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Australian Government
Productivity Commission
Mental Health Inquiry
GPO Box 1428, Canberra City, ACT 2601
www.pc.gov.au/mental-health

Re: Productivity Commission Issues Paper – The Social and Economic Benefits of Improving Mental Health

Medicines Australia is the peak industry body representing the research-based medicines industry in Australia: Innovative companies that research, develop, manufacture and supply new medicines and vaccines to the Australian market. Our members are proud of the contribution they make to the health and well-being of everyday Australians, as well as to the local economy. Our industry provides high value jobs for Australians, generates up to \$4 billion in exports¹ and invests over \$1 billion in research and development every year.

Medicines Australia welcomes the opportunity to respond to the Productivity Commission Issues Paper *'The Social and Economic Benefits of Improving Mental Health'*. Mental ill health imposes significant costs on the Australian community and individuals both economically and socially. Medicines Australia believes that there are a number of initiatives that can be implemented to improve population mental health in order to realise higher social and economic benefits. This includes investing in the health and wellbeing of Australians.

Improvements in mental health can provide social and economic benefits for individuals and the community as a whole

Improvements in mental health can not only provide an enhanced quality of life for the individual but can also provide flow on social and economic benefits. These flow on benefits include:

- Increased social participation
- Increased economic participation and productivity (via the labour force)
- A decreased reliance on welfare and income support and increased taxation revenue
- An increase in income and living standards (both individually and nationally)
- A lower burden on carers
- Decreased reliance on services such as housing, justice and social services

As the social and economic status of the community is in turn enhanced, the capacity of the community increases to further invest in more effective and efficient interventions that improve mental health.

The link between early retirement and mental ill health

Australians are living longer than ever before, and with a life expectancy among the world's highest, Australians are enjoying retirement for longer than at any point in history. For many, retirement comes at a time of one's own choosing. However, some Australian workers are forced into early retirement as a result of unforeseen illnesses. Indeed, many studies have established links between ill health and early retirement. For instance, one study found both better health and education are associated with greater labour force participation.³

The economic cost of forced early retirement due to ill health

Early retirement due to ill health imposes a significant economic cost, such that the cost to GDP was estimated to be \$45.3 billion in 2017.⁴ Work that the Victoria Institute of Strategic Economic Studies (VISES) undertook for the APEC Business Advisory Committee and the US Chamber of Commerce estimated the economic cost of early retirement due to ill health (that is, retired early from age 50-64 due to ill health) averaged 2.4 per cent of GDP for a cross section of eighteen countries in 2015.⁴ In addition, the cost to an individual who is forced to retire early is as much as \$142,100 in lost superannuation.⁴ This high economic cost is due to:

- Population ageing
- A high prevalence of non-communicable diseases (NCDs), particularly for older age groups
- An increase in highly prevalent risk factors for the future incidence of NCDs. Taken together, these factors impose heavy costs on businesses, governments and individuals.

With respect to mental health, around 97,000 people who enter early retirement due to ill health have a psychological/psychiatric condition.⁴ If the annual total healthcare cost is assumed to be \$907 — the average cost for those with a high prevalence mental disorder⁵ — the cost of treating those retiring early due to psychological or psychiatric conditions would be around \$87,639,782. If potentially early retirees with psychological or psychiatric conditions were targeted early, the number of people retiring early could be reduced by 19,325 and the cost could be reduced by around 20 per cent (that is, by around \$16,329,794). The annual economic benefit (increased GDP) of such a reduction is about \$2.7 billion together with a reduction in superannuation balance lost of \$1.3 billion.⁴

The social and economic benefits of investment in medicines

Recent years have seen the introduction of new classes of medicines to treat and control a wide range of illnesses, enabling people with these conditions to experience greater workforce participation. Whilst some public programs have been effective in reducing the impact of certain health conditions on the propensity to retire early, other conditions such as psychiatric/psychological conditions remain difficult to treat and in need of further investment, such as in medicines, to increase the valuable participation in the labour force of those over 50. Indeed, research has shown that effective health programs including medicines can reduce the costs of early retirement due to ill health by up to 20 per cent.⁴ This is significant as early retirement due to ill health cost almost 4.5 times government expenditure on the Pharmaceutical Benefits Scheme in 2016-2017.⁴ In addition, the adoption of antidepressant medication in line with the principles of quality use of medicines (QUM) coupled with cognitive behavioural therapy has been shown to generate cost benefit ratios of four and more.⁶

The role of the Pharmaceutical Benefits Advisory Committee (PBAC) is to recommend new medicines for listing on the PBS. When recommending a medicine for listing, the PBAC takes into account the medical conditions for which the medicine was registered for use in Australia, its clinical effectiveness, safety and cost-effectiveness compared with other treatments. It should be noted that societal benefits like productivity gains and improved carer quality of life are not systematically captured in PBAC assessments. This means that the assessed value is often an underestimate, and if these benefits were added, the cost-effectiveness of listing the medicine would be more favourable. For example, when a patient receives an appropriate and cost-effective medicine, he or she may return to work sooner and avoid making claims in the welfare system for unemployment support.⁷ This means that government will gain taxation revenue while also minimising expenditure in welfare benefits.



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Individuals with mental health conditions sometimes need to change medication for various reasons. With respect to mental health, there is a need for patients to have access to the best treatment options for their individual circumstances that are affordable and easily accessible. This can be achieved by the PBAC recognising incremental innovation in medicines. Innovation usually occurs incrementally, where improvements in compounds build incrementally on previous compounds in the same therapeutic area. New products can offer significant advances in terms of improved efficacy, fewer adverse side effects, greater patient satisfaction, better compliance and sometimes even increased cost-effectiveness.⁸ For example; a new product may offer a different formulation which requires a reduced number of injections, therefore providing savings in transportation costs, carers' time, and missed time from the workforce.

Medicines Australia is happy to discuss or provide further comment on any aspect of our response and we appreciate being kept up to date on further developments.

Please contact Betsy Anderson-Smith if you would like further clarification on any aspect of our submission (banderson-smith@medaus.com.au).

Yours sincerely

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