

GSK Australia Submission: Productivity Inquiry

Introduction

GSK Australia welcomes the invitation to have input into the Australian Government Productivity Commission's Productivity Inquiry. We applaud the Australian Government for its commitment to an ongoing reviews of Australia's productivity performance delivering an actionable roadmap to guide impactful reform.

It is well recognised Australia's economy has performed strongly in recent decades; enjoying 28 years of consecutive economic growth prior to the COVID-19 pandemic. As stated by the Treasurer, our economic recovery from the pandemic is advanced¹. However, to ensure this recovery continues and we are best placed tackle future challenges, exploring methods to lift our productivity will be essential.

As detailed in the 2021 Intergenerational Report "population, participation and productivity" will be essential to Australia's future economic success. It is important to note each of these elements is interconnected and each presents a significant challenge².

Our population growth is slowing, our population is ageing and our labour force participation is declining³. At the same time, demand on government services is expected to increase. Government spending on healthcare alone is expected to more than double over the next 40 years⁴.

These are significant obstacles and potential openings.

This Productivity Inquiry provides an occasion to explore identified gaps and potential interventions. By bringing stakeholders nationally and globally together, the Inquiry can draw on lessons from the pandemic, years past, global trends and look to the future. Acting now to address challenges and continue to lift productivity has the potential to equip Australia for the future, ensuring our economy remains strong and living standards improve.

Health is a recognised enabler of productivity, and its importance is set to increase as our workforce ages. The Productivity Commission Mental Health Inquiry Report released in 2020⁵ demonstrated the importance of mental wellness to the workforce, and GSK recommends the Productivity Commission expand this recognition to health and wellness more broadly.

Specifically, GSK recommends the Productivity Inquiry include:

1. Recognition that the funding of medicines and proven interventions is an investment in better health outcomes and subsequent productivity gains.
2. Mechanisms for recognition in Government funding and health technology assessment processes of where medicines and proven interventions can demonstrate better health outcomes and subsequent productivity gains.

¹ Frydenburg J, 2022. 'Our Economic Recovery Plan For Australia', <https://joshfrydenberg.com.au/making-the-right-economic-choices/>

² Australian Government Intergenerational Report 2021. 'Australia over the next 40 years', https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

³ Australian Government Intergenerational Report 2021. 'Australia over the next 40 years' pp 19, https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

⁴ Australian Government Intergenerational Report 2021. 'Australia over the next 40 years', https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

⁵ Australian Government Productivity Commission 2020. 'Mental Health', <https://www.pc.gov.au/inquiries/completed/mental-health/report/mental-health.pdf>

The coronavirus pandemic has established beyond dispute that Australia's health and economic indicators are linked. The COVID-19 response has demonstrated in real time the value in wellness, in access to medicines and vaccines. We can take the lessons of this experience and apply them to benefit Australia and Australians for years to come.

“Ill health has forced almost 300,000 Australians aged 50-64 to leave the workforce, costing \$20.8 billion in superannuation each year...

It is estimated, health strategies including new medicines to treat and control illness could enable Australians to stay in the workforce, resulting in recovery of \$1.9 billion in super and return \$3.9 billion to the economy.”

The McKell Institute 2018. *‘Our Health Our Wealth, The Impact of Ill Health on Retirement Savings in Australia’*,
https://mckellinstitute.org.au/wp-content/uploads/2022/02/McKell_Early-Retirement_WEB.pdf

Key facts

- Population growth is expected to fall to 0.8 per cent by 2060-2061 (1.4 per cent for 40 years before 2021-2022 COVID-19 pandemic).
- Life expectancy from birth is expected to increase to 86.8 years for men and 89.3 years in women in 2060-2061 (from 80.9 years for men and 86.8 years for women in 2018).
- 8.9 million Australians (23 per cent of the population) will be aged 65 and over by 2060-2061, double the number in 2019-2020.
- Workforce participation is expected to decline from 66.3 per cent in March 2021 to 63.6 percent in 2061.
- By 2060-2061 for every person aged over 65, there will be 2.7 people aged 15-64 (working age), in 2019-2020 there were 4.0 people.
- Australian Government health spending is projected to increase to 6.2 per cent of GDP in 2060-2061, an increase from 4.1 per cent in 2018-2019.
- Real person health spending is projected to more than double to \$8,700 in 2060-2061, up from \$3,250 in 2018-2019.
- Health comprises the single largest component of Government spending, it is expected to account for 26 per cent of health spending in 2060-2061.
- Those aged over 55 years of age are predicted to use the health system at a higher rate than the average person.

Australian Government Intergenerational Report 2021. 'Australia over the next 40 years', https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

"It is a great development that people are living longer but we must be prepared for the implications. Our policies need to leverage the three P's: population, participation and productivity,"

Treasurer, The Hon Josh Frydenberg MP⁶.

⁶ Frydenburg J, 2019, 'Preparing for an ageing population', <https://joshfrydenberg.com.au/latest-news/preparing-for-an-ageing-population/>

1. Funding of medicines and proven interventions is an investment in better health outcomes and subsequent productivity gains

GSK recommends the 'value' of medicines and proven interventions be recognised across Government policy and process to promote ongoing innovation and timely access for Australians. It would also support the maximisation of potential benefits to the consumer and economy.

Medicines are an essential component of improved health outcomes for Australians. Medicines and healthcare help Australians live longer and healthier lives; remaining in the workplace, out of hospitals and positively contributing to the community and the economy.

The Government has recognised that our population is ageing, placing pressures on our health, aged care and pension systems as a result. Steps have been taken to develop policies that respond to this challenge with a focus on providing people the 'opportunity and choice' to contribute to the workforce for longer⁷. This has included mechanisms for carer advice, re-tooling, greater flexibility in accessing the pension and the introduction of the Pension Work Bonus.

However, there is more to be done.

To maximise the benefits of these workforce initiatives we must also support Australians to be well, so they continue to have the opportunity and choice to contribute to the workforce.

In 2017 it was estimated almost 300,000 Australians retired due to ill health or disability, at a cost of \$45.3 billion of gross domestic product (GDP). Unless action is taken, by 2025 this number is expected to reach \$53.4 billion. However, effective health programs such as improved access to new medicines, can reduce these costs by up to 20 per cent⁸.

Even for people who are well enough to remain in the workforce, individual productivity may be limited by ill health or "presenteeism". A 2016 Centre for International Economics report estimated presenteeism cost the Australian economy more than \$34 billion a year⁹. These costs are expected to have increased significantly in the pandemic with more Australians working from home¹⁰.

The pharmaceutical industry contributes to the health and wealth of Australia. Every innovative medicine made available in Australia generates a significant return on investment¹¹. GSK also recognises the Australian Government cannot financially support every new health technology that comes onto the market and there must be a balance. However we would argue the balance is not currently correct.

Investment in medicines has not grown for a decade, while investment in other important areas of healthcare delivery like Medicare, hospitals and the National Disability Insurance Scheme has risen consistently. Further, Australia is below the OECD average for the proportion of the national GDP used for pharmaceutical expenditure (Australia 1.36 per cent of GDP, OECD average 1.42 per cent, Canada 1.83 per cent), and in fact expenditure as proportion of national GDP has fallen over the decade. This suggests that the contribution of medicines is undervalued¹²

⁷ Frydenburg J, 2019. 'Preparing for an ageing population', <https://joshfrydenberg.com.au/latest-news/preparing-for-an-ageing-population/>

⁸ The McKell Institute 2018. 'Our Health Our Wealth, The Impact of Ill Health on Retirement Savings in Australia', https://mckellinstitute.org.au/wp-content/uploads/2022/02/McKell_Early-Retirement_WEB.pdf

⁹ The Centre For International Economics, 2016. 'The economic power of pathology: achieving better health and a better use of health resources', https://static1.squarespace.com/static/5df9aa078642f943ece6a0b3/t/5f5f192f1ba09b6baacffdf/1600067893738/Economic-value-of-pathology_-_Final-Report-April-2016.pdf

¹⁰ Wang J, 2021, 'Presenteeism at work: unhealthy work habit to ditch in 2021', <https://www.news.com.au/finance/work/at-work/presenteeism-at-work-unhealthy-work-habit-to-ditch-in-2021/news-story/01e8b4c556380418f7b17913700a1c6d>

¹¹ Medicines Australia 2019. 'Medicines matter. An investment for a healthier tomorrow', <https://www.medicinesaustralia.com.au/media-events/toolkits/medicines-matter-an-investment-for-a-healthier-tomorrow/>

¹² Medicines Australia 2019. 'Medicines matter. An investment for a healthier tomorrow', <https://www.medicinesaustralia.com.au/media-events/toolkits/medicines-matter-an-investment-for-a-healthier-tomorrow/>

The value of medicines and proven interventions

- One-year increase in a population's lifespan equates to a net increase of GDP of 4 per centⁱ.
- A healthier Australian population would benefit the nation to the tune of more than \$8.5 billion over five yearsⁱⁱ.
- \$7 billion was saved in hospital expenditure in 2011 as a direct result of medicinesⁱⁱⁱ.
- Australians lose \$20.8 billion in superannuation each year due to early retirement from ill health. But new strategies to treat and control illness could recover \$1.9 billion in super and return \$3.9 billion to the economy^{iv}.

ⁱMedicines Australia 2019. 'Medicines matter. An investment for a healthier tomorrow', <https://www.medicinesaustralia.com.au/media-events/toolkits/medicines-matter-an-investment-for-a-healthier-tomorrow/>

ⁱⁱAustralia Government Productivity Commission 2017. 'Shifting The Dial 5 Year Productivity Review', <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf>

ⁱⁱⁱLichtenburg F, 2019, 'The Impact of Pharmaceutical Innovation on Premature Mortality & Hospitalization in Australia 1998-2016'

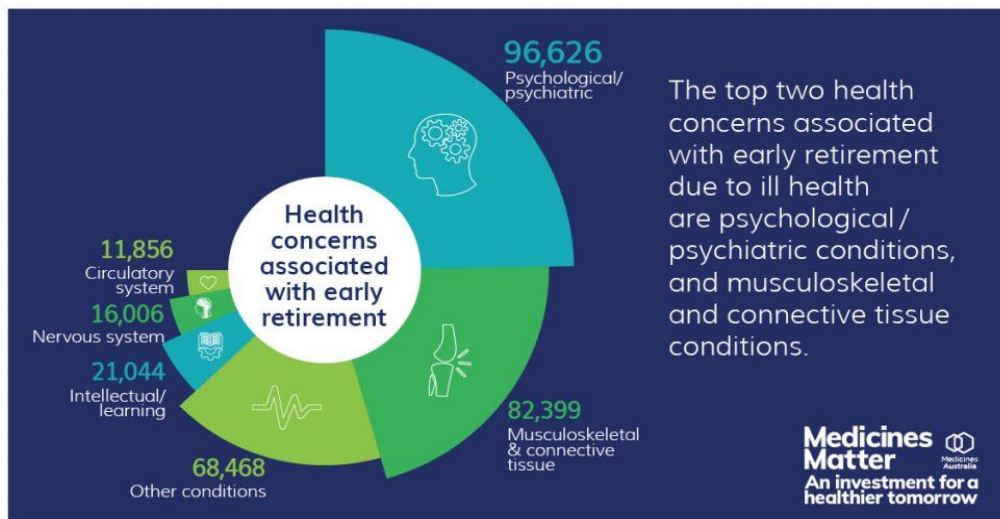
^{iv}The McKell Institute 2018. 'Our Health Our Wealth, The Impact of Ill Health on Retirement Savings in Australia', https://mckellinstitute.org.au/wp-content/uploads/2022/02/McKell_Early-Retirement_WEB.pdf

The economic impact of ill health resulting in early retirement is estimated to be \$45.3 billion of GDP and expected to rise to \$53.4 billion by 2025.



Medicines Matter
 An investment for a healthier tomorrow

The McKell Institute. Our Health Our Wealth. The impact of ill health on retirement savings in Australia. August 2018.



The top two health concerns associated with early retirement due to ill health are psychological / psychiatric conditions, and musculoskeletal and connective tissue conditions.

Medicines Matter
 An investment for a healthier tomorrow

The McKell Institute. Our Health Our Wealth. The impact of ill health on retirement savings in Australia. August 2018.

2. Mechanisms for recognition in Government funding and health technology assessment processes of where medicines and proven interventions can demonstrate better health outcomes and subsequent productivity gains.

GSK recommends where better health outcomes and productivity gains can be demonstrated, they be considered as part of government processes to assess the value of medicines and proven interventions.

Economic evaluation is an essential part of the Health Technology Assessment (HTA) process that the Government uses to assess the 'value' of a medicine to Australian society. As stated on the Department of Health website: "The Australian Government cannot financially support every new health technology that comes onto the market, so it aims to direct government funding, in the form of subsidies, to health technologies that are clinically relevant, cost effective and safe"¹³.

However, the aspects of value that are considered in Australian HTA are limited to direct quality of life and survival benefits to patients and costs/savings in the health system. Current approaches do not consider indirect economic benefits to patients or carers, including productivity, even when they are potentially significant. There is also limited capacity to consider future economic benefits, such as those provided by preventative or curative treatments (ie vaccines). These considerations may be presented in submissions to Government HTA bodies as supplementary information but are rarely influential on outcomes.

As a result current systems and processes can undervalue medicines and vaccines¹⁴. Patients are then limited in their access to proven interventions, impacting the patient, community and broader economy.

Internationally, Germany, the Netherlands and Spain have recognised the importance of indirect benefits of medicines and proven interventions where they can be demonstrated. These countries have recently taken steps to include public health benefit/value and social productivity value in their HTA assessments¹⁵.

The COVID-19 pandemic has demonstrated the value of preventative therapies and the critical importance of thinking of the long-term. As advances in science and medical technology unlock new ways to correct or reverse diseases, potentially altering disease courses from certain death to a longer, healthy life, Australian's risk missing out.

It is time to invest in health policies that match this need for longer-term health outcomes. A Productivity Inquiry Recommendation would provide the framework for this shift, which could be considered in more detail through the upcoming review of HTA process to be undertaken by the Commonwealth Government from mid-2022.

"We must prepare for the future....It is vital that we remove any disincentives to research and development of medicines, including vaccines and curative therapies, that will be needed in the years and decades ahead.

"Currently in Australia, the priority is on medicines that deliver an immediate or short-term benefit.

"Treatments that have a shorter-term benefit are economically valued higher than a treatment that has a longer or lifetime benefit. For example, a cancer treatment that may increase someone's survival rate for an extra five years is valued more highly than a vaccine that will protect a child for the rest of their life," Medicines Australia CEO Elizabeth de Somerⁱ.

ⁱMedicines Australia 2022. 'COVID-19 pandemic sends clear message that Australia must value the long term health of all Australians' <https://www.medicinesaustralia.com.au/media-release/covid-19-pandemic-sends-clear-message-that-australia-must-value-the-long-term-health-of-all-australians/>

¹³ Australian Government Department of Health 2019. 'About Health Technology Assessment', <https://www1.health.gov.au/internet/hta/publishing.nsf/Content/about-1>

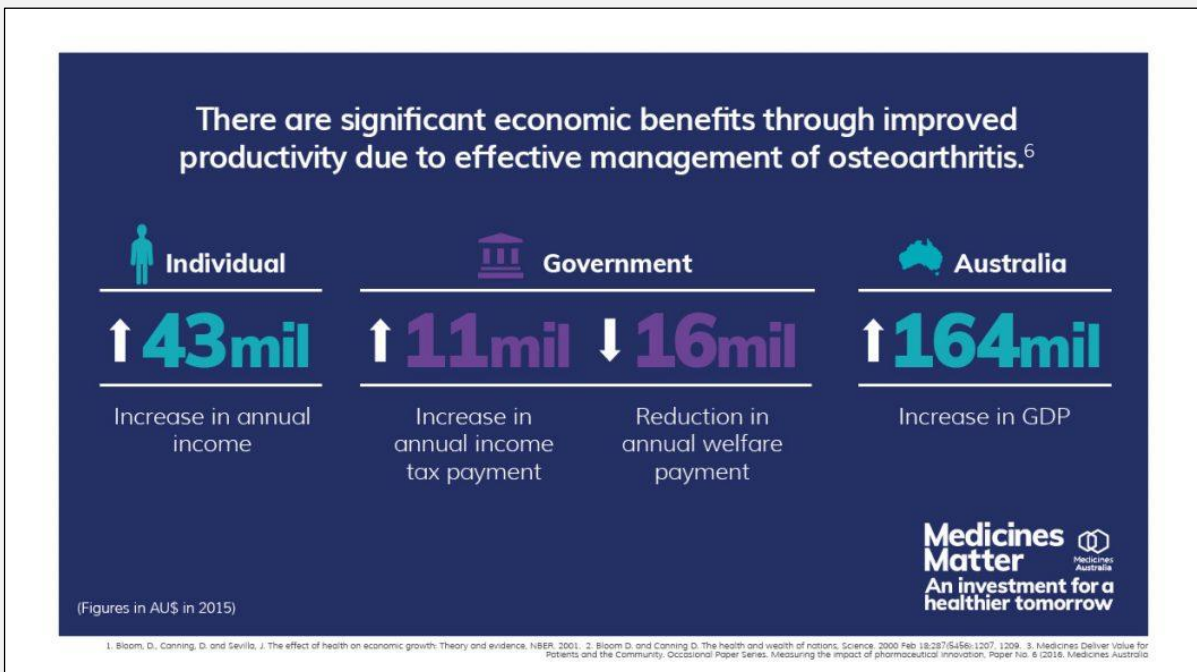
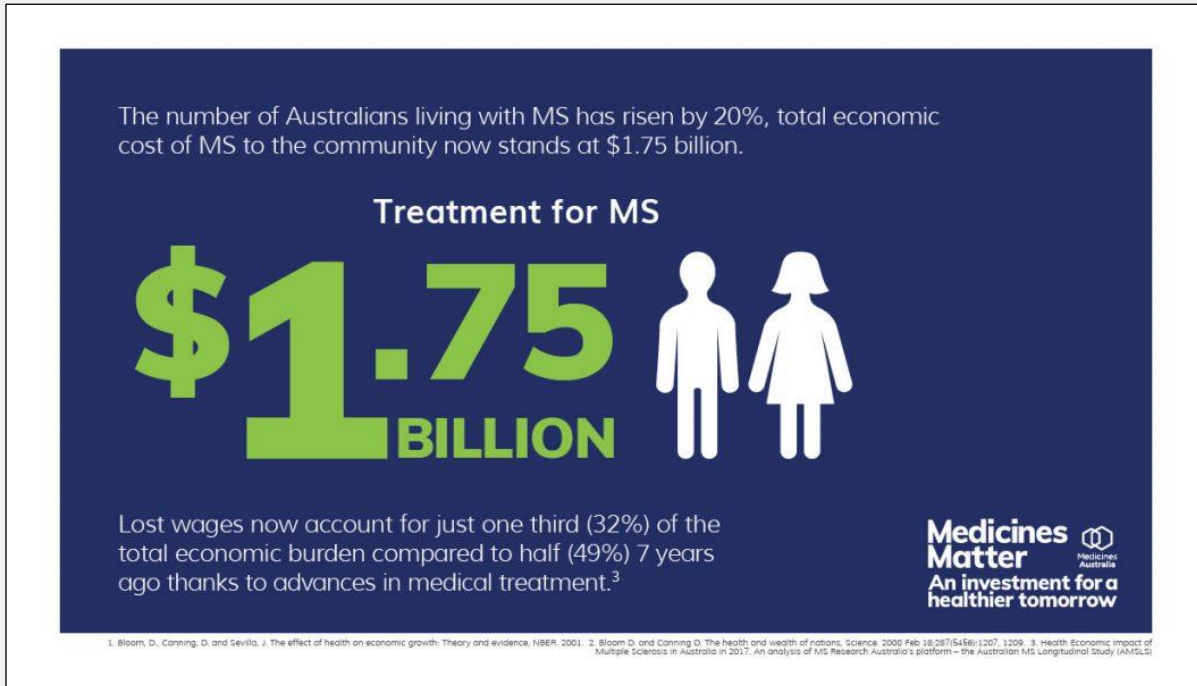
¹⁴ GSK 2019, 'The Value of Vaccines. Ensuring Australia keeps pace with community values and international practice', <https://au.gsk.com/media/6219/gsk-value-of-vaccines-advance-copy.pdf>

¹⁵ Angelis, A., Lange, A. & Kanavos, P 2018. 'Using health technology assessment to assess the value of new medicines: results of a systematic review and expert consultation across eight European countries.' <https://link.springer.com/article/10.1007/s10198-017-0871-0>

Medicines are an investment worth making

Every innovative medicine made available in Australia has the potential to generate a significant return on investment – to the patient, the community, the economy and the government¹.

¹Medicines Australia 2019. 'Medicines matter. An investment for a healthier tomorrow', <https://www.medicinesaustralia.com.au/media-events/toolkits/medicines-matter-an-investment-for-a-healthier-tomorrow/>



Labour force participation and the cost of lost productivity due to cancer in Australia

An estimated 413 Australians are diagnosed with cancer per day. It is well recognised that cancer places a substantial social and economic burden on families and the community.

There have been significant advances in cancer diagnosis, treatment and care over the past 30 years. More people are surviving and living with cancer than ever before, but its impact remains far reaching.

- More than 1 million Australians are currently living with or have lived with cancerⁱ.
- 40 per cent of people diagnosed with cancer will be of working age (25-64) ⁱ.
- Almost half (46 per cent) of people with cancer are not in the labour force resulting in a \$1.7 billion loss to the Australian gross domestic product (GDP)ⁱⁱ.
- Amongst those in the labour forces, people with no health condition were three times more likely to be employed than people with cancerⁱⁱ.

ⁱAustralian Institute of Health and Welfare 2021. 'Cancer Data In Australia'; <https://www.aihw.gov.au/reports/cancer/cancer-data-in-australia/contents/summary>

ⁱⁱBates, N., Callander, E., Lindsay, D. et al. 2018. 'Labour force participation and the cost of lost productivity due to cancer in Australia.' <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-018-5297-9>

Recognising the value of care

A Productivity Inquiry recommendation providing the framework for consideration of indirect economic benefits within HTA process would provide an opening for the inclusion of carer impact where appropriate.

When we consider health impacts on labour force, for many conditions this productivity impact extends beyond the individual to the carer who most often is a family member.

For example, stroke is on the increase among Australians of working age¹⁶. Advancements in treatments mean more Australians are surviving stroke than ever before. However, slightly more than one third of people have a disability that has affected their daily activities. Of the people with a disability after stroke, 88 per cent are cared for in households most often by a loved one¹⁷ who has stepped into the role of informal carer.

Currently, there are no mechanisms within the Australian health system to include the 'value' of the carer benefit when assessing medicines and interventions.

Today, an estimated 2.8 million Australians are providing informal care and this number is set to increase as our populations ages unless action is taken.

Caring requirements are placing a significant burden on individuals, the community and the economy. Carer requirements are forcing many to either reduce their hours worked or withdraw from the workforce altogether.

In total, an estimated 160,900 primary carers and 53,000 non-primary carers are assumed to not be in paid employment due to their caring role. Thus, is equivalent to around 1.51 per cent of Australia's labour force (15 years and older).

The estimated earnings foregone for primary and non-primary carers is \$11.4 billion and \$3.8 billion respectively. Combined, the opportunity cost for all carers is \$15.2 billion. This is equivalent to 0.8 per cent of GDP and 10.6 per cent of the value of formal health care¹⁸.

The Productivity Inquiry provides an occasion to recognise the impact of caring on our community, productivity and economy and explore innovative solutions.

¹⁶ Deloitte Access Economics 2020. 'No Postcode Untouched. Stroke in Australia 2020', <https://strokefoundation.org.au/media/10k1pr0/no-postcode-untouched-30-october-final-report.pdf>

¹⁷ Better Health Channel 2015. 'Effects of stroke', <https://www.betterhealth.vic.gov.au/health/conditionsandtreatments/effects-of-stroke>

¹⁸ Deloitte Access Economics 2020. 'The value of informal care in 2020', https://www.carersaustralia.com.au/wp-content/uploads/2020/07/FINAL-Value-of-Informal-Care-22-May-2020_No-CIC.pdf

Conclusion

GSK Australia recognises the importance of the Australian Government Productivity Commission's Productivity Inquiry, and we are aligned with its aim of delivering an actionable roadmap to guide impactful reform.

Australia has a history of strong, world-leading and sustainable economic policy, with high productivity as a key driver. Policies have served us well for decades and ensured Australia was in a position to weather the 'shock' of the COVID-19 pandemic. However, change is coming, and it is essential our policy and systems evolve to ensure we are best placed to tackle future challenges, foster and maximise innovations.

Productivity will remain essential. The question is, how can Government best support the population and encourage participation to drive productivity?

Health and wellness will be essential to enabling Australians the opportunity and choice to stay in the workforce. It is vital the Productivity Commission recognise this within the Productivity Inquiry. Actionable recommendations that recognise the 'value' of medicines and proven interventions to health outcomes and subsequent productivity gains will have an impact.

Acting now to address challenges and continue to lift productivity will equip Australia for the future, ensuring our economy remains strong and living standards improve.

About GSK

GSK is a science-led global healthcare company with a special purpose: to help people do more, feel better and live longer.

In Australia, we employ approximately 1500 Australians in many areas of expertise from graduates to senior managers. In the 2020-2021 financial year GSK products manufactured in Australia generated more than \$230 million, products were primarily for export. Australia benefited from the import of around \$900 million in GSK products.

We also invested more than \$7 million in research and development within Australia last financial year, focusing on science related to the immune system, human genetics and advanced technologies. We work closely with leading local researchers and clinicians to ensure that Australian patients can access the latest global innovations, as they happen.

GSK offers a broad portfolio of innovative and established vaccines and medicines in respiratory disease, HIV and oncology. Our asthma medicines, for example, have been helping Australians to breathe easier for over 50 years.

Australians probably know us best for our consumer healthcare products, spanning pain relief, specialist oral health, skin health, nutrition and digestion. Trusted brands like Panadol, Voltaren, Sensodyne, Polident and Otrivin have become household names.

For further information please visit au.gsk.com

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