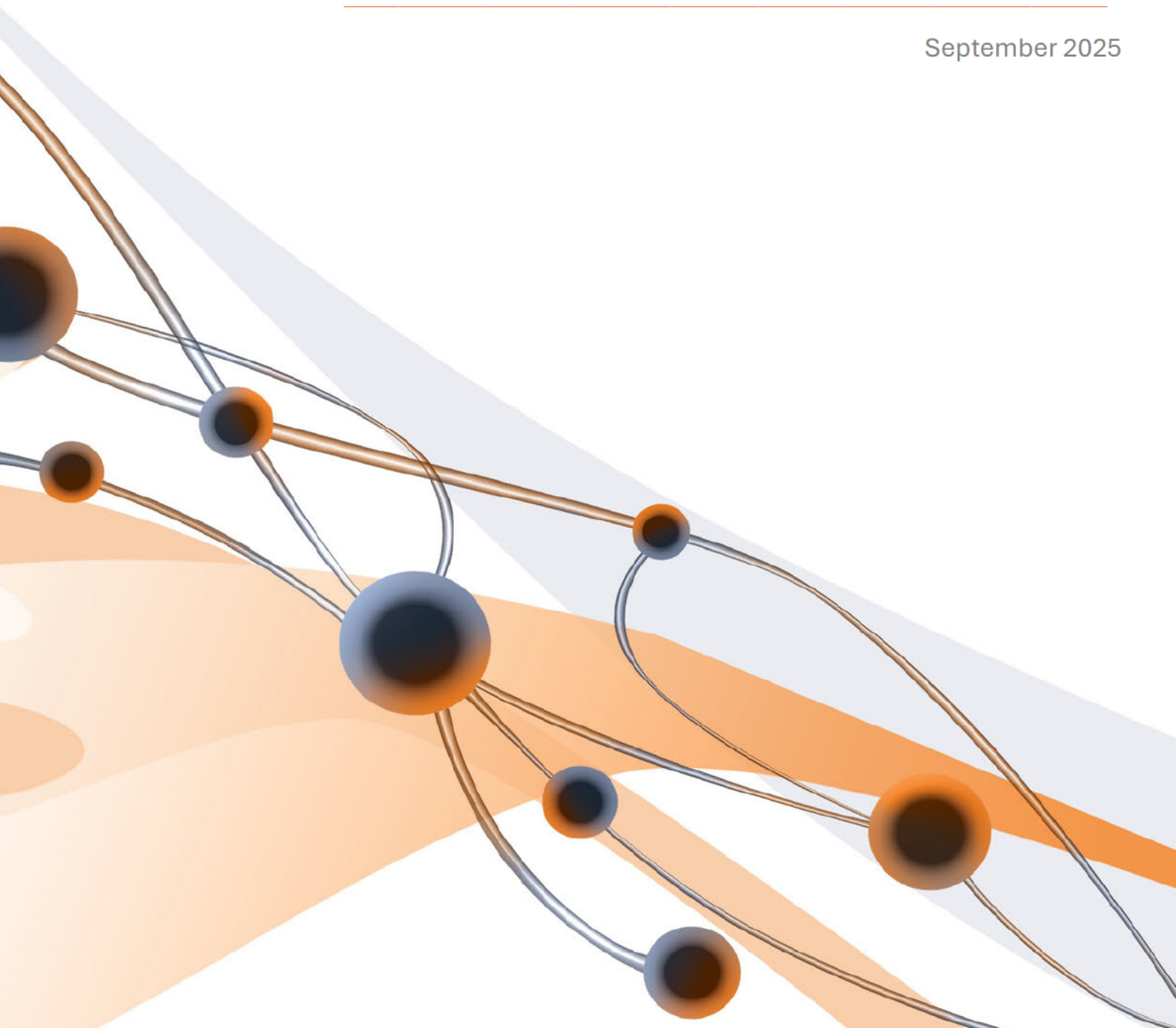
Delivering quality care more efficiently

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 economy[1], 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 annually[2]. 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 economy[3]. 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 annum[4].

In a typical year, poor health reduces global GDP by 15 percent[5]. Better health could add $12 trillion to global GDP in 2040, an 8 percent boost that translates into 0.4 percent faster growth every year[6]. 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.

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[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 spending[9]
- Around a quarter (24%) of all Australian Research and Development (R&D) is spent on HMR[10]
- 2.9% of the $252.5 billion spent on health is on HMR[11]

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.

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[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:

1. Reform of quality and safety regulation to support a more cohesive care economy	• *Address siloed governance and regulation and employ a "whole of systems approach" to improving the care economy.* • *Ensure approaches embed diversity and equity through adhering to the National Agreement of Closing the Gap and other relevant frameworks.* • *Implement a domain-specific approach to AI regulation, adapting existing regulatory frameworks rather than implementing broad, new AI-specific mandates.* • *Adopt a two-tier governance approach where general principles are applied across the whole of government to guide regulation, with detailed implementation provided by the regulator closest to the industry.* • *Prioritise public trust and social licence in the adoption of AI technologies.* • *Build awareness and establish governance frameworks that enable trust, equity and innovation to ensure AI enhances, rather than undermines, equitable access and outcomes in healthcare.* • *Invest in building a skills system which supports digital and AI capabilities across the workforce.* • *Expedite a bipartisan national health data framework to guide long-term investment and coordination in Australia's*

	health and medical data infrastructure to enable world-leading data-driven research, improvement, and innovation. • *Embed system-wide solutions that are person-centred, community-driven, inclusive, and ensure the prevention of bias.* • *Embed equitable approaches to data governance, access, and use to ensure that the benefits of data-driven healthcare and research and innovation are shared broadly across Australia.*
2. Embed collaborative commissioning to increase the integration of care services	• *Embed health economics and health services research in collaborative commissioning to gather a holistic understanding of costs and identification of efficient care models.* • *Consider developing regional health observatories to identify specific needs, detect trends and direct preventative health measures to specific populations.* • *Develop and implement effective guidelines to support local collaborative commissioning bodies; and ensure appropriate monitoring and evaluation frameworks are developed to support implementation.* • *Ensure adherence and elevation of Priority Reform 4 of the National Agreement of Closing the Gap, and the Indigenous Data Sovereignty movement.*
3. A national framework to support government investment in prevention	• *Establish a measurable path to allocating 5% of health expenditure to preventive health measures by 2030.* • *Work across portfolios to ensure a shared understanding and prioritisation of the net benefits of effective prevention.* • *Consider implementation of 'Prevention Responsive Budgeting' to ensure government budgets systematically account for, prioritise, and evaluate investments in disease prevention and health promotion.* • *Elevate and invest in health economists and health services researchers to increase the evidence-base for prevention investment.* • *Prioritise research into the social, cultural, environmental, and commercial determinants of health and well-being as part of broader prevention reforms.*

Introduction

The Productivity Commission's interim report rightly emphasises the central role that high quality care services play in enabling Australians to live independent lives and participate in the community and economy. The health and medical research and innovation sector have an indispensable role in driving improvements in healthcare delivery. Our sector embeds innovation into clinical practice, informs evidence-based policy, and supports real-world and

consumer-led research – in turn improving outcomes and containing costs to the health system. Through this submission, Research Australia outlines key insights and recommendations from our membership and previous policy and advocacy work, which we have aligned to the PC's priority reforms.

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

Research Australia supports the pursuit of greater alignment in quality and safety regulation across the care economy to enhance efficiency and improve outcomes for care users. At the Health, Disability and Ageing Economic Reform Roundtable in August 2025, Research Australia advocated for addressing siloed governance and regulation, stressing that improving the health, disability and ageing sectors cannot be done in isolation. Improving Australia's care economy must be part of a "whole of systems approach", which brings together all relevant sectors, departments and layers of government to address Australia's greatest economic challenges – with research, evidence and innovation at its core.

Approaches to improving the care economy should also be responsive to different models of care across different priority populations, including models that relate to First Nations people. As such, Closing the Gap National Agreement and other relevant diversity and equity government frameworks should inform this work.

Recommendation:

- *Address siloed governance and regulation and employ a "whole of systems approach" to improving the care economy.*
- *Ensure approaches embed diversity and equity through adhering to the National Agreement of Closing the Gap and other relevant frameworks.*

Research Australia particularly endorse the following aspects and provide further recommendations to bolster the impact of reforms.

Consistent Regulatory Approach to Artificial Intelligence (AI)

Research Australia supports establishing a consistent approach to AI regulation across aged care, NDIS, and veterans' care sectors within three years. Generative AI could add up to $115 billion in productivity gains to the Australian economy by 2030, equivalent to a 5% GDP uplift[12], making it crucial for Australia to adopt AI safely, responsibly, and ethically.

Research Australia supports sensible, proportionate, and risk-based regulation that builds community trust and business confidence while avoiding unnecessary, broad AI-specific mandates. We advocate for a domain-specific approach that adapts existing regulatory

[12] Department of Industry, Science and Resources. (2024). 'Submission to the Select Committee on Adopting Artificial Intelligence (AI)', No 160. Pg 69.

frameworks, with general principles applied across government and detailed implementation led by sector regulators such as the Therapeutic Goods Administration (TGA).

Equally important is public trust and social licence, which requires engaging communities through participatory frameworks like citizens' juries to ensure legitimacy, transparency, and consent. In healthcare, incorporating diverse voices such as patients, clinicians, consumers, and other stakeholders is vital, as is upskilling the workforce to handle the ethical, legal, and cultural implications of AI. As noted by Jobs and Skills Australia, the skills system will play a central role in Australia's response to the Gen AI transition[13]. To ensure equitable outcomes, Australia must remain alert to the risks of bias in AI systems and embed diversity, equity, and fairness in their design and use. Research Australia is committed to building on our previous workshop on Ethical AI in Health & Research, hosted in June 2025 in collaboration with the AI Co-Lab[14], and continuing to foster cross-sector collaboration to ensure AI enhances healthcare inclusively, responsibly, and ethically.

Recommendations:

- *Implement a domain-specific approach to AI regulation, adapting existing regulatory frameworks rather than implementing broad, new AI-specific mandates.*
- *Adopt a two-tier governance approach where general principles are applied across the whole of government to guide regulation, with detailed implementation provided by the regulator closest to the industry.*
- *Prioritise public trust and social licence in the adoption of AI technologies.*
- *Build awareness and establish governance frameworks that enable trust, equity and innovation to ensure AI enhances, rather than undermines, equitable access and outcomes in healthcare.*
- *Invest in building a skills system which supports digital and AI capabilities across the workforce.*

Standardised Quality and Safety Reporting Framework and Data Repository

Research Australia endorse the establishment of a standardised quality and safety reporting framework and a central data repository within three years to reduce duplicative reporting and enable more consistent performance measurement and transparency for care users to make informed choices. This recommendation is consistent with Research Australia's long-standing advocacy for better collection and use of data to evaluate program effectiveness and inform policy.

Research Australia submit that the standardised reporting framework and data repository should align with a wider long-term investment in Australia's national health data infrastructure to create a unified, nationally coordinated data capability to strengthen data-driven healthcare, accelerate research and innovation, and improve health outcomes. A recent Research Australia

[13] Jobs and Skills Australia. (2025). 'Our Gen AI Transition'. Australian Government. Pg 77.
[14] See Communique

and Digital Health CRC Workshop[15] underscored that such a capability should be treated as a critical national asset and fast-tracked as part of the productivity agenda. However, the current landscape is hindered by fragmented systems, limited discoverability, and barriers to timely access, all exacerbated by the absence of national leadership or a long-term strategy. Coordinated, system-wide solutions that are person-centred, inclusive, and community-driven while also underpinned by public trust, ethical frameworks, and social licence are essential.

Recommendations:

- *Expedite a bipartisan national health data framework to guide long-term investment and coordination in Australia's health and medical data infrastructure to enable world-leading data-driven research, improvement, and innovation.*
- *Embed system-wide solutions that are person-centred, community-driven, inclusive, and ensure the prevention of bias.*
- *Embed equitable approaches to data governance, access, and use to ensure that the benefits of data-driven healthcare and research and innovation are shared broadly across Australia.*

2. Embed collaborative commissioning to increase the integration of care services

Research Australia supports the Productivity Commission's focus on collaborative commissioning to increase the integration of care services, ensuring patients receive more coordinated, effective, and person-centred care. To do this, we need robust research to understand the best models of care. This can be achieved by embedding health economics and health services research in the development of local collaborative models. There should be particular emphasis on the importance of adopting a holistic understanding of costs that goes beyond direct health expenditures to include the costs of informal care in the community and multiple care types across health, disability, and ageing. Furthermore, health economists and health service researchers can identify best models of care to reduce unnecessary or inefficient care, leading to further enhancements to the productivity of the care economy.

Research Australia agrees that data sharing between commissioning organisations is essential to support the development of joint needs assessments, to assess the effectiveness of commissioned programs, and to undertake many collaboratively commissioned services[16]. Noting that the next addendum to the National Health Reform Agreement will progress data sharing initiatives, Research Australia have previously recommended consideration be given to establishing regional health observatories. Drawing on models from the UK and Europe, as well as the Australian Geospatial Health Lab, these observatories can identify specific needs, detect trends and direct preventative health measures to specific populations.

Research Australia concur that to support broader collaborative commissioning between LHNs and PHNs, stronger national guidelines and tailored state and territory-based partnerships may be needed. The Hunter, New England and Central Coast Place-based Commissioning Guide,

[15] See Communique

[16] Productivity Commission. (2025). 'Delivering quality care more efficiently – Interim Report'. Australian Government. Pg 41.

developed in 2025, provides several key areas of consideration to ensure that services and strategies align with the unique needs of the community[17]. Guidance and approaches like those listed in the HNECC guide should be developed, tailored and scaled to reflect different arrangements.

Further to this the National Agreement to Closing the Gap, in particular Priority Reform 4 and the broader Indigenous data sovereignty movement should underpin all place based approaches.

Recommendations:

- *Embed health economics and health services research in collaborative commissioning to gather a holistic understanding of costs and identification of efficient care models.*
- *Consider developing regional health observatories to identify specific needs, detect trends and direct preventative health measures to specific populations.*
- *Develop and implement effective guidelines to support local collaborative commissioning bodies; and ensure appropriate monitoring and evaluation frameworks are developed to support implementation.*
- *Ensure adherence and elevation of Priority Reform 4 of the National Agreement of Closing the Gap, and the Indigenous Data Sovereignty movement.*

3. A national framework to support government investment in prevention

Research Australia unreservedly supports the establishment of a National Prevention Investment Framework to improve health outcomes and reduce the escalating growth in government care expenditure[18]. Advancing research into prevention is a key priority for Research Australia, and we strongly advocate for more systems-wide investment in this area.

The Productivity Commission rightly highlights the chronic underinvestment by Governments in prevention compared to OECD countries and the significant potential returns stemming from investment in prevention programs[19]. Research Australia was previously engaged in the development of the National Preventive Health Strategy (2021-2030), highlighting the importance of the proposal to increase funding for preventive health measures to 5% of health expenditure by 2030. Considering the insufficient funding and lack of a detailed implementation plan following the National Preventive Health Strategy, Research Australia re-affirms that we must establish a measurable path to allocating 5% of health expenditure to preventive health measures by 2030. We also note that the Draft National Health and Medical Research Strategy has little emphasis on prevention and implore the PC to work across portfolios to ensure a shared understanding and prioritisation of the net benefits of effective prevention.

Research Australia note the national prevention framework will enable prevention to be jointly progressed by Australian, state and territory governments, thereby bypassing the issue of underfunding associated with different levels of government assessing the value of programs

[17] HNECC PHN. (2025). 'Place-based Commissioning Guide'. Primary Health Network.
[18] Treasury. (2023). '2023 Intergenerational Report'. Australian Government. Pg 170-180.
[19] Productivity Commission. (2025). 'Delivering quality care more efficiently – Interim Report'. Australian Government. Pg 57.

only in terms of their own fiscal costs and benefits[20]. To improve the embedding of prevention funding and accountability, Research Australia recommends the PC consider implementation of 'Prevention Responsive Budgeting' to ensure government budgets systematically account for, prioritise, and evaluate investments in disease prevention and health promotion. Much like gender-responsive budgeting, it embeds prevention as a lens through which budget decisions are made – recognising that prevention often requires upfront investment but delivers long-term returns in improved health, reduced demand on acute services, and broader social and economic benefits.

Furthermore, health economists and health service researchers are essential to strengthening the case for prevention funding by providing the evidence and analytical tools needed to understand its true value and return on investment (ROI). Their expertise enables rigorous evaluation of prevention initiatives, quantifying not only immediate health benefits but also long-term cost savings and social gains across sectors and portfolios. NHMRC funding towards health services research decreased from 8.7% of successful investigator grants to 2.6% from 2024 to 2025[21], therefore further investment is needed to increase the evidence-base for prevention investment.

Research Australia notes a failure to engage with the social determinants of health in the Productivity Commission's interim report. Comprehensive prevention requires an approach that considers the social, cultural, environmental, and commercial determinants of health and well-being. Health and medical research plays a critical role in understanding these complex factors and informing policy platforms related to climate change, housing, poverty, and geopolitics. Current government siloing is undermining researchers' ability to undertake this work, therefore expediating knowledge of the determinants of health and well-being should be prioritised within nation-wide approaches to prevention, with health and medical research at the centre.

Recommendations:

- *Establish a measurable path to allocating 5% of health expenditure to preventive health measures by 2030.*
- *Work across portfolios to ensure a shared understanding and prioritisation of the net benefits of effective prevention.*
- *Consider implementation of 'Prevention Responsive Budgeting' to ensure government budgets systematically account for, prioritise, and evaluate investments in disease prevention and health promotion.*
- *Elevate and invest in health economists and health services researchers to increase the evidence-base for prevention investment.*
- *Prioritise research into the social, cultural, environmental, and commercial determinants of health and well-being as part of broader prevention reforms.*

[20] Ibid.

[21] See: https://www.hsraanz.org/hsraanz-calls-for-urgent-action-on-nhmrc-grant-funding/

Conclusion

Research Australia acknowledge the vital role high-quality care services play in supporting Australians to live independently and participate fully in the economy and society. It's clear that the health and medical research and innovation sector underpins this. By progressing the key recommendations and insights outlined in this submission, we can ensure that evidence-based research and policy is at the heart of the mission to deliver quality care more efficiently, thereby enabling us to create a healthier and more prosperous Australia.

Research Australia stands ready to provide further information and engage collaboratively to advance these critical national priorities.

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Warm regards,

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