

25 July 2025

Budget Policy Division

Treasury

Langton Cres

Parkes ACT 2600

Via email: [PreBudgetSubmissions@treasury.gov.au](mailto:PreBudgetSubmissions@treasury.gov.au)

Dear Budget Policy Division,

**Re: Essential reform ideas for consideration at Treasury's forthcoming Economic Roundtable**

Medicines Australia welcomes the opportunity to make a submission to the Economic Roundtable. We understand Treasury has considered our submissions to Productivity Commission's 5 pillars enquiry and recommend Treasury consider **five** key reform options at the Roundtable.

**#1: Implement HTA reforms to boost Australia's productivity (GDP per unit of input)**

Medicines Australia understands Treasury's economic roundtable will focus on productivity, measured with GDP. There is an opportunity to recognise the contribution of good health to productivity, and to prioritise implementation of a package of reforms that will drive this, via better access to innovative, health-supporting medicines. The PBS is a cornerstone of Australia's health system and has been providing Australians subsidised access to medicines for more than 75 years. Currently, there is an average [466 day delay](#) between when a new medicine is deemed safe and effective by the Therapeutic Goods Administration to when it is made available to Australians on the Pharmaceutical Benefits Scheme (PBS). This access gap is well above the [OECD average](#). Medicines Australia's vision is that Australia is a country where new medicines are launched early, and that all Australians have access to the latest medical technologies within 60 days of TGA registration.

Reduced access to innovative medicines reduces our productivity directly, via reduced access to opportunities. For example, [COPS and Biointelect](#) estimate the economy would have been \$181 billion smaller between March Quarter 2021 and June Quarter 2023, had the COVID vaccine not been rolled out.

Reduced access to innovative medicines also reduces resources available for economic use.

1. [McKell Institute](#) estimates early retirement due to poor health reduces Australia's economy by 2.5 per cent (\$65 billion based the 2024 economy) and finds: "effective health programs including medicines can reduce the cost of early retirement by up to 20 per cent".
2. [Lichtenberg](#) of Columbia University estimates that had the availability of new PBS medicines not increased between 1994 and 2011, hospital expenditure would have been \$6 billion per year higher in 2019 (\$7.4 billion in 2025 dollars). This additional public cost would have reduced GDP via the disincentives implicit in the taxation required to pay for it.

In seminal work on Human Capital theory for which he won the Nobel Prize, Gary Becker argued that long-term advances in health incentivise individuals to invest in their own productivity, because their healthier, longer lives mean they have more time to enjoy the fruits of this investment. He argued: "*The major secular decline in [mortality and morbidity] rates in the United States and elsewhere probably*

*increases rates of return to investment in Human Capital, thereby encouraging such investment (Becker, Human Capital, pg. 86). Innovative medicines have made a substantial contribution to reductions in mortality and morbidity rates: [Lichtenberg](#) finds the increase in medicines available on the PBS from 1996 to 2013 reduced years of life lost due to premature death before age 85 by 21 per cent.*

The [Health Technology Assessment \(HTA\) review](#) recommends a package of reform that will deliver Australian citizens faster, more equitable access to a wider pool of innovative medicines. Prioritisation of these reforms by Government will deliver productivity benefits broader than just direct health outcomes.

## **#2: Implement HTA reforms to boost a much richer form of productivity**

Measured GDP excludes many things that are valuable to Australians, especially the quality of the environment, and the value of good health (in-and-of-itself). This is why [Productivity Commission](#) recently re-measured productivity (output per input) in healthcare, where “output” is “quality of health”. It found that “quality of health” is growing relative to healthcare costs by around 3 per cent per year, much faster than productivity in the private economy (0.8 per cent per year). The Commission concluded “*more timely approval processes for pharmaceuticals and other medical technologies would help ensure that the diffusion of new treatments remains a positive contributor to productivity growth.*” The HTA reforms are designed to deliver on this call by the Productivity Commission.

## **#3: Implement HTA by rebalancing Australia’s health strategy towards effective prevention**

The Round Table is an opportunity to rebalance Australia’s Health strategy towards prevention, via increased use of innovation medicines. In [vaccines](#), such a switch could generate a benefit-cost ratio of 3.5. This switch may be inevitable. Modelling in Treasury’s 2023 [Intergenerational Report](#) calls for real expenditure on hospitals to grow by around 60 per cent from 2022-23 to 2023-34, while [JSA](#) projections (informed by Treasury) point to employment growth in hospitals of around 30 per cent over the same period. This potential mismatch between labour supply and the demands of our ageing population mean it is critical to re-think the way to meet the growing demand for health.

## **#4: Implement HTA and NOSS to boost productivity in the industry**

The HTA reform package, if delivered, will improve productivity in the pharmaceutical industry, as it will streamline processes and reduce unnecessary red tape, without lowering standards. As committed to in the [budget](#), government should also prioritise the National One Stop Shop (NOSS) for clinical trials. The NOSS is a digital platform designed to streamline approval and reporting processes for human research across Australia. The NOSS will underpin improved productivity in the clinical trials sector, encouraging greater investment (including creating more jobs in health and research) enhancing the skills and capabilities of the Australian healthcare and research sector and encouraging the development of new medicines, vaccines, medical devices, and diagnostics.

Yours Sincerely

Elizabeth de Somer

CEO, Medicines Australia