginal Community Controlled Health Organisations (ACCHOs).

The split funding model, where the Commonwealth subsidises Medicare services while states and territories fund hospitals and community health services, creates gaps, duplication and fragmentation in healthcare. Fragmented health care delivery is a barrier to improving health system performance and fosters silos, with one sector often offloading care and costs to another, rather than collaborating to improve efficiency and outcomes across the continuum of care.

In rural areas, fragmented, inefficient funding models are undermining access to health care and makes it hard for individuals to navigate the system. Ultimately, a patient just expects to access a

health service and should not have to know their way around state vs federal service/funding arrangements.

In addition to a lack of integration between different levels of health care (e.g., primary, secondary and tertiary), there is also a disconnect across different systems and sectors causing many people to become neglected due to poor integration between health, NDIS, primary care, mental health, and social services. Indeed, people with complex health needs often fall through the cracks when transitioning between different integrated. This occurs particularly inMMM5 to 7 areas, where lack of services in these regions add additional barriers of distance and cost to patients. These barriers result in patients choosing not to travel to other areas for healthcare.

The Forgotten Health Spend report indicates that there should be an explicit, planned and coordinated approach to determining what works best for each region in preference to the current fragmented approach. (Nous Group 2025). This includes a National Rural Health Strategy supported by each state and territory making a minimum service commitment to health funding, policy and service access to all Australians.

Coordinated actions to grow and retain the rural health workforce must be supported, with consideration given to workforce design, development, education and planning approaches. Programs that incentivise establishment and spread of innovative multidisciplinary models of care including rural generalists, nurse/allied health/ midwifery led clinics, and advanced remote service delivery models must also be supported. Telehealth and digital health are part of this, but not the solution.

A national framework to support government investment in prevention

Draft recommendation 3.1: Establish a National Prevention Investment Framework to support investment in prevention, improving outcomes and slowing the escalating growth in government care expenditure

Health outcomes are known to be poorer in populations that are socially or economically disadvantaged. A National Prevention Investment Framework would potentially give structure, accountability, and long-term focus to prevention in health policy, provided it incorporates dedicated investment that allows scaling up of evidence-based programs. The framework would need to be underpinned by national datasets broken down by priority populations, socioeconomic considerations and appropriate rurality weightings in funding formulae.

Prevention programs and initiatives often receive short-term, fragmented and under-prioritised funding – and this is more evident in rural areas. The Alliance recommends a National Prevention Investment Framework targeting vulnerable populations while rebalancing investment towards interventions that stop disease before it develops.

The Forgotten Health Spend report highlights that the expenditure deficit in rural areas was most pronounced in primary healthcare, pharmaceuticals, aged care, and NDIS services. (Nous Group 2025) From a prevention perspective, the health spend deficit for primary care is concerning considering essential primary care is the backbone for prevention.

As recommended by the Mid-Term Review of the National Health Reform Agreement Addendum 2020-2025 Final Report, embedding a program of action focused on prevention and wellbeing that directly addresses the rising burden of chronic disease in the community should be a high priority.

(Huxtable R 2023) Ultimately, prevention is an important economic strategy as it fosters a healthier, more productive society, and a fiscally sustainable health system.

Rural Australia deserves at least the same health expenditure as urban Australia, as well as an adjustment for higher costs and population health status. Rural Australia contributes significantly to the Australian economy, society and productivity. Over 90% of the food and fibre we consume are grown or made in rural Australia (Australian Government 2023), and nearly half of the nation's tourism expenditure of 46% or $107 billion occurs in regional Australia (Australian Regional Tourism 2024).

A good start would be to focus on better health outcomes for rural Australians through greater investment in prevention and primary care. In turn, the economic powerhouse that is rural Australia can continue to contribute to the nation's economy, productivity and prosperity.

I would be pleased to provide further information on any of the information contained in this submission if required.

Yours sincerely,

[redacted]

Susi Tegen
Chief Executive

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